REA VIPINGO PLANTATIONS LIMITED

Unaudited Condensed Consolidated Financial Statements
For the six months ended 31 March 2010

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Chairman's statement

The first half of the year has presented a number of challenges largely as a result of the severe drought that affected most of East Africa in 2009. This had an adverse impact on production volumes and quality at our Dwa and Tanzanian estates where leaf harvesting had to be restricted for several months. As a result, fibre volumes from these estates were low during the first quarter of the current financial period and the grade mix of the fibre that was produced was unfavourable.

Electricity and fuel prices have increased substantially over the past 12 months, particularly in Kenya. This coupled with low fibre volumes and a poor grade mix caused the group to record a loss before tax of shs 6.98 million for the first six months of the financial year after incorporating a loss of shs 14 million arising from the change in fair value of biological assets.

I am pleased to report that fibre production at our largest estate, Dwa, has improved markedly following the recent rains. Vipingo and the Tanzanian estates have also had some rain and Vipingo is expected to produce normally for the remainder of this financial period. However, the rainfall received by the Tanzanian estates has not been anywhere near as great as has been experienced in upcountry areas in Tanzania. As a result, the dam feeding one of our factories at the Mwera estate remains dry. New investment in boreholes has just been completed on this estate and the water situation is now less critical with the result that we expect fibre volumes in Tanzania to improve during the final quarter.

The sisal fibre market has improved since the beginning of 2010 and the group is now very well sold at better prices than we have seen for over a year. The benefits of the improved prices will be evident in the final quarter of the financial period.

The Spinning Mill has been busy throughout the year to date but, with higher fibre prices and the general increase in operating costs, is working on tighter margins.

With higher fibre volumes and a better grade mix now coming through, a slightly stronger dollar and more favourable prices, we expect to have a significantly better second half year.

OLIVER FOWLER
Chairman

Condensed consolidated statement of comprehensive income

	Notes	Six months ended 31 March 2010 Shs'000	2009 Shs'000
Turnover	3	660,385	638,043
Fair value of sisal leaf harvested		165,694	250,465
Sisal leaf processing income		272,753	251,866
Loss arising from changes in fair value of biological assets		(14,027)	(14,895)
Income from sisal cultivation	4	424,420	487,436
Income from manufacture and services		154,871	150,607
Income from horticultural crops		11,524	-
Operating income		590,815	638,043
Cost of sales		(381,669)	(330,671)
Gross Profit		209,146	307,372
Interest income		527	9
Other operating income		5,588	7,391
Distribution costs		(34,657)	(28,975)
Administrative expenses		(177,695)	(172,174)
Other operating expenses		(692)	(2,078)
Finance costs	5	(9,073)	(10,562)
Foreign exchange (losses)/gains		(132)	9,105
(Loss)/profit before tax		(6,988)	110,088
Tax		(766)	(31,542)
(Loss)/profit for the period		(7,754)	78,546
Comprising:			
Profit arising from operating activities		2,065	88,973
Loss arising from changes in fair value of biological assets		(9,819)	(10,427)
		(7,754)	78,546
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations		(345)	(8,791)
Total comprehensive (loss)/income for the period		(8,099)	69,755
(Loss)/earnings per share - basic and diluted	7	Shs (0.13)	Shs 1.16

Condensed consolidated statement of financial position

	Notes	31 March 2010 Shs'000	30 September 2009 Shs'000	31 March 2009 Shs'000
ASSETS				
Non-current assets				
Property, plant and equipment	8	344,405	314,933	322,968
Biological assets	9	387,037	401,382	309,488
Prepaid operating lease rentals		139,308	139,382	139,621
Investment in unquoted shares		15,251	15,251	15,251
Deferred tax assets		49,532	40,612	23,723
		935,533	911,560	811,051
Current assets				
Inventories		285,778	280,448	299,856
Receivables and prepayments		195,028	172,205	199,734
Tax recoverable		10,776	18,803	2,138
Cash and cash equivalents		15,116	31,068	66,207
		506,698	502,524	567,935
Total assets		1,442,231	1,414,084	1,378,986
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		300,000	300,000	300,000
Share premium		84,496	84,496	84,496
Translation deficit		(91,159)	(90,814)	(62,940)
Retained earnings		644,014	681,768	611,365
Shareholders' funds		937,351	975,450	932,921
Non-current liabilities				
Borrowings	10	40,045	21,724	29,159
Deferred tax liabilities		117,374	126,780	99,185
Post employment benefit obligations		65,962	65,718	61,853
		223,381	214,222	190,197
Current liabilities				
Payables and accrued expenses		111,488	112,639	96,570
Tax payable		7,008	1,749	31,135
Borrowings	10	133,003	110,024	116,163
Dividend payable	6	30,000	-	12,000
		281,499	224,412	255,868
Total equity and liabilities		1,442,231	1,414,084	1,378,986

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 2008	300,000	84,496	(54,149)	88,775	456,044	544,819	875,166
Exchange differences on translation of foreign operations	-	-	(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
Balance at 1 October 2009	300,000	84,496	(90,814)	151,090	530,678	681,768	975,450
Exchange differences on translation of foreign operations	-	-	(345)	-	-	-	(345)
Net profit/(loss)	-	-	-	(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

Condensed consolidated statement of cash flows

	Six months ended 31 March 2010 Shs'000	2009 Shs'000
Cash generated from operations	8,176	234,922
Interest received	527	9
Interest paid	(9,073)	(10,562)
Tax paid	(5,716)	(21,639)
Net cash (used in)/generated from operating activities	(6,086)	202,730
Cash flows from investing activities		
Purchase of property, plant and equipment	(53,843)	(27,326)
Proceeds from disposals of property, plant and equipment	2,717	3,914
Net cash used in investing activities	(51,126)	(23,412)
Cash flows from financing activities		
Proceeds from long-term borrowings	43,504	12,622
Repayment of long-term borrowings	(14,772)	(15,013)
Repayment of short term borrowings	-	(197,693)
Net cash generated from/(used in) in financing activities	28,732	(200,084)
Decrease in cash and cash equivalents	(28,480)	(20,766)
Movement in cash and cash equivalents		
At start of interim period	(54,291)	(5,378)
Decrease	(28,480)	(20,766)
Effects of exchange rate changes	(40)	3,020
At end of interim period	(82,811)	(23,124)

Notes to the consolidated condensed financial statements

1 Basis of preparation

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

2. 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 2009 except for the impact of the adoption of the Standards described below:

IFRS 8 – Operating segments

IFRS 8 – Operating segments (effective for periods beginning on or after 1 January 2009) replaces IAS 14 – Segment reporting. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of IFRS 8 did not require any change to the reporting segments.

IAS 1 (revised) – Presentation of financial statements

The revised standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised standard has no impact on the reported results or financial position of the group.

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 2010 is 30% (the estimated tax rate used for the first half year of 2009 was 30%).

The interim financial statements should be read in conjunction with the 2009 annual financial statements.

Notes to the consolidated condensed financial statements (continued)

3 Segment information

	Agriculture Shs'000	Spinning and Services Shs'000	Total Shs'000
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)
Six months ended 31 March 2009			
Total sales	526,317	154,414	680,731
Inter-segment sales	(38,881)	(3,807)	(42,688)
Sales revenue	487,436	150,607	638,043
Profit before tax	91,617	18,471	110,088

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

	Six months ended 31 March 2010 Shs'000	2009 Shs'000
Revenue from sale of sisal fibre	493,990	556,474
Fair value adjustment of biological assets	(14,027)	(14,895)
Net increase in actual costs of biological assets	(50,697)	(39,525)
Net decrease in sisal fibre stocks at fair value	(4,846)	(14,618)
Operating income in respect of sisal cultivation	424,420	487,436

Notes to the consolidated condensed financial statements (continued)

5 Finance costs

	Six months ended 31 March	
	2010	**2009**
	Shs'000	**Shs'000**
Interest expense	9,073	10,562

6 Dividend

A final dividend in respect of the year ended 30 September 2009 of shs 0.50 per share amounting to Shs 30,000,000 was approved at the Annual General Meeting held on 26 March 2010.

No dividend is proposed in respect of the half year to 31 March 2010 (2009:nil).

7 (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the period by the weighted average number of ordinary shares in issue during the period (2010 and 2009:60,000,000).

There were no potentially dilutive shares outstanding at 31 March 2010 or 31 March 2009.

8 Capital expenditure and commitments

	Property, plant and equipment Shs'000
Six months ended 31 March 2010	
Net book amount at start of period	314,933
Additions	53,843
Disposals at net book amount	(724)
Translation adjustment	(90)
Depreciation for the period	(23,557)
Net book amount at end of period	344,405
Capital commitments at 31 March 2010	3,610

Notes to the consolidated condensed financial statements (continued)

	At 31 March 2010 Shs'000
9 Biological assets	
Sisal plants and nurseries	
Six months ended 31 March 2010	
Carrying amount at start of period	
Immature sisal	106,941
Mature sisal	294,441
Total	401,382
Gain arising from changes in fair value attributable to physical changes	17,292
Loss arising from changes in fair value attributable to price changes of sisal fibre	(55,255)
Gain arising from changes in fair value attributable to changes in exchange rate	23,936
Net fair value loss	(14,027)
Translation adjustment	(318)
Carrying amount at end of period	387,037
Immature sisal	157,638
Mature sisal	229,399
Total	387,037

The assumptions made in determining the fair value of biological assets remain unchanged from those made in respect of the year to 30th September 2009.

Notes to the consolidated condensed financial statements (continued)

		At 31 March 2010 Shs'000
10	**Borrowings**	
	Total borrowings	173,048
	Less: current portion	(133,003)
	Non-current portion	40,045
	Non-current	
	Bank borrowings	40,045
	Current	
	Bank overdrafts	97,927
	Bank borrowings	35,076
		133,003
	Total borrowings	173,048

11 Related party transactions

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

12 Approval of interim statements

The interim financial statements were approved by the board of directors on 26th May 2010.