

REA VIPINGO PLANTATIONS LIMITED

**Unaudited Condensed Consolidated Financial Statements
For the six months ended 31 March 2008**

REA Vipingo Plantations Limited
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Chairman's statement

Sisal fibre production during the first half of the financial year was almost 12% below budget largely as a result of lower than expected production at Vipingo Estate which experienced poor rainfall towards the end of last year. Although neither of the Kenyan Estates was directly affected by any of the post election problems, the high number of public holidays in December, and some transport difficulties experienced by some staff when returning to work after the extended break over the New Year period, did contribute to lower volumes in December and January.

The Tanga Spinning Mill has produced almost exactly to budget in volume terms during the first half year and, although margins remain tight, is trading profitably.

The continued strength of the Kenya Shilling against the US dollar has, to a very large degree, negated the improved dollar prices for sisal fibre achieved during the period under review. Operating costs, particularly with respect to fuel, electricity and fertilizer, have increased, and continue to rise.

Despite lower fibre volumes, the strong Kenya Shilling and higher than expected operating costs, the Company has had a satisfactory half year with profit before tax of shs 91.23 million, some shs 9 million lower than for the corresponding period last year. Turnover increased by shs 20.45 million to shs 619.89 million.

I am pleased to report that the current rains have so far been satisfactory on all estates and, as a result, fibre volumes are expected to improve during the second half of the year. Sisal fibre prices continue to be firm. Looking forward, there are a number of factors which may have an adverse effect on the Company but their overall impact is uncertain at this time. These include the potential for a softening of fibre prices as a result of any slow down in the global economy, the continued strength of the Kenya Shilling and the financial implications of the newly introduced Kenyan labour laws.

OLIVER FOWLER
Chairman

Condensed consolidated profit and loss account

	Notes	Six months ended 31 March	
		2008 Shs'000	2007 Shs'000
Turnover	2	619,887	599,441
Fair value of sisal leaf harvested		192,309	199,836
Sisal leaf processing income		239,625	209,231
Gain arising from changes in fair value of biological assets		45,712	38,190
Income from sisal cultivation	3	477,646	447,257
Income from manufacture and services		142,241	143,330
Operating income		619,887	590,587
Cost of sales		(323,296)	(314,726)
Gross Profit		296,591	275,861
Other operating income		3,121	1,952
Distribution costs		(26,711)	(26,876)
Administrative expenses		(160,441)	(134,842)
Other operating expenses		(176)	(636)
Operating profit		112,384	115,459
Finance costs - net	4	(21,155)	(15,236)
Profit before tax		91,229	100,223
Tax		(29,122)	(29,818)
Profit for the period		62,107	70,405
Comprising:			
Profit arising from operating activities		30,109	43,672
Profit arising from changes in fair value of biological assets		31,998	26,733
		62,107	70,405
Earnings per share - basic and diluted	6	Shs 1.04	Shs 1.17

Condensed consolidated balance sheet

	Notes	31 March 2008 Shs'000	30 September 2007 Shs'000	31 March 2007 Shs'000
ASSETS				
Non-current assets				
Property, plant and equipment	7	319,326	297,561	300,874
Biological assets	8	331,411	293,527	322,768
Prepaid operating lease rentals		101,982	102,057	102,125
Deferred tax assets		10,450	762	1,101
		<u>763,169</u>	<u>693,907</u>	<u>726,868</u>
Current assets				
Inventories		239,241	249,437	214,884
Receivables and prepayments		183,294	208,657	198,541
Tax recoverable		5,433	7,320	8,701
Cash and cash equivalents		6,706	7,264	7,235
		<u>434,674</u>	<u>472,678</u>	<u>429,361</u>
Total assets		<u>1,197,843</u>	<u>1,166,585</u>	<u>1,156,229</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		(113,848)	(99,997)	(94,795)
Revenue reserve		438,773	424,666	379,769
Shareholders' funds		<u>709,421</u>	<u>709,165</u>	<u>669,470</u>
Non-current liabilities				
Borrowings	9	10,580	14,990	22,012
Deferred tax liabilities		95,650	91,139	102,597
Provisions for liabilities and charges		59,394	53,897	44,368
		<u>165,624</u>	<u>160,026</u>	<u>168,977</u>
Current liabilities				
Payables and accrued expenses		89,807	101,698	91,754
Tax payable		16,065	4,202	6,525
Borrowings	9	168,926	191,494	171,503
Dividend payable	5	48,000	-	48,000
		<u>322,798</u>	<u>297,394</u>	<u>317,782</u>
Total equity and liabilities		<u>1,197,843</u>	<u>1,166,585</u>	<u>1,156,229</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 2006	300,000	84,496	(89,488)	68,680	288,684	357,364	652,372
Foreign exchange translation	-	-	(5,307)	-	-	-	(5,307)
Net profit	-	-	-	26,733	43,672	70,405	70,405
Dividend for 2006	-	-	-	-	(48,000)	(48,000)	(48,000)
Balance at 31 March 2007	300,000	84,496	(94,795)	95,413	284,356	379,769	669,470
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

Condensed consolidated cash flow statement

	Six months ended 31 March	
	2008	2007
	Shs'000	Shs'000
Net cash generated from operating activities	71,861	26,896
Investing activities		
Purchase of property, plant and equipment	(50,719)	(32,300)
Proceeds from disposals of property, plant and equipment	2,206	734
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Net cash used in investing activities	(48,513)	(31,566)
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Financing activities		
Proceeds from long-term borrowings	8,727	9,414
Repayment of long-term borrowings	(27,321)	(24,924)
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Net cash used in financing activities	(18,594)	(15,510)
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Increase/(decrease) in cash and cash equivalents	4,754	(20,180)
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Movement in cash and cash equivalents		
At start of interim period	(146,318)	(96,227)
Increase/(decrease)	4,754	(20,180)
Effects of exchange rate changes	3,056	1,152
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At end of interim period	(138,508)	(115,255)
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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 2007.

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 2008 is 30% (the estimated tax rate used for the first half year of 2007 was 30%).

The interim financial statements should be read in conjunction with the 2007 annual financial statements.

2 Segment information

	Sisal Shs'000	Spinning and Services Shs'000	Total Shs'000
Six months ended 31 March 2008			
Sales revenue	477,646	142,241	619,887
Operating profit	105,990	6,394	112,384
Six months ended 31 March 2007			
Sales revenue	456,111	143,330	599,441
Operating profit	107,992	7,467	115,459

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

	Six months ended 31 March	
	2008 Shs'000	2007 Shs'000
Revenue from sale of sisal fibre	506,524	456,110
Fair value adjustment of biological assets	45,712	38,190
Net increase in actual costs of biological assets	(52,579)	(47,244)
Net (decrease)/increase in sisal fibre stocks at fair value	(22,011)	201
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Operating income in respect of sisal cultivation	477,646	447,257
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Notes to the consolidated interim condensed financial statements (continued)

4 Finance costs – net

	Six months ended 31 March	
	2008	2007
	Shs'000	Shs'000
Interest income	(11)	(11)
Interest expense	10,956	10,257
Net foreign exchange losses	10,210	4,990
	21,155	15,236
	21,155	15,236

5 Dividend

A final dividend in respect of the year ended 30 September 2007 of shs 0.80 per share amounting to Shs 48,000,000 was approved at the Annual General Meeting held on 14 March 2008.

No dividend is proposed in respect of the half year to 31 March 2008 (2007: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 (2008 and 2007:60,000,000).

There were no potentially dilutive shares outstanding at 31 March 2008 or 31 March 2007.

7 Capital expenditure and commitments

	Property, plant and equipment Shs'000
Six months ended 31 March 2008	
Net book amount at start of period	297,561
Additions	50,719
Disposals	(101)
Translation adjustment	(4,010)
Depreciation	(24,843)
	319,326
Net book amount at end of period	319,326
Capital commitments at 31 March 2008	2,769

Notes to the consolidated interim condensed financial statements (continued)

	At 31 March 2008 Shs'000
8 Biological assets	
Sisal plants and nurseries	
Six months ended 31 March 2008	
Carrying amount at start of period	293,527
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(Loss) arising from changes in fair value attributable to physical changes	(3,965)
Gain arising from changes in fair value attributable to price changes of sisal fibre	112,867
(Loss) arising from changes in fair value attributable to changes in exchange rate	(63,190)
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Net fair value gain	45,712
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Translation adjustment	(7,828)
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Carrying amount at end of period	331,411
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9 Borrowings	
Total borrowings	179,506
Less: current portion	(168,926)
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Non-current portion	10,580
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Non-current	
Bank borrowings	10,580
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Current	
Bank overdrafts	145,214
Bank borrowings	23,712
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	168,926
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Total borrowings	179,506
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10 Related party transactions

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