Capitalisation issue and new

,

RNS Number : 3619C
R.E.A.Hldgs PLC
29 August 2008

R.E.A. Holdings plc

Proposals for capitalisation issue and adoption of new articles of association

Summary

The company announced yesterday as part of the announcement of its half yearly report for the six months ended 30 June 2008 proposals for a capitalisation issue to ordinary shareholders and the adoption by the company of new articles of association. The company now further announces that it is despatching a circular (the "circular") to shareholders providing information concerning these proposals.

Pursuant to the capitalisation issue, it is proposed that ordinary shareholders will be allotted new preference shares on the basis of one new preference share for every 25 ordinary shares held at 6.00 p.m. on 24 September 2008. The new preferences shares will be issued credited as fully paid by way of capitalisation of share premium account.

To avoid an allottee of 1,000 or fewer new preference shares being forced either to retain what that allottee may regard as a relatively small allotment or to incur disproportionately high selling costs in realising the allotment, it is further proposed that the company will (except to the extent that allottees otherwise elect) aggregate all new preference shares comprised in allotments of 1,000 or fewer new preference shares and sell the resultant aggregated holding on behalf of the relative allottees (subject to achievement of a minimum gross price of 100p per new preference share as specified below).

As a separate matter, the directors consider it desirable that the company's articles of association be changed to reflect certain provisions of the Companies Act 2006 that are now in force or will shortly come into force. As the changes will affect a number of the articles of the existing articles of association, and as there have been numerous other changes in company law and practice, including to the rules of the UK Listing Authority, since the company's existing articles of association were adopted in 1988, the directors believe that the changes can most conveniently be effected by replacing the existing articles of association in their entirety. The directors are therefore proposing that the company should adopt new articles of association.

Implementation of the capitalisation issue and the sale arrangement requires shareholder approval. The proposed adoption of new articles of association also requires shareholder approval. Accordingly, a notice is set out at the end of the circular convening an extraordinary general meeting of the company, to be held on 24 September 2008, for the purposes of considering and, if thought fit, passing the resolutions necessary to implement the proposals.

Background to the capitalisation issue

As shareholders will be aware, the group has ambitious plans for continued extension planting of oil palms. Such planting will involve substantial investment by the group. The need to fund this investment currently constrains the rate at which the directors feel that they can prudently declare, or recommend the payment of, dividends on ordinary shares.

The directors appreciate that many shareholders invest not only for capital growth but also for income and that therefore the payment of dividends is important. A dividend of 1p per ordinary share was paid in respect of 2006, dividends totalling 2p per ordinary share were paid in respect of 2007 and the directors have indicated in the half yearly report of the company for the six months ended 30 June 2008 (published on 28 August 2008) that they expect to declare dividends totalling 3p per ordinary share in respect of 2008 (comprising an interim dividend of 1.5p per ordinary share which has been declared for payment on 26 September 2008 and a second interim dividend (in lieu of a final dividend) of 1.5p per ordinary share which the directors expect to declare for payment in early 2009).

With the prospect of increasing crops for several years to come, the directors believe that, notwithstanding the constraints of the development programme, the group should be able to support progressive increases in ordinary dividends from the level now established. However, they also believe that the rate of progression should be steady rather than dramatic. The directors intend that any new level of dividends paid on the ordinary shares in respect of any given year should be sustainable in subsequent years.

The directors recognise that there may be years in which the group's performance might be considered to justify a greater return to ordinary shareholders than a dividend at the levels that the directors believe that the company can prudently afford, having regard to the need to conserve cash resources. This was the case in 2007 when the group was benefiting from CPO prices that were relatively high by comparison with the CPO price levels of the immediately preceding years and in acknowledgement of this the company made a capitalisation issue to ordinary shareholders of 1,085,795 new preference shares on the basis of one new preference share for every 30 ordinary shares held.

With CPO prices continuing into 2008 at levels that are highly remunerative for the group, the directors believe that it is again appropriate to provide some additional return to shareholders in respect of 2008 beyond the cash dividends that the directors have declared or intend to declare. The capitalisation issue is proposed with this aim.

Capitalisation issue

Upon and subject to the terms and conditions described below, it is proposed that holders of ordinary shares on the register of members at 6.00 p.m. on 24 September 2008 be allotted 1,302,954 new preference shares credited as fully paid at par by way of capitalisation of £1,302,954 standing to the credit of the company's share premium account, on the basis of 1new preference share for every 25 ordinary shares held at 6.00 p.m. on 24 September 2008 (and so in proportion for any greater or lesser number of ordinary shares held) provided that fractional entitlements to new preference shares will be aggregated and sold on terms that the company will be entitled to retain the proceeds of sale.

The 1,302,954 new preference shares proposed to be issued pursuant to the capitalisation issue would represent 9.6 per cent of the 13,600,000 preference shares currently in issue.

Sale arrangement

The directors have been concerned that an ordinary shareholder receiving a small allotment of new preference shares pursuant to the capitalisation issue might find it unsatisfactory to be faced with a choice between retaining what he may regard as a relatively small investment or incurring disproportionately high selling costs in realising his allotment. Equally, the company would prefer not to add a large number of small holdings of preference shares to the company's register of members as the future costs to the company of doing so would, in the opinion of the directors, be disproportionate to the benefits to the company and the members concerned.

Accordingly, under the sale arrangement, it is proposed that where an ordinary shareholder is allotted 1,000 or fewer new preference shares pursuant to the capitalisation issue and such shareholder does not elect to retain the new preference shares in question, the company will, subject as provided below, arrange for those preference shares to be aggregated with preference shares allotted to other ordinary shareholders with similar allotments and placed by Guy Butler Limited with one or a small number of professional investors. The proceeds of sale (net of dealing costs of ½ per cent as referred to below) will then be distributed to the original allottees of the shares so sold *pro rata* to the numbers of shares sold on their behalf.

Whilst it is impossible to predict the price at which the holdings of participants in the sale arrangement will be sold, the company will endeavour to obtain the highest price reasonably realisable at the time of sale. As an indication to prospective participants, the average of the closing mid market quotations for an existing preference share as derived from the Daily Official List of the London Stock Exchange on and for the four dealing days immediately prior to 28 August 2008 (the latest practicable date before the publication of the circular) was 107.5p.

The company will not sell new preference shares the subject of the sale arrangement at a price of less than 100p per share. If, as a result, no sale of such new preference shares has been made on or before the close of business on 2 October 2008, the sale arrangement will be abandoned and prospective participants in the sale arrangement will retain the new preference shares allotted to them.

The company has agreed with Guy Butler Limited a dealing commission of ½ per cent of the gross proceeds of shares sold pursuant to the sale arrangement for the services of Guy Butler Limited in connection with the sale arrangement, such commission to be borne by the participants in the arrangement.

On the basis of the composition of the company's register of ordinary shareholders as at 28 August 2008 (the latest practicable date before the publication of the circular), 800 ordinary shareholders would be allotted 1,000 or fewer new preference shares pursuant to the capitalisation issue representing in aggregate 58,293 new preference shares (being some 4.47 per cent of the new preference shares proposed to be issued pursuant to the capitalisation issue).

The directors recognise that the restriction of the sale arrangement to ordinary shareholders who are allottees of 1,000 or fewer new preference shares pursuant to the capitalisation issue will mean that the treatment of those shareholders pursuant to the capitalisation issue will differ from that of other ordinary shareholders. The directors consider that this different treatment is reasonable due to the cost implications for the company of adding a large number of small holdings to its register of members.

Elections to retain new preference shares that would otherwise be subject to the sale arrangement will be irrevocable and may only be made pursuant to the forms of election that are enclosed with the circular. Further forms of election, if required as a result of any as yet unregistered sale or other transfer of ordinary shares or any sale or other transfer following the date of the circular, are available on request from the company's registrars, Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (telephone: 0871 664 0321 or, if telephoning from outside the UK, +44 20 8639 3399). Calls to the Capita Registrars 0871 664 0321 number are charged at 10p per minute (including VAT) plus any extra costs charged by the relevant service provider. Calls to the Capita Registrars +44 20 8639 3399 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones. Calls may be recorded and monitored randomly for security and training purposes. Capita Registrars will not provide advice on the merits of the capitalisation issue or sale arrangement, nor give any financial, legal or tax advice in relation thereto.

Ordinary shareholders holding ordinary shares for a number of beneficial owners, one or more of whom will be beneficially entitled to 1,000 or fewer new preference shares pursuant to the capitalisation issue and who wish to avail themselves of the sale arrangement, should act immediately to transfer the relevant ordinary shares into (a) separate account(s).

Further terms of the capitalisation issue

The new preference shares to be issued pursuant to the capitalisation issue will upon issue rank *pari passu* in all respects with the existing preference shares and, in particular, will rank for dividend on 31 December 2008 as if their dividend entitlement on that date had accrued (at the rate of 9 per cent per annum) with effect from and including 1 July 2008. The existing preference shares are already admitted to trading on the London Stock Exchange's market for listed securities.

No expenses of or incidental to the capitalisation issue will be charged to allottees of new preference shares and the new preference shares will be registered by the company in the names of the allottees thereof free of stamp duty and stamp duty reserve tax. New preference shares the subject of the sale arrangement will be sold on terms that stamp duty or stamp duty reserve tax payable on transfer of those shares will be borne by the purchaser(s) of the shares and not the participants in the sale arrangement. However, the dealing commission of ½ per cent referred to above, payable in connection with the sale arrangement, will be deducted in calculating the net proceeds of sale of new preference shares sold pursuant to the arrangement.

No premium will be payable upon issue of any of the new preference shares.

Risk factors applicable to the capitalisation issue

The capitalisation issue will result in holders of ordinary shares receiving new preference shares. The risks attaching to an investment in the preference shares differ in some respects from those attached to an investment in the ordinary shares.

The existing market capitalisation of the preference share capital of the company is substantially less than that of the ordinary share capital and this may be expected to remain the case for the foreseeable future. An investment in the preference shares may therefore be more illiquid than an investment in the ordinary shares.

The value of an investment in any shares of the company may be affected by many factors including general economic conditions, levels of interest rates, political events and trends, tax laws, rates of inflation and changes or perceived changes in the group's performance and prospects. Because the preference shares are fixed income securities, the impact of such factors on the value of the preference shares may differ from its impact on the ordinary shares.

Adoption of new articles of association

During the last twelve months a number of sections of the Companies Act 2006 have come into force which affect the constitutional documents of UK listed public companies and it is proposed that further changes will occur with effect from 1 October 2008.

The directors consider it desirable that the company's articles of association be changed to reflect certain of those provisions of the Companies Act 2006 that are now in force or will shortly come into force. As the changes will affect a number of the articles of the existing articles of association and as there have been numerous other changes in company law and practice, including to the rules of the UK Listing Authority, since the company's existing articles of association were adopted some 20 years ago, the directors believe that the changes can most conveniently be effected by replacing the existing articles of association in their entirety. The directors are therefore proposing that the company should adopt new articles of association to reflect these changes and to bring the articles of association of the company into line with current practice.

The principal changes reflected in the proposed new articles of association are summarised in the circular. Minor or technical changes have not been separately noted in the circular but are reflected in the full text of the proposed new articles of association which will be available for inspection at the London offices of the company's solicitors, Ashurst LLP, 5 Appold Street, London EC2A 2HA from the date of the circular until the close of the extraordinary general meeting convened for 24 September 2008 and also at the place of the meeting for at least fifteen minutes prior to and during the meeting.

Due to the phased nature of implementation of the Companies Act 2006, it is likely that the directors will, in due course, propose further changes to the company's articles of association, to keep the articles of association consistent with company law.

Conditions

The capitalisation issue and the sale arrangement are conditional upon the passing of the first resolution set out in the notice of the extraordinary general meeting of the company convened for 24 September 2008 and admission of the new preference shares to the Official List and to trading on the London Stock Exchange's market for listed securities and such admissions becoming effective on or before 5.00 p.m. on 31 October 2008.

The sale arrangement is further conditional upon the passing of the second resolution set out in the notice of the extraordinary general meeting of the company convened for 24 September 2008.

The adoption by the company of the proposed new articles of association is conditional upon the passing of the third resolution set out in the notice of the extraordinary general meeting of the company convened for 24 September 2008.

Meetings

As noted above, implementation of the capitalisation issue and the sale arrangement requires shareholder approval and the proposed adoption of new articles of association also requires shareholder approval. Accordingly, an extraordinary general meeting of the company has been convened for 11.00 a.m. on 24 September 2008, to be held at the London office of the company's solicitors, Ashurst LLP, at Broadwalk House, 5 Appold Street, London EC2A 2HA. Three resolutions are set out in the notice of the meeting. Of these, the first resolution will be proposed as an ordinary resolution and the second and third resolutions as special resolutions.

The first resolution provides authority pursuant to article 154 of the company's articles of association for the directors to implement the capitalisation issue.

The second resolution provides authority to the directors to effect the proposed sale arrangement and, if the proposed new articles of association are not adopted pursuant to the third resolution set out in the notice of meeting, also amends article 156 of the existing articles of association of the company (which was inserted in October last year at the time of the capitalisation issue effected then, to permit the sale arrangement linked to the 2007 capitalisation issue) to delete the reference to 5 September 2007 (being the date of the notice of extraordinary general meeting of the company convened in connection with the 2006 capitalisation issue) and to replace it with a reference to 29 August 2008 (being the date of the notice of extraordinary general meeting of the company set out at the end of the circular).

The third resolution adopts the proposed new articles of association as the articles of association of the company, which include, *inter alia*, a new provision permitting (subject to the receipt by the directors of shareholder authorisation) arrangements such as the sale arrangement.

Recommendation

The board considers that each of the capitalisation issue, the sale arrangement and proposed amendment of the existing articles of association of the company to authorise that arrangement, and the adoption by the company of new articles of association is in the best interests of the company and its shareholders as a whole.

Accordingly, the board recommends that all ordinary shareholders vote in favour of the three resolutions set out in the notice of extraordinary general meeting of the company convened for 24 September 2008 as the directors (and persons connected with them as defined in section 96B(2) of the Financial Services and Markets Act 2000) intend to do in respect of their own holdings comprising 10,868,061 ordinary shares (representing 33.4 per cent of the issued ordinary share capital of the company).

Further information

Copies of the circular will shortly 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. A copy of the circular is also being placed on the company's website at www.rea.co.uk.

Timetable

Latest time and date for receipt of proxies for use in connection with the extraordinary general meeting	11.00 a.m. on 22 September 2008
Extraordinary general meeting	11.00 a.m. on 24 September 2008
Latest time and date for receipt of forms of election	3.00 p.m. on 24 September 2008
Record date for the capitalisation issue	24 September 2008
Admission of new preference shares to the Official List and to trading on the London Stock Exchange effective and capitalisation issue unconditional	8.00 a.m. on 25 September 2008
CREST accounts credited in respect of new preference shares	25 September 2008
Definitive share certificates despatched in respect of new preference shares	9 October 2008
Cheques (representing net proceeds of sale of new preference shares sold pursuant to the sale arrangement) despatched	9 October 2008

Definitions

Unless the context otherwise requires, the following definitions apply throughout this announcement:

"board"	the board of directors of the company
"Capita Registrars"	a trading name of Capita Registrars Limited
"capitalisation issue"	the proposed capitalisation issue of 1,302,954 new preference shares to be allotted to holders of ordinary shares, credited as fully paid by way of capitalisation of share premium account, on the basis of one new preference share for every 25 ordinary shares held at 6.00 p.m. on 24 September 2008
"company"	R.E.A. Holdings plc
"CPO"	crude palm oil
"CREST"	the computerised settlement system operated by Euroclear UK & Ireland Limited to facilitate the transfer of title to securities held in uncertificated form
"directors"	the directors of the company
"existing preference shares"	the preference shares currently in issue
"form of election"	the form upon which a holder (or joint holders) of ordinary shares who is/are (a) prospective allottee(s) of 1,000 or fewer new preference shares pursuant to the capitalisation issue may elect (in whole or in part) not to participate in the sale arrangement
"group"	the company and its subsidiaries
"London Stock Exchange"	London Stock Exchange plc

"new preference shares"	the preference shares proposed to be issued pursuant to the capitalisation issue
"Official List"	the list maintained by the Financial Services Authority in accordance with section 74(1) of the Financial Services and Markets Act 2000
"ordinary shares"	ordinary shares of 25p each in the capital of the company
"preference shares"	9 per cent cumulative preference shares of £1 each in the capital of the company
"proposals"	the proposals, details of which are set out in the circular, for the capitalisation issue, the sale arrangement and the adoption by the company of new articles of association
"sale arrangement"	the arrangement whereby the company will (except to the extent that allottees otherwise elect) aggregate all new preference shares comprised in allotments of 1,000 or fewer new preference shares pursuant to the capitalisation issue and arrange for the resultant aggregated holding to be placed by Guy Butler Limited with one or a small number of professional investors (subject to achievement of the minimum price referred to under "Sale arrangement" above)
"shareholders"	holders of ordinary shares and/or preference shares

END

MSCFKCKPQBKDOFB