Interim Management Statement

,

RNS Number : 2969L
R.E.A.Hldgs PLC
04 May 2010

Interim Management Statement

The crop of oil palm fresh fruit bunches ("FFB") harvested during the four month period to end April 2010 amounted to 167,607 tonnes. This was ahead of the crop for the corresponding period in 2009 of 156,637 tonnes but below the budgeted crop of 181,649 tonnes. Rainfall to end April averaged 1,424 mm across the group's operations, compared with 1,314 mm during the same period in the previous year.

The shortfall against budget arose entirely during the period January to March 2010 and is attributed by the directors to a combination of the particular weather pattern experienced during the first quarter of 2010 and to some oil palms entering a cyclical depression or rest phase during this quarter. The FFB crop for April 2010 was slightly ahead of budget. Variations from year to year in the monthly phasing of each year's crops are normal and the directors believe that the budgeted FFB crop for 2010 of 561,000 tonnes remains a realistic projection (subject to the normal budgetary assumption of average weather conditions).

The crude palm oil ("CPO") extraction rate for the four month period to end April 2010 was 24.3 per cent against a rate of 23.2 per cent for the corresponding period in 2009. The palm kernel extraction rate for the period was 4.56 per cent against 4.8 per cent for the same period in 2009. The target extraction rates for 2010 are 24.0 per cent for CPO and 4.75 per cent for palm kernels.

The CPO price has remained at good levels during the early months of 2010 at a level for the most part in excess of $800 per tonne, CIF Rotterdam, and currently stands at $837.5 per tonne. The average price for the period 1 January to 30 April 2010 was $809 as compared with an average for the corresponding period in 2009 of $603.

Although stocks in CPO producing countries reached quite high levels in January 2010, subsequent offtake has been good and stock levels have moderated. Moreover, the recovery in crude petroleum oil prices has meant that the floor for vegetable and animal oil and fat prices that crude petroleum oil prices provide has been rising. Whilst professional forecasters have generally been in agreement that CPO prices would probably stay at around current levels at least until mid 2010, there had been concerns that, after that, the harvests from the latest soybean plantings in Brazil and Argentina (which are reported to have been at record levels) might lead to some fallback in prices. This may still prove to be the case but heavy rains in some key soybean growing areas and fungus problems with the Brazilian crop, coupled with some indications that the negative impact on current CPO production of the recent El Nino weather phenomenon is proving greater than forecast, may mean that the supply demand balance in the second half of 2010 will be tighter than had been predicted and that CPO prices may remain at good levels.

The group is well placed to proceed with its plans for planting in total a further 8,000 hectares of oil palms over the two year period to the end of 2011. Nevertheless, it does remain the case that achievement of this planting target is critically dependent upon land becoming available for development as needed. New Ministry of Forestry regulations mean that planting of the planned further 8,000 hectares will require permits additional to those that have already been obtained. The directors have no reason to believe that such permits will not be forthcoming within the time frame in which they will be needed.

Modest levels of coal production are now being achieved from the group's Liburdinding concession. With coal prices firming, export demand has improved and some export shipments are in prospect. The group is budgeting for total output from Liburdinding of 150,000 tonnes in 2010. Following appointment of a mining contractor, it is hoped to start removal of overburden at the newly acquired Kota Bangun concession within a few weeks. The group is aiming to produce 16,000 tonnes per month from this concession by December 2010. The Kota Bangun concession is well located, being approximately 5 kilometres from the Mahakam river, and the high calorific value coal that the concession contains is very suitable for export.

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. Later in February, the company issued an additional $15 million nominal of 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, totalling $15 million before issue expenses, have been deployed in the group's coal operations save to the extent of $4.5 million which has been applied in repaying short term advances of an equivalent amount that had previously been made to the coal operations from elsewhere in the group.

The group has also recently agreed a $3 million working capital line for the group's coal operations. This is undrawn pending completion of documentation.

The issues of new securities referred to above increased the group's indebtedness by some $15 million. That apart, the group's borrowing position remains substantially unchanged from the 31 December 2009 position as disclosed in the recently published 2009 annual report of the company. The issues of new securities also increased the cash and cash equivalents available to the group by some $15 million from the level of $22 million at which these stood at 31 December 2009. Provision of working capital to the coal operations and modest absorption of cash by the plantation operations reduced the resultant total by some $6 million. In consequence, cash and cash equivalents currently amount to some $30 million which is in line with expectations for this point in 2010.

The outlook for the group remains as indicated in the 2009 annual report in which it was stated that: "With the prospects of healthy margins, increasing crops and further extension of the areas under oil palm, the agricultural operations can look forward to continued growth. The development of the coal operations is still at an early stage but the directors are optimistic that those operations have the potential to make a worthwhile contribution to the future profits of the group. Overall, the directors regard the outlook for the group with confidence."

Enquiries:
R.E.A Holdings plc
Tel: 020 7436 7877

This information is provided by RNS
The company news service from the London Stock Exchange

END

IMSSSUFLLFSSEEI