

# Prospectus Update

R.E.A.Hldgs PLC 19 May 2006 R.E.A. Holdings plc (the "company") Completion of capital reduction and preference share placing Capital reduction The company announces that at a hearing on 17 May 2006, further to a special resolution passed at an extraordinary general meeting of the company held on 18 April 2006 and an extraordinary resolution passed at a meeting of the holders of warrants held on April 2006, the High Court confirmed a reduction in the capital of the company. The capital reduction has now become effective following the registration with the Registrar of Companies of the order of the High Court confirming the reduction. As a result, the entire balance of £3,239,666 standing to the credit of the company's capital redemption reserve has been cancelled and the amount standing to the credit of the company's share premium account has been reduced by £2,760,334. The company announced the capital reduction on 22 March 2006 and full details of the reduction were given in a circular sent to the company's shareholders on that date (the "March circular"). Its objective has been to reduce the likelihood of the company being prevented in the future by legal rather than commercial constraints from paying dividends (particularly preference dividends). Preference share placing Following the completion of the capital reduction, the company will complete a placing arranged by Mirabaud Securities Limited (the "preference share placing") of 3,000,000 new preference shares fully paid at a price of 105p per share (the "new preference shares"). The preference share placing was announced on 22 March 2006 and detailed information concerning the placing was included in the March circular. The new preference shares will upon issue rank pari passu in all respects with the preference shares already in issue save that the dividend payable on the new preference shares on 30 June 2006 will be 2 1/4p per share. It is expected that the issue and listing of the new preference shares will become effective and commencement of dealings in the new preference shares will take place on 22 May 2006. As previously indicated, it is intended that the proceeds of the preference share placing should be applied in substantially funding the net cash outflow from the group that would result from winding up Makassar Participation plc ("MP") (being the payment of dividend arrears and repayment of capital to which the third party holders of MP preference shares would be entitled in the winding up). The new preference shares are therefore designed, in effect, to replace the existing minority interest in the preference share capital of MP. This information is provided by RNS The company news service from the London Stock Exchange