

# Supplementary prospectus

R.E.A.Hldgs PLC 15 February 2006 R.E.A. Holdings plc ("REA") Supplementary Prospectus and Proposed Reduction of Capital REA announces that it has published a supplementary prospectus (the "supplementary prospectus") supplemental to the base prospectus (the "base prospectus") published on 17 August 2005 relating to an issue by REA of up to \$30,000,000 of 7.5 per cent dollar notes 2012/14 ("dollar notes"). Currently, \$4,972,281 nominal of dollar notes are in issue. As announced on 24 January 2006, REA has agreed to issue a further \$19,000,000 nominal of dollar notes pursuant to the terms of an agreement (the "settlement agreement") dated 23 January 2006 between REA and certain of its directors and subsidiaries of the one part and Mr M E Zukerman and connected parties of the other part (the "MEZ group") as consideration for the acquisition by REA of all of the shares in REA's subsidiary, Makassar Investments Limited, owned by the members of the MEZ group. The supplementary prospectus contains information relating to certain significant new factors relating to the information provided in the base prospectus which have arisen since the date of publication of the base prospectus. Details of such factors have already been announced in press announcements issued by REA save as regards the fact that the directors of REA have concluded that they should seek shareholder approval for a reduction in the capital of REA of £6 million in aggregate involving the cancellation of the entire balance of £3,239,666 standing to the credit of REA's capital redemption reserve and a reduction of £2,760,334 in the amount standing to the credit of REA's share premium account. This reduction of capital was envisaged in the base prospectus, and the trust deed constituting the dollar notes contains provisions pursuant to which the trustee for the holders of the dollar notes has irrevocably consented, on behalf of itself and holders of the dollar notes, to a reduction in the capital of REA of the magnitude that is proposed. However, at the time that the base prospectus was published, the directors had no immediate plans to propose the reduction of capital. That has now changed. The REA group's profits are currently derived almost entirely from the oil palm operations in Indonesia of REA's subsidiary, PT REA Kaltim Plantations ("REA Kaltim"). That subsidiary has substantial local borrowings in Indonesia and the covenants to which those borrowings are subject impose restrictions on payments by REA Kaltim of dividends and of interest on loans made by REA to REA Kaltim. REA's own profits are materially dependent upon receipt of such payments. Moreover, even to the extent that the payment of dividends by REA Kaltim is permitted by its local bankers, the availability of tax losses brought forward in REA Kaltim (resulting from accelerated depreciation for tax purposes in respect of the substantial capital expenditure that has been incurred in the establishment of REA Kaltim's present operations), would make it, for the time being, fiscally disadvantageous for the REA group if REA Kaltim were to pay significant dividends. REA is permitted by law to pay dividends on its shares only out of its own distributable reserves. The level of distributable reserves shown by the REA balance sheet as at 31 December 2004 (being the latest audited balance sheet of the company) amounted to just £1.6 million. As the servicing cost of the additional \$19 million of dollar notes to be issued pursuant to the settlement agreement will result in an increase in future charges against REA's own revenues, the directors of REA are concerned to ensure that, if there is an erosion in REA's distributable reserves, such a technical limitation should not inhibit the payment of dividends (especially dividends on the preference shares of REA) which the directors would, from a commercial viewpoint, feel able to recommend. The directors consider that the likelihood of such an occurrence would be significantly reduced by the release to distributable reserves of £6 million in aggregate from the amounts at present standing to the credit of REA's share premium account and capital redemption reserve. Accordingly, subject to the placing of the 1,372,000 ordinary shares at 260p per share that was agreed on 14 February 2006 being duly completed and to the proposals for the issue of an additional 2,828,000 ordinary shares at 260p per share pursuant to a further placing

and open offer (such placing and proposals for a further placing and open offer being as announced on 14 February 2006), REA intends that the circular to be sent to shareholders in connection with the proposed issue of the 2,828,000 additional ordinary shares should include proposals for a reduction in the capital of REA to the extent described above. The proposed reduction would be conditional upon the further placing and open offer of the 2,828,000 ordinary shares becoming unconditional and upon the passing of resolutions of warrant holders and shareholders necessary to effect the reduction. The proposed reduction of capital would further be conditional upon confirmation by the High Court. A copy of the supplementary prospectus has been submitted to the UK Listing Authority, and will shortly be available for inspection at the UK Listing Authority's Document Viewing Facility, which is situated at: Financial Services Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS Telephone: 020 7676 1000 A copy of the supplementary prospectus may also be inspected at the offices of REA at 3rd Floor, 40-42 Osnaburgh Street, London NW1 3ND and in electronic form on the website maintained by REA at [www.rea.co.uk](http://www.rea.co.uk). A copy of the base prospectus is similarly available for inspection. This information is provided by RNS The company news service from the London Stock Exchange