

Further re Cnv Loan Stock

R.E.A.Hldgs PLC 03 August 2005 R.E.A. Holdings plc (the "company") Proposed reorganisation of 4 per cent convertible loan stock 2012 ("convertible loan stock") and issue of new 7.5 per cent dollar loan notes 2012/14 ("dollar notes") The company announced on 23 May 2005 that it was considering proposals for a reorganisation of the convertible loan stock which would result in holders of the stock exchanging their existing holdings for a combination of new ordinary shares and new dollar denominated loan notes of the company. The company now announces that it intends to propose that the reorganisation be effected on terms that will result in every £100 nominal of convertible loan stock being exchanged for 164 new ordinary shares and the dollar equivalent of £90 nominal of dollar notes (such dollar equivalent to be determined by reference to the sterling dollar exchange rate ruling on the latest practicable date prior to publication of the final proposals). The dollar notes will be issued in registered form in amounts and integral multiples of \$1 and will bear interest at the rate of 7.5 per cent per annum, payable half yearly in arrears on 30 June and 31 December of each year. Interest payable on 31 December 2005 will accrue with effect from 1 July 2005. Interest on the convertible loan stock will cease to accrue after 30 June 2005 (being the last date upon which interest was paid on the stock). The dollar notes will be unsecured obligations of the company. Unless previously redeemed or purchased by the company, the dollar notes will be redeemable at par by three equal annual instalments commencing 31 December 2012. If dollar notes have been purchased by the company and cancelled, the amount of dollar notes that the company will be obliged to redeem on any given redemption date will be reduced by the nominal amount of dollar notes purchased and cancelled prior to that redemption (save in so far as such notes were purchased and cancelled prior to a previous redemption date and taken into account in reducing the dollar note redemption requirement in relation to that previous redemption date). Holders of dollar notes will be entitled to elect to receive payments of interest and redemption monies due in respect of their holdings of dollar notes in pounds sterling. Where any such election has been made, the amount of each dollar payment that, absent the election, would be due to the electing holder in respect of the dollar notes held by that holder will be converted to pounds sterling by the company shortly ahead of the due date of the payment and the resultant conversion proceeds will be paid to the holder in lieu of the dollar amount that would otherwise be payable. All holders of convertible loan stock will be deemed to have made such an election. One object of the convertible loan stock reorganisation will be to establish the dollar notes as a new listed debt security of the company. The directors believe that this will facilitate further issues of dollar notes and thereby provide the group with access to longer term debt finance than is currently available to the group from banking sources. Access to such longer term finance is, in the directors' opinion, important for the group because it is only by debt funding a prudent proportion of the costs of its oil palm development programme that the group can hope to maximise the equity returns potentially available from such programme. The present reliance for debt funding on Indonesian bank borrowings requires the group to accept debt with an average term of less than three years. That does not fit well with the growth cycle of an oil palm which takes nearly four years to maturity from nursery planting and then a further period of three to four years to full yield; long term debt finance would better match the group's funding requirements. Because crude palm oil is priced in dollars, it is prudent for the group to borrow in dollars. Accordingly, the directors intend that in total \$30,000,000 nominal of dollar notes should be created of which only about \$5,000,000 will be issued pursuant to the reorganisation of the convertible loan stock. The directors will seek to issue the balance of the dollar notes by way of multiple placings, principally with substantial investors, over a period of up to four years so as to maintain an appropriate level of group indebtedness and to match (insofar as reasonably practicable) and meet the maturing obligations and other funding requirements of the

group. The proposed reorganisation of the convertible loan stock will be conditional upon certain approvals being obtained from shareholders, holders of the convertible loan stock and holders of the company's warrants and upon the new ordinary shares and dollar notes resulting from the reorganisation being admitted to the Official List and to trading on the London Stock Exchange's market for listed securities and such admission becoming effective. R.E.A. Services Limited, a wholly owned subsidiary of the company, has for some time owned £250,000 nominal of convertible loan stock. Implementation of the proposed reorganisation of the convertible loan stock would result in the exchange of the stock owned by R.E.A. Services Limited for new ordinary shares and dollar notes. By law, a company may not issue its own shares to a subsidiary. Accordingly, R.E.A. Services Limited has today arranged to sell its holding of convertible loan stock to an institutional purchaser at a price of £430 per £100 nominal of the stock. Formal documentation relating to the proposals described above is currently at an advanced stage and it is hoped that this can be despatched to shareholders and holders of the convertible loan stock and the company's warrants in the near future. This information is provided by RNS The company news service from the London Stock Exchange