REA VIPINGO PLANTATIONS LIMITED

Unaudited Condensed Consolidated Financial Statements
For the six months ended 31 March 2011

REA Vipingo Plantations Limited
P.O. Box 17648, Nairobi 00500
Telephone: 6007091, Fax: 6007116
Website: www.reavipingo.com

Chairman's statement

The year has, I am pleased to say, started well for the group. During the six months to March we have experienced a better than normal leaf position which has resulted in the production of high volumes of good quality sisal on virtually all of our estates.

Volumes have been particularly high at Dwa, our largest estate, where we have also been able to produce a good quantity of high grade fibre. Vipingo, and our Tanzanian estates, have also produced well during the period despite disappointing rains.

The sisal fibre market continued to improve during the period and is today at a very satisfactory level. The group is well sold and the benefits of the better prices are evident in the financial results.

Whilst fibre prices and exchange rates have improved, we are now incurring materially higher operating costs as a result of the huge increase in the cost of fuel. The increased cost of fuel has also had an impact upon our power costs as, in Kenya, the cost of power is affected to a significant degree by oil prices. In Tanzania there has been a large increase in power costs but, perhaps of more significance, is the power rationing which has meant that our estates are having to use standby diesel generators on an almost continuous basis.

The Tanga spinning mill has been very busy throughout the first six months but, with increased fibre and operating costs, margins have been materially eroded.

The rains this season have, so far, been very disappointing, particularly in Kenya, and we have some concerns that if we do not have some late rain, we may have to scale back operations on both of the Kenya estates during the latter part of the financial period. Any reduction in production will clearly have an impact on both volumes and quality with a resultant reduction in income.

If Kenya does receive some late or unseasonal rainfall, and operating expenses can be contained, the improved fibre prices that we are seeing should enable us to have a satisfactory second half year.

OLIVER FOWLER
CHAIRMAN

Condensed consolidated statement of comprehensive income

	Notes	Six months ended 31 March 2011 Shs'000	2010 Shs'000
Revenue	4	974,725	660,385
Gain/(loss) arising from changes in fair value of biological assets		38,508	(14,027)
Cost of sales		(513,161)	(437,212)
Gross Profit		500,072	209,146
Interest income		9	527
Other operating income		8,196	5,588
Distribution costs		(40,661)	(34,657)
Administrative expenses		(224,080)	(177,695)
Other operating expenses		(453)	(692)
Finance costs	5	(14,444)	(9,073)
Foreign exchange losses		(944)	(132)
Profit/(loss) before tax		227,695	(6,988)
Tax		(74,293)	(766)
Profit/(loss) for the period		153,402	(7,754)
Comprising:			
Profit arising from operating activities		126,446	2,065
Gain/(loss) arising from changes in fair value of biological assets		26,956	(9,819)
		153,402	(7,754)
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		11,547	(345)
Total comprehensive income/(loss) for the period		164,949	(8,099)
Earnings/(loss) per share - basic and diluted	7	Shs 2.56	Shs (0.13)

Condensed consolidated statement of financial position

	Notes	31 March 2011 Shs'000	30 September 2010 Shs'000	31 March 2010 Shs'000
ASSETS				
Non-current assets				
Property, plant and equipment	8	465,060	418,136	344,405
Biological assets	9	461,430	417,449	387,037
Prepaid operating lease rentals		214,866	215,469	139,308
Investment in unquoted shares		15,251	15,251	15,251
Deferred tax assets		35,858	54,220	49,532
		1,192,465	1,120,525	935,533
Current assets				
Inventories		417,091	322,998	285,778
Receivables and prepayments		253,440	225,013	195,028
Tax recoverable		4,922	22,380	10,776
Cash and cash equivalents		20,588	16,100	15,116
		696,041	586,491	506,698
Total assets		1,888,506	1,707,016	1,442,231
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		300,000	300,000	300,000
Share premium		84,496	84,496	84,496
Translation deficit		(102,973)	(114,520)	(91,159)
Retained earnings		824,525	719,123	644,014
Shareholders' funds		1,106,048	989,099	937,351
Non-current liabilities				
Borrowings	10	33,325	33,984	40,045
Deferred tax liabilities		155,137	141,030	117,374
Post employment benefit obligations		82,016	77,781	65,962
Other liabilities		29,047	28,273	-
		299,525	281,068	223,381
Current liabilities				
Payables and accrued expenses		126,871	145,600	111,488
Tax payable		22,735	-	7,008
Borrowings	10	256,280	262,976	133,003
Dividend payable	6	48,000	-	30,000
Other liabilities		29,047	28,273	-
		482,933	436,849	281,499
Total equity and liabilities		1,888,506	1,707,016	1,442,231

Condensed consolidated statement of changes in equity

	Share capital Shs'000	Share premium Shs'000	Translation deficit Shs'000	Retained earnings: Biological assets fair value Shs'000	Retained earnings: Other Shs'000	Retained earnings: Total Shs'000	Total Shs'000
Balance at 1 October 2009	300,000	84,496	(90,814)	151,090	530,678	681,768	975,450
Other comprehensive loss for the period	-	-	(345)	-	-	-	(345)
(Loss)/profit for the period	-	-	-	(9,819)	2,065	(7,754)	(7,754)
Dividend for 2009	-	-	-		(30,000)	(30,000)	(30,000)
Balance at 31 March 2010	300,000	84,496	(91,159)	141,271	502,743	644,014	937,351
Balance at 1 October 2010	300,000	84,496	(114,520)	153,067	566,056	719,123	989,099
Other comprehensive income for the period	-	-	11,547	-	-	-	11,547
Profit for the period	-	-	-	26,956	126,446	153,402	153,402
Dividend for 2010	-	-	-	-	(48,000)	(48,000)	(48,000)
Balance at 31 March 2011	300,000	84,496	(102,973)	180,023	644,502	824,525	1,106,048

The translation deficit represents the cumulative position of translation gains and losses arising from the conversion of the net assets of the foreign subsidiary companies, and also the long term loan to a subsidiary company, to the reporting currency.

Condensed consolidated statement of cash flows

	Six months ended 31 March	
	2011	**2010**
	Shs'000	**Shs'000**
Cash generated from operations	101,272	8,176
Interest received	9	527
Interest paid	(14,444)	(9,073)
Tax paid	(3,574)	(5,716)
Net cash generated from/(used in) operating activities	83,263	(6,086)
Cash flows from investing activities		
Purchase of property, plant and equipment	(73,535)	(53,843)
Proceeds from disposals of property, plant and equipment	4,047	2,717
Net cash used in investing activities	(69,488)	(51,126)
Cash flows from financing activities		
Proceeds from long-term borrowings	82,316	43,504
Repayment of long-term borrowings	(21,288)	(14,772)
Repayment of short term borrowings	(65,325)	-
Net cash (used in)/generated from financing activities	(4,297)	28,732
Increase/(decrease) in cash and cash equivalents	9,478	(28,480)
Movement in cash and cash equivalents		
At start of interim period	(144,730)	(54,291)
Increase/(decrease)	9,478	(28,480)
Effects of exchange rate changes	(451)	(40)
At end of interim period	(135,703)	(82,811)

Notes to the consolidated condensed financial statements

1 General information

REA Vipingo Plantations Limited (the company) is incorporated in Kenya under the Kenya Companies Act as a limited liability public company and is domiciled in Kenya. The address of the registered office is:

1st Floor, Block D
Wilson Business Park
P.O. Box 17648-00500
Nairobi
Kenya

The company is engaged in the cultivation of sisal and the production of sisal fibre and also acts as a holding company.

The subsidiary companies, which are wholly owned and unquoted and whose results for the period are included in these condensed consolidated financial statements are:

Company	**Country of incorporation**	**Principal activity**
Amboni Plantations Limited	Tanzania	Cultivation of sisal and sale of sisal fibre
Amboni Spinning Mill Limited	Tanzania	Manufacture and sale of sisal twine and yarn
Dwa Estate Limited	Kenya	Cultivation of sisal and sale of sisal fibre; cultivation and sale of agricultural produce.
Wigglesworth Exporters Limited	Kenya	Export of sisal fibre
Vipingo Estate Limited	Kenya	Property holding

2 Basis of preparation

The condensed financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

Notes to the consolidated condensed financial statements (continued)

3. Significant accounting policies

The condensed financial statements have been prepared under the historical cost convention except where otherwise stated.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the annual financial statements for the year ended 30th September 2010.

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 2011 is 30% (the estimated tax rate used for the first half year of 2010 was 30%).

The interim financial statements should be read in conjunction with the 2010 annual financial statements.

4 Segment information

	Agriculture	**Spinning and Services**	**Total**
	Shs'000	**Shs'000**	**Shs'000**
Six months ended 31 March 2011			
Total sales	856,909	190,694	1,047,603
Inter-segment sales	(64,835)	(8,043)	(72,878)
Sales revenue	792,074	182,651	974,725
Profit/(loss) before tax	232,970	(5,275)	227,695
Six months ended 31 March 2010			
Total sales	530,887	158,867	689,754
Inter-segment sales	(25,373)	(3,996)	(29,369)
Sales revenue	505,514	154,871	660,385
(Loss)/profit before tax	(21,050)	14,062	(6,988)

Notes to the consolidated condensed financial statements (continued)

5 Finance costs

	Six months ended 31 March	
	2011	**2010**
	Shs'000	**Shs'000**
Interest expense	14,444	9,073

6 Dividend

A final dividend in respect of the year ended 30 September 2010 of shs 0.80 per share amounting to Shs 48,000,000 was approved at the Annual General Meeting held on 25 March 2011.

No dividend is proposed in respect of the half year to 31 March 2011 (2010:nil).

7 Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the period by the weighted average number of ordinary shares in issue during the period (2011 and 2010:60,000,000).

There were no potentially dilutive shares outstanding at 31 March 2011 or 31 March 2010.

8 Capital expenditure and commitments

	Property, plant and equipment Shs'000
Six months ended 31 March 2011	
Net book amount at start of period	418,136
Additions	77,018
Disposals at net book amount	(383)
Re-allocation	(3,484)
Translation adjustment	5,582
Depreciation for the period	(31,809)
Net book amount at end of period	465,060
Capital commitments at 31 March 2011	Nil

Notes to the consolidated condensed financial statements (continued)

		At 31 March 2011 Shs'000		
9	**Biological assets**	**Sisal plants and nurseries**	**Horticultural crops**	**Total**
	Six months ended 31 March 2011			
	Carrying amount at start of period			
	Immature crops	97,285	871	98,156
	Mature crops	317,642	1,651	319,293
	Total	414,927	2,522	417,449
	(Loss)/gain arising from changes in fair value attributable to physical changes	(88,564)	22	(88,542)
	Gain arising from changes in fair value attributable to price changes	55,295	-	55,295
	Gain arising from changes in fair value attributable to changes in exchange rate	71,755	-	71,755
	Net fair value gain	38,486	22	38,508
	Translation adjustment	5,473	-	5,473
	Carrying amount at end of period	458,886	2,544	461,430
	Immature crops	165,122	1,030	166,152
	Mature crops	293,764	1,514	295,278
	Total	458,886	2,544	461,430

The assumptions made in determining the fair value of biological assets remain unchanged from those made in respect of the year to 30th September 2010.

Notes to the consolidated condensed financial statements (continued)

		At 31 March 2011 Shs'000
10	**Borrowings**	
	Total borrowings	289,605
	Less: current portion	256,280
	Non-current portion	33,325
	Non-current	
	Bank borrowings	33,325
	Current	
	Bank overdrafts	156,291
	Bank borrowings	99,989
		256,280
	Total borrowings	289,605

11 Issued Capital

Issued capital at the end of the period was Ksh 60,000,000. There were no movements in the issued capital of the company in either the current or the prior interim reporting periods.

12 Related party transactions

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

13 Approval of interim statements

The interim financial statements were approved by the board of directors on 27 May 2011.