

Further re third party investment

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

Update regarding third party investment in PT REA Kaltim Plantations, Indonesian bank facilities and operations

Proposed investment by DSN

REA is pleased to announce that, further to the conditional agreement with PT Dharma Satya Nusantara Tbk ("**DSN**") announced on 16 May 2016, it has today signed the detailed agreements for the purchase and subscription by PT Swakarsa Sinarsentosa ("**SWA**") and PT Agro Pratama ("**AP**"), wholly owned subsidiaries of DSN, for shares in in the company's principal operating subsidiary in Indonesia, PT REA Kaltim Plantations ("**REA Kaltim**") for an aggregate consideration of \$15.0 million.

Completion of the share purchase and subscription is expected within four weeks, subject to receipt of all the necessary regulatory and any other approvals, and will result in SWA and AP (together, the "**Investors**") together owning in aggregate 15 per cent of REA Kaltim's enlarged issued share capital.

A pre-completion advance of \$10 million from SWA to REA Kaltim was duly received in June 2016. At completion, the Investors will also make loans to REA Kaltim of \$10.0 million and £3.9 million on terms mirroring the terms of existing dollar and sterling loans from the company to REA Kaltim. Such shareholder loans will be funded as to \$10 million from the repayment of the pre-completion advance. In addition, discussions are continuing regarding further proposed loans to subsidiaries of REA Kaltim at the intended levels previously announced.

Pursuant to the arrangements now agreed, the Investors will also pay 15 per cent of the amount of any recoveries arising from certain overpayments made in respect of 2015 Indonesian corporation tax by REA Kaltim and a subsidiary obtained prior to 1 January 2018. This may result in further payments by the Investors of up to the equivalent of \$0.85 million.

The directors welcome DSN's investment in REA Kaltim, which will help finance the group's extension planting programme and benefit the group's operations in terms of more efficient sourcing of supplies, marketing and exchanges of information on agricultural practices.

Richard Robinow, a director of the company, has confirmed that he and his family, who hold 28 per cent of the issued ordinary share capital of the company, currently have no intention of divesting their shareholding and intend to continue supporting the planned development of REA Kaltim under the joint ownership of REA and DSN.

Rothschild is acting as financial adviser to REA in connection with DSN's investment in REA Kaltim.

Indonesian bank facilities

Discussions with the group's principal Indonesian bankers have now been successfully concluded. As a result, borrowings, denominated in a combination of Indonesian rupiahs and US dollars and totalling the equivalent of \$88.6 million, have been replaced with new increased borrowings, denominated in Indonesian rupiahs and totalling the equivalent of \$95.3 million.

The new borrowings incorporate a reduced annual revolving credit facility (committed until July 2017) of the equivalent of \$26.0 million against the previous annual revolving credit facilities of \$35.5 million. The balance of the new borrowings is repayable over a period of five years. Assuming continued rollover of the annual revolving credit facility (which the group has every reason to expect), repayments of the new borrowings due in respect of the period from now to 31 December 2017 and of the year to 31 December 2018 will amount to the equivalent of, respectively, \$0.7 million and \$3.2 million, reductions of respectively \$4.7 million and \$19.8 million on the amounts that would have been repayable under the borrowings that have been replaced.

Operations

The impact of the El Nino weather phenomenon has continued to affect the group's production alongside other CPO

producers in the region. Whilst the benefits of the additional fertiliser dosages that are now being applied must be expected to take some months to become apparent, management does note improving bunch formation in the field although it is not yet clear when this will translate into improved production levels.

CPO extraction rates remain steady at just below 24 per cent reflecting the recent refurbishment of the mills and improved mill maintenance programmes.

Clearing and planting of new land developments is progressing at a good pace, with 2,648 hectares cleared and 4,013 planted in the first seven months to the end of July.

Crops and extraction rates for the seven month period to the end of July 2016 (with comparative figures for the same period in 2015) were as follows:

1 January to 31 July	2016	2015
FFB crops - group (tonnes)	247,000	325,000
FFB crops - external purchases (tonnes)	52,000	77,000
FFB processed (tonnes)	296,000	399,000
Crude palm oil (CPO) produced (tonnes)	71,000	86,000
Palm kernels produced (tonnes)	14,000	18,000
Crude palm kernel oil (CPKO) produced (tonnes)	5,000	6,000
CPO extraction rate (%)	23.8	21.6
Palm kernel extraction rate (%)	4.8	4.6
CPKO extraction rate (%)	32.3	33.4

Half yearly report

The company expects to publish its half yearly report for the six months ended 30 June 2016 on or around 28 September 2016.

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This information is provided by RNS
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