Interim Management Statement

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RNS Number : 0493I
R.E.A.Hldgs PLC
12 November 2008

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The crop of oil palm fresh fruit bunches ("FFB") to end October 2008 was 367,803 tonnes against a budget of 336,663 tonnes and a crop for the corresponding period of 2007 of 301,292 tonnes. Rainfall to end October amounted to an average of 2,509 mm across the operations. This was significantly lower than the rainfall for the corresponding period of 2007 of 3,841 mm but still more than sufficient for oil palm cultivation.

Following the slightly disappointing crude palm oil ("CPO") extraction rate reported in the group's half yearly report, measures have been taken to ensure that harvesting operations are optimised and only fully ripe fruit is harvested. Whilst the CPO extraction rate for the ten months to end October 2008 at 23.13 per cent remained below the budgeted 24.00 per cent, extraction rates have improved in recent weeks and the rate for the month of October was 24.02 per cent. Previously reported modifications to the palm kernel extraction process continue to be reflected in improved palm kernel extraction with the rate achieved for the ten months to end October 2008 amounting to 4.54 per cent against a budget rate of 4.07 per cent and the rate for the corresponding period of 2007 of 3.98 per cent.

It appears increasingly likely that the budgeted FFB crop for 2008 of 421,000 tonnes will be exceeded and the group expects to budget for a further increase in crops in 2009. The group's operational progress is therefore encouraging. Regrettably, the same cannot be said for the external environment in which the group operates.

As previously announced, on 22 August 2008, the company's wholly owned subsidiary, REA Finance B.V. ("REAF"), issued £15,000,000 nominal of 9.5 per cent guaranteed sterling notes 2015/17 for cash at a subscription price of 99.8682 per cent of par. These notes rank pari passu and form a single series with the £22,000,000 nominal of 9.5 per cent guaranteed sterling notes 2015/17 previously issued by REAF. As a result of this issue, the group is in a strong financial position with limited bank debt and substantial cash resources (held primarily in US dollars), amounting at 31 October 2008 to, respectively, US$15 million and US$40 million.

Recent weeks have, however, seen sharp falls in the world market price of CPO which currently stands at about US$500 per tonne CIF Rotterdam, against the peak of just under US$1,400 per tonne reached only a little over six months ago. The impact on the group of this fall has been mitigated to a limited extent by a reduction in the rate at which duty is payable on Indonesian exports of palm oil (which is assessed on a sliding scale related to prevailing CPO prices) from a peak of 25 per cent to a present level of nil. Nevertheless, the fact remains that a material fall in CPO prices will significantly reduce the group's revenues and profitability.

Against this background, the directors consider that the group should be cautious and they are taking measures to scale back the group's expansion at least until the outlook for CPO prices becomes clearer. For the time being, no material new funds will be committed to land acquisitions for oil palm planting and oil palm extension development will be limited to completing the planting of areas in which development has already been initiated and to carrying such areas and the existing immature areas to full maturity. As a result and until circumstances change for the better, the previously announced target of a total area under oil palm or in course of development of 45,000 hectares by the end of 2009 will be reduced to about 30,000 hectares.

In the expectation that funding for smallholder programmes can be obtained from Indonesian government supported loan schemes, the group intends to utilise the management capacity that will be released by the curtailment of extension planting to expand smallholder oil palm development in areas adjacent to the group's operations. Such expansion will provide an immediate outlet for nursery seedlings that will not now be needed to meet the group's own development programme and will help discharge the group's social obligations to local communities within the areas in question. It will be a term of such smallholder oil palm development that the resultant FFB will be processed in the group's oil mills which will be of long term benefit to the group.

Prior to implementing the directors' new policy on land acquisition and as previously announced, the group on 11 July 2008 acquired the whole of the issued share capital of PT Putra Bongan Jaya ("PBJ") for a cash consideration of US$3.5 million, settlement of which was completed on 27 August 2008. PBJ holds a land allocation which is subject to final survey but is now estimated at some 16,000 hectares. It is intended to make arrangements for local Indonesian minority participation in the ownership of PBJ.

Also during the period since 1 July 2008, the group has completed the acquisition, for a total consideration of some US$3.5 million, of rights in respect of two coal concessions located in the southern part of East Kalimantan. Work is now in hand to establish an appropriate structure for the exploitation of these rights, which it is intended, will involve Indonesian minority participation in revenues from the coal extracted. The group is also currently engaged in discussions regarding the possibility of contracting out mining operations in respect of one of the concessions on a basis that should provide a good cash return on the monies invested while reducing the further capital required from the group for development of the rights acquired.

Given current financial instabilities, the directors are uncertain as to the likely short term evolution of CPO prices. The directors have previously commented that they believe that the prices of all commodities are inherently cyclical and they have no reason to modify that view. While high prices have led to lower prices, the directors are confident that the converse will in due course also be the case and that the fundamentals of supply and demand in the vegetable oil complex will not alter. Vegetable oil is an essential commodity and will continue to be consumed with growth in consumption driven by world population growth and economic development in China and India. Ultimately, low vegetable oil prices will lead to reduced plantings of the annual oilseed crops of soybean, oil seed rape and sunflower seed, world vegetable oil production will be reduced, the supply demand balance will tighten and prices will recover.

At current prices, the group's operating cash flow remains positive and the recent fall in the international price of petroleum oil may well lead to lower prices for fertiliser and diesel oil which are significant components of the group's operating costs. The current weakness of the Indonesia rupiah, which has declined in recent weeks from Rp 9,100 to the US dollar to Rp 11,000 to the US dollar, should also be beneficial to margins. Moreover, the group has substantial areas of immature plantings which offer the prospect of increasing crops for several years to come. Accordingly, whilst the decision temporarily to curtail new development must inevitably reduce the rate at which the group expands, the directors remain optimistic that the group can continue to grow albeit at a more modest rate than had previously been planned.