

Issue of Debt

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R.E.A.Hldgs PLC

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Proposed creation and issue of further debt securities by REA Finance B.V. (the "issuer"), a wholly owned subsidiary of R.E.A. Holdings plc (the "company")

Introduction

It was announced on 7 July 2008 that the issuer was contemplating the creation and issue of further notes ("**further notes**") ranking *pari passu* with and forming a single series with the £22,000,000 nominal of 9.5 per cent guaranteed sterling notes 2015/17 of the issuer that are already in issue ("**original notes**")

The company and the issuer now announce that they have today published a prospectus (the "**prospectus**") relating to a proposed issue of up to £28,000,000 nominal of further notes of which it is proposed that an initial tranche of up to £15,000,000 nominal of the further notes be issued for cash at 99.8682 per cent of par and that the balance be available for issue pursuant to an offering programme.

The original notes are constituted by a trust deed dated 1 December 2006 made between the issuer (as Issuer), the company (as Guarantor) and Capita Trust Company Limited (as Trustee), as amended by a first supplemental trust deed dated 6 August 2007 made between the same parties (the "**original trust deed**"). In connection with the issue of the further notes, it is proposed that the original trust deed be amended in certain respects and restated so that the original and further notes will in future be constituted by an amended and restated deed (the "**amended and restated trust deed**"). Such amendment and restatement will require the sanction of existing holders of the original notes and the issuer has today despatched to holders of the original notes a notice convening a meeting of such holders to be held at the registered office of the issuer in Amsterdam on 21 August 2008 to consider a resolution to provide the necessary sanction and, at the same time also to sanction proposed amendments to the terms of a loan agreement (the "**REA Kaltim loan agreement**") between the issuer, PT REA Kaltim Plantations ("**REA Kaltim**", a subsidiary of the company) and the company relating to loans that currently form the principal security for the original notes. The notice of meeting is accompanied by an explanatory circular from the company (together with the notice, the "**circular**").

Purposes of the proposed issue

The company and its subsidiaries (the "**group**") currently have substantial cash resources but the extent of their liquidity reflects delays to the 2007 planned development programme that meant that development expenditure during 2007 was lower than it would have been had the development programme proceeded as intended. Following the resumption of extension planting in May 2008, the group is aiming to plant some 18,000 hectares of additional land over the period to 31 December 2009. This will involve the group in major development expenditure.

At the current level of prices for crude palm oil ("**CPO**"), the group's operating activities are producing significant positive cash flows. If maintained, these cash flows, coupled with the cash resources already held by the group, could be expected to fund a substantial proportion, if not all, of the development expenditure currently planned. However, as there can be no certainty that the group will continue to enjoy revenues from its CPO sales at current levels, the directors feel that, in committing the group to new development, they should endeavour to ensure that the group maintains cash reserves that can reasonably be expected to be sufficient to complete all works associated with the development in the event that the cash flows projected to be available from operational activities do not fully materialise.

This means that, notwithstanding its existing liquidity, the group will require additional funding. The proposed issue of further notes is designed to meet that requirement as currently estimated on the basis of the group's existing development programme.

Particulars of the further notes

The further notes will be issued by the issuer and unconditionally and irrevocably guaranteed by the company. All proceeds from the issue of the further notes will be applied in making loans to REA Kaltim and/or other subsidiaries of the company incorporated in Indonesia and engaged in the cultivation of oil palms and/or the processing of oil palm fruit.

The further notes will be in registered form in amounts and integral multiples of £1,000 and will be listed on the Official List and traded on the Regulated Market of the London Stock Exchange. The further notes will bear interest at the rate of 9.5 per cent per annum payable semi-annually in arrear on 30 June and 31 December of each year, save that interest for the period from the date of issue of each tranche of further notes to the next following 30 June or 31 December will be calculated as if such interest had accrued for a full six month period.

Unless previously redeemed or purchased and cancelled by the issuer, the further notes and the original notes (together the "**sterling notes**") will be redeemed at par by three (as nearly as possible) equal annual instalments commencing 31 December 2015. If sterling notes have been purchased by the issuer and cancelled, the amount of sterling notes that the issuer will be obliged to redeem on any given redemption date will be reduced by the nominal amount of sterling notes purchased and cancelled prior to that redemption date (save in so far as such notes were purchased and cancelled prior to a previous redemption date and taken into account in reducing the sterling note redemption requirement in relation to that previous redemption date).

The original notes are, and the further notes will be, secured by way of a first charge over any cash balances held from time to time by the issuer at bank and all rights of the issuer in respect of all loans owed from time to time to the issuer by Indonesian subsidiaries of the company ("**Indonesian**

debtor subsidiaries"). Following completion of the issue of the initial tranche of the further notes and the on-lending of the gross proceeds of that issue to Indonesian subsidiaries of the company, those loans will comprise sterling denominated loans of £22,385,000 plus such on-lent gross proceeds and dollar denominated loans of \$36,500,000. All loans owed by the Indonesian debtor subsidiaries to the issuer will be unsecured obligations of those subsidiaries.

Under the terms of the amended and restated trust deed, the company will be obliged to procure that the combined borrowings (net of cash balances) of the Indonesian debtor subsidiaries and the issuer do not exceed an agreed limit. That limit is currently \$114,402,000 but will be increased on a formula basis if operating cash flows from REA Kaltim increase. External borrowings will include the principal amount of the sterling notes, converted into dollars at the spot rates applicable on the dates of issue of the notes, but will exclude (i) monies owed by the issuer to the company or any subsidiary of the company; (ii) monies owed by the Indonesian debtor subsidiaries to the issuer and each other; and (iii) external borrowings of up to \$10 million incurred for the purposes of repaying then existing external borrowings.

Subject to the limit on the combined borrowings of the issuer and the Indonesian debtor subsidiaries and a limit on the combined secured indebtedness of the Indonesian debtor subsidiaries of \$55,000,000, the Indonesian debtor subsidiaries will be free to continue existing, and/or enter into new, external borrowing arrangements that are secured. The issuer and REA Kaltim have entered into, and the issuer and Indonesian debtor subsidiaries may enter into, subordination arrangements which subordinate obligations owed or to be owed by REA Kaltim and other Indonesian debtor subsidiaries to the issuer to other obligations of the applicable Indonesian debtor subsidiaries (including obligations under hedging contracts). The issuer will not be permitted to create security over its assets (save for the security described above in relation to the sterling notes).

The amended and restated trust deed will not contain any provisions limiting the indebtedness of, or imposing financial covenants on, the company.

The issuer will be free to receive and retain and/or expend monies received in respect of its loans to the Indonesian debtor subsidiaries unless and until the security for the sterling notes becomes enforceable, subject always to restrictions on the use of such monies contained in, and continued compliance with the covenants imposed by, the amended and restated trust deed.

If any person or group of persons acting in concert acquires shares in the company carrying more than 50 per cent of the votes which may generally be cast at general meetings of the company, each holder of sterling notes will have the right to require that the sterling notes held by such holder be repaid at 101 per cent of par together with accrued interest.

Placing of the further notes

The issuer and the company have entered into a placing agreement with Guy Butler Limited, whereby the latter has undertaken to use its reasonable endeavours to place (as agent of the issuer) the initial tranche of up to £15,000,000 nominal of the further notes at a subscription price of 99.8682 per cent of par (including 1.3682 per cent representing deemed accrued interest), payable in full on allotment. Such placing is conditional upon the creation of the further notes and the admission of the further notes

placed to the Official List and to trading on the Regulated Market of the London Stock Exchange by no later than 26 September 2008.

Conditions

The creation of the further notes is conditional upon:

- the passing of the resolution set out in the notice of meeting of holders of original notes convened for 21 August 2008 as contained in the circular;
- receipt of any necessary consents from the Treasury pursuant to section 765 of the Income and Corporation Taxes Act 1988 of the United Kingdom as respect loans proposed to be made by the issuer;
- the execution by the parties thereto of a second supplemental trust deed amending and restating the original trust deed;
- the execution by the parties thereto of a Dutch law deed of pledge of receivables and an Indonesian law fiduciary assignment of receivables, creating the further security for the sterling notes;
- the exchange between the parties thereto of a letter amending the terms of the REA Kaltim loan agreement as to be sanctioned by the resolution of the holders of the original notes referred to above; and
- the receipt by Capita Trust Company Limited, as trustee for the holders of the sterling notes, of Dutch law and Indonesian law legal opinions and directors' certificates (each in form and substance satisfactory to Capita Trust Company Limited).

Further information

Copies of the circular and the prospectus will be available for inspection at the Document Viewing Facility of the UK Listing Authority and may be obtained free of charge from the company at its registered office, First Floor, 32-36 Great Portland Street, London W1W 8QX. Copies of the circular and prospectus are also available from the company's website at www.rea.co.uk and the prospectus may be downloaded by pasting the following link into a web browser:

http://www.rns-pdf.londonstockexchange.com/rns/1500A_-2008-7-29.pdf

Expected timetable

It is expected that the results of the proposed placing of the initial tranche of further notes will be announced on 21 August 2008 and that dealings in the fully paid notes issued pursuant to the placing, for normal settlement, will commence on 22 August 2008.

Enquiries

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