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

2009

Secretary and registered office
R.E.A. Services Limited
First Floor
32-36 Great Portland Street
London W1W 8QX

Website
www.rea.co.uk

Registered number
00671099 (England and Wales)

Contents

Summary of results

for the six months ended 30 June 2009

	6 months to 30 June 2009 $'000	6 months to 30 June 2008 $'000	Change %
Sales revenue	32,441	46,113	- 30
Earnings before interest, tax, depreciation, amortisation and biological gain	15,908	29,582	- 46
Profit before tax	13,319	34,048	- 61
Profit for the period	9,393	22,755	- 59
Profit attributable to ordinary shareholders	8,271	21,307	- 61
Cash generated by operations (note 13)	11,902	27,525	- 57
Earnings per ordinary share (diluted)	24.8 cents	63.7cents	- 61
Dividend per ordinary share	2.0p	1.5p	+ 33

Chairman's statement

Results

The group profit before tax for the six months to 30 June 2009 was $13,319,000 as compared with the profit before tax for the corresponding period of 2008 of $34,048,000. The decline of $20,729,000 was principally accounted for by reductions of $13,672,000 in revenue ($32,441,000 against $46,113,000 in 2008) and of $4,932,000 in respect of changes in the fair values of biological assets and agricultural inventory ($2,744,000 against $7,676,000 in 2008).

The reduction in revenue was almost entirely attributable to the lower prices realised on sales of the group's crude palm oil ("CPO") and crude palm kernel oil ("CPKO") as detailed under "Operations" below. The negative movement on changes in fair values reflected the decision taken in October 2008 to suspend extension planting. This meant that the rate of crop growth from immature areas reflected in the valuation of the biological assets at 30 June 2009 was less than at 30 June 2008.

Cost of sales for the six months to 30 June 2009 was $13,188,000, a little lower than the corresponding figure for 2008 of $13,712,000. In part, this was the result of a weaker Indonesian rupiah (with an average rate of Rp 11,031 = US$1 for the first six months of 2009 against an average rate of Rp 9,223 = US$1 in 2008). In addition, there have been some welcome reductions in input costs with fertiliser prices now significantly below their peaks and energy costs reflecting the lower international prices for crude petroleum oil. The higher reported administrative expenses ($5,423,000 against $4,168,000 in 2008) and finance costs ($2,962,000 against $2,178,000 in 2008) reflect a lower rate of capitalisation as the ratio of mature to immature areas has increased. Finance costs have also risen in absolute terms following the further issue of sterling notes made by the group in August 2008.

Profit before tax recovered materially from the immediately preceding six months to 31 December 2008 ($13,319,000 against $2,261,000). However, fair value accounting adjustments and exchange differences account for most of the improvement. Administrative expenses for 2008 as a whole were low as compared with the administrative expenses of the six months to both 30 June 2008 and 30 June 2009, because of a large exchange credit (following the decline of sterling in the second half of 2008) and other items of a one off nature.

Ordinary dividend

As shareholders will be aware and as detailed below, the group retains ambitious plans for continued extension planting of oil palms. Such planting will involve substantial investment by the group and the need to fund this investment and concomitant investment in additional milling capacity constrains the rate at which the directors feel that they can prudently declare, or recommend the payment of, dividends on the company's ordinary shares.

The directors do appreciate that many shareholders invest not only for capital growth but also for income and that therefore the payment of dividends is important. After several years in respect of which no ordinary dividends were paid, dividends on the ordinary shares were resumed in respect of 2006 at a rate of 1p per share. This was increased by 1p per share (to a total of 2p per share) in respect of 2007 and by a further 1p per share in respect of 2008 (to a total of 3p per share). The directors have previously indicated that they hope that further increases from this level will be possible but with the expectation that the rate of progression will be steady rather than dramatic.

Although it now appears that the recent world economic crisis may not after all prove as catastrophic as initially seemed possible, serious economic uncertainties remain. However, crops are continuing to increase and prices for the group's produce have risen significantly from their lows. Accordingly, the directors believe that, notwithstanding the constraints, the group can support a modest further increase in the rate of ordinary dividends.

On this basis, the directors have declared a first interim dividend in respect of 2009 of 2p per ordinary share payable on 25 September 2009 to shareholders on the register of members on 4 September 2009. In the absence of unforeseen circumstances, the directors intend to declare a second interim dividend, in lieu of final, in respect of 2009, for payment in January 2010, of a further 2p per ordinary share, making a total dividend of 4p per ordinary share in respect of the year (2008: 3p).

The directors continue to believe that capitalisation issues of new preference shares, such as were made in both 2007 and 2008, provide a useful mechanism for augmenting returns to ordinary shareholders in years when exceptional profits are achieved but prospective demands on cash resources limit the level of cash dividends that the group can afford. However, the 2007 and 2008 capitalisation issues were made against a background of greater first half profits than have been achieved in 2009 and the directors do not therefore propose another capitalisation issue of preference shares in 2009.

Operations

Fresh fruit bunches ("FFB") harvested during the six months to 30 June 2009 totalled 231,000 tonnes. Although this was some 5,000 tonnes below budget and the same as the crop harvested in the first six months of 2008, the group is continuing to budget for an FFB crop for 2009 as a whole of 486,000 tonnes, an advance of 8 per cent on the 451,000 tonnes harvested in 2008.

The 2009 budget does assume average rainfall for the year (both as to quantum and distribution). Rainfall for the first half of the year at 1,776 millimetres (2008: 1,860 millimetres) was satisfactory but rainfall in recent weeks has been below the optimum. This, no doubt, reflects what has been widely reported as an El Nino weather event. Should the drier weather continue, cropping will be affected. By contrast, local management continues to report that bunch formation is indicative of good continuing monthly crops for the immediate future and the crops for July and August 2009 were in aggregate slightly ahead of budget.

Based on the combination of the group's own FFB production and externally purchased FFB of 4,800 tonnes (2008: 2,800 tonnes), CPO and palm kernel production for the six months to 30 June 2009 amounted to, respectively, 54,500 tonnes (2008: 53,800 tonnes) and 11,300 tonnes (2008: 10,500 tonnes) reflecting extraction rates of 23.1 per cent for CPO (2008: 23.0 per cent) and 4.8 per cent for kernels (2008: 4.5 per cent). Production of CPKO for the period amounted to 4,800 tonnes (2008: 4,200 tonnes) with an extraction rate of 41.0 per cent (2008: 40.3 per cent).

From a low point of $435 per tonne, CIF Rotterdam, in late October 2008, the CPO price had recovered by the end of 2008 to $525. The recovery then continued into 2009 with the price hitting a temporary high of $830 per tonne in early May before falling back to $662 at the end of June. Since then, CPO has for the most part traded in the $650 to $750 range. The average for the six months to 30 June 2009 was $658 per tonne, which compares with an average for the corresponding period of 2008 of $1,168 per tonne. The progressive rates of duty applied to exports of CPO from Indonesia did mean that significant duties were payable on CPO exports made during the first six months of 2008 while little or no duty was levied on CPO exports during the six months to June 2009.

The pattern of CPO sales established in 2008 has continued into 2009. A significant proportion of all CPO produced during the six months to 30 June 2009 was sold to refineries in East Malaysia with delivery by the group's own time chartered barge, an arrangement that is proving efficient in minimising CPO inventory and shipping costs. Other CPO sales were made predominantly to the local Indonesian markets where all CPKO produced by the group was also sold. The average selling price for the group's CPO for the six months to 30 June 2009 on an FOB basis at the port of Samarinda, net of export duty, was $530 per tonne (2008: $771 per tonne). The average selling price for the group's CPKO on the same basis was $496 per tonne (2008: $1,007 per tonne). The group has no outstanding forward sales.

A previously reported review by the group of its FFB collection and transport arrangements has established that useful savings can be achieved by replacing contractor owned trucks with trucks operated by the group's own transport department and by greater mechanisation of FFB collections from the hillier areas of the group's estates. Because this will entail quite significant capital investment in additional vehicles and equipment, it is planned to implement the review's conclusions over a period. The group also expects to realise savings in its road maintenance programmes following the transfer of responsibility for these programmes from external contractors to the group's civil engineering department.

Land allocations and development

With the onset of the international financial crisis and the accompanying sharp falls in commodity prices, the directors decided to suspend all new land development until the world financial outlook became clearer. As a consequence, no new oil palm areas were developed during the six months to 30 June 2009. With the recovery in CPO prices seen in the early months of 2009 and a seeming improvement in the world economic outlook, it was agreed in late April that development should be resumed and the group committed to plant a further 2,000 hectares of oil palm. Work on this planting is now in hand and it is hoped that it can be completed by the end of 2009.

Although the group has for some time held substantial reserves of allocated but untitled land, that land only becomes available for development by the group when the titling process has proceeded to a point at which the group has been granted development and land clearing licences and compensation agreements have been reached with local villagers who have claims in respect of their previous use of the land. In the past, delays in releasing allocated land areas for development have been a serious impediment to achievement of target extension planting programmes. The group has therefore sought to take maximum advantage of the self imposed pause in its development programme to improve the pipeline of land areas that are immediately available for planting.

The results of this push to advance the titling process have been encouraging with significant progress in recent weeks. The group hopes to be in a position by the beginning of 2010 to extend its oil palm plantings in four of the locations in which it has land reserves, namely the land areas held by PT Putra Bongan Jaya, PT Sasana Yudha Bhakti, PT Cipta Davia Mandiri and PT Kutai Mitra Sejahtera. If this proves the case, the group will aim to plant up to a further 8,000 hectares across the four locations before the end of 2011, or sooner if circumstances permit, with a view both to achieving an early worthwhile increase in the group's planted hectarage and to demonstrating locally its commitment to make productive use of the land areas that it has been allocated.

Environmental and social responsibility

The period to 30 June 2009 saw the establishment of the first larger scale village cooperative smallholder scheme supported by the group. This covers a gross area of 1,500 hectares adjacent to the Perdana division of the group's estates. Land clearing is now well advanced and it is expected that the entire net plantable area (likely to be just under 1,300 hectares) can be planted up with oil palms by year end.

The scheme will be managed for a 25 year period by the group upon terms that the group will underwrite the financing and supervise the management of the scheme and will purchase all FFB produced by the scheme at prices determined in accordance with a government formula. The group will charge appropriately to recover the costs of all services and facilities supplied, including the provision of such estate labour as is required to supplement the tasks undertaken by the cooperative's own members, and will in addition receive management fees at an agreed level. Negotiations are at an advanced stage for the provision by a local development bank of a fifteen year loan of an amount sufficient to meet most of the initial development costs of the scheme. The loan will be secured on the land and assets of the scheme and will be guaranteed by the group.

The group is also continuing to expand its community development and conservation programmes. Under the former, a number of additional self help programmes financially supported by the group were initiated during the period. These included a first bee keeping project which, if successful, will be used as a model to encourage the spread of honey production in a number of local villages. On the conservation side, a new Indonesian foundation, "Yayasan Ulin" or "The Ironwood Foundation", has been formed to promote scientific projects to be carried out in co-operation with the group's own conservation department.

Following evaluation of a process for composting empty fruit bunches (the fibrous residues of oil palm fresh fruit bunches that remain after removal of the fruitlets contained in the bunches) ("EFB"), the group expects to start production of compost at both of its mill sites during the last quarter of 2009. By applying compost, rather than, as currently, untreated EFB to oil palm fields around the oil mills, it is expected that the group will achieve useful savings in transport costs (as the volumes to be transported will be reduced) and in the use of inorganic fertilisers. The composting process will be contracted out to a third party and will not involve the group in any material capital expenditure.

Further work has been undertaken on a possible project to make more efficient use of mill effluent and reduce the group's carbon footprint. The project would entail the construction adjacent to each mill of a large covered lagoon with appropriate pipework designed to digest the effluent and capture the methane released after which the effluent would be passed on to existing effluent ponds and then used in the EFB composting process. The captured methane would be used to power gas turbines generating electricity. Preliminary indications are that an investment of at least $2 million per oil mill would be required to provide up to 3 megawatts of capacity. The project would generate an acceptable payback provided that carbon credits can be obtained under the Clean Development Mechanism. A decision on whether to proceed will be taken once the position regarding carbon credits has been clarified.

Coal initiative

Following the acquisition by the group in the second half of 2008 of rights in respect of two adjoining coal concessions, Liburdinding and Muser, in the southern part of East Kalimantan, the group has been working towards generating revenue from this new investment. Although the coal at Liburdinding is of lower calorific value than that at Muser, the group has given priority to bringing Liburdinding into production because the Indonesian authorities have already granted an exploitation licence (a pre-requisite to extracting coal) in respect of Liburdinding while an application for an exploitation licence for Muser is still being processed.

After some delays, both on account of weather and of the group's previous lack of familiarity with the Indonesian permits required for coal operations, the necessary infrastructural facilities for initial mining operations on Liburdinding (principally a port facility and upgraded roads from the concession to the port) were substantially completed in June 2009 when mining operations started. Original plans to produce 10,000 tonnes per month and to increase this rapidly to 30,000 tonnes per month, being the estimated productive capacity that the group has in place, have however been temporarily scaled back until the group has finalised offtake arrangements for the production.

In this connection, a minor setback has been encountered in that the higher sulphur content of the Liburdinding coal is less acceptable to buyers in current weaker coal markets than it was when such markets were buoyant. This means that the group must either accept lower prices than it would wish for its coal or arrange for the coal to be blended with lower sulphur coal to offer a blended product that has an average sulphur content that is widely acceptable. Negotiations are now in hand that are expected to enable the group to follow the latter course.

Whilst the directors recognise the risks of entering a sphere of activity of which the group has no previous experience, they are confident that knowledgeable and experienced management has been recruited to develop the coal operations. Although it is taking slightly longer than originally hoped to generate revenue from these operations, the directors have no reason to believe that the eventual revenues from and cost of operating the coal concessions will differ materially from the group's original expectations.

Financing

The group continues to be financed by a combination of debt and equity (comprising ordinary and preference share capital). With the addition of profits retained for the six month period to 30 June 2009, total equity less minority interests at that date amounted to $173.3 million against $162.0 million at 31 December 2008.

Group indebtedness at 30 June 2009 totalled $105.6 million, substantially unchanged from the position at 31 December 2008 ($108.3 million). The indebtedness at 30 June 2009 comprised dollar denominated bank indebtedness under an Indonesian consortium loan facility of $10.9 million, £37 million nominal of guaranteed sterling notes 2015/17 issued by REA Finance B.V. and guaranteed by the company (carrying value: $58.0 million), $7.0 million in respect of the hedge of the principal amount of the sterling notes, $30 million nominal of 7.5 per cent dollar notes 2012/14 issued by the company (carrying value: $29.6 million) and other short term indebtedness (including obligations under finance leases) of $0.1 million. Against this indebtedness, the group held cash and cash equivalents of $21.7 million (31 December 2008: $30.3 million)

Agreement was reached with the group's Indonesian bankers in April 2009 to reconstitute the terms of the Indonesian consortium loan facility. As a result, the outstanding principal at 30 June 2009 will be repayable over a five year period. The banks providing the facility have also made available to the group a revolving working capital line, renewable annually, of $4.75 million. This remains undrawn to date.

On the basis of present CPO prices, the directors expect that operating cash flows for the second half of 2008, together with the group's cash resources at 30 June 2009, will be more than sufficient to fund the group's prior charge obligations and the planned development programme for the rest of the year. Beyond 2009, capital will be required to expand further the group's oil mills, to implement any decision to proceed with power generation from captured methane and to fund additional plantings of oil palms. The group's ability to fund this capital requirement from internally generated resources will depend on future levels of CPO prices.

The directors retain the view (reinforced by the difficulties that companies with limited liquidity have recently been reporting) that, given the unpredictability of commodity prices, the group must, when committing to significant capital projects, ensure that it allows a cash cushion against the possibility of operating cash flows falling short of projections. Accordingly, the directors intend to take advantage of opportunities that arise to increase (but to a limited extent only) the prior charge funding available to the group even though the proceeds of any such extra funding may serve only to increase group cash reserves if CPO prices remain at or above current levels.

Prospects

Fundamentally, demand for vegetable oils is driven by world population growth and price. In CPO's major markets of India and China, per capita consumption is constrained principally by available spending capacity. At lower vegetable oil prices, people can afford to eat more vegetable oil. Increasing prosperity has the same effect. The directors believe that it is this fundamental resilience that has maintained CPO offtake at good levels in recent months and has absorbed the temporary build up in CPO origin stocks that occurred in the wake of the international financial crisis.

Although CPO has fallen back from its high earlier this year of over $800 per tonne CIF Rotterdam, it has also recovered from a recent low of $610 and is currently trading at in excess of $700 per tonne. That is a satisfactory level for the group. Moreover, if recent reports of a resumption in world economic growth prove correct, the group can reasonably hope that the CPO price will at least stay at current levels and may even firm further.

With margins remaining at good levels, encouraging progress in resolving outstanding land issues, the prospect of significant addition to the group's planted hectarage and the possibilities of the coal initiative, the directors believe that the group has not only weathered the recent international economic problems but can now look forward to resumed growth.

RICHARD M ROBINOW
Chairman
26 August 2009

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 2008 annual report were set out in that report, under the heading "Risks and uncertainties", on pages 41 to 45 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 operations to adverse climatic conditions, pests, diseases and potential damage from logistical disruptions;
- the financial dependence of the 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; and
- regulatory, country and locality risks that arise from the fact that substantially all of the group's assets are located in the East Kalimantan province of Indonesia.

The directors consider that the principal risks and uncertainties for the second six months of 2009 continue to be those set out in the company's 2008 annual report as described above.

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 15 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 page 46 of the company's 2008 annual report.

Approved by the board on 26 August 2009
RICHARD M ROBINOW
Chairman

Consolidated income statement

for the six months ended 30 June 2009

	Note	6 months to 30 June 2009 $'000	6 months to 30 June 2008 $'000	Year to 31 December 2008 $'000
Revenue	2	32,441	46,113	79,630
Net gain / (loss) arising from changes in fair value of agricultural inventory	3	1,221	216	(4,214)
Cost of sales		(13,188)	(13,712)	(27,682)
Gross profit		20,474	32,617	47,734
Net gain / (loss) arising from changes in fair value of biological assets	10	1,523	7,460	(2,660)
Other operating income		21	4	4
Distribution costs		(610)	(290)	(1,049)
Administrative expenses	5	(5,423)	(4,168)	(3,466)
Operating profit		15,985	35,623	40,563
Investment revenues	2	296	603	1,185
Finance costs	6	(2,962)	(2,178)	(5,439)
Profit before tax		13,319	34,048	36,309
Tax	7	(3,926)	(11,293)	(10,536)
Profit for the period		9,393	22,755	25,773
Attributable to:				
Ordinary shareholders		8,271	21,307	23,833
Preference shareholders		1,006	1,212	2,360
Minority interests		116	236	(420)
		9,393	22,755	25,773
Earnings per 25p ordinary share	8			
Basic		25.4 cents	65.4 cents	73.2 cents
Diluted		24.8 cents	63.7 cents	71.5 cents

All operations in all periods are continuing.

Consolidated balance sheet

as at 30 June 2009

	Note	30 June 2009 $'000	30 June 2008 $'000	31 December 2008 $'000
Non-current assets				
Goodwill		12,578	12,578	12,578
Biological assets	10	186,145	180,530	179,745
Property, plant and equipment	11	66,657	48,865	63,069
Prepaid operating lease rentals		13,420	9,108	13,088
Indonesian coal rights		7,637	–	5,386
Deferred tax assets		2,779	8,266	2,444
Non-current receivables		1,715	1,210	1,917
Total non-current assets		290,931	260,557	278,227
Current assets				
Inventories		12,273	14,603	12,795
Trade and other receivables		9,669	6,426	8,872
Cash and cash equivalents		21,744	38,462	30,316
Total current assets		43,686	59,491	51,983
Total assets		334,617	320,048	330,210
Current liabilities				
Trade and other payables		(10,423)	(10,056)	(12,113)
Current tax liabilities		(136)	(5,266)	(904)
Obligations under finance leases		(57)	(60)	(53)
Bank loans		(1,425)	(7,616)	(10,750)
Other loans and payables		(593)	(766)	(380)
Total current liabilities		(12,634)	(23,764)	(24,200)
Non-current liabilities				
Bank loans		(9,469)	(8,167)	(2,167)
Sterling notes		(58,017)	(40,768)	(50,234)
US dollar notes		(29,624)	(29,439)	(29,632)
Hedging instruments		(12,531)	–	(26,517)
Deferred tax liabilities		(34,491)	(43,789)	(31,478)
Obligations under finance leases		(36)	(100)	(61)
Other loans and payables		(3,796)	(4,749)	(3,310)
Total non-current liabilities		(147,964)	(127,012)	(143,399)
Total liabilities		(160,598)	(150,776)	(167,599)
Net assets		174,019	169,272	162,611
Equity				
Issued share capital		40,714	38,299	40,714
Share premium account		27,322	29,787	27,322
Translation reserve		(12,702)	(10,079)	(16,388)
Retained earnings		117,921	110,154	110,383
		173,255	168,161	162,031
Minority interests		764	1,111	580
Total equity		174,019	169,272	162,611

Consolidated statement of comprehensive income

for the six months ended 30 June 2009

	6 months to 30 June 2009 $'000	6 months to 30 June 2008 $'000	Year to 31 December 2008 $'000
Exchange translation differences and profit / (loss) on fair valuation of hedging instruments	7,162	(438)	(14,638)
Tax on items taken directly to equity	(3,430)	179	8,023
Net profit / (loss) recognised directly in equity	3,732	(259)	(6,615)
Profit for the period	9,393	22,755	25,773
Share based payment - deferred tax (charge)	–	–	(1,444)
Total recognised income and expense for the period	13,125	22,496	17,714
Attributable to:			
Ordinary shareholders	11,957	21,050	15,823
Preference shareholders	1,006	1,212	2,360
Minority interests	162	234	(469)
	13,125	22,496	17,714

Consolidated statement of changes in equity

for the six months ended 30 June 2009

	6 months to 30 June 2009 $'000	6 months to 30 June 2008 $'000	Year to 31 December 2008 $'000
Total recognised income and expense for the period	13,125	22,496	17,714
Costs re scrip issue of preference shares	–	–	(50)
Dividends to preference shareholders	(1,006)	(1,212)	(2,360)
Dividend to ordinary shareholders	(733)	(645)	(1,498)
Minority interest in a subsidiary formed / acquired	22	–	172
	11,408	20,639	13,978
Equity at beginning of period	162,611	148,633	148,633
Equity at end of period	174,019	169,272	162,611

Consolidated cash flow statement

for the six months ended 30 June 2009

	Note	6 months to 30 June 2009 $'000	6 months to 30 June 2008 $'000	Year to 31 December 2008 $'000
Net cash from operating activities				
Net cash from operating activities	13	7,249	21,140	32,300
Investing activities				
Interest received		296	603	1,185
Proceeds on disposal of property, plant and equipment		–	60	103
Purchases of property, plant and equipment		(5,347)	(8,643)	(24,665)
Expenditure on biological assets		(4,896)	(6,429)	(15,126)
Expenditure on prepaid operating lease rentals		(227)	(418)	(1,205)
Acquisition of subsidiary company		–	–	(3,158)
Subscription by minority shareholder in new subsidiary formed in the period		22	–	–
Investment in Indonesian coal rights		(2,251)	–	(5,386)
Net cash used in investing activities		(12,403)	(14,827)	(48,252)
Financing activities				
Preference dividends paid		(1,006)	(1,212)	(2,360)
Ordinary dividends paid		(733)	(645)	(1,498)
Repayment of borrowings		(13,142)	(500)	(3,000)
Repayment of obligations under finance leases		(29)	(78)	(90)
Proceeds of issue of preference share capital less expenses		–	–	(50)
Issue of sterling notes, net of expenses		–	–	26,880
New bank borrowings drawn		11,119	366	–
Net cash from financing activities		(3,791)	(2,069)	19,882
Cash and cash equivalents				
Net (decrease) / increase in cash and cash equivalents	14	(8,945)	4,244	3,930
Cash and cash equivalents at beginning of period		30,316	34,216	34,216
Effect of exchange rate changes		373	2	(7,830)
Cash and cash equivalents at end of period		21,744	38,462	30,316

Notes to the consolidated financial statements

1. Basis of accounting

The condensed consolidated financial statements for the six months ended 30 June 2009 comprise the unaudited financial statements for the six months ended 30 June 2009 and 30 June 2008, neither of which has been reviewed by the company's auditors, together with audited financial statements for the year ended 31 December 2008.

The information shown for the year ended 31 December 2008 does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985, 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 237(2) or (3) of the Companies Act 1985.

The condensed consolidated financial statements for the six months ended 30 June 2009 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 2008 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 2009 are the same as those set out in the group's annual report for 2008.

The condensed consolidated financial statements for the six months ended 30 June 2009 were approved by the Board of Directors on 26 August 2009.

2. Revenue

	6 months to 30 June 2009 $'000	6 months to 30 June 2008 $'000	Year to 31 December 2008 $'000
Sales of goods	32,066	46,113	79,107
Revenue from services	375	–	523
	32,441	46,113	79,630
Other operating income	21	4	4
Investment income	296	603	1,185
Total revenue	32,758	46,720	80,819

3. Agricultural produce inventory movement

The net gain or loss 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 2009 $'000	6 months to 30 June 2008 $'000	Year to 31 December 2008 $'000
Exchange losses/(profits)	709	(144)	(2,936)
UK pension scheme	671	70	120
Other administrative expenses	4,043	4,242	6,282
	5,423	4,168	3,466

6. Finance costs

	6 months to 30 June 2009 $'000	6 months to 30 June 2008 $'000	Year to 31 December 2008 $'000
Interest on bank loans and overdrafts	220	476	886
Interest on US dollar notes	1,074	1,169	2,564
Interest on sterling notes	2,761	2,121	5,349
Interest on obligations under finance leases	5	9	16
Other finance charges	540	204	1,149
	4,600	3,979	9,964
Amount included as additions to biological assets	(1,638)	(1,801)	(4,525)
	2,962	2,178	5,439

7. Tax

	6 months to 30 June 2009 $'000	6 months to 30 June 2008 $'000	Year to 31 December 2008 $'000
Current tax:			
UK corporation tax	–	–	28
Foreign tax	2,512	7,297	13,478
Total current tax	2,512	7,297	13,506
Deferred tax:			
Current year	1,414	3,996	2,825
Attributable to a decrease in the tax rates for UK and Indonesia	–	–	(5,795)
Total deferred tax	1,414	3,996	(2,970)
Total tax	3,926	11,293	10,536

Current tax in Indonesia for 2009 has been provided at 28 per cent and deferred tax at 25 per cent reflecting the staged reduction in corporate tax rates.

8. Earnings per share

	6 months to 30 June 2009 $'000	6 months to 30 June 2008 $'000	Year to 31 December 2008 $'000
Earnings for the purpose of earnings per share*	8,271	21,307	23,833

* being net profit attributable to ordinary shareholders

	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	32,574	32,574	32,574
Effect of dilutive potential ordinary shares	719	854	761
Weighted average number of ordinary shares for the purpose of diluted earnings per share	33,293	33,428	33,335

9. Dividends

	6 months to 30 June 2009 $'000	6 months to 30 June 2008 $'000	Year to 31 December 2008 $'000
Amounts paid and recognised as distributions to equity holders:			
Preference dividends of 9p per share per annum	1,006	1,212	2,360
Ordinary dividends	733	645	1,498
	1,739	1,857	3,858

An interim dividend of 1.5p per ordinary share in lieu of final in respect of the year ended 31 December 2008 was paid on 30 January 2009.

10. Biological assets

	6 months to 30 June 2009 $'000	6 months to 30 June 2008 $'000	Year to 31 December 2008 $'000
Beginning of period	179,745	166,347	166,347
Additions to planted area and costs to maturity	4,896	6,723	15,763
Transfers from property, plant and equipment	–	–	339
Transfers to non-current receivables	(19)	–	(44)
Net biological gain / (loss)	1,523	7,460	(2,660)
End of period	186,145	180,530	179,745
Net biological gain / (loss) comprises:			
Gain arising from changes in fair value attributable to physical changes	1,523	7,460	(2,660)
Gain arising from changes in fair value attributable to price changes	–	–	–
	1,523	7,460	(2,660)

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

In the period, there were additions to property plant and equipment of $5.3 million (2008: $8.6 million).

Capital commitments contracted, but not provided for by the group, amounted to $4.3 million (31 December 2008: $2.4 million).

12. Issuance of debt securities and equity securities

There were no issues of debt securities or equity securities during the period.

13. Reconciliation of operating profit to operating cash flows

	6 months to 30 June 2009 $'000	6 months to 30 June 2008 $'000	Year to 31 December 2008 $'000
Operating profit	15,985	35,623	40,563
Depreciation of property, plant and equipment	1,785	1,266	2,420
(Increase) / decrease in fair value of agricultural produce inventory	(1,221)	(216)	4,214
Amortisation of prepaid operating lease rentals	143	21	57
Amortisation of sterling and US dollar note issue expenses	165	132	287
Biological (gain) / loss	(1,523)	(7,460)	2,660
Loss on disposal of property, plant and equipment	–	41	2
Operating cash flows before movements in working capital	15,334	29,407	50,203
Decrease / (increase) in inventories (excluding fair value movements)	2,103	(1,254)	(5,091)
Increase in receivables	(3,872)	(2,881)	(581)
(Decrease) / increase in payables	(2,682)	2,354	5,329
Exchange translation differences	1,019	(101)	1,036
Cash generated by operations	11,902	27,525	50,896
Taxes paid	(1,617)	(4,170)	(13,122)
Interest paid	(3,036)	(2,215)	(5,474)
Net cash from operating activities	7,249	21,140	32,300

14. Movements in net borrowings

	6 months to 30 June 2009 $'000	6 months to 30 June 2008 $'000	Year to 31 December 2008 $'000
Change in net borrowings resulting from cash flows:			
(Decrease) / increase in cash and cash equivalents	(8,945)	4,244	3,930
Decrease in borrowings	2,023	134	3,000
	(6,922)	4,378	6,930
Amortisation of US dollar notes issue expenses	(41)	(49)	(94)
Issue of sterling notes less amortised expenses	(124)	(82)	(27,073)
Lease repayments	29	78	90
	(7,058)	4,325	(20,147)
Currency translation differences	(7,245)	28	9,607
Net borrowings at beginning of period	(62,581)	(52,041)	(52,041)
Net borrowings at end of period	(76,884)	(47,688)	(62,581)

15. Related parties

During the first six months of 2009 no new related party transactions have taken place, and there have been no changes to the related party transactions of which details were contained in the company's 2008 annual report, having in either case a material effect on the financial position or performance of the group during that period.

16. Pensions

Since the issue of the annual report for 2008, the actuarial valuation as at 31 December 2008 of the R.E.A. Pension Scheme (the "Scheme"), as referred to in note 37 of the annual report, has been prepared and agreed. A decline in the value of the assets and the effect of the revised members' mortality table have in part been counterbalanced by changes in other assumptions to produce an overall shortfall in assets (deficit) , when measured against the Scheme's technical provisions, of £3,851,000.

Additional (deficit) contributions will remain at approximately the same level for the period to 31 December 2015 but will be extended to 2018 to cover the increase in the deficit. As a result the provision for deficit contributions attributable to the group has been increased by approximately $0.5 million as at 30 June 2009.

17. Rates of exchange

	30 June 2009		30 June 2008		31 December 2008	
	Closing	Average	Closing	Average	Closing	Average
Indonesia rupiah to US dollar	10,225	11,031	9,225	9,223	10,950	9,757
US dollar to pound sterling	1.647	1.50	1.99	1.98	1.44	1.84