

Capitalisation Issue

RNS Number : 9478M
R.E.A.Hldgs PLC
24 August 2011

R.E.A. Holdings plc

Proposals for capitalisation issue

Summary

The company has today published its half yearly report for the six months ended 30 June 2011 in which the directors notified their intention to propose a capitalisation issue of new preference shares to ordinary shareholders. The company now announces that it is despatching a circular (the "circular") to shareholders providing detailed 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 three new preference shares for every 50 ordinary shares held at 6.00 pm on 28 September 2011. The new preference shares will be issued credited as fully paid by way of capitalisation of share premium account.

To avoid allottees of 1,000 or fewer new preference shares being forced to choose between either retaining what they may regard as relatively small allotments or incurring disproportionately high selling costs in realising their 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).

Implementation of the capitalisation issue and the sale arrangement 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 28 September 2011, 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 the further development of its agricultural activities. This will entail major capital expenditure on extension planting and on the new buildings and plant needed to support that planting (including expenditure on the new oil mill and two methane conversion plants that are currently under construction). The need to fund this expenditure will constrain the rates at which the directors feel that they can prudently declare or recommend the payment of forthcoming dividends.

The directors believe that capitalisation issues of new preference shares, such as were made in 2010 and on several previous occasions, provide a useful mechanism for augmenting returns to ordinary shareholders in periods in which good profits are achieved but demands on cash resources limit the scope for payment of cash dividends. 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 pm on 28 September 2011 be allotted 2,004,872 new preference shares credited as fully paid at par by way of capitalisation of £2,004,872 standing to the credit of the company's share premium account, on the following basis:

3 new preference shares for every 50 ordinary shares

(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 2,004,872 new preference shares proposed to be issued pursuant to the capitalisation issue would represent 4.77 per cent of the 42,063,681 preference shares currently in issue.

Sale arrangement

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 $\frac{1}{2}$ 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 23 August 2011 (the latest practicable date before the publication of this document) was 107p.

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 30 September 2011, 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 $\frac{1}{2}$ 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 23 August 2011 (the latest practicable date before the publication of this document), 735 ordinary shareholders would be allotted 1,000 or fewer new preference shares pursuant to the capitalisation issue representing in aggregate 58,949 new preference shares (being some 2.94 per cent of the new preference shares proposed to be issued pursuant to the capitalisation issue).

The directors are proposing the sale arrangement because they are 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. Having considered the costs and benefits of whether or not to offer the sale arrangement to small shareholders, the directors concluded that adding a large number of small holdings of preference shares to the company's register of members may not be in the best interest of the company as the future costs to the company of doing this would, in the opinion of the directors, be disproportionate to the benefits to the company and the members concerned. Taking these factors into account, the directors have therefore concluded that these small shareholders should not be considered to be in the same position as other shareholders due to the disproportionate costs involved and that the proposed sale arrangement is in the best interests of the company and its shareholders as a whole.

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 2011 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 2011. The existing preference shares are already admitted to trading on the London Stock Exchange's main 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.

Possible emigration to South East Asia

In the group's 2010 annual report and in the prospectus published by the company on 23 June 2011 in relation to the issue by the company of 15,000,000 preference shares at 103p per share, the directors noted that they were considering whether the current ownership of the group's Indonesian businesses through a UK listed company continued to be the appropriate long term structure for the group or whether the group would be better restructured with a parent company listed in South East Asia ("**REA SEAsia**").

The directors have spent some time investigating the technical feasibility of such a restructuring ("**emigration**") and have sought the views of the company's larger ordinary shareholders as to whether they would support such a move. It appears that emigration would be feasible and, if, as might well be the case, it would be likely to result in a better rating for the company's ordinary shares, would be supported by most larger ordinary shareholders. However, the directors are currently considering what they see, at least for the immediate future, as an alternative to emigration, namely an Indonesian public offering of a minority shareholding in the company's principal Indonesian subsidiary, PT REA Kaltim Plantations ("**REA Kaltim**"), coupled with a listing of the shares of REA Kaltim on the Jakarta Stock Exchange.

Such a move would involve a less sweeping change in the group's circumstances but would permit the group to establish a more local profile for itself in Indonesia. The directors believe that this is likely to become an increasingly important factor in determining whether the group is able to add to its existing land bank as it would like to do. Moreover, listing the

shares of REA Kaltim on the Jakarta Stock Exchange could also be expected to encourage coverage of the group by South East Asian based investment analysts (increased coverage by such analysts being one perceived advantage of emigration). Were the group to proceed with a sale of a minority shareholding in REA Kaltim, the directors contemplate that some element of the proceeds (if then surplus to the immediate needs of the group) might be applied in repurchasing existing issued ordinary shares of the company.

Nothing has yet been decided as regards emigration or the possible alternative of selling a minority shareholding in REA Kaltim and listing the shares of REA Kaltim in Jakarta. The directors are continuing to explore the issues involved. They do, however, believe that it is important to reach an early conclusion as to the way forward and intend to reach a decision on this during 2011. If, notwithstanding the directors current leaning, the decision is to proceed with emigration, the directors would expect that the emigration would become effective in or about either June 2012 or June 2013 (depending upon the speed with which the necessary restructuring can be arranged and upon whether the new South East Asian listing for REA SEAsia was to be based upon the audited accounts of the company for 2011 or for 2012).

In the event of emigration, the directors expect that the company would maintain the London listing of the preference shares until at least 90 per cent of the preference shares in issue at the date of emigration have been exchanged for listed preference shares in REA SEAsia or, if earlier, all of the outstanding sterling notes have been redeemed (which, under normal circumstances, will not be until 31 December 2017).

Furthermore, to alleviate concerns that potential preference shareholders may have as regards the implications of emigration for preference shareholders, the company has undertaken that, in the event of emigration before 31 December 2017:

- (a) the company would obtain undertakings from REA SEAsia that: (i) REA SEAsia will send to holders of preference shares, at the same time as it sends the same to its own ordinary shareholders, copies of all annual and interim financial reports issued by REA SEAsia; (ii) REA SEAsia will endeavour to procure that the company will have sufficient funds, and distributable reserves, to meet the dividend obligations attaching to the preference shares; and (iii) no dividends will be paid on the ordinary shares of REA SEAsia at any time when the dividend on the preference shares is in arrears;
- (b) the company would procure that, following emigration, holders of preference shares are offered one or more opportunities to exchange their preference shares for preference shares of REA SEAsia that have at least an equivalent value and will upon completion of such exchange be listed in South East Asia (most probably Singapore); and
- (c) the company would not seek, and would obtain an undertaking from REA SEAsia that the latter would not seek, to de-list the preference shares from the Official List or to cause the company to be wound up unless either:
 - (i) the holders of 90 per cent of preference shares in issue at the date of emigration have exchanged their preference shares for preference shares of REA SEAsia pursuant to one or more of the opportunities referred to in paragraph (b) above and, thereafter, holders of the remaining issued preference shares have been offered one final opportunity to exchange their shares for preference shares in REA SEAsia on the basis detailed in paragraph (b) above; or

- (ii) within the three months immediately preceding the date of the proposed de-listing or winding up, REA SEAsia has offered to buy the then remaining issued preference shares for cash at a price equal to the then higher of (A) par and (B) the prevailing yield based market value of the preference shares (as defined below), together in each case with the dividend accruing on the preference shares up to the date of their purchase by REA SEAsia.

For the above purposes:

"at least an equivalent value", as used in paragraph (b) above, means that the preference shares of REA SEAsia for which it is proposed that any given existing holding of preference shares of the company be exchanged will have a market value of not less than the market value of that existing holding on the reference date or, if REA SEAsia does not yet have listed preference shares, such price as would, in the opinion of an independent financial adviser appointed by the company, have reasonably been expected to be the market price of such shares at that date had they existed;

"prevailing yield based market value", as used in paragraph (c)(ii) above, means the price per preference share, expressed in pounds sterling and rounded to three decimal places (with 0.0005 being rounded upwards), at which the percentage yield on the share is equal to 4.7 per cent above the redemption yield on the benchmark gilt (as defined below) (determined by reference to the middle market price of the benchmark gilt at the close of business in London on the reference date (as defined below), as shown by the Stock Exchange Daily Official List) such percentage yield on the share being calculated as 9 per cent multiplied by £1 and divided by the applicable price and such redemption yield on the benchmark gilt being calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries, Volume 105, part 1, 1978, page 18;

"benchmark gilt" means the 4.25 per cent Treasury Stock 2049 or, if such stock shall have ceased to be traded on the London Stock Exchange, such other government stock as can, in the opinion of an independent financial adviser appointed by the company, reasonably be taken in substitution; and

"reference date" means the date immediately preceding the second dealing day in London prior to the date of announcement of any exchange opportunity as referred to in paragraph (b) above or cash offer as referred to in sub-paragraph (c)(ii) above (as the context requires) that, in the former case, is a business day in London and, in the latter case, is a business day in both London and the city in which REA SEAsia is listed.

If the emigration proceeds, the company may, in due course, be wound up. On a winding up of the company, the then holders of the preference shares would be entitled to receive, after the payment of all creditors but before any return to the holder(s) of ordinary shares of the company, the par value of the preference shares held by them together with a sum equal to any accumulated entitlements and arrears of the fixed dividend thereon to be calculated down to the date of the commencement of the winding up.

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.

Holders of preference shares should be aware that an emigration, as described in " Possible emigration to South East Asia" above, could ultimately lead to their shares being exchanged for preference shares of a South East Asian incorporated and listed company or being acquired for cash albeit subject, in each case, to the protective terms of the undertakings that the company has provided.

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 28 September 2011; and
- admission of the new preference shares to the Official List and to trading on the London Stock Exchange's main market for listed securities and such admissions becoming effective on or before 5.00 pm on 31 October 2011.

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 28 September 2011.

Meeting

As noted above, implementation of the capitalisation issue and the sale arrangement requires shareholder approval. Accordingly, an extraordinary general meeting of the company has been convened for 11.00 am on 28 September 2011, to be held at the London offices of the company's solicitors, Ashurst LLP, at Broadwalk House, 5 Appold Street, London EC2A 2HA. Two resolutions are set out in the notice of such meeting, each of which will be proposed as an ordinary resolution.

The first resolution provides authority pursuant to article 141(a) of the company's articles of association for the directors to implement the capitalisation issue.

The second resolution provides authority pursuant to article 141(b) of the company's articles of association for the directors to effect the proposed sale arrangement.

Recommendation

The board considers that each of the capitalisation issue and the sale arrangement 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 two resolutions set out in the notice of the extraordinary general meeting of the company convened for 28 September 2011 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 11,337,916 ordinary shares (representing 33.9 per cent of the issued ordinary share capital of the company).

Further information

Copies of the circular will shortly be available for inspection on the National Storage Mechanism 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

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| Latest time and date for receipt of forms of proxy for use in connection with the extraordinary general meeting | 11.00 am on 26 September 2011 |
| Extraordinary general meeting | 11.00 am on 28 September 2011 |
| Latest time and date for receipt of forms of election | 3.00 pm on 28 September 2011 |
| Record date for the capitalisation issue | 28 September 2011 |
| Admission of new preference shares to the Official List and to trading on the London Stock Exchange effective and capitalisation issue unconditional | 8.00 am on 29 September 2011 |
| CREST accounts credited in respect of new preference shares | 29 September 2011 |
| Definitive share certificates despatched in respect of new preference shares | 13 October 2011 |
| CREST accounts credited and cheques despatched (in each case in respect of cash proceeds arising from the sale of new preference shares pursuant to the sale arrangement) | 13 October 2011 |

Definitions

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

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| "Act" | the Companies Act 2006 |
| "board" | the board of directors of the company |
| "Capita Registrars" | a trading name of Capita Registrars Limited |
| "capitalisation issue" | the proposed capitalisation issue of 2,004,872 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 three new preference shares for every 50 ordinary shares held at 6.00 pm on 28 September 2011 |
| "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 |

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| "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 this document, for the capitalisation issue and the sale arrangement |
| "REA SEAsia" | in relation to the possible emigration to South East Asia, a parent company of the group, listed in South East Asia |
| "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 the paragraph "Sale arrangement") |
| "shareholders" | holders of ordinary shares and/or preference shares |
| "sterling notes" | the 9.5 per cent guaranteed sterling notes 2015/17 of REA Finance B.V. constituted by a trust deed dated 29 November 2010 made between REA Finance B.V. (as issuer), the company (as guarantor), R.E.A. Services Limited (as co-guarantor) |

and Capita Trust Company Limited
(as trustee)

References to "dollars" or to "\$" are to the lawful currency of the United States of America. References to "sterling" or to "£" are to the lawful currency of the United Kingdom.

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