

Capitalisation issue

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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 2012 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 27 September 2012. 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 allotments, 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 27 September 2012, for the purposes of considering and, if thought fit, passing the resolutions necessary to implement the proposals.

In accordance with the Prospectus Rules issued by the Financial Services Authority in compliance with relevant European law, no prospectus is required to be published in connection with the proposed capitalisation issue and related sale arrangement. Accordingly, it should be noted the company is not publishing a prospectus in relation to the proposals.

Background to the capitalisation issue

As shareholders will be aware, the group's planned extension planting programme and the requirement for investment in estate buildings and other estate plant and equipment that follows any expansion of the group's planted hectareage, will involve the group in substantial capital expenditure

for several years to come. In addition, during 2012, completion of the construction of the group's third oil mill and its two new methane conversion plants, together with housing and associated infrastructure, is projected to involve expenditure of some \$30 million. 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 ordinary dividends in respect of 2012.

The directors believe that capitalisation issues of new preference shares, such as were made in 2011 and on several previous occasions, provide a useful mechanism for augmenting returns to ordinary shareholders in periods in which demands on cash resources limit the scope for payment of ordinary 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 27 September 2012 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 4.55 per cent of the 44,068,553 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 similar allotments of preference shares to other ordinary shareholders who do not elect to retain their 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 23 August 2012 (the latest practicable date before the publication of this document) was 109.25p.

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 1 October 2012, 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 23 August 2012 (the latest practicable date before the publication of this document), 716 ordinary shareholders would be allotted 1,000 or fewer new preference shares pursuant to the capitalisation issue representing in aggregate 61,456 new preference shares (being some 3.07 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 or she may regard as a relatively small investment or incurring disproportionately high selling costs in realising the allotment. Moreover, as was the case in 2011 and in previous years, the directors consider 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 a whole, as the future costs to the company of such an addition would, in the opinion of the directors, be disproportionate to the benefits to the company and the members concerned. Because of these factors, the directors have concluded, as they did in 2011 and in previous years, that the applicable small shareholders should not be considered to be in the same position as other shareholders 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 2012 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 2012. 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.

Proposed listing of REA Kaltim on the Indonesia Stock Exchange in Jakarta

As noted in the company's past annual reports, the directors have for some time been debating how the group should in future be structured and managed. The directors have now reached certain conclusions. They have rejected the idea that they were at one time considering of reconstituting the group under the ownership of a new parent company listed on a stock exchange in a South East Asian financial centre. Instead, the directors aim to amalgamate all of the group's Indonesian plantation subsidiaries into a single sub-group headed by the group's principal plantation subsidiary, REA Kaltim, and to make a public offering of a minority shareholding in REA Kaltim (probably 20 per cent) combined with a listing of the shares of REA Kaltim on the Indonesia Stock Exchange in Jakarta. The coal operations of the group will not be included in the proposed listing.

A consequence of this proposed course of action is that the directors intend that the company should, for the foreseeable future, remain listed in the UK.

The proposed listing of REA Kaltim in Indonesia is expected to facilitate local ownership in the plantation interests of the group and to encourage coverage of the plantation interests by South East Asian investment analysts. Moreover, listing REA Kaltim in Indonesia is expected to have the particular advantage that, as a listed company, notwithstanding that it will remain a subsidiary of the company, REA Kaltim should be treated as a local rather than a foreign investor for Indonesian regulatory purposes. The directors believe that establishing a more local profile for the group and facilitating local Indonesian investment in the group's plantation activities is likely to become an increasingly important factor in protecting the group's existing land ownership in East Kalimantan and in determining whether the group is able to add to its existing land holdings.

The directors envisage that the net cash proceeds from the proposed public offering of REA Kaltim shares will be retained within the group and will be utilised to fund an acceleration of the group's planned extension planting programme. They also envisage that concurrently with the public offering, the company would invite ordinary shareholders to approve a further substantial capitalisation issue of new preference shares to ordinary shareholders to offset, in effect, part of the dilution of their effective interest in REA Kaltim.

When the company's 2011 annual report was published, it was indicated that any capitalisation issue of new preference shares to ordinary shareholders that the directors might otherwise consider it appropriate to propose during 2012, might be deferred and included as part of proposals submitted to shareholders for a public offering of REA Kaltim shares and connected changes to the company's issued share capital. It now appears likely that the reorganisation of the shareholdings in the Indonesian plantation companies that will be required to create a new Indonesian sub-group with REA Kaltim as its parent company, a necessary prelude to a public offering of REA Kaltim shares, will take longer to complete than originally envisaged. This means that the earliest time at which it is likely to be practicable to proceed with the proposed public offering and listing will be in the second quarter of 2013. The directors therefore think it appropriate to proceed now with the capitalisation issue being proposed.

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 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 27 September 2012; 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 2012.

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 27 September 2012.

Half yearly report in respect of 2012

Your attention is drawn to the company's half yearly report in respect of 2012, covering the six month period to 30 June 2012. In particular, the report notes that the company is proposing to issue a further 3,926,575 preference shares for cash by way of a placing with institutional investors.

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 27 September 2012, 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 27 September 2012 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 11,359,916 ordinary shares (representing 34.0 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 25 September 2012
Extraordinary general meeting	11.00 am on 27 September 2012
Latest time and date for receipt of forms of election	3.00 pm on 27 September 2012
Record date for the capitalisation issue	27 September 2012
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 28 September 2012
CREST accounts credited in respect of new preference shares	28 September 2012

Definitive share certificates despatched in respect of new preference shares	12 October 2012
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)	12 October 2012

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 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 3 new preference shares for every 50 ordinary shares held at 6.00 pm on 27 September 2012
"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
"REA Kaltim"	PT REA Kaltim Plantations, the principal operating subsidiary of the company, incorporated in the Republic of Indonesia
"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")
"shareholders"	holders of ordinary shares and/or preference shares
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland

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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