

Capitalisation issue

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R.E.A.Hldgs PLC
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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 2010 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 one new preference share for every 20 ordinary shares held at 6.00 pm on 24 September 2010. The new preferences 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 24 September 2010, 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. These plans will require substantial investment by the group and 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. Dividends totalling 3p per ordinary share were paid in respect of

2008 and totalling 4p per ordinary share in respect of 2009. The directors have indicated in the half yearly report of the company for the six months ended 30 June 2010 (published on 27 August 2010) that they expect to declare dividends totalling 5p per ordinary share in respect of 2010 (comprising an interim dividend of 2.5p per ordinary share which has been declared for payment on 1 October 2010 and a second interim dividend (in lieu of a final dividend) of 2.5p per ordinary share which the directors expect to declare for payment in early 2011).

The directors believe that capitalisation issues of new preference shares, such as were made 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 ordinary dividends. Because of the then state of markets for fixed return securities of smaller listed companies and because of the reduced profits reported for the first half of 2009, the directors did not propose a capitalisation issue of new preference shares during 2009. They believe that markets for fixed return securities are now better and, with CPO prices during 2010 to date having held at levels that are satisfactorily remunerative for the group, they consider that it is again appropriate to provide some additional return to shareholders in respect of 2010 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 pm on 24 September 2010 be allotted 1,670,727 new preference shares credited as fully paid at par by way of capitalisation of £1,670,727 standing to the credit of the company's share premium account, on the basis of 1 new preference share for every 20 ordinary shares held at 6.00 pm on 24 September 2010 (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 1,670,727 new preference shares proposed to be issued pursuant to the capitalisation issue would represent 10.19 per cent of the 16,392,954 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 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 26 August 2010 (the latest practicable date before the publication of this document) was 114.25p.

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 28 September 2010, 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 26 August 2010 (the latest practicable date before the publication of this document), 744 ordinary shareholders would be allotted 1,000 or fewer new preference shares pursuant to the capitalisation issue representing in aggregate 53,932 new preference shares (being some 3.23 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 2010 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 2010. 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.

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 2010 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 pm on 31 October 2010.

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 2010.

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 24 September 2010, 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 24 September 2010 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 10,921,394 ordinary shares (representing 32.7 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

Latest time and date for receipt of forms of proxy for use in connection with the extraordinary general meeting	11.00 am on 22 September 2010
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Extraordinary general meeting	11.00 am on
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	24 September 2010
Latest time and date for receipt of forms of election	3.00 pm on 24 September 2010
Record date for the capitalisation issue	24 September 2010
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 27 September 2010
CREST accounts credited in respect of new preference shares	27 September 2010
Definitive share certificates despatched in respect of new preference shares	11 October 2010
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)	11 October 2010

Definitions

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

"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 1,670,727 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 20 ordinary shares held at 6.00 pm on 24 September 2010
"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 this document, for the capitalisation issue and the sale arrangement
"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

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