

Exchange offer and placing of dollar notes

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R.E.A.Hldgs PLC
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R.E.A. Holdings plc ("REA", the "company")

Proposed issue by the company of up to \$50 million nominal of 7.5 per cent dollar notes 2017

Introduction

The company announced in its half yearly report on 24 August 2012 that the directors were aiming to agree arrangements for the reorganisation of the outstanding \$35 million 7.5 per cent dollar notes 2012/2014 (the "**existing dollar notes**") so as to extend their repayment until 2017 and, following such reorganisation, to issue a further tranche of up to \$15 million dollar notes with the modified repayment date.

In accordance with this aim, the company announces today that it proposes to create up to \$50 million nominal of 7.5 per cent dollar notes 2017 ("**new dollar notes**"), up to \$35 million nominal of which are to be issued by way of an exchange offer under which the company will offer to acquire all of the \$35 million nominal of existing dollar notes in exchange for new dollar notes (the "**exchange offer**") and up to the remaining \$15 million nominal of which are to be issued by way of a placing by Guy Butler Limited ("**Guy Butler**") on behalf of the company (the "**placing**") (the exchange offer and the placing being, together, the "**proposed issue**").

The company further announces that it has today published a summary and securities note and registration document which together constitute a prospectus (the "**prospectus**") in respect of the proposed issue.

Reasons for the exchange offer and placing

The directors are proceeding with previously announced plans for the amalgamation of all of the group's Indonesian plantation subsidiaries into a single sub-group headed by P.T. REA Kaltim Plantations ("**REA Kaltim**") and, following that amalgamation, for a public offering of a minority shareholding in REA Kaltim combined with listing of REA Kaltim shares on the Indonesia Stock Exchange in Jakarta. At the same time, the group is continuing its planned extension planting programme which brings with it a requirement for investment in additional estate buildings, vehicles and equipment.

Absent some unforeseen event that has a catastrophic negative impact on the group, the directors are confident that the company could effect redemption of the existing dollar notes in accordance with their current terms, whether from internal cash flows, by refinancing maturing notes or from the proceeds of the proposed public offering of a minority shareholding in REA Kaltim. If circumstances so required, planned capital expenditure could be reduced so as to increase internal cash flows.

However, the directors would prefer the group to retain a sufficient cash cushion to permit continuation of the planned extension planting programme in the event of a sustained downturn in crude palm oil prices and/or a postponement of the proposed public offering of a minority shareholding in REA Kaltim. The exchange offer and the placing are proposed with this objective.

The exchange offer will, in effect, give holders of existing dollar notes the opportunity themselves to refinance the existing dollar notes. The terms of the exchange offer have been formulated after discussions with certain substantial holders of existing dollar notes as to the basis upon which such holders would be willing to substitute holdings of longer dated dollar notes of the company for existing dollar notes. The directors have received informal and non-binding indications that such holders are likely to accept the exchange offer in respect of a significant proportion of the outstanding existing dollar notes.

The directors are comfortable that the continuing accretion of shareholder equity from retention of earnings means that the group can support the addition to its current net indebtedness that will result from the placing.

Use of proceeds of the proposed placing

All proceeds from the proposed placing will, to the extent required for that purpose, be applied by the group in funding the planned extension planting programme and associated

expenditure and to the extent not so required, will be retained in cash.

Terms and conditions of the exchange offer and placing

The company is offering to acquire the existing dollar notes under the exchange offer on the following basis:

for each \$100 nominal of existing dollar notes \$100 nominal of new dollar notes plus \$0.25 in cash plus a further amount in cash equal to the interest accrued but unpaid on \$100 nominal of existing dollar notes as at the date on which the offer becomes unconditional

and so in proportion for any greater or lesser amount of existing dollar notes held.

The exchange offer can be accepted in respect of all or any part of a holding of existing dollar notes. Holders of existing dollar notes who do not wish to accept the exchange offer, whether in whole or in part, are free to retain all or any of their existing dollar notes and the company will continue to honour the terms and conditions attaching to such notes.

Existing dollar notes acquired by the company pursuant to the exchange offer will be cancelled and will not be available for re-issue or sale by the company.

The exchange offer is conditional upon acceptances being received by not later than 1.00 p.m. on 15 November 2012 (or such later time(s) and/or date(s) as the company may decide, being not later than 1.00 p.m. on 20 December 2012) in respect of not less than \$10 million nominal of existing dollar notes (or such lesser amount as the company may decide, provided that this condition will not be satisfied unless the company will have in issue, at the time that the exchange offer becomes fully unconditional (both as to acceptances and as to the admissions referred to below), at least \$10 million nominal of new dollar notes (whether issued pursuant to the exchange offer or the exchange offer in conjunction with the placing).

The placing is conditional on the company having in issue, at the time that the placing becomes unconditional, at least \$10 million nominal of new dollar notes (whether issued pursuant to the placing or the placing in conjunction with the exchange offer).

The exchange offer and the placing are both also conditional upon the creation of the new dollar notes and the admission of the new dollar notes to the Official List and to trading on the Regulated Market of the London Stock Exchange by no later than 5.00 p.m. on 21 December 2012.

The company has appointed KBC Securities N.V. ("**KBC**") and Guy Butler to provide general assistance to the company in connection with the exchange offer. In consideration of such services, the company has agreed to pay KBC and Guy Butler an aggregate fee equal to 1.5 per cent of the nominal value of the existing dollar notes in respect of which valid acceptances of the exchange offer are received (plus VAT), subject to the exchange offer becoming fully unconditional.

Guy Butler has undertaken to use its reasonable endeavours to place all of the new dollar notes the subject of the placing at par. The subscription monies payable for the new dollar notes the subject of the placing are payable in full on allotment.

The company has agreed to pay Guy Butler a commission of 1.75 per cent of the gross proceeds of the new dollar notes issued pursuant to the placing (plus VAT) and to bear all expenses of and incidental to the placing.

Restrictions on the free transferability

The new dollar notes will be transferable in amounts or integral multiples of \$1 by transfer in the usual form for such securities.

Rights attached to the securities

The new dollar notes will bear interest at the fixed rate of 7.5 per cent per annum, payable half yearly in arrear in equal instalments on 30 June and 31 December of each year.

The trust deed will contain provisions for calling meetings of the holders of the new dollar notes to consider matters affecting their interests generally.

The trust deed will not contain any restrictions on further borrowings by the company ranking in priority to or *pari passu* with the new dollar notes save that the company will covenant to procure that the overall borrowings of the group do not exceed an amount equal to 1½ times the share capital and reserves of the group (as defined in the conditions of the new dollar notes).

Further terms and conditions of the securities

The terms and conditions attaching to the new dollar notes will be the same as those attaching to the existing dollar notes, save as regards redemption and certain other minor amendments (i) to deal with the first payment of interest and (ii) to exclude terms which are no longer relevant.

Accordingly, the new dollar notes will represent unsecured obligations of the company.

The new dollar notes will bear interest at the fixed rate of 7.5 per cent per annum, payable half yearly in arrear in equal instalments on 30 June and 31 December of each year, provided that, in the respect of the first interest period following the date of issue of the new dollar notes, interest shall be calculated from (but excluding) the date on which the exchange offer becomes fully unconditional to (and including) 31 December 2012, save in respect of new dollar notes issued after 31 December 2012 whereby interest shall accrue from (but excluding) the date of issue.

The Law Debenture Trust Corporation p.l.c. has agreed to act as trustee of the holders of the new dollar notes.

The new dollar notes shall be governed by, and shall be construed in accordance with, English law.

Further information

Copies of the prospectus will shortly be submitted to the National Storage Mechanism and will be available for inspection at www.Hemscott.com/nsm.do. Copies of the prospectus may also be obtained free of charge from the company at its registered office, First Floor, 32-36 Great Portland Street, London W1W 8QX and are also available to download from the company's website at www.rea.co.uk.

Expected timetable

It is expected that the results of the proposed exchange offer and placing will be announced on 16 November 2012 and that dealings in the fully paid new dollar notes issued pursuant to the exchange offer and placing will commence on 19 November 2012.

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