United Plantations Africa Limited

Unaudited Interim Report
for the Half Year ended 30th September 2009

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Unaudited Interim Report for the Half Year ended 30th September 2009

The Board of Directors presents its report based on the unaudited figures for the period 1st March 2009 to 30th September 2009.

Results

Whilst historically most of the citrus exports have been shipped by the end of the second quarter, and a large portion sold by then, the final accounting for sales by sales agents, reporting of prices, and receipt of proceeds takes place mainly in the third quarter of the year. Citrus export prices for sales up to 30th September are, therefore, estimates.

The unaudited results below are not indicative of the final results for the year which are discussed under prospects for 2009.

Production

Production figures for the year-to-date, together with comparative figures for the same period last year, and for the year ended 31st March 2009, are:

	6 months to 30th September		Year to 31st March
Export Cartons ('000)	**2009**	2008	**2009**
Oranges	**506**	809	**809**
Grapefruit	**781**	741	**741**
Limes (5 kg cartons)	**-**	-	**39**
Industrial Exports (Tons)			
Oranges	**3,321**	2,993	**3,239**
Grapefruit	**212**	162	**240**
Local Sales (Tons)			
Citrus	**13,375**	8,467	**8,908**
Limes	**221**	654	**39**
Bananas	**2,629**	3,829	**7,888**
Sugar (Sucrose)	**4,811**	5,244	**6,654**

Ngonini Estate

Climate

The rainfall for the period is in line with the long term average with more occurrence of rain during the winter months. Unlike the previous year, the low winter temperatures were below the 10 year average (minimum temperatures) with the average minimum temperatures for June month being 5° C lower than the previous year.

Production

Citrus
Total production was marginally down on the previous two seasons. The lower production can be attributed to the average tree age, which will need to be improved by advancing the replant programme of the estate. No citrus area was removed or replanted during the current financial period. A Star Ruby orchard was planted in January 2009 in order to spread the supply for the export market.

Lower export volumes were experienced mainly due to an increase in wind blemish on all varieties, with the Turkey Valencia and the Navel orchard being the worst affected.

A late infestation of Waxy Scale gave rise to a high percentage of sooty mould on the fruit which also reduced export percentage for a portion of the Valencia producing area.

Other factors that contributed to the lower export percentage were red scale (isolated) creasing and rind disorders.

The occurrence of False Codling Moth (FCM) continued to increase and remains a serious threat to the exporting of citrus. Citrus Black Spot (CBS) was well controlled with a low percentage level of infestation.

The recent discovery of a new fruit fly species in Mozambique, Bactrocera invadens, poses another threat to the industry and is currently being monitored by government and all fruit producers in the country.

Bananas
The total area established to bananas remains unchanged at 144.3 hectares and no new plantings are anticipated for this year.

Consideration is being given to the expansion of bananas on the sandier soils with the intention of applying different management practices in order to maintain good yields and returns.

The cold temperatures experienced during the winter have had a significant negative affect on plant vigour and it is expected that yields are going to be much lower than the previous year. Plantation damage due to the cold was noticeable and reports from South African producers indicate complete loss of plantations in the Onderberg region.

Packing

Citrus
The delayed start to the packing season has improved the fruit quality of the early varieties (Navels and early Valencia's) and a reduction in post harvest rind disorders.

In general, all varieties had good internal fruit quality and with the anticipated competitive export season, a more rigid approach was taken to improve external appearance.

The operating efficiency of the packhouse remains a challenge and consideration is being given to effecting improvements throughput.

Bananas
Banana packing has gone well with the peak production period not as intense as the previous year. The need to operate a double shift did not exceed a six week period. The volume of category 2 fruit needs to be minimized to achieve higher sales prices.

Severe hail storms post 30th September have cut banana production dramatically (see Prospects for the year ending 31st March 2010).

Tambuti Estate

Weather

The late summer rains in February and March promoted the development of CBS fungus in the late Valencia orchards.
The late rains and high temperatures promoted sugar cane growth and especially those fields cut at the end of the season.

The early winter was fairly mild. However, July was abnormally cold and the average minimum temperature recorded was 3º C. colder than the past 3 seasons. There was not much winter rain this season, except for 72 mm at the beginning of August.

The Usutu River continues to provide the Estate with safe and sustainable source of water.

Citrus

Picking started in the first week of April, again in the Star Rubies. This was complicated by blemish caused from the chemical burn but approximately 50,000 cartons were sent to the EU in the first 3 weeks of picking.

Yields in all grapefruit orchards were as predicted. Fruit size was good in the Star Rubies, however, in the Marsh and Rio Reds size was severely affected as Coresil E (a fruit growth hormone) was not used due to minimum chemical residue level problem in the EU.

Yields in the orange varieties were reasonable but still below expectations. The pack-out percentages were lower than anticipated, mainly due to creasing, CBS (in the late and old orchards) and small fruit in the Olinda Valencia's.

The Tambor yield this season was disastrous, at 25 tons/hectare. This was mainly due to the late rains, which caused the fruit to split and drop.

The effect of FCM, in general, was much better this season due to the prevention measures used, as was evident in the low level of rejections in the Japan programme.

Packing

In general, it was a difficult packing season due to fruit quality problems, and the consequent pressure to ensure that as much fruit as possible was packed for export. This was done extremely well, with minimal rejections at the port in respect of fruit destined for Japan and no interceptions in the EU, as well as no real quality complaints from receivers.

The Japan packings were completed in a 5 week period to ensure that the fruit arrived in accordance with delivery obligations.

The CBS sensitive orchards were packed mainly for Regent Produce and sent to the Middle or Far East. This required wrapping of the fruit.

In total 27,719 tons of fruit was processed in 100 days.

The pallet making operation has continued at both Tambuti and Ngonini at a cost of about 60% of the current retail price.

The cost of packing materials continues to be a challenge with a fair amount of investigation being undertaken to achieve the best prices. Cartons were received from two suppliers during the season. End pieces were used again this season to stiffen the carton and reports from receivers confirmed that company cartons and pallets generally traveled better than other types.

Sugar

Current yields are 3% below estimate. The replant programme was not implemented this season due to reduction in the citrus crop revenues. The newly planted drip irrigation fields will be cut later in the season and indications are that the yields from these fields will be in excess of 145 tons/hectare.

General

Labour relations during the season were somewhat strained as the union tried to convince seasonal workers to join the union.

The lower oil price and strong ZAR has had a positive effect on fertilizer and chemical costs as most of these product are imported. However local costs of spares continues to escalate resulting in increased costs due to the age of most of the vehicles and equipment.

Marketing

Industry Background

During 2009 a total of 88 million cartons were exported (90 million in 2008) from southern African shores.

Prices

Japan: Approximately 3.9 million cartons grapefruit were exported to Japan against expectations of 4.5 million. Overall coordination of the fruit arrivals in Japan was difficult to achieve, resulting in excessive stock levels negatively affecting prices. The Company, however, was not affected by the change in price because of timing and fixed price contracts.

EU: Early and late prices have been reasonable but high volumes during peak season caused pressure on the less favoured counts. Orange volumes from southern Africa were substantially down, mainly due to fruit size, which exerted a favourable affect on the later prices.

Logistics

The price of transport to port by road for citrus was stable throughout the year. A small volume of fruit was exported through Maputo, rather than through Durban as an experiment in order to determine the impact on the total transport costs.

Shipping will remain one of the cost challenges of the future.

Marketing

Citrus

Middle East & Islands: A portion of the Navels and Proteas was sold to the Middle East markets at fixed prices. With the strengthening of the ZAR, budget prices were not achieved. A limited volume of count 125 Valencia fruit was exported to the Islands (especially Mauritius). Strategically, these markets remain important as an alternative to the EU markets.

A limited volume of Delta Valencia and Late Valencia was sent to the Middle East towards the end of the season.

Europe: The marginal sales prices and the strong ZAR will have a negative impact on returns.

No packaging or any significant fruit quality problems were experienced. Fruit quality reports received from the receivers confirmed this.

The volume of industrial fruit in the UK was limited due to the recession causing lower demand on juice sales. The market for the industrial fruit in cartons increased in volume and will hopefully continue to increase for the coming season.

Banana

The reduced volumes in the industry, mainly due to the cold winter, have exerted a positive impact on price (currently 20% above budget). Hail storms have, however, inflicted severe damage on bananas, post 30th September, cutting production (see Prospects below).

Volumes

The company packed a total of 1.28 million cartons of citrus in total compared with 1.55 million cartons of citrus for the same period last year.

Financial results

Unaudited revenue and expenditure for the six months ended 30th September 2009

The unaudited revenue and expenditure for the six months to 30th September 2009, together with figures for the same period in 2008, and the summarized figures extracted from the audited results for the year ended 31st March 2009, are set out below:

(All figures expressed in ZAR 000's)

	6 months to 30th September 2009		6 months to 30th September 2008		12 months to 31st March 2009	
	Group	Company	Group	Company	Group	Company
Revenue	70,720	24	77,154	25	117,631	-
Expenditure	71,691	250	79,324	298	113,927	651
Net Profit before taxation	(971)	(226)	(2,170)	(273)	3,704	(651)
Taxation	-	-	-	-	(2,542)	-
Net Profit/(Loss)	(971)	(226)	(2,170)	(273)	1,162	(651)

Revenue and expenditure is based upon the actual local sales and costs incurred to date, and export sales for the period at estimated delivered in port (DIP) selling prices and on confirmed DIP sales prices where sales have been completed. Expenditure includes financing costs.

The net loss at 30th September 2009 is a reflection of the citrus seasonal income received up to that date plus estimates of future sales prices for fruit still unsold at that date. The costs for the remaining six months of the year are not absorbed by further citrus income, and the half-year loss is, therefore, not an indicator of the final profit or loss that will be achieved for the year.

Taxation in March 2009 included a charge for deferred taxation relating to accelerated wear and tear on assets held in the subsidiary company.

Prospects for the year ending March 2010

Grapefruit fruit prices have not been as good overall as in 2008. Whilst orange prices started off at moderate levels, the lack of fruit on the market caused prices to rise towards the end of the sales season.

Banana revenues are expected to be ZAR 4 million under the budget for the year.

Sucrose targets are expected to be met for both volume and revenue.

The South African Rand has appreciated 20% against the pound sterling and 8% against the Euro since 30th September 2008. This has put pressure on revenues and profitability.

Post 30th September events: Severe hail storms at Ngonini on the 13th October and on 10th November 2009 have damaged citrus and banana crops.

Damage to the citrus crop is discussed below under prospects for the 2010 season. The banana damage will affect the year ending 31st March 2010. Approximately 40% of the crop, comprising 60,000 bunches, has been damaged and 80% of the 33,000 cartons of export bananas have been lost and will be sold as local fruit at farm gate prices. The remaining 20% are totally lost.

The assessment of the financial impact of the hail on the financial year ending 31st March 2010 is not yet complete but on the basis of current expectations, the Company expects to incur a loss for the year ending 31st March 2010.

Prospects for the 2010 season (year ending 31st March 2011)

It is too early to predict the prices for the 2010 citrus season.

Post 30th September events: At Tambuti estate the current crop (2010 season) has been affected by a very poor fruit set in the Star Rubies and approximately only 30% of the crop has set. All other varieties are not affected and have set a good crop. Consultants have been engaged to determine the reasons for the poor set. The effect of this will be a reduction of 50% in Star Ruby cartons available for export (some 250,000 cartons). Star Ruby grapefruit is the estate's most lucrative export crop. Tambuti Estate has had one hail storm to date.

Ngonini Estate suffered the two of the worst hail storms in its history. One occurred on the 13th October 2009 followed by another accompanied by gale force winds on the 10th November 2009. The damage has not yet been fully assessed but will amount to a loss of at least two-thirds of the orange crop and 40% of the banana crop.

The financial impact of the storms on the Company's profits for the period ended 31st March 2011, though still being assessed, will be both material and negative.

Dividends

The Board has adopted a policy of not recommending dividends until such time as all orchards producing at sub-optimal levels have been replaced under the replanting programme, debt levels have been substantially reduced, and working capital requirements have been met.

Exchange rates

The Rand (ZAR) exchange rates as at 30th September 2009 were ZAR 11.94 per Pound Sterling, ZAR 10.89 per Euro, and ZAR 1.47 per Danish Kroner.

By Order of the Board

J Hebbert
Company Secretary

20 November 2009