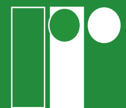
R.E.A. HOLDINGS PLC - HALF YEARLY REPORT

2010



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Summary of results

for the six months ended 30 June 2010

	6 months to 30 June 2010 $'000	6 months to 30 June 2009 $'000	Change %
Sales revenue	50,290	32,441	+ 55
Earnings before interest, tax, depreciation, amortisation and biological gain	24,509	15,908	+ 54
Profit before tax	20,056	13,319	+ 51
Profit for the period	14,213	9,393	+ 51
Profit attributable to ordinary shareholders	12,947	8,271	+ 57
Cash generated by operations (note 14)	14,793	11,902	+ 24
Earnings per ordinary share (diluted)	38.8 cents	24.8 cents	+ 56
Dividend per ordinary share	2.5p	2.0p	+ 25

Chairman's statement

Results

The group profit before tax for the six months to 30 June 2010 was $20,056,000 as compared with the profit before tax for the corresponding period of 2009 of $13,319,000. The increase broadly mirrored the increase in gross profit ($26,971,000 against $20,474,000), itself a result of a significant increase in revenue, partly offset by increased cost of sales and an adverse swing of $3,029,000 in respect of changes in the fair value of agricultural inventory.

The increase in revenue reflected the group's increased production of crude palm oil ("CPO") and crude palm kernel oil ("CPKO") and the increased prices realised for these products as detailed under "Agricultural operations" below. Increased production also contributed to the higher cost of sales but more material reasons for this higher cost were a stronger Indonesian rupiah (with an average rate of Rp 9,182 = $1 for the first six months of 2010 against a comparative average rate of Rp 11,031 = $1), an increased volume of external purchases of oil palm fresh fruit bunches ("FFB") at prices higher than those prevailing in 2009 and the costs of upkeeping formerly immature oil palms reclassified as mature with effect from 1 January 2010 but not yet yielding at a level sufficient to cover costs.

Whilst reported administrative costs for the six months to 30 June 2010 at $4,158,000 were lower than for the comparable period of 2009 ($5,423,000), the difference was largely accounted for by items of a one off nature (principally exchange movements, national insurance liabilities in respect of a directors' option now exercised and recognition of additional pension contributions). Normal recurring administrative expenses were little changed. Increased finance costs reflected the issue by the company of further dollar notes as described under "Financing" below.

Whilst the group's development programme continued to have a positive impact on the revaluation of the group's biological assets, the overall gain on the valuation of those assets at $640,000 (2009: $1,523,000) was modest. An increasing proportion of the group's oil palm plantings is now mature and the fair value of mature oil palm areas, ignoring special factors such as price changes, will naturally decline with time as the projected future crops from such areas reduce in line with their shortening productive life. The estates owned by the company's principal subsidiary, PT REA Kaltim Plantations ("REA Kaltim") were valued in 2009 using a discount rate of 16 per cent while the group's other estates were valued using a discount rate of 19 per cent. With the increasing maturity of the estates owned by the company's subsidiary, PT Sasana Yudha Bhakti ("SYB"), the directors consider that the risks attaching to projection of future crops from those estates are now lower than previously and the directors have therefore reduced the discount rate applied in valuing the SYB estates at 30 June 2010 to 17.5 per cent.

A provision of $5,500,000 relating to tax in respect of a cash flow hedge has been charged to other comprehensive income for the six months to 30 June 2010. This provision relates to tax in respect of cross currency interest rate swaps entered into by the group to hedge, against US dollars, the group's liability in respect of its outstanding 9.5 per cent guaranteed sterling notes 2015/17. The group has been advised that mark to market differences arising on annual revaluations of such swaps should be taken as profits or losses for Indonesian tax purposes as they arise but an Indonesian tax assessment recently received by REA Kaltim has denied the tax relief claimed by REA Kaltim for 2008 in relation to the swaps in question. The group is appealing against this assessment but pending a decision on the appeal, the directors have felt it appropriate to make some provision for the inherent uncertainties of the appeal process. The

disputed Indonesian tax assessment must be settled in full ahead of appeal.

Ordinary dividend

As shareholders will be aware, the group has ambitious plans for continued extension planting of oil palms. These plans will require substantial investment by the group and the need to fund this investment currently constrains the rate at which the directors feel that they can prudently declare, or recommend the payment of, dividends on the ordinary shares of the company.

The directors appreciate that many shareholders invest not only for capital growth but also for income and that therefore the payment of dividends is important. Dividends totalling 3p per ordinary share were paid in respect of 2008 and totalling 4p per ordinary share in respect of 2009. The directors have previously indicated, and retain, their intention that any new level of dividends paid in respect of any given year should, in the normal course, be sustainable in subsequent years.

Although, as discussed below, crops were a little below budget levels for the first half of 2010, they were still ahead of 2009. Moreover CPO prices during 2010 to date have held at levels that are satisfactorily remunerative for the group. Accordingly, the directors believe that the group can support a further increase in the rate of ordinary dividends. On this basis, the directors have declared a first interim dividend in respect of 2010 of 2½p per ordinary share payable on 1 October 2010 to shareholders on the register of members on 10 September 2010. In the absence of unforeseen circumstances, the directors intend to declare a second interim dividend, in lieu of final, in respect of 2010, for payment in January 2011, of a further 2½p per ordinary share, making a total dividend of 5p per ordinary share in respect of the year (2009: 4p).

The directors believe that capitalisation issues of new preference shares, such as were made on several previous occasions, provide a useful mechanism for augmenting returns to ordinary shareholders in periods in which good profits are achieved but demands on cash resources limit the scope for payment of ordinary dividends. Because of the then state of markets for fixed return securities of smaller listed companies and the reduced level of profits achieved in the first half of 2009, the directors did not propose a capitalisation issue of new preference shares during 2009. The directors believe that markets for fixed return securities are now better and with the group again enjoying good prices for its produce, they consider that it is appropriate to provide some additional return to shareholders in respect of 2010 beyond the cash dividends that the directors have declared or intend to declare.

Accordingly, the directors propose that the company should make another capitalisation issue of new preference shares to ordinary shareholders, on this occasion of 1,670,727 new 9 per cent cumulative preference shares on the basis of one new preference share for every 20 ordinary shares held on 20 September 2010. A circular setting out details of the proposed capitalisation issue is being issued to shareholders together with this interim report.

Agricultural operations

FFB harvested during the six months to 30 June 2010 totalled 246,684 tonnes. Although this was comfortably ahead of the crop harvested in the first six months of 2009 of 230,774 tonnes, it was 9 per cent short of the budget for the period of 270,000 tonnes. As the directors have commented previously and as certainly remains the case, the monthly phasing of crops varies from year to year and a shortfall against budget over a few months should not necessarily be taken as indicating that an annual crop budget will not be achieved. However, the

group's July FFB crop again showed a shortfall against budget and with only five months of cropping left in 2010, there has to be some question as to whether the group will now achieve the budgeted FFB crop for 2010 of 561,000 tonnes.

The group did suffer an extended dry period during 2009 and, whilst theoretical calculations showed that average rainfall was adequate to avoid palms suffering moisture stress (which is known to have a subsequent temporary effect on cropping levels), rainfall is not uniform across the group's estates and run-off in hilly areas results in lower moisture absorption than in flat areas. It may therefore be that 2009 rainfall levels have negatively affected recent cropping from parts of the group's estates. Having said this, local management reports excellent bunch formation and believes that FFB crops for the remaining months of 2010 will show a surplus on budget.

Rainfall for the first half of 2010 has been excellent both as to quantum and, for the most part, as to distribution. The total received during the period was 2,236 millimetres (2009: 1,776 millimetres). Post the half year, good levels of rainfall have continued, suggesting that there may be little or no drier period during 2010. This augurs well for 2011 FFB crops.

External purchases of FFB for the six months to 30 June 2010 totalled 8,754 tonnes (2009: 4,840 tonnes). Processing of the externally purchased FFB and the group's own production, together totalling 255,438 tonnes (2009: 235,614 tonnes), produced 61,844 tonnes of CPO (2009: 54,550 tonnes) and 11,618 tonnes of palm kernels (2009: 11,310 tonnes), reflecting extraction rates of 24.21 per cent for CPO (2009: 23.15 per cent) and 4.55 per cent for palm kernels (2009: 4.80 per cent). Production of crude palm kernel oil amounted to 4,598 tonnes (2009: 4,757 tonnes) representing an extraction rate of 40.0 per cent (2009: 41.05 per cent). The improved CPO extraction rate, at above the group's target rate of 24 per cent, reflects a commendable effort by the group's local management to improve harvesting disciplines and has provided some financial offset to the below budget FFB crop.

The CPO price opened 2010 at a little above $800 per tonne, CIF Rotterdam, and broadly remained at that level throughout the first six months of 2010. The average price for that period was $809 as compared with an average for the corresponding period in 2009 of $658. The progressive rates of duty applied to exports of CPO from Indonesia meant that duty of between $20 and $40 per tonne was payable on CPO exports made during the first six months of 2010 while little or no duty was levied on CPO exports during the six months to June 2009.

The pattern of CPO sales of recent years continued into 2010 with a significant proportion of all CPO produced during the six months to 30 June 2010 being sold to refineries in East Malaysia. The balance was sold to the local Indonesian market. The group continues to deliver shipments to East Malaysia in its own time chartered barge and increasing output has recently permitted a switch from a 3,000 tonne to a 4,000 tonne barge. In past years, CPKO has been sold entirely within Indonesia but with local pricing now frequently at a discount to prices available in export markets, the group's CPKO is now being shipped to export buyers. This requires holding greater CPKO stocks than in the past as the minimum economic quantity for export is higher than that for local sale. The average selling price for the group's CPO for the six months to 30 June 2010 on an FOB basis at the port of Samarinda was $711 per tonne (2009: $530 per tonne). The average selling price for the group's CPKO on the same basis was $867 per tonne (2009: $496 per tonne). The group has no outstanding forward sales.

The group's various programmes to improve operational efficiency have been proving their worth. The new

composting system is running smoothly as also are the more mechanised FFB collection and transport arrangements. The investments of 2009 in road maintenance equipment have permitted the group to establish an "in house" road maintenance capability to replace external road maintenance contractors and this is resulting in significant economies.

Expansion of the group's newer oil mill to a capacity of 80 tonnes per hour is now nearing completion and the additional capacity should be available to process the peak crops expected in the closing four months of 2010. Upgrading of the group's older mill is also proceeding as planned although lead times for delivery of new boilers mean that the replacement boiler for this mill will not be installed until 2011.

Agricultural land allocations and development

Work on titling of land allocations continues. An hak guna usaha over a further 9,784 hectares has been obtained but the group has agreed to relinquish 750 hectares of undeveloped land from its existing titled areas for a government smallholder scheme. As a result, the fully titled land areas held by the group currently amount to some 61,000 hectares. A proportion of these areas, and in particular a substantial proportion of the newly titled area, which is held by the company's subsidiary, PT Cipta Davia Mandiri ("CDM"), have been or will be set aside as conservation reserves.

The group retains its oil palm planting target for the two year period to the end of 2011 of 8,000 hectares in total. Achievement of this planting target remains dependent upon land becoming available for development as needed and, in particular, upon the group obtaining clearances in relation to recently introduced Indonesian Ministry of Forestry regulations that are additional to the clearances that were previously required. Of the 8,000 hectares, all necessary clearances have to date been obtained in respect of approximately 1,000 hectares and this area is under active development. Clearances in respect of the balance of the 8,000 hectares are progressing and, provided that these are received on the timetable that has been indicated to the group, the directors consider that the targeted development programme to end 2011 remains realistic.

Coal operations

Whilst it is taking longer than the directors originally hoped to bring the group's new open cast coal mining operations into full production, good progress is now being made.

Mining permits for the Kota Bangun concession have been finalised and land compensation has been agreed. A contractor has been appointed, overburden is currently being removed and production is expected in the last quarter of 2010. Enquiries from potential customers support the view that the coal will be easy to market and, provided that coal markets remain around current levels, can be sold at good margins. Further drilling has been commissioned to provide a better idea of the extent to which the inferred reserves of not less than 2 million tonnes can be economically mined.

Regular sales of coal from the Liburdinding concession are now being made through the group's Semarang depot with a current sales level of 3,000 to 4,000 tonnes per month. To increase output, it is clear that the group must establish an export market for the Liburdinding coal and this has to date proved difficult because of the relatively high sulphur content of the coal. The directors aim to resolve this problem in the coming months by blending the coal with low sulphur coal acquired from third parties and then marketing the blended coal. A potential source of coal suitable for blending with the Liburdinding coal and a potential customer for the blended coal have now been identified and it is hoped that a trial shipment can be

made later in 2010. If successful, the group will consider entering into a cooperation agreement with the supplier of the complementary lower sulphur coal with a view to itself mining that coal and paying the supplier an agreed royalty

Whilst the group, in relation to its coal operations, is seeking to position itself primarily as a coal producer rather than as a trader, the group needs to establish a customer base. This can most readily be achieved by initially meeting potential customer demand with purchases of third party coal. To this end, the group has now completed a number of traded coal sales and hopes to establish regular monthly sales to a limited range of customers. Once established, the group will consider entering into long term cooperation agreements to source coal to meet these sales but, in the meanwhile, the trading activity is now making a useful contribution to revenues.

Environmental and social responsibility

During the period to 30 June 2010, the group completed planting out of the first larger scale village cooperative smallholder scheme supported by the group. This has provided certain villages adjacent to the Perdana division of the group's estates with 1,200 hectares of oil palms on a gross area of 1,500 hectares. Development has started on three further cooperative schemes with approaching 1,000 hectares cleared to date and some 200 hectares already planted.

The group is maintaining its community development and its conservation programmes. Under the former, in addition to continuing the self help programmes financially supported by the group, during the period to 30 June 2010 the group provided funding to assist various infrastructural projects in local villages. On the conservation side, a new field station was opened. This will facilitate planned research projects in the group's conservation areas in cooperation with academic institutions.

Work is continuing on the proposed project for capturing methane from mill effluent and utilising the captured methane to generate electric power. Design consultants, working in conjunction with the group's own engineers, have been commissioned to prepare detailed working drawings and a full specification for the required plant. Once available, the group hopes to be able to complete registration of the project under the United Nations Framework Convention on Climate Change and establish the extent of carbon credits available in respect of the project under the Clean Development Mechanism. With this knowledge and a detailed costing of the project that the availability of the full specification will permit, the group will be in a position to take a decision as to whether to proceed with the project. If it does proceed, it is expected that eventually each oil mill would have its own methane capture plant but that the first such plant would be constructed at the group's newer oil mill.

ISO 14001 certification has now been obtained for all the operations of REA Kaltim. It is expected that ISO 14001 certification for further group estates will be obtained within the next twelve months. Audits (to be conducted by approved independent certifiers) in connection with the group's application for Roundtable on Sustainable Palm Oil accreditation are due to start shortly.

In the coal operations, the group is continuing to put in place procedures to establish and maintain appropriate health and safety and environmental standards.

Financing

The group continues to be financed by a combination of debt and equity (comprising ordinary and preference share capital). Total equity including minority interests at 30 June 2010 amounted to $202.9 million against US$194.7 million at 31 December 2009.

840,689 new ordinary shares of the company were issued on 1 February 2010 at a price 43.753p per share

on exercise of a director's option. Also in February, with the object of funding its new coal operations, the company issued an additional $15 million nominal of 7.5 per cent dollar notes 2012/14 at $90 per $100 nominal of notes in conjunction with an issue by KCC Resources Limited ("KCC") (a wholly owned subsidiary of the company) of 150,000 redeemable participating preference shares of $10 each at par. The monies raised by the issues of the additional dollar notes and KCC preference shares amounted to $15 million before issue expenses.

Reflecting the issue of the additional dollar notes, group indebtedness and related engagements at 30 June 2010 totalled $118.3 million against $104.6 million at 31 December 2009. The total at 30 June 2010 comprised dollar denominated bank indebtedness under an Indonesian consortium loan facility of $9.5 million, £37 million nominal of 9.5 per cent guaranteed sterling notes 2015/17 issued by REA Finance B.V. and guaranteed by the company (carrying value: $52.7 million), $11.5 million in respect of the hedge of the principal amount of the sterling notes, $45 million nominal of 7.5 per cent dollar notes 2012/14 issued by the company (carrying value: $43.1 million) and other indebtedness of $1.5 million. Against this indebtedness, the group held cash and cash equivalents of $21.6 million (31 December 2009: $22.1 million).

Proposals for a reorganisation of the security for the sterling notes were submitted to holders of those notes on 12 August 2010. Changes to Indonesian tax regulations effective from the beginning of 2010 have meant that Indonesian withholding tax on interest payments (which totalled $8.9 million in 2009) on intra-group loans to certain Indonesian subsidiaries of the company, being loans that form part of the assets charged as security for the sterling notes, which was formerly payable at the rate of 10 per cent must now be paid at the rate of 20 per cent. The proposals, if approved, should result in the rate reverting to 10 per cent.

Provided that the CPO price remains at or near recent levels and that the coal operations develop as currently foreseen, the directors expect that the group's planned capital expenditure for 2010 and 2011, and in particular the planned development of a further 8,000 hectares of oil palms, can largely be funded from internally generated cash flow and the group's existing cash and cash equivalents. Given the volatility of commodity markets, the directors cannot rely on CPO prices remaining at reasonable levels and, whilst the expansion programme can, in extremity, be rapidly scaled back to align with available cash, once areas have been planted with oil palms, some or all of the benefits of investment thereby made will be lost if the areas are not maintained and the milling capacity needed to process the resultant FFB is not installed.

Accordingly, the directors believe that it is essential that the group holds some cash cushion to meet possible calls for additional cash to fund the oil palm expansion programme. To this end, the group has recently reached agreement with PT DBS Bank Indonesia for the provision by that bank to SYB of a development loan facility of Rp 350 billion ($38.5 million) available for drawing over a four year period to meet development expenditure by SYB and then repayable over the immediately following four year period. In addition, the group has working capital lines of $5.75 million for its agricultural operation and $3 million for its coal operations, both of which are subject to annual renewal.

The directors believe that the current level of the group's prior charge capital (comprising its borrowings and related engagements and preference share capital) is appropriate for the group at its present stage of development and, apart from possible drawings under the available loan and overdraft facilities to meet short term working capital requirements and cash shortfalls caused by a downturn in CPO prices, do not plan to increase the level of the group's borrowings in the immediate future.

Action will, however, be required in due course to refinance maturing existing indebtedness and, in particular, to meet the substantial annual repayments to bondholders falling due from 31 December 2012 onwards. As an initial step in this direction, the directors are planning that over a period from October 2010 onwards, the company should issue for cash, in one or more tranches and to the extent that markets permit, up to 9 million new preference shares and should use the proceeds to reduce existing indebtedness.

Prospects

CPO prices have firmed in recent weeks and the price, CIF Rotterdam, currently stands at about $900. The upward movement appears to reflect an expectation that adverse weather conditions will result in lower than previously estimated 2010 oilseed crops in Europe and Canada. It is also the case that previous projections of Indonesian CPO production for 2010 are being scaled back as a number of major producers report below budget crops for the year so far. It may well be that the firmer prices will continue at least until the end of 2010 in which case the group's agricultural operations should report good results for the second half of the year.

Coal prices have recently fallen from their highs following reports of reduced import requirements in China. Current price levels should nevertheless permit the group to achieve satisfactory margins once its mining operations come into full production.

Looking further forward, the directors retain their previously expressed view that commodity markets are inherently cyclical and that high prices are usually followed by lower prices. Moreover, the high levels of rain in Indonesia during 2010 may well lead to significantly increased CPO output in 2011 and this could impact 2011 CPO prices (although the CPO market cannot normally be looked at in isolation from the supply and demand position in the vegetable oil complex as a whole). Having said this, the directors have been interested to note that the recently published OECD FAO Agricultural Outlook 2010-2019 projects that average vegetable oil prices over the next ten years will be more than 40 per cent higher in real terms than their average level over the decade prior to the 2007/08 peak. If correct, the group can look forward to a bright future.

RICHARD M ROBINOW
Chairman
27 August 2010

Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the group as at the date of publication of the company's 2009 annual report were set out in that report, under the heading "Risks and uncertainties", on pages 45 to 50 of the report (a copy of which may be downloaded from the company's website at www.rea.co.uk). In summary, such risks and uncertainties comprised:

- the exposure of the group's agricultural operations to adverse climatic conditions, pests, diseases and potential damage from logistical disruptions;
- the financial dependence of the agricultural operations upon CPO prices and, as respects the planned level of the extension planting programme, the group's ability to make land available for planting and to finance expansion at the rate that the programme will require;
- currency risks inherent in the fact that CPO is essentially a dollar based commodity and that operational costs are incurred partly in other currencies;
- environmental risks stemming from the group's involvement in planting oil palm in a region that elsewhere includes substantial areas of unspoilt rain forest;
- regulatory, country and locality risks that arise from the fact that substantially all of the group's agricultural assets are located in the East Kalimantan province of Indonesia; and
- failure by the group's new coal operations to achieve the anticipated results with a consequent loss of capital invested in those operations.

The directors consider that the principal risks and uncertainties for the second six months of 2010 continue to be those set out in the company's 2009 annual report as summarised above but, as respect currency risk, now believe that, in addition to the risk previously described, the group's hedging strategy may itself give rise to risk as an Indonesian tax assessment recently received by the group claims (contrary to the professional advice obtained by the group) that mark to market losses on the hedge may not be deducted from chargeable profits for Indonesian tax purposes.

Directors’ responsibilities

The directors are responsible for the preparation of this half yearly financial report.

The directors confirm that the accompanying condensed set of financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union and that:

- the “Chairman's statement” and “Risks and uncertainties” sections of this half yearly report include a fair review of the information required by rule 4.2.7 of the Disclosure and Transparency Rules of the Financial Services Authority, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

- note 16 in the notes to the consolidated financial statements includes a fair review of the information required by rule 4.2.8 of the Disclosure and Transparency Rules of the Financial Services Authority, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the group during that period, and any changes in the related party transactions described in the last annual report that could do so.

The current directors of the company are as listed on pages 51and 52 of the company's 2009 annual report.

Approved by the board on 27 August 2010
RICHARD M ROBINOW
Chairman

Consolidated income statement

for the six months ended 30 June 2010

	Note	6 months to 30 June 2010 $'000	6 months to 30 June 2009 $'000	Year to 31 December 2009 $'000
Revenue	2	50,290	32,441	78,885
Net (loss) / gain arising from changes in fair value of agricultural inventory	3	(1,808)	1,221	1,556
Cost of sales		(21,511)	(13,188)	(33,951)
Gross profit		26,971	20,474	46,490
Net gain arising from changes in fair value of biological assets	10	640	1,523	9,765
Other operating income	2	519	21	–
Distribution costs		(674)	(610)	(1,303)
Administrative expenses	5	(4,158)	(5,423)	(7,234)
Operating profit		23,298	15,985	47,718
Investment revenues	2	653	296	827
Finance costs	6	(3,895)	(2,962)	(6,828)
Profit before tax		20,056	13,319	41,717
Tax	7	(5,843)	(3,926)	(11,861)
Profit for the period		14,213	9,393	29,856
Attributable to:				
Ordinary shareholders		12,947	8,271	27,119
Preference shareholders		1,111	1,006	2,219
Minority interests		155	116	518
		14,213	9,393	29,856
Earnings per 25p ordinary share	8			
Basic		38.9 cents	25.4 cents	83.3 cents
Diluted		38.8 cents	24.8 cents	81.4 cents

Consolidated balance sheet

as at 30 June 2010

	Note	30 June 2010 $'000	30 June 2009 $'000	31 December 2009 $'000
Non-current assets				
Goodwill		12,578	12,578	12,578
Biological assets	10	213,049	186,145	204,087
Property, plant and equipment	11	75,793	66,657	72,258
Prepaid operating lease rentals		15,418	13,420	14,117
Indonesian coal interests		14,579	7,637	12,859
Deferred tax assets		5,780	2,779	5,037
Non-current receivables		1,294	1,715	1,276
Total non-current assets		338,491	290,931	322,212
Current assets				
Inventories		15,201	12,273	13,376
Trade and other receivables		17,790	9,669	14,340
Cash and cash equivalents		21,587	21,744	22,050
Total current assets		54,578	43,686	49,766
Total assets		393,069	334,617	371,978
Current liabilities				
Trade and other payables		(10,873)	(10,423)	(13,169)
Current tax liabilities		(8,270)	(136)	(9,016)
Obligations under finance leases		(33)	(57)	(64)
Bank loans		(1,800)	(1,425)	(1,500)
Other loans and payables		(740)	(593)	(412)
Total current liabilities		(21,716)	(12,634)	(24,161)
Non-current liabilities				
Bank loans		(7,669)	(9,469)	(8,719)
Sterling notes		(52,702)	(58,017)	(56,965)
US dollar notes	12	(43,149)	(29,624)	(29,677)
Preference shares issued by a subsidiary	12	(1,500)	–	–
Hedging instruments		(19,310)	(12,531)	(13,609)
Deferred tax liabilities		(40,080)	(34,491)	(39,478)
Obligations under finance leases		–	(36)	–
Other loans and payables		(4,019)	(3,796)	(4,701)
Total non-current liabilities		(168,429)	(147,964)	(153,149)
Total liabilities		(190,145)	(160,598)	(177,310)
Net assets		202,924	174,019	194,668
Equity				
Issued share capital	12	43,517	40,714	43,188
Share premium account	12	27,543	27,322	27,297
Translation reserve		(18,384)	(12,702)	(13,630)
Retained earnings		148,353	117,921	136,499
		201,029	173,255	193,354
Minority interests		1,895	764	1,314
Total equity		202,924	174,019	194,668

Consolidated statement of comprehensive income

for the six months ended 30 June 2010

	Notes	6 months to 30 June 2010 $'000	6 months to 30 June 2009 $'000	Year to 31 December 2009 $'000
Profit for the period		14,213	9,393	29,856
Other comprehensive income				
Exchange differences on translation of foreign operations		5,759	(7,292)	(6,615)
Changes in fair value of cash flow hedges		(5,423)	14,454	12,981
Tax relating to components of other comprehensive income	13	(4,664)	(3,430)	(3,567)
Share based payment - deferred tax (charge) / credit		(49)	–	743
		(4,377)	3,732	3,542
Total comprehensive income for the period		9,836	13,125	33,398
Attributable to:				
Ordinary shareholders		8,144	11,957	30,620
Preference shareholders		1,111	1,006	2,219
Minority interests		581	162	559
		9,836	13,125	33,398

Consolidated statement of changes in equity

for the six months ended 30 June 2010

2010	Share capital $'000	Share premium $'000	Translation reserve $'000	Retained earnings $'000	Sub total $'000	Minority interests $'000	Total equity $'000
At 1 January 2010	43,188	27,297	(13,630)	136,499	193,354	1,314	194,668
Total comprehensive income	–	–	(4,754)	14,009	9,255	581	9,836
Issue of ordinary shares	329	246	–	–	575	–	575
Dividends to preference shareholders	–	–	–	(1,111)	(1,111)	–	(1,111)
Dividends to ordinary shareholders	–	–	–	(1,044)	(1,044)	–	(1,044)
At 30 June 2010	43,517	27,543	(18,384)	148,353	201,029	1,895	202,924

2009	Share capital $'000	Share premium $'000	Translation reserve $'000	Retained earnings $'000	Sub total $'000	Minority interests $'000	Total equity $'000
At 1 January 2009	40,714	27,322	(16,388)	110,383	162,031	580	162,611
Total comprehensive income	–	–	3,686	9,277	12,963	162	13,125
Dividends to preference shareholders	–	–	–	(1,006)	(1,006)	–	(1,006)
Dividends to ordinary shareholders	–	–	–	(733)	(733)	–	(733)
Minority in subsidiary acquired	–	–	–	–	–	22	22
At 30 June 2009	40,714	27,322	(12,702)	117,921	173,255	764	174,019

Consolidated cash flow statement

for the six months ended 30 June 2010

	Note	6 months to 30 June 2010 $'000	6 months to 30 June 2009 $'000	Year to 31 December 2009 $'000
Net cash from operating activities				
Net cash from operating activities	14	3,408	7,249	29,644
Investing activities				
Interest received		653	296	827
Proceeds on disposal of property, plant and equipment		87	–	–
Purchases of property, plant and equipment		(6,690)	(5,347)	(10,382)
Expenditure on biological assets		(7,266)	(4,896)	(16,626)
Expenditure on prepaid operating lease rentals		(1,458)	(227)	(1,303)
Changes in minority interests in subsidiaries		–	22	175
Investment in Indonesian coal rights		(1,720)	(2,251)	(7,473)
Net cash used in investing activities		(16,394)	(12,403)	(34,782)
Financing activities				
Preference dividends paid		(1,111)	(1,006)	(2,219)
Ordinary dividends paid		(1,044)	(733)	(1,746)
Repayment of borrowings		(750)	(13,142)	(13,817)
Repayment of obligations under finance leases		(30)	(29)	(54)
Issue of new ordinary shares on exercise of options		575	–	–
Proceeds of issue of preference share capital by a subsidiary		1,500	–	–
Proceeds of issue of preference share capital by the company less expenses		–	–	2,449
Issue of US dollar notes, net of expenses		13,403	–	–
New bank borrowings drawn		–	11,119	11,119
Net cash from financing activities		12,543	(3,791)	(4,268)
Cash and cash equivalents				
Net decrease in cash and cash equivalents	15	(443)	(8,945)	(9,406)
Cash and cash equivalents at beginning of period		22,050	30,316	30,316
Effect of exchange rate changes		(20)	373	1,140
Cash and cash equivalents at end of period		21,587	21,744	22,050

Notes to the consolidated financial statements

1. Basis of accounting

The condensed consolidated financial statements for the six months ended 30 June 2010 comprise the unaudited financial statements for the six months ended 30 June 2010 and 30 June 2009, neither of which has been reviewed by the company's auditors, together with audited financial statements for the year ended 31 December 2009.

The information shown for the year ended 31 December 2009 does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, and is an abridged version of the group's published financial statements for that year which have been filed with the Registrar of Companies. The auditors' report on those statements was unqualified and did not contain any statements under section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union, and should be read in conjunction with the annual financial statements for the year ended 31 December 2009 which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements for the six months ended 30 June 2010 are the same as those set out in the group's annual report for 2009.

The condensed consolidated financial statements for the six months ended 30 June 2010 were approved by the Board of Directors on 27 August 2010.

2. Revenue

	6 months to 30 June 2010 $'000	6 months to 30 June 2009 $'000	Year to 31 December 2009 $'000
Sales of goods	50,290	32,066	78,836
Revenue from services	–	375	49
	50,290	32,441	78,885
Other operating income	519	21	–
Investment income	653	296	827
Total revenue	51,462	32,758	79,712

3. Agricultural produce inventory movement

The net loss or gain arising from changes in fair value of agricultural produce inventory represents the movement in the fair value of that inventory less the amount of the movement in such inventory at historic cost (which is included in cost of sales).

4. Segment information

The group operates in two segments, the cultivation of oil palms and the exploitation of coal concessions, in Indonesia. At this stage the latter does not meet the quantitative thresholds set out in IFRS 8: Operating Segments and, accordingly, no segment information is presented.

5. Administrative expenses

	6 months to 30 June 2010 $'000	6 months to 30 June 2009 $'000	Year to 31 December 2009 $'000
Exchange (profits) / losses	(101)	709	(859)
UK pension scheme	(109)	671	528
Other administrative expenses	4,368	4,043	7,565
	4,158	5,423	7,234

6. Finance costs

	6 months to 30 June 2010 $'000	6 months to 30 June 2009 $'000	Year to 31 December 2009 $'000
Interest on bank loans and overdrafts	321	220	587
Interest on US dollar notes	1,732	1,074	2,338
Interest on sterling notes	2,768	2,761	5,989
Interest on obligations under finance leases	1	5	6
Other finance charges	914	540	1,467
	5,736	4,600	10,387
Amount included as additions to biological assets	(1,841)	(1,638)	(3,559)
	3,895	2,962	6,828

7. Tax

	6 months to 30 June 2010 $'000	6 months to 30 June 2009 $'000	Year to 31 December 2009 $'000
Current tax:			
UK corporation tax	–	–	–
Foreign tax	5,167	2,512	6,858
Total current tax	5,167	2,512	6,858
Deferred tax:			
Current year	676	1,414	5,003
Attributable to a decrease in the rate of tax	–	–	–
Total deferred tax	676	1,414	5,003
Total tax	5,843	3,926	11,861

Tax for the period is charged at 29% (2009: 29%) representing the best estimate of the average annual effective rate expected for the full year, applied to profit before tax for the six month period. If the income mix in the second half of 2010 differs from that of the first half, the overall effective rate of tax for the full year may vary from that used for the first six months.

Notes to the consolidated financial statements continued

8. Earnings per share

	6 months to 30 June 2010 $'000	6 months to 30 June 2009 $'000	Year to 31 December 2009 $'000
Earnings for the purpose of earnings per share*	12,947	8,271	27,119

* being net profit attributable to ordinary shareholders

	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	33,270	32,574	32,574
Effect of dilutive potential ordinary shares	128	719	736
Weighted average number of ordinary shares for the purpose of diluted earnings per share	33,398	33,293	33,310

9. Dividends

	6 months to 30 June 2010 $'000	6 months to 30 June 2009 $'000	Year to 31 December 2009 $'000
Amounts paid and recognised as distributions to equity holders:			
Preference dividends of 9p per share per annum	1,111	1,006	2,219
Ordinary dividends	1,044	733	1,746
	2,155	1,739	3,965

An interim dividend of 2.0p per ordinary share in lieu of final in respect of the year ended 31 December 2009 was paid on 29 January 2010.

10. Biological assets

	6 months to 30 June 2010 $'000	6 months to 30 June 2009 $'000	Year to 31 December 2009 $'000
Beginning of period	204,087	179,745	179,745
Reclassification from property, plant and equipment	1,076	–	773
Additions to planted area and costs to maturity	7,578	4,896	13,866
Transfers from property, plant and equipment	–	–	140
Transfers to non-current receivables	(332)	(19)	(202)
Net biological gain	640	1,523	9,765
End of period	213,049	186,145	204,087
Net biological gain comprises:			
Gain arising from changes in fair value attributable to physical changes	640	1,523	9,765
Gain arising from changes in fair value attributable to price changes	–	–	–
	640	1,523	9,765

11. Capital expenditure on property, plant and equipment and capital commitments

In the period, there were additions to property plant and equipment of $6.9 million (2009: $5.3 million).

Capital commitments contracted, but not provided for by the group, amounted to $3.2 million (31 December 2009: $0.4 million).

12. Issuance of debt securities and equity securities

During the period the company issued 840,689 ordinary shares of 25p each at a price of 43.753p on the exercise by a director of all his remaining options.

On 10 February 2010 the company issued by way of a placing a further $15 million nominal of additional dollar notes (ranking pari passu with and forming a single issue with the $30 million nominal of 7.5 per cent dollar notes 2012/14 already in issue), in conjunction with the issue of 150,000 new redeemable participating preference shares of $10 of KCC Resources Limited ("KCC"), a wholly owned subsidiary of the company. The monies raised by the issues of the additional dollar notes and the KCC preference shares amounted to $15 million before issue expenses.

There were no issues of debt securities or equity securities during the first half of 2009.

13. Tax relating to components of other comprehensive income

A provision of $5,500,000 relating to tax in respect of a cash flow hedge has been charged to other comprehensive income for the six months to 30 June 2010. This provision relates to tax in respect of cross currency interest rate swaps entered into by the group to hedge, against US dollars, the group's liability in respect of its outstanding 9.5 per cent guaranteed sterling notes 2015/17. The group has been advised that mark to market differences arising on annual revaluations of such swaps should be taken as profits or losses for Indonesian tax purposes as they arise but an Indonesian tax assessment recently received by P.T. REA Kaltim Plantations ("REA Kaltim") has denied the tax relief claimed by REA Kaltim for 2008 in relation to the swaps in question. The group is appealing against this assessment but pending a decision on the appeal, the directors have considered it appropriate to make some provision for the inherent uncertainties of the appeal process. The disputed Indonesian tax assessment must be settled in full ahead of appeal.

Notes to the consolidated financial statements continued

14. Reconciliation of operating profit to operating cash flows

	6 months to 30 June 2010 $'000	6 months to 30 June 2009 $'000	Year to 31 December 2009 $'000
Operating profit	23,298	15,985	47,718
Depreciation of property, plant and equipment	1,801	1,785	3,148
Decrease / (increase) in fair value of agricultural produce inventory	1,808	(1,221)	(1,556)
Amortisation of prepaid operating lease rentals	50	143	190
Amortisation of sterling and US dollar note issue expenses	184	165	344
Biological gain	(640)	(1,523)	(9,765)
Gain on disposal of property, plant and equipment	(27)	–	–
Operating cash flows before movements in working capital	26,474	15,334	40,079
(Increase) / decrease in inventories (excluding fair value movements)	(3,319)	2,103	2,158
Increase in receivables	(6,369)	(3,872)	(2,670)
Decrease in payables	(2,696)	(2,682)	(690)
Exchange translation differences	703	1,019	(48)
Cash generated by operations	14,793	11,902	38,829
Taxes paid	(7,551)	(1,617)	(2,284)
Interest paid	(3,834)	(3,036)	(6,901)
Net cash from operating activities	3,408	7,249	29,644

15. Movements in net borrowings

	6 months to 30 June 2010 $'000	6 months to 30 June 2009 $'000	Year to 31 December 2009 $'000
Change in net borrowings resulting from cash flows:			
Decrease in cash and cash equivalents	(443)	(8,945)	(9,406)
Net decrease in borrowings	750	2,023	2,698
	307	(6,922)	(6,708)
Issue of US dollar notes less amortised expenses	(13,448)	(41)	(88)
Amortisation of sterling notes issue expenses	(139)	(124)	(256)
Proceeds of issue of preference share capital by a subsidiary	(1,500)	–	–
Lease repayments	30	29	54
	(14,750)	(7,058)	(6,998)
Currency translation differences	4,359	(7,245)	(5,296)
Net borrowings at beginning of period	(74,875)	(62,581)	(62,581)
Net borrowings at end of period	(85,266)	(76,884)	(74,875)

16. Related parties

During the first six months of 2010 no new related party transactions have taken place, and there have been no changes to the related party transactions which were disclosed in the company's 2009 annual report, having in either case a material effect on the financial position or performance of the group during that period.

17. Events after the balance sheet date

Dividends

An interim dividend of 2.5p per ordinary in respect of the year ending 31 December 2010 has been declared by the directors for payment on 1 October 2010. In accordance with IAS10 "Events after the reporting period" this dividend, amounting in aggregate to $1,250,000, has not been reflected in these financial statements.

Restructuring of sterling notes

On 12 August 2010 the company announced proposals for a restructuring of the security relating to the 9.5 per cent guaranteed sterling notes 2015/17 issued by REA Finance B.V. ("REAF"), a wholly owned subsidiary of the company (the "Proposals"). The Proposals are contained in a circular issued on that date by the company to holders of the sterling notes (the "Circular"). A copy of the announcement and the Circular is available on the company's website at www.rea.co.uk.

Pursuant to the reorganisation, it is proposed that the security in relation to the sterling notes be restructured, including in particular by (i) the assignment by REAF to R.E.A. Services Limited ("REAS") (another wholly owned subsidiary of the company) of all rights that REAF has in relation to loans to two Indonesian subsidiaries of the company (the "Indonesian debtor subsidiary loans") and (ii) the addition of REAS as a guarantor of the sterling notes (in addition to the company), with the obligations of REAS in respect of such guarantee being secured by charges over a designated bank account and over the loans assigned to it. This would involve, inter alia, certain amendments to the trust deed.

It is also proposed that, following the restructuring, certain amendments be made to the terms of the Indonesian debtor subsidiary loans, primarily to simplify the same, and that a further change be made to the conditions attaching to the sterling notes in relation to hedging contracts.

Historically, interest payments made to REAF on the Indonesian debtor subsidiary loans have been subject to Indonesian withholding tax at the rate of 10 per cent but, following changes in Indonesian tax regulations effective from 1 January 2010, that rate has increased to 20 per cent. If the proposals are implemented, the rate of Indonesian withholding tax on the restructured Indonesian debtor subsidiary loans, which would then be owed to REAS rather than to REAF, should revert to 10 per cent.

18. Rates of exchange

	30 June 2010		30 June 2009		31 December 2009	
	Closing	Average	Closing	Average	Closing	Average
Indonesia rupiah to US dollar	9,083	9,182	10,225	11,031	9,400	10,356
US dollar to pound sterling	1,496	1.53	1.647	1.50	1.615	1.56