

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should immediately consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you are not so resident, another appropriately authorised independent adviser.**

If you have sold or otherwise transferred all your ordinary shares in R.E.A. Holdings plc, please send this document and the accompanying form of proxy and form of election to the purchaser or transferee, or the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have recently sold or transferred part of your holding of ordinary shares, you should as soon as possible consult the stockbroker, bank or other agent through whom the sale or transfer was effected as the right to elect to retain new preference shares arising under the issue that may otherwise be sold by the company on your behalf may represent a benefit that can be claimed by purchasers or transferees under the rules of the London Stock Exchange.

Application has been made to the Financial Services Authority for the 1,085,795 new 9 per cent cumulative preference shares of £1 each in the capital of R.E.A. Holdings plc proposed to be issued pursuant to the capitalisation issue referred to in this document to be admitted to the Official List and to London Stock Exchange plc for such preference shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that such admissions will become effective, and that dealings in the new preference shares will commence, on 3 October 2007.

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## **R.E.A. Holdings plc**

### **Proposed Capitalisation Issue**

of

one new 9 per cent cumulative preference share of £1, credited as fully paid, for every 30 existing ordinary shares held

and

proposed amendment of the articles of association of the company to authorise the company to sell, on behalf of the relative allottees, allotments of 1,000 or fewer preference shares pursuant to the capitalisation issue

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A notice convening an extraordinary general meeting of R.E.A. Holdings plc to be held on 2 October 2007 is set out at the end of this document. Forms of proxy for use in connection with that meeting are enclosed with copies of this document sent to ordinary shareholders. All ordinary shareholders are urged to complete forms of proxy and to return the same to the company's secretaries, R.E.A. Services Limited, of First Floor, 32-36 Great Portland Street, London W1W 8QX, as soon as possible but in any event so as to arrive by not later than 12.00 noon on 30 September 2007.

The latest time for receipt of election forms (in respect of elections to retain new preference shares arising under the capitalisation issue that may otherwise be sold by the company on behalf of the relative allottees pursuant to the proposals relating to sales of allotments of 1,000 or fewer new preference shares) is 3.00 pm on 1 October 2007.

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## EXPECTED TIMETABLE

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Latest time and date for receipt of proxies for use in connection with the extraordinary general meeting	12.00 noon on 30 September 2007
Latest time and date for receipt of election forms	3.00 pm on 1 October 2007
Record date for the capitalisation issue	1 October 2007
Extraordinary general meeting	12.00 noon on 2 October 2007
Admission of new preference shares to the Official List and to trading on the London Stock Exchange effective and proposals unconditional	8.00 am on 3 October 2007
CREST accounts credited in respect of new preference shares	3 October 2007
Definitive share certificates despatched in respect of new preference shares	17 October 2007
Cheques despatched (representing net proceeds of sale of new preference shares sold pursuant to the sale arrangement despatched)	17 October 2007

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## DEFINITIONS

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

"Act"	the Companies Act 1985 (as amended)
"board"	the board of directors of the company
"Capita Registrars"	a trading division of Capita IRG Plc
"capitalisation issue"	the proposed capitalisation issue of 1,085,795 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 30 ordinary shares held at the close of business on 1 October 2007
"company" or "REA"	R.E.A. Holdings plc
"CPO"	crude palm oil
"CREST"	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which CRESTCo Limited is the operator
"directors"	directors of the company
"election form"	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
"existing preference shares"	the existing issued preference shares
"group"	the company and its subsidiaries
"London Stock Exchange"	London Stock Exchange plc
"new preference shares"	the new 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 "Sale arrangement" in Part I below)
"shareholders"	holders of ordinary shares and/or preference shares

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**PART I. LETTER FROM THE CHAIRMAN**

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**R.E.A. Holdings plc**

*(Registered in England and Wales no 671099)*

*Registered office:*

First Floor  
32-36 Great Portland Street  
London W1W 8QX

5 September 2007

*To the holders of ordinary shares and, for information only, the holders of preference shares*

Dear Sir or Madam

**Introduction**

The purpose of this document is to provide you with information regarding a proposed capitalisation issue by the company. Pursuant to this issue, it is proposed that ordinary shareholders will be allotted new preference shares on the basis of one new preference share for every 30 ordinary shares held at the close of business on 1 October 2007. The new preference 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 share as specified below).

Since implementation of the proposals will require certain shareholder approvals, a notice is set out at the end of this document convening an extraordinary general meeting of the company, to be held on 2 October 2007, for the purposes of considering and, if thought fit, passing the resolutions necessary to implement the proposals.

**Background**

As shareholders will be aware, the group's business consists of oil palm operations in East Kalimantan, a province of Indonesia. The operations have been developed entirely since the early 1990's and their development has involved major investment by the group. Financing this investment has posed significant challenges for the group and, for several years, the directors felt constrained to recommend that no dividends be paid on the ordinary shares.

In 2006, with the 13,000 hectares of oil palms planted over the period 1994 to 2000 approaching full maturity, the directors decided that the group's

cash flow could support the resumption of ordinary dividends at a modest level and an interim dividend in lieu of final of 1p per ordinary share was paid in respect of 2006.

With the expectation of increasing crops from the group's expanding oil palm hectareage, the directors believe that it will be appropriate over time progressively to increase the aggregate annual rate of dividend paid. However, the group remains committed to an ambitious development programme and implementation of that programme will entail major capital expenditure. The directors are anxious to ensure that ordinary dividend payments remain compatible with financing such expenditure.

Balancing the twin objects of increasing the rate of annual ordinary dividends and conserving cash to finance expansion, the directors have indicated in the interim report in respect of 2007 that they anticipate declaring dividends in respect of 2007 totalling 2p per ordinary share (of which a first interim dividend of 1p per ordinary share has been declared for payment on 5 October 2007 and the directors intend that a second interim dividend in lieu of final of 1p per ordinary share should be declared for payment in early 2008).

The directors recognise that dividends totalling 2p per ordinary share may not fully reflect recent improvements in the group's financial position and prospects, particularly in a year in which the group is benefiting from CPO prices that are relatively high when compared with average CPO price levels of recent years (albeit that there can be no certainty that current CPO prices will be maintained). The capitalisation issue is proposed with the aim of providing some additional return to ordinary shareholders in what should prove a good year for the group while facilitating the preservation of the company's liquid resources.

#### **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 the close of business on 1 October 2007 be allotted 1,085,795 new preference shares credited as fully paid at par by way of capitalisation of £1,085,795 standing to the credit of the company's share premium account, on the following basis:

<b>1 new preference share</b>	<b>for every 30 ordinary shares</b>
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held at the close of business on 1 October 2007 (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 1,085,795 new preference shares proposed to be issued pursuant to the capitalisation issue would represent 9.5 per cent of the 11,449,624 existing preference shares currently in issue (not including the further preference shares proposed to be issued pursuant to the placing referred to under "Interim report in respect of 2007" below).

#### **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 4 September 2007 (the latest practicable date before the publication of this document) was 111.5p.

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 10 October 2007, 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 4 September 2007 (the latest practicable date before the publication of this document), 898 ordinary shareholders would be allotted 1,000 or fewer new preference shares pursuant to the capitalisation issue representing in aggregate 50,917 new preference shares (being some 4.7 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 allottees of 1,000 or fewer new preference shares are in a different position from other ordinary shareholders 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 election forms that are enclosed with this document. 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 this document, are available on request from the company's registrars, Capita Registrars, of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (telephone: 0870 162 3121).

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 number of ordinary shares into a separate account.

#### **Further terms**

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 2007 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 2007. 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.

#### **Conditions**

The proposals are conditional upon:

- the passing of the first resolution set out in the notice of the extraordinary general meeting of the company convened for 2 October 2007
- 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 2007.

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 2 October 2007.



<b>Risk factors</b>	<p>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.</p> <p>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.</p> <p>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.</p>
<b>Interim report in respect of 2007</b>	<p>Attention is drawn to the company's interim report in respect of 2007, covering the six month period to 30 June 2007, a copy of which accompanies this document.</p> <p>The interim report includes information as regards the future financing requirements and prospects of the group and notes that the company is proposing to issue a further 1,064,581 preference shares for cash at a price of 105p per share by way of a placing with institutional investors.</p>
<b>Meetings</b>	<p>As already noted, an extraordinary general meeting of the company has been convened for 12.00 noon on 2 October 2007, to be held at the London office of the company's solicitors, Ashurst, at Broadwalk House, 5 Appold Street, London EC2A 2HA.</p> <p>Two 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 resolution as a special resolution. The first resolution provides authority pursuant to article 154 of the company's articles of association for the directors to implement the capitalisation issue (including, subject to the passing of the second resolution, the sale arrangement). The second resolution amends article 156 of the articles of association of the company by adding a specific authority in relation to the capitalisation issue to empower the directors to implement the sale arrangement.</p> <p>The full text of the proposed new article 156 is set out in the second resolution.</p>
<b>Action to be taken</b>	<p>Ordinary shareholders will find enclosed a reply paid form of proxy for use in connection with the extraordinary general meeting convened for 2 October 2007. All such shareholders, whether or not they propose to attend the meeting, are urged to complete such forms of proxy in accordance with the instructions printed thereon and to return the same by post to R.E.A. Services Limited at First Floor, 32-36 Great Portland Street, London W1W 8QX, in each case so as to arrive as soon as possible but in any event by no later than 48 hours before the time fixed for the</p>

meeting. The return of a form of proxy will not prevent an ordinary shareholder from attending the meeting and voting in person if he should so wish.

Ordinary shareholders will also find enclosed an election form for use in connection with the sale arrangement. Any prospective allottee of 1,000 or fewer new preference shares who wishes to retain some or all of the new preference shares to be allotted to him under the capitalisation issue must complete and return the election form in accordance with the instructions contained therein and in any event so as to be received by Capita Registrars at The Registry, 34 Beckenham Road, Kent BR3 4TU by no later than 3.00 pm on 1 October 2007. A reply paid envelope is enclosed for this purpose. Election forms will be sent by prospective participants in the sale arrangement at the risk of such persons.

### **Settlement and dealings**

If the proposals become unconditional, it is expected that dealings in the new preference shares, for normal settlement, will commence on 3 October 2007. The new preference shares will be transferable by written instrument in any usual or common form.

The new preference shares will be issued in registered form and may be held in uncertificated form. New preference shares may be delivered in uncertificated form to member CREST accounts where the holders of ordinary shares to whom the shares have been allotted are CREST participants and, where applicable, have not elected not to participate in the sale arrangement. However, notwithstanding any other provision set out in this document, the company reserves the right in its absolute discretion to issue new preference shares to any such shareholders in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or any part of the facilities under/or systems operated by the company's registrars in connection with CREST.

It is expected that CREST accounts will be credited in respect of new preference shares on 3 October 2007 and that share certificates in respect of new preference shares will be despatched by first class post on 17 October 2007. Pending accreditation of CREST accounts or despatch of share certificates in respect of the new preference shares (as applicable), transfers will be certified against the register of members of the company. No temporary documents of title will be issued and rights to the new preference shares issued pursuant to the capitalisation issue will not be renounceable.

It is further expected that cheques in respect of cash proceeds arising from the sale of new preference shares pursuant to the sale arrangement will be sent by post to the ordinary shareholders entitled thereto on or before 17 October 2007. Cheques will be crossed "account payee only" and will be drawn in favour of the relative ordinary shareholders (or in the case of joint holders, the first named thereof).

Holders of ordinary shares who are CREST sponsored members should note that they will not be sent any written communication by the company in respect of the issue of new preference shares pursuant to the capitalisation issue. Holders of ordinary shares who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the proposals.

Certificates in respect of new preference shares and cheques in respect of cash proceeds arising from sales of new preference shares pursuant to the sale arrangement will be sent to the ordinary shareholders entitled thereto at the risk of such holders.

**Recommendation**    **The board considers that the proposed capitalisation issue is in the best interests of the company and its shareholders as a whole. The board also considers that the proposed sale arrangement and amendment of the articles of association of the company are in the best interests of the company and its shareholders as a whole.**

Accordingly, the board recommends all ordinary shareholders to vote in favour of both resolutions set out in the notice of extraordinary general meeting of the company convened for 2 October 2007 as the directors (and persons connected with them within the meaning of section 346 of the Act) intend to do in respect of their own beneficial holdings.

The beneficial holdings of the directors (and persons connected with them within the meaning of section 346 of the Act) comprise 997,394 ordinary shares (representing 3.1 per cent of the ordinary shares in issue).

**Further  
information**

Attention is drawn to the further information set out in Part II below.

Yours faithfully

RICHARD ROBINOW  
*Chairman*

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## PART II. ADDITIONAL INFORMATION

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1. **Share capital** (A) The existing authorised and issued share capitals of the company are as follows:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
		£		£
Preference shares	14,500,000	14,500,000	11,449,624	11,449,624
Ordinary shares	41,000,000	10,259,000	32,573,856	8,143,464

(B) It was announced on 5 September 2007 that the company proposed to issue 1,064,581 preference shares for cash at a price of 105p per share by way of a placing with institutional investors. Completion of that placing and implementation of the capitalisation issue would result in the authorised and issued share capitals of the company becoming as follows:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
		£		£
Preference shares	14,500,000	14,500,000	13,600,000	13,600,000
Ordinary shares	41,000,000	10,259,000	32,573,856	8,143,464

(C) No shares are, or following the capitalisation issue are proposed to be, held by the company in treasury or beneficially owned by the company or any subsidiary of the company.

(D) As an executive incentive, in May 2002 the company granted an option to Mr J C Oakley whereunder Mr Oakley remains entitled to subscribe up to 828,113 ordinary shares at a price of 44.175p per share. To the extent not exercised by 21 May 2012, such option will lapse. The number of ordinary shares the subject of the option and/or the exercise price may be adjusted following any variation in the issued share capital of the company in such manner as the directors may determine to be fair and reasonable.

(E) The provisions of section 89(1) of the Act (to the extent not disapplied pursuant to section 95 of the Act) confer on holders of ordinary shares rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are to be paid up in cash. There are no rights of pre-emption attaching to the preference shares.

(F) By resolutions passed on 5 June 2007:

- (i) the directors were generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (as defined in the Act) other than preference shares up to an aggregate nominal amount of £2,481,536, such authority to expire on the date of the annual general meeting of the company to be held in 2008 and also conferring on the directors the power to make an offer or agreement which would or might require relevant securities to be allotted after the relevant authority had expired;
- (ii) the directors were generally and unconditionally authorised to exercise all the powers of the company to allot preference shares up to an aggregate nominal amount of £3,050,376, such authority to expire on the date of the annual general meeting of the company to be held in 2008 and also conferring on the directors the power to make an offer or agreement which would or might require preference shares to be allotted after the relevant authority had expired; and
- (iii) the directors were empowered pursuant to section 95 of the Act to allot equity securities for cash pursuant to the authority referred to at (i) above as if section 89(1) of the Act did not apply to the allotment, this power to expire on the date of the annual general meeting of the company to be held in 2008 and to be

limited to the allotment of equity securities in connection with a rights issue or open offer in favour of the holders of ordinary shares and the allotment (otherwise than in connection with such a rights issue or open offer) of equity securities up to an aggregate nominal value of £343,000, such power including the power to make an offer or agreement which would or might require equity securities to be allotted after the power has expired.

The authority referred to at (ii) above will be utilised by the directors to allot the 1,064,581 preference shares that are in the process of being placed as referred to in sub-paragraph (B) above.

(G) The new preference shares have already been created under the laws of England and Wales. They will be issued by resolutions of the board pursuant to the authority referred to at (ii) in sub-paragraph (F) above and the further authority provided by the first resolution set out in the notice of the extraordinary general meeting of the company convened for 2 October 2007.

**2. Memorandum and articles of association**

(A) The principal objects of the company are set out in clause 4 of its memorandum of association and are to act as and perform the functions of an investment or holding company.

(B) The articles of association of the company (the "articles") include provisions to the following effect:

*(i) Voting rights*

(a) Save as provided in sub-paragraph (i)(c) below, at any general meeting, a holder of ordinary shares is entitled, on a show of hands, if present in person or, being a corporation, represented by duly authorised representative, to one vote and, on a poll, if present in person or, being a corporation, represented by duly authorised representative, or represented by proxy, to one vote for each ordinary share held by him.

(b) At any general meeting on the date of the notice of which the dividend on the preference shares is more than six months in arrears and upon any resolution proposed at a general meeting for the winding up of the company or directly and adversely affecting any of the rights or privileges attaching to the preference shares, a holder of preference shares is entitled to vote in like manner to a holder of ordinary shares, but such holder is not otherwise entitled to vote at any general meeting.

(c) No shareholder is entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid or if he has been served by the directors with a restriction notice in the manner described in sub-paragraph (vii) below.

*(ii) Dividends*

(a) Out of the profits available for distribution and resolved to be distributed, holders of preference shares are entitled to a fixed cumulative preferential dividend at the rate of 9 per cent per annum on the nominal amount for the time being paid up on the preference shares held by them, payable by two equal half yearly instalments on 30 June and 31 December in respect of the half years ended on those dates.

(b) Subject to the rights of the holders of the preference shares, holders of ordinary shares are entitled to share equally with the other holders of issued ordinary shares (but as between them proportionately to the amount paid up on their respective holdings) in any dividend paid on the issued ordinary share capital of the company.

(c) The company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the directors. Subject to the provisions of the Act, the directors may pay such interim dividends as appear to them to be justified by the profits of the company and may pay the fixed dividends payable on any shares of the company half-yearly or otherwise on fixed dates. No dividend or interim dividend shall be paid otherwise than in accordance with the provisions of the Act.

(d) The directors may, with the sanction of an ordinary resolution of the company in general meeting, offer the holders of ordinary shares the right to elect to receive new ordinary shares credited as fully paid instead of cash in respect of the whole or part of any dividend.

(e) Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend shall be forfeited and shall revert to the company.

(iii) *Distribution of assets*

(a) On a winding up of the company or other return of assets, the holders of preference shares are entitled, out of the assets of the company available for distribution among the members of the company, to repayment of the amount paid up on their shares and to payment of any arrears of the preferential dividend thereon (but as between them proportionately to the amounts paid up on their respective holdings) in priority to any repayment of the amounts paid up on any other issued shares of the company.

(b) Subject to the rights attached to the preference shares and to any rights which may be attached to any other class of shares, any surplus assets of the company available for distribution among members on a return of assets on a winding up shall be applied in repaying to the holders of the ordinary shares the amounts paid up on such ordinary shares and, subject thereto, shall belong to and be distributed among such holders rateably according to the number of such ordinary shares held by them respectively.

(c) On a liquidation, the liquidator may, with the sanction of an extraordinary resolution of the company and any other sanction required by the Act, divide amongst the members in specie or in kind the whole or any part of the assets of the company and may, for such purpose, set such value as he deems fair upon any property to be so divided and may determine how such division shall be carried out.

(iv) *Alteration of capital and variation of rights*

(a) When the share capital of the company is divided into different classes of shares, the rights attached to any class of shares may, subject to the provisions of the Act, be modified, abrogated or varied either with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of sections 369, 370, 376 and 377 of the Act and the provisions of the articles relating to general meetings shall apply, *mutatis mutandis*, but so that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class and at an adjourned meeting one person holding shares of the class or his proxy. Any holder of shares of the relevant class present in person or by proxy at the separate class meeting may demand a poll.

(b) The company may increase its share capital and may consolidate or subdivide its shares by ordinary resolution. Without prejudice to any rights previously conferred on the holders of any existing shares or class of shares, any shares may be issued with such rights or restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the company may by ordinary resolution determine (or, in the absence of any such determination, as the directors may determine).

(c) Subject to the provisions of the Act and the articles, all unissued shares of the company are at the disposal of the directors. Subject to the provisions of the Act, any shares may be issued on terms that they are redeemed or liable to be redeemed at the option of the company or the shareholders on the terms and in the manner provided for by the articles.

(d) Subject to the provisions of the Act, the company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way and, provided that such purchase is sanctioned by an extraordinary resolution passed at a separate general meeting of each class of holders of outstanding shares of the company (if any) which are

capable of being converted into equity share capital of the Company, may purchase its own shares (including any redeemable shares).

(v) *Transfer of shares*

The ordinary shares and preference shares may be transferred either through the CREST system where held in uncertificated form, or by instrument of transfer in any usual or common form duly executed and stamped. The directors may, in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any share which is not a fully paid share, provided that, where the share in question is listed, such discretion shall not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis. The directors may likewise refuse to register any transfer of a share, whether fully paid or not, in favour of more than four persons jointly. The directors may also decline to recognise any instrument of transfer unless (a) the instrument of transfer is left at the registered office of the company or at the office of the registrars of the company, accompanied by the certificate(s) of the shares to which it relates, if any, and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do) and (b) the instrument of transfer is in respect of only one class of shares.

(vi) *Restrictions on voting, dividend and transfer rights*

If a member (or any person appearing to be interested in shares in the company held by such member) has been duly served with a notice pursuant to section 212 of the Act and is in default in supplying to the company the information thereby required within 14 days from the date of service of such notice the company may, at the discretion of the directors, serve on such member (or on such person) a notice ("a restriction notice") in respect of the shares in relation to which the default occurred ("default shares") and any other shares held at the date of the restriction notice directing that the member shall not be entitled to be present or to vote at any general meeting or class meeting of the company. Where the default shares represent at least 0.25 per cent of the issued shares of the company of the same class, the restriction notice may in addition direct, *inter alia*, that any dividend or other money which would otherwise be payable on the default shares shall be retained by the company without liability to pay interest and no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the directors to the effect that after due and careful enquiry the member is satisfied that no person in default is interested in any shares subject to the transfer.

(vii) *Untraced shareholders*

(a) The company may sell at the best price reasonably obtainable any share of a member or person entitled thereto by transmission if, during a period of twelve years, at least three dividends in respect of the share in question have become payable and no cheque or warrant sent by the company in respect of that share has been encashed and no communication has been received by the company from such member or person. The company shall be obliged to account to the former member or other person for the net proceeds of sale but no trust shall be created and the company shall treat the member or other person as a creditor in respect of such proceeds.

(b) If on two consecutive occasions, cheques or warrants in payment of dividends or other moneys payable in respect of any share have been sent through the post in accordance with the provisions of the articles and have been returned undelivered or left uncashed during the periods for which the same are valid and reasonable enquiries have failed to establish any new address of the member or person entitled thereto then, until the member or other person entitled thereto shall have supplied a new address, the company need not despatch further cheques or warrants in payment of dividends or other monies payable in respect of the shares in question and such member or person may be treated for the

purposes of the articles and the Act as a person of whose address the company is unaware.

*(viii) General meetings*

(a) The company shall in each year hold a general meeting as its annual general meeting. Not more than fifteen months shall elapse between the date of one annual general meeting of the company and that of the next. The annual general meeting shall be held at such time and place as the directors shall appoint. The directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition as is provided by the Act.

(b) An annual general meeting and a meeting called for the passing of a special resolution shall be called by not less than twenty-one clear days' notice in writing, and a meeting of the company other than an annual general meeting or a meeting for the passing of a special resolution shall be called by not less than fourteen clear days' notice in writing. The notice shall specify the place, the day and the time of meeting and, in case of special business, the general nature of that business. The notice shall also be given to the directors and the auditors.

(c) No business shall be transacted at any general meeting unless a quorum is present. Except as provided in the articles, two members present in person or by proxy and entitled to vote shall be a quorum. If within half an hour (or such shorter (being not less than five minutes) or longer time as the chairman may decide) from the time appointed for the meeting a quorum is not present, the meeting, if convened by or upon the requisition of members, shall be dissolved. In any other case it shall stand adjourned to such time (being not less than fourteen days nor more than twenty-eight days later) and place as the chairman shall appoint. If at such adjourned meeting a quorum is not present within five minutes from the time appointed therefor, the member or members present in person or by proxy and entitled to vote shall have power to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place. The company shall give not less than seven clear days' notice of any meeting adjourned for want of a quorum.

(C) There are no restrictions in the memorandum or articles of association of the company on the rights of non UK resident shareholders to hold, exercise voting rights attaching to or receive dividends and distributions in respect of shares in the company. However, under the articles of association, no shareholder is entitled to receive notices from the company, including notices of general meetings, unless he has given an address in the UK to the company to which such notices may be sent.

### 3. UK taxation

(A) General

**The following paragraphs are intended only as a general guide to current UK tax legislation and to what is understood to be the current practice of Her Majesty's Revenue and Customs ("HMRC"). They may not apply to certain categories of holders of ordinary shares, such as dealers in securities. Any person who is in any doubt as to his tax position is strongly recommended to consult his professional advisers immediately.**

(B) UK capital gains implications of the capitalisation issue

For the purposes of UK taxation of capital gains (or for corporate shareholders corporation tax on chargeable gains), the issue of new preference shares pursuant to the capitalisation issue should constitute a reorganisation of the ordinary shares. Accordingly, new preference shares issued to an ordinary shareholder pursuant to the capitalisation issue should normally constitute an addition to that holder's then holding of ordinary shares so that the resultant holdings of new preference shares and ordinary shares should be treated as the same asset (the "new holding") acquired on the same date or dates as the date or dates upon which the holder's holding of ordinary shares was acquired or deemed acquired (save that, where a non-corporate shareholder's holding of ordinary shares is treated as consisting of more than one holding for tax purposes, the new preference shares acquired will be attributed pro rata to those holdings).



For the purposes of computing the gain (or loss) on the subsequent disposal of the new holding or any part of it, the base cost of the new holding will be treated as equal to the base cost of the existing ordinary shares held by the relative holder of ordinary shares and will be apportioned between the ordinary shares and new preference shares comprised in the new holding by reference to their respective market values on the first day following the capitalisation issue on which a market value per share is quoted for either the ordinary or the preference shares.

With effect from 6 April 1998, indexation allowance is only available for the purposes of corporation tax. For the purposes of capital gains tax, all gains on or after 6 April 1998 are potentially subject to taper relief. However, for the purposes of capital gains tax, indexation allowance should be available when calculating a chargeable gain (but not an allowable loss) on a disposal or part disposal of the new holding in respect of the ownership of the ordinary shares from which that holding derives for the period of ownership (and expenditure incurred) up to 5 April 1998. Thereafter, taper relief may be available to reduce the amount of the chargeable gain realised on a disposal or part disposal of the new holding depending upon the number of years for which that holding has been held at the date of disposal (taking into account the period of ownership of ordinary shares from which it derives).

(C) UK tax implications of the sale arrangement

**The sale of new preference shares pursuant to the sale arrangement will constitute a disposal of part of the new holding (as defined in sub-paragraph (B) above) which may, depending on the individual circumstances of the relative holder of ordinary shares, give rise to a chargeable gain or allowable loss.**

(D) Taxation of dividends

*(i) Taxation of dividends paid to shareholders resident in the UK*

Under current UK tax legislation, no tax should be withheld at source from dividend payments by the company.

Non-corporate shareholders resident in the UK who receive a dividend paid by the company should generally be entitled to a tax credit in respect of the dividend which they may offset against their total income tax liability. The rate of the tax credit is equal to 10 per cent of the sum of the dividend and the tax credit. Shareholders subject to tax on the sum of the dividend plus the tax credit at the dividend lower rate (currently 10 per cent). Accordingly, lower and basic rate taxpayers should have no further liability to tax on dividends received. Higher rate tax payers should be liable to tax on the sum of the dividend plus the tax credit at the dividend upper rate (currently 32.5 per cent) against which liability they can offset the 10 per cent tax credit resulting in an effective rate of 25 per cent of the net dividend received.

A corporate shareholder resident in the UK (other than a person who is regarded as a dealer in securities) should not be liable to UK corporation tax on any dividend received from the company.

*(ii) Taxation of dividends paid to shareholders resident outside the UK*

Shareholders resident outside the UK may be entitled to claim payment from HMRC in respect of part of the tax credit attached to the dividends to which they become entitled, depending on the provisions of any relevant double taxation convention or agreement. The amount paid will not normally be more than 1 per cent of the dividend to which the applicable tax credit relates. Such shareholders should consult their own tax advisers as to entitlement and procedures as well as to taxation in their own jurisdiction.

(E) Stamp duty and stamp duty reserve tax

*(i) New preference shares*

The issue of new preference shares pursuant to the capitalisation issue should not give rise to a liability to stamp duty or stamp duty reserve tax.

*(ii) Transfer of new preference shares in certificated form*

An agreement to transfer new preference shares held in certificated form will normally give rise to a liability to stamp duty reserve tax ("SDRT"), generally at the rate of ½ per cent of the amount or value of the consideration given, although if the agreement to transfer such new preference shares is completed by a duly stamped transfer to the transferee the stamp duty payable in respect of such transfer (generally at the rate of 50p per £100 (or part thereof) of the consideration given rounded up to the nearest £5) will extinguish the liability to SDRT and permit a refund of any SDRT already paid to be claimed. Stamp duty and SDRT are customarily paid by a purchaser of new preference shares, although where a purchase is effected through a stockbroker or other financial intermediary, that person should normally account for the liability to SDRT and should indicate that this has been done in any contract note issued to a purchaser.

*(iii) Transfer of new preference shares into or out of CREST without change in beneficial ownership*

Where new preference shares are transferred into CREST without change in beneficial ownership or by a member of CREST to the beneficial owner (on whose behalf it has held them as nominee) no stamp duty or SDRT will normally be payable.

*(iv) Transfer of new preference shares within CREST or on dematerialisation with change of beneficial ownership*

Where a change in the beneficial ownership of new preference shares held in, or being transferred into, uncertificated form occurs and such change is for a consideration in money or money's worth (whether the transferee will hold such new preference shares in certificated or uncertificated form) a liability to SDRT at the rate of ½ per cent of the amount or value of the consideration will arise. This will generally be met by the new beneficial owner.

**4. Referenced information**

This document incorporates by reference the sections of the chairman's statement entitled "Financing" and "Prospects" as set out on, respectively, page 6 and page 8 of the interim report of the company for the six months ended 30 June 2007 and as referred to under "Interim report in respect of 2007" in Part I on page 9 above. A copy of that interim report will be available for inspection at the London Office of the company's solicitors, Ashurst, at Broadwalk House, 5 Appold Street, London EC2A 2HA until the conclusion of the extraordinary general meeting of the company of which notice is set out in this document and will also be available for downloading from the company's web-site at "[www.rea.co.uk](http://www.rea.co.uk)" throughout the same period.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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# R.E.A. Holdings plc

(Registered in England and Wales number 671099)

Notice is hereby given that an extraordinary general meeting of the company will be held at the London office of Ashurst at Broadwalk House, 5 Appold Street, London EC2A 2HA on 2 October 2007 at 12.00 noon for the purpose of considering and, if thought fit, passing the following two resolutions, of which the first will be proposed as an ordinary resolution and the second will be proposed as a special resolution

### Ordinary resolution

1. THAT, it being desirable to capitalise the sum of £1,085,795, being part of the amount standing to the credit of the share premium account of the company, conditional upon the new preference shares (as defined below) being admitted by the Financial Services Authority to the Official List and by London Stock Exchange plc 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 2007, the directors be and are hereby authorised and directed:

- (a) to appropriate (conditional as aforesaid) that sum from the share premium account of the company to the holders of ordinary shares of 25p each in the capital of the company as shown in the register of members of the company at the close of business on 1 October 2007, in proportion to the respective numbers of ordinary shares then held by such holders;
- (b) to apply (conditional as aforesaid) that sum on behalf of such shareholders in paying up in full at par 1,085,795 9 per cent cumulative preference shares of £1 each in the capital of the company ranking *pari passu* in all respects with the existing 9 per cent cumulative preference shares of £1 in the capital of the company (and in particular ranking for dividend on 31 December 2007 as if their entitlement to dividend on that date accrued (at the rate of 9 per cent per annum) with effect from and including 1 July 2007) ("**new preference shares**"); and
- (c) to allot (conditional as aforesaid) the new preference shares, credited as fully paid, to and amongst such shareholders on the basis of one new preference share for every 30 ordinary shares held at the close of business on 1 October 2007

provided that the directors be and are hereby authorised:

- (i) to aggregate fractional entitlements and sell the same on terms that the company be entitled to retain the proceeds of sale; and
- (ii) subject to (A) the passing of the second resolution set out in the notice of extraordinary general meeting of the company dated 5 September 2007 and (B) a gross sale price of not less than 100p per share being achieved, to aggregate holdings of new preference shares comprised in allotments to a single holder (or joint holders) of ordinary shares of 1,000 or fewer new preference shares who do not elect otherwise in accordance with the procedures set out in the circular from the company to ordinary shareholders dated 5 September 2007, to arrange for the aggregated total of such holdings to be placed by Guy Butler Limited with one or a small number of professional investors by no later than 17

October 2007 and to remit the sale proceeds thereof, net of dealing costs, to the shareholders entitled thereto

and any one of the directors and the company secretary be and is hereby severally authorised to sign on behalf of such shareholders instruments of transfer in respect of the new preference shares so sold.

**Special  
resolution**

2. THAT the articles of association of the company be amended by the deletion of the existing article 156 and the substitution therefor of a new article 156 as follows:

"156. The Directors may do all acts and things which they may consider necessary or expedient to give effect to any capitalisation, including, without limitation, making such provision as they think fit:-

- (i) in the case of shares or debentures becoming distributable in fractions (including provisions whereby fractional entitlements are disregarded or rounded up or the benefit of fractional entitlements accrues to the Company rather than to the members concerned); and
- (ii) in the case of a capitalisation issue of Preference shares pursuant to the first resolution set out in a notice of extraordinary general meeting of the Company dated 5 September 2007, to arrange for the sale of small allotments of Preference shares (being an allotment to a single holder (or joint holders) of 1,000 or fewer Preference shares), provided that in all such cases the prospective allottees shall have been given reasonable opportunity to elect to retain all or some of the prospective allotment.

The Directors shall have power to authorise any person to enter into, on behalf of all members concerned, any agreement(s) and to execute on behalf of all members concerned any transfer form(s) as may, in the opinion of the directors, be necessary, expedient or desirable to give effect to any such arrangements as are referred to above in this Article 156 and any agreement and/or transfer form made or executed under such authority shall be effective and binding on all concerned."

By order of the board  
R.E.A. SERVICES LIMITED  
Secretaries

*Registered office*  
First floor  
32-36 Great Portland Street  
London W1W 8QX

5 September 2007

*Notes*

- 1 *A member of the company entitled to attend and vote at the meeting convened by the above notice may appoint a proxy to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the company. The instrument appointing a proxy must be deposited at the registered office of the company not less than 48 hours before the time appointed for holding the meeting. The appointment of a proxy will not prevent a member from attending and voting at the meeting should he or she wish to do so.*
- 2. *The company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that in relation to securities held in dematerialised form only those holders of shares registered in the register of members of the company at 5.00 pm on 30 September 2007 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 5.00 pm on 30 September 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting.*