

REGISTRATION DOCUMENT

issued by

R.E.A. Holdings plc

Dated 28 January 2010

R.E.A. Holdings plc

(Incorporated in England and Wales under the Companies Act 2006 with registered number 671099)

This document is a registration document pursuant to Directive 2003/71/EC and provides information on R.E.A. Holdings plc (the "**company**") that, according to the particular nature of the company and the securities which it may offer to the public or apply to have admitted to trading on the Regulated Market of London Stock Exchange plc (the "**Market**"), is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the company. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). This document has been filed with the Financial Services Authority in its capacity as competent authority under the UK Financial Services and Markets Act 2000.

This document (and any supplements) shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of any securities on the basis of this document, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The company accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the company (which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omissions likely to affect the import of the statements contained in it.

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1. **Documents incorporated by reference**

This document should be read and construed in conjunction with the following documents which shall be deemed to be incorporated in, and form part of this document, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

- (A) The annual reports of the company for the years ended 31 December 2008 and 31 December 2007 which contain (a) the audited annual financial statements of the company for those years, as well as the auditors' report and notes and (b) a description of the business of the company and its subsidiaries.
- (B) The half yearly report of the company for the six month period ended 30 June 2009 which includes the unaudited half yearly financial statements of the company.

During the life of this document, the above documents will be available to be downloaded from the company's website: www.rea.co.uk and to be inspected, during normal business hours, at the London offices of the company's solicitors, Ashurst LLP, at Broadwalk House, 5 Appold Street, London EC2A 2HA.

Documents incorporated by reference in the above documents are not incorporated by reference in this document.

2. **Risk factors**

Because the group's coal mining venture is still at a fairly early stage and has not to date contributed to the group's profits, the risks and uncertainties of that venture are considered by the directors to be material to the group only as respects the risk that the venture may fail, in which event some or all of the capital so far invested in the venture may be lost (although the directors believe that the group could recover monies from a re-sale of the concession rights so far acquired, so that a total loss of invested capital is unlikely). All other risks and uncertainties relating to the group's activities that the directors' consider are, or may be, material relate to the group's established East Kalimantan agricultural operations. These risks and uncertainties are as follows:

2.1 **Climatic factors**

Although the group's agricultural operations are located in an area of high rainfall with sunlight hours well suited to the cultivation of oil palm, climatic conditions vary from year to year and setbacks are possible. Unusually high levels of rainfall can disrupt estate operations. Unusually low levels of rainfall that lead to a water availability below the minimum required for the normal development of the oil palm may lead to a reduction in subsequent crop levels. Such reduction is likely to be broadly proportional to the size of the cumulative water deficit. Over a long period, crop levels should be reasonably predictable but there can be material variations from the norm in individual years.

2.2 **Agricultural factors**

As in any agricultural business, there are risks that crops from the group's estate operations may be affected by pests and diseases. Agricultural best practice can to some extent mitigate these risks but they cannot be entirely eliminated.

After harvesting, FFB crops become rotten if not processed within a short period. Any hiatus in FFB collection or processing may therefore lead to a loss of crop. The group endeavours to maintain resilience in its palm oil mills with two mills operating separately and some ability within each factory to switch from steam based to diesel based electricity generation but such resilience would be inadequate to compensate for a material loss of processing capacity for anything other than a short time period.

2.3 **Operational factors**

The group's agricultural productivity is dependent upon necessary inputs, including, in particular, fertiliser and fuel. Whilst the directors have no reason to expect shortages in the availability of such inputs, should such shortages occur over any extended period the group's operations could be materially disrupted. Equally, increases in input costs would be likely to reduce profit margins.

The group has bulk storage facilities within its main area of agricultural operations and at its transshipment terminal downstream of the port of Samarinda. Such facilities and the further storage facilities afforded by the group's fleet of barges have hitherto always proved adequate to meet the group's requirements for CPO and CPKO storage. Nevertheless, disruptions to river

transport between the main areas of agricultural operations and the port of Samarinda, or delays in collection of CPO and CPKO from the transshipment terminal, could result in a group requirement for CPO and CPKO storage exceeding the available capacity. This would be likely to force a temporary cessation in FFB processing with a resultant loss of crop.

The group maintains insurance to cover those risks against which the directors consider that it is economic to insure. Certain risks (including the risk of fire in planted areas on the group's estates), for which insurance cover is either not available or would, in the opinion of the directors, be disproportionately expensive, are not insured. Occurrence of an adverse uninsured event could result in the group sustaining material losses.

2.4 **Produce prices**

The profitability and cash flow of the group depend both upon world prices of CPO and CPKO and upon the group's ability to sell its produce at price levels comparable with such world prices.

CPO and CPKO are primary commodities and as such are affected by levels of world economic activity and factors affecting the world economy, including levels of inflation and interest rates. This may lead to significant price swings although the directors believe that such swings should be moderated by the fact that the annual oilseed crops account for the major proportion of world vegetable oil production and producers of such crops can reduce or increase their production within a relatively short time frame.

In the past, in times of very high CPO prices, the Indonesian authorities have for short periods imposed either restrictions on the export of CPO and CPKO or very high duties on export sales of such oil. The directors believe that such measures are damaging not only to large plantation groups but also to the large number of smallholder farmers growing oil palm in Indonesia and to the Indonesian economy as a whole (because CPO is an important component of Indonesia's dollar earning exports). The directors are thus hopeful that such measures will not be repeated and were encouraged that the significant rise in CPO and CPKO prices during 2007 and the early months of 2008 did not lead to a re-imposition of such restrictions or imposts. Instead, the Indonesian government continued to allow the free export of CPO and CPKO but introduced a sliding scale of duties on CPO and CPKO exports. Furthermore, the starting point for this sliding scale was set at a level such that when CPO and CPKO prices fell back in the last quarter of 2008, the rate of export duty payable was reduced to nil.

World markets for CPO and CPKO may be distorted by the imposition of import controls or taxes in consuming countries. The directors believe that the imposition of such controls or taxes on CPO or CPKO will normally result in greater consumption of alternative vegetable oils within the area in which the controls or taxes have been imposed and the substitution outside that area of CPO and CPKO for other vegetable oils. Should such arbitrage fail to occur or prove insufficient to compensate for the market distortion created by the applicable import controls or taxes, selling prices for the group's CPO and CPKO could be depressed.

2.5 **Expansion**

The group is planning further extension planting of oil palm. The directors hope that land allocations obtained by the group will become available for planting ahead of the land becoming needed for development and that the development programme can be funded from available group cash resources and future operational cash flows, appropriately supplemented with further debt funding. Should, however, land or cash availability fall short of expectations and the group be unable to secure alternative land or funding, the extension planting programme, upon which the continued growth of the group's agricultural operations will in part depend, may be delayed or curtailed.

Any shortfall in achieving planned extensions of the group's planted areas would be likely to impact negatively the annual revaluation of the group's biological assets, the movements upon which are taken to the group's income statement. Whilst this would not affect the group's underlying cash flow, it could adversely affect market perceptions as to the value of the company's securities.

2.6 **Currency**

CPO and CPKO are essentially dollar based commodities. Accordingly, the group's revenues and the underlying value of the group's agricultural operations are effectively dollar denominated. All of the group's borrowings, other than the £37 million nominal of sterling notes issued by REA Finance and irrevocably and unconditionally guaranteed by the company, are also dollar denominated and the group has entered into a sterling dollar debt swap to hedge the sterling notes. A substantial component of the group's costs (including fertiliser and machinery inputs) is dollar denominated or linked. Accordingly, the principal currency risk faced by the group is that those components of group costs that arise in Indonesian rupiah and sterling may, if such currencies strengthen against the dollar, negatively impact margins in dollar terms. The directors consider that this risk is inherent in the group's business and capital structure and the group does not therefore normally hedge against such risk.

2.7 **Environmental practices**

The group's existing East Kalimantan agricultural operations and the planned expansion of those operations are based on land areas that have been previously logged and zoned by the Indonesian authorities as appropriate for agricultural development on the basis that, regrettable as it may be from an environmental viewpoint, the logging has been so extensive that primary forest is unlikely to regenerate. Such land areas fall within a region that elsewhere includes substantial areas of unspoilt primary rain forest inhabited by diverse flora and fauna. As such, the group, in common with other oil palm growers in Kalimantan, must expect scrutiny from conservation groups and could suffer adverse consequences if its environmental policies were to be singled out for criticism by such groups.

The group is committed to sustainable oil palm development and takes great care to follow best practice on environmental issues. An environmental master plan was constructed using independent environmental experts when the group first commenced operations in East Kalimantan and this plan is updated regularly with further advice from independent experts to

reflect modern practice and to take account of changes in circumstances (including planned extensions to the areas to be developed by the group). Substantial conservation reserves have been established in areas already developed by the group and further reserves will be added as new areas are developed. The group supports the principles and criteria established by the Roundtable on Sustainable Palm Oil and is working towards obtaining accreditation from that organisation.

2.8 Regulatory exposure

Changes in existing, and adoption of new, Indonesian laws and regulations affecting the group (including, in particular, laws and regulations relating to land tenure, work permits for expatriate staff and taxation) could have a negative impact on the group's activities. Many of the licences, permits and approvals held by the group are subject to periodic renewal. Renewals are often subject to delays and there is always a risk that a renewal may be refused or made subject to new conditions.

Land in East Kalimantan held by the group for its agricultural operations is held subject to satisfaction by the group of various continuing conditions, including conditions requiring the group to promote smallholder developments of oil palm.

2.9 Country exposure

All of the group's agricultural operations are located in Indonesia and the group is therefore significantly dependent on economic and political conditions in Indonesia. In the late 1990's, in common with other parts of South East Asia, Indonesia experienced severe economic turbulence and there have been subsequent occasional instances of civil unrest, often attributed to ethnic tensions, in certain parts of Indonesia. In the more recent past, Indonesia has been stable and the Indonesian economy has continued to grow.

Whilst freedom to operate in a stable and secure environment is critical to the group and security risks should never be underestimated, the group has always sought to mitigate those risks and, since the inception of its East Kalimantan operations in 1989, has never been adversely affected by security problems.

Although there can be no certainty as to such matters, under current political conditions, the directors are not aware of any circumstances which would lead them to believe that any government authority would revoke the registered land titles granted to the group, impose exchange controls or otherwise seek to restrict the group's freedom to manage its operations.

2.10 Local relations

The operations of the group could be seriously disrupted if there were to be a material breakdown in relations between the group and the host population in the group's area of operations in East Kalimantan.

Whilst the group does have employees in Indonesia from outside East Kalimantan, care has always been taken to give priority to applications for employment from members of the local population. Moreover, local contractors used by the group provide employment opportunities for

residents of surrounding villages and such residents also act as suppliers to the group and its employees. The directors believe that the group's operations have been a source of increased prosperity to the surrounding villages and that the group has reasonable relations with those villages. The group has made progress in recent years in assisting the surrounding villages in establishing their own smallholdings of oil palm and it is hoped that this, together with other initiatives to encourage local farmers in the production of foodstuffs for sale to the group's workers and their dependents, will continue to assist in preserving the group's relationships with the local population.

The group's agricultural operations are established in a relatively remote and sparsely populated area. The operational areas were acquired with the knowledge and support of the local authorities and development has been arranged wholly within the areas in respect of which the group has obtained the required development permits. These areas are comprised of government owned land which was for the most part unoccupied prior to the group's arrival. However, some small areas of land were previously used by local villagers for the cultivation of crops and, accordingly, when taking over such areas, the group negotiates with, and pays compensation to, the affected parties.

The negotiation of compensation payments can involve a considerable number of local individuals with differing views and this can cause difficulties in reaching agreement with all affected parties. There is also a risk that, after an agreement has been completed, a party to the agreement may become disaffected with the terms agreed and may seek to repudiate the agreement. Such difficulties and risk have in the past caused, and are likely to continue periodically to cause, delays to the extension planting programme and other disruption. The group has to date been successful in managing such periodic delays and disruption so that they have not, in overall terms, materially disrupted the group's extension planting programme or operations generally but there is a continuing risk that they could do so.

2.11 **Other relationships**

The group is materially dependent upon its staff and employees and endeavours to manage this dependence as detailed on page 27 of the company's 2008 annual report in the section entitled "Review of the group" under the sub-heading "Employees".

Relationships with minority shareholders in Indonesian group companies are also important to the group. The group endeavours to maintain cordial relations with the persons concerned by seeking their support for decisions affecting their interests and responding constructively to any concerns that they may have.

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

The company was incorporated in England and Wales on 27 September 1960 under the Companies Act 1948 with registered number 671099. The company is a public limited company and is subject to the provisions of the Companies Act 2006. The company's registered office is at First Floor, 32-36 Great Portland Street, London, W1W 8QX and its telephone number is + 44 (0)20 7436 7877.

The company is the parent company of a group of companies and is not itself a subsidiary of any other company. Substantially all of the operations of the group that are currently cash generating are owned by REA Kaltim and the company's profitability and cash flow is therefore materially dependent upon REA Kaltim.

3.1 **The business of the group**

The group is principally engaged in the cultivation of oil palms in the province of East Kalimantan in Indonesia and in the production of CPO and by-products from fruit harvested from its oil palms. Detailed information concerning the group's agricultural operations (and in particular the markets into which the group's palm products are sold) is provided on pages 18 to 32 of the company's 2008 annual report (in the section entitled "Review of the group" under the headings "Operations" and "Sustainability") as updated on pages 4 to 6 of the company's 2009 half yearly report (in the section entitled "Chairman's statement" under the headings "Operations", "Land allocations and development" and "Sustainability") and by paragraph 3.2 ("Update concerning the group's agricultural operations") below.

During 2008, the directors decided to augment the traditional agricultural operations of the group by developing a modest coal mining operation also based in East Kalimantan. Detailed information concerning this diversification is provided on pages 32 to 34 of the company's 2008 annual report (in the section entitled "Review of the group" under the heading "New initiative") as updated on pages 6 to 8 the company's 2009 half yearly report (in the section entitled "Chairman's statement" under the heading "Coal initiative") and by paragraph 3.3 ("Update concerning the group's coal operations") below.

3.2 **Update concerning the group's agricultural operations**

The FFB crop for the year to 31 December 2009 amounted to 490,000 tonnes, slightly ahead of the budgeted crop of 486,000 tonnes and an increase of 8.6 per cent on the FFB crop for 2008 of 451,000 tonnes. In addition, the group purchased 13,000 tonnes of FFB from smallholders (2008 – 6,000 tonnes).

Processing of the group's own FFB production and the externally purchased FFB, together totalling 503,000 tonnes (2008 – 457,000 tonnes), produced 118,000 tonnes of CPO (2008 - 106,000 tonnes) and 24,000 tonnes of palm kernels (2008 - 21,000 tonnes) reflecting extraction rates of 23.5 per cent for CPO (2008 - 23.2 per cent) and 4.7 per cent for kernels (2008 - 4.6 per cent). Production of CPKO amounted to 10,000 tonnes (2008 – 8,000 tonnes) with an extraction rate of 40.0 per cent (2008 – 40.1 per cent).

The rainfall across the group's estates averaged 3,123 mm for 2009, compared with 3,504 mm for the previous year. Rainfall of in excess of 3,000 mm per annum is more than sufficient for oil palm cultivation provided that the rainfall is distributed reasonably evenly over the year as oil palm estate soil has limited capacity to retain water. During 2009, there was an extended drier period between August and October, probably reflecting the reported El Nino effect. Although this was of some concern to the group, an analysis of the rainfall received during this drier period suggests that the rainfall was just sufficient to avoid deficits in the moisture required by the group's palms for optimal development. If correct, this would mean that the reduced levels of rainfall between August and October should not have a negative impact on cropping in 2010. On that basis, the group is budgeting an FFB crop of 561,000 tonnes for 2010.

After the collapse in the CPO price seen in 2008, when the price fell from a high in early March of just under \$1,400 per tonne, CIF Rotterdam, to a low of \$435 in October, the price recovered to reach \$830 per tonne in May 2009. It then fell back to a level of just over \$600 in July 2009 since when it has been relatively steady to firm trading for the most part in the range \$650 to \$800 per tonne and closing at the end of 2009 at just over \$800 per tonne. Although stocks in CPO producing countries are currently quite high, offtake has been good and the recovery in crude petroleum oil prices is likely to encourage an increase in the volume of vegetable oil converted to bio-diesel. The directors believe that prices may well stay at around current levels at least until mid 2010 after which much will depend on the extent of 2010 soybean plantings, weather factors influencing the annual oilseed crops and continuing recovery in the levels of world economic activity.

The group made good progress with land titling during 2009 and increased its fully titled area of plantation land to a total of 52,029 hectares. Settlement of land compensation issues proceeded sufficiently to permit the group to develop (that is, to clear and plant out or prepare for planting out) a further 2,690 hectares of oil palm land during 2009 increasing the area planted or under development at 31 December 2009 to 30,990 hectares (of which 22,069 hectares were classified as mature from 1 January 2010). The group plans to develop a further 8,000 hectares in total during 2010 and 2011. Clearing of the current plantable element of the first larger scale village cooperative scheme supported by the group (having a gross area of 1,500 hectares) was also completed during 2009 and planting out is proceeding according to plan.

Following the ISO 14001 certification of the group's mills in 2008, two of the group's estates have now also been certified under the same standard with the balance of the estates expected to obtain certification in 2010. The group also remains on track to seek accreditation during 2010 from the Roundtable on Sustainable Palm Oil as a sustainable producer of CPO. The group's conservation department is beginning to obtain academic recognition and a current project aimed at maintaining orang-utan populations in the group's conservation areas has generated particular interest. The Ironwood Foundation, a charitable foundation supported by the conservation department, has been successful in obtaining some funding for a project to conserve rare and endangered crocodile species in a wetland area in the East Kutai district of East Kalimantan, near to one of the estates of the group.

3.3 Update concerning the group's coal operations

Following its acquisition of rights in respect of the Liburdinding and Muser coal mining concessions located near Tanah Grogot in the southern part of East Kalimantan in the second half of 2008, the group further extended its coal operations in December 2009 with the acquisition of rights in respect of a third coal mining concession located near Kota Bangun in the central part of East Kalimantan which was purchased for a cash consideration of some \$4.5 million.

Until recently, Indonesian law restricted the direct ownership of Indonesian coal mining concessions by foreign companies but a new Indonesian mining law enacted in December 2008 will permit such ownership (subject to a provision that foreign controlled mining companies must be owned locally to the extent of not less than 20 per cent within a prescribed period after such companies commence commercial mining operations). The new mining law will become effective after publication by the Government of Indonesia of regulations implementing the law.

Pending implementation of the new Indonesian mining law, the group has entered into arrangements with a local investor and members of his family (together the group's "**local partners**") whereby the Liburdinding and Muser concessions are currently held by two companies which are wholly owned by the group's local partners and the recently acquired Kota Bangun concession is held by a 95 per cent subsidiary of one of these companies with the balance of 5 per cent being owned by the local partners. A fourth company, KCCMSI, incorporated under the Indonesian foreign investment law and owned 95 per cent by KCC (a wholly owned subsidiary of the company incorporated in England and Wales that acts as a sub-holding company for the group's coal operations) and 5 per cent by the local partners, has been established by KCC to spearhead the group's coal operations. The three coal mining concession holding companies are being financed by loan funding from the group (through KCC) upon terms that KCC will have the right to acquire the concession holding companies at original cost, as soon as Indonesian law allows this, on a basis that will give the group (through KCC) 95 per cent ownership with the balance of 5 per cent remaining owned by the local partners. In the interim, the group will receive appropriate remuneration for the funding and services that it provides to the concession holding companies and no dividends or other distributions or payments may be paid or made by the concession holding companies to the local partners without the prior agreement of KCC.

The rights held by the concession holding companies in respect of the Liburdinding and Kota Bangun concessions are in the form of exploitation licences. These licences are valid for terms expiring, respectively, in 2013 and 2016, but are renewable on expiry. Currently, Muser is held on an exploration licence but this will be converted into an exploitation licence which will be for an initial term of five years and will also be renewable on expiry. Royalties based on coal sales are payable in respect of Liburdinding and Muser at the rates of 13 and 5 per cent, respectively, and will be payable in respect of Muser at the rate of 13 per cent. All three concession holding companies will be required to reconstitute the areas mined when coal extraction has been completed.

During 2009, the group's operational focus in relation to its coal activities was on bringing the Liburdinding concession into production. The necessary infrastructural facilities (principally a port facility and road access to the port) were substantially complete by June 2009. However, the group withdrew from its original plan to establish, as rapidly as possible, a production level of

30,000 tonnes per month when it became clear that the sulphur content of the Liburdinding coal was such that, in what had become a buyer's market for export coal, it would be necessary either to blend the coal mined with purchased coal having a lower sulphur content or to accept a significant price penalty. The group concluded that the Liburdinding coal was best sold within Indonesia and steps were taken to establish a coal depot at Semarang in Central Java to facilitate deliveries to industrial users of coal in that area (a large coal consuming district) and to permit blending with other coal to meet specific buyer requirements. This is now in operation and the first sales of Liburdinding coal are currently being made. For 2010, the group is budgeting for output from Liburdinding of 150,000 tonnes.

The group also intends that the newly acquired Kota Bangun concession should be brought into production during 2010 with a view to achieving, by December 2010, an output of 16,000 tonnes per month. Geological surveys commissioned by the group have not yet assessed the whole of the Kota Bangun concession but indicate, based on the parts so far assessed, that the concession is likely to contain not less than 2 million tonnes of coking coal with calorific values generally in the range 8,500 to 9,500 kcal/kg ADB (air dried basis) which is significantly higher than the calorific value of the Liburdinding coal (assessed at 5,800 to 6,200 kcal/kg ADB) and should ensure a ready export market for the Kota Bangun production. The concession is well located, being approximately 5 kilometres from the Mahakam river. Nevertheless mining costs for coal from the Kota Bangun concession are expected to be greater than for coal from the Liburdinding concession because the former will have a higher stripping ratio (being the amount of earth and rock (or "overburden") required to be removed to gain access to the coal, expressed as the number of cubic metres of overburden *in situ* to be removed to extract one tonne of coal) and will require blasting of the overburden. Actual unit production costs in both cases will be sensitive to stripping ratios and diesel prices but the group is budgeting for production costs per tonne in the range \$64 to \$78 per tonne for Kota Bangun coal and \$23 to \$29 per tonne for Liburdinding coal.

The group aims to augment the basic mining revenues from the Liburdinding and Kota Bangun concessions in two respects during 2010. First, it intends to make available the port facility established for the Liburdinding concession for use by third parties for an appropriate charge. Secondly, one of the concession holding companies has recently been accepted as one of a limited number of approved suppliers to the Indonesian state electricity company ("PLN"). The group intends to take advantage of this approval not only to underpin the market for Liburdinding coal but also to sell coal to PLN that has been sourced from third parties either by outright purchase or by mining third party concessions against payment of an agreed royalty. As both of these proposed additions to the coal activities will be new, there can be no certainty as to how fast and in what volumes they can be added. However, the directors consider targets of 20,000 tonnes per month of third party throughput through the Liburdinding port and of 50,000 tonnes per month of sales to PLN (sourced by a combination of outright purchases and mining of third party concessions under royalty arrangements) to be reasonable.

The group is budgeting the overheads of its coal operations for 2010 (excluding head office costs in the UK, interest, depreciation and amortisation) at \$100,000 per month. Net contribution from third party coal throughput in the Liburdinding port is projected at \$2.50 per tonne and the contribution margins achievable on sales to PLN at between \$5 and \$10 per tonne (depending on the mix of coal sourced by outright purchase and coal sourced by mining third party concessions).

The overall results of the coal operations will be critically dependent upon sales volumes and prevailing coal prices. The directors believe that the published Newcastle globalCOAL index (which currently stands at \$100 per tonne up from just under \$70 per tonne in September 2009), when adjusted for differences in calorific values (the index being based on coal with a net calorific value of 6,000 kcal/kg), has over time provided a reasonable indicator of prevailing East Kalimantan coal prices.

Although the group's geological assessment of the Muser concession indicates that this concession contains coal generally in the range 6,000 to 7,000 kcal/kg ADB, the stripping ratio at Muser will be materially higher than at Liburdinding which is likely to mean that the Muser coal, although still profitable to mine, will have a relatively high cost of production. Moreover, the Muser coal has a higher sulphur content than the Liburdinding coal. The group therefore intends to continue geological exploration during 2010 to delineate the coal reserves at Muser but to defer bringing the concession into production until commercial levels of output are being obtained from Liburdinding and Kota Bangun.

The group is investigating the possibility of one of the coal mining concession holding companies obtaining a licence to quarry stone from an area near to the group's agricultural estates with a view to selling crushed stone to the group's agricultural operations and to third parties operating in the vicinity of those operations. Initial studies indicate that this would benefit the group both in terms of the direct returns that may be achievable from the quarrying operations and from cost savings in road upkeep by the agricultural operations.

In developing the coal mining concessions and the possible stone quarry activity, the group remains committed to observing international standards of best environmental practice.

3.4 **Financing**

The group's indebtedness currently comprises £37 million nominal of sterling notes, which have been hedged against dollars at an average rate of \$1.854 = £1, \$30 million nominal of dollar notes and bank borrowings and leasing commitments in Indonesia which totalled \$10.3 million at 31 December 2009. Against this, the group had cash balances at 31 December 2009 totalling \$20.8 million.

The planned planting of a further 8,000 hectares of oil palm during 2010 and 2011 and the concomitant requirement for continuing investment in estate buildings, oil palm processing facilities and other estate plant and equipment will involve the group in continuing major capital expenditure over the next two years. Given the group's existing cash resources and provided that the CPO price remains at reasonable levels, the directors expect that such capital expenditure can be funded from internally generated cash flow. Given the volatility of commodity markets, the directors cannot, however, rely on this expectation and whilst the expansion programme can, in extremity, be rapidly scaled back to align with available cash resources, once areas have been planted with oil palms, some or all of the investment thereby made will be lost if the areas are not maintained and the milling capacity needed to process the resultant FFB is not installed. Accordingly, the directors believe that it is essential that the group holds some cash cushion against the possibility of additional cash being required to fund the oil palm expansion programme. To this end, the group is currently seeking to arrange further fixed term bank facilities in Indonesia.

At 31 December 2009, the group had invested some \$14 million in its coal operations. The development of the Kota Bangun concession will require further investment and cash resources will also be required to meet the working capital requirements that will arise if the coal operations develop as envisaged. To avoid withdrawing needed capital from the agricultural operations, the directors believe that going forward the coal operations should be funded from their own internally generated cash flow supplemented by external borrowings at a level that the coal operations can reasonably be expected to support. The coal operations have been offered some local bank facilities. While the directors consider that it is sensible to have bank facilities available, given recent events in the banking market and the general conditions applicable to the bank debt available, they believe that the coal operations should not become reliant on bank finance. Accordingly, the group is currently proposing to raise some \$15 million for deployment in the coal operations by way of an issue of \$15 million nominal of additional dollar notes and 150,000 redeemable participating preference shares of \$10 each in the capital of KCC with such additional dollar notes and shares to be subscribed in the ratio of \$100 nominal of additional dollar notes to one KCC participating preference share.

The KCC participating preference shares will provide a limited interest in the group's coal operations such that if those operations achieve an average annual level of earnings before interest, tax, depreciation and amortisation of \$8 million over the four and a half year period from 1 January 2010 to 30 June 2014 (equivalent to \$36 million for the full period), the combined return to a subscriber of additional dollar notes and KCC participating preference shares will be 15 per cent per annum. If the required level of earnings is not achieved, then, except in certain limited circumstances (such as divestment of all or a significant part of the operations or a change of control of the company), no dividends or other distributions will be paid or made on the KCC participating preference shares and after 31 December 2014 the shares will be converted into valueless deferred shares. Under that circumstance, the combined return to a subscriber of additional dollar notes and KCC participating preference shares will be 7.5 per cent per annum.

Beyond the proposed issue of additional dollar notes, the directors have no immediate plans for the group to issue further listed debt securities. The directors are, however, aware that the Indonesian tax authorities have recently announced revisions to the rates of withholding tax to be applied to payments of interest from Indonesia to the Netherlands as well as changes to the basis upon which such authorities will accept that a foreign company is eligible for the concessionary tax treatment provided for in any double tax agreement between the applicable company's country of domicile and Indonesia. This development appears likely to result in the rate of withholding tax applicable to payments of interest (the aggregate gross amount of which in 2009 was \$8.9 million) on loans to Indonesian subsidiaries of the company from REA Finance increasing from 10 per cent to 20 per cent. Should this prove the case, the directors may wish to effect some reorganisation of the sterling notes to mitigate this adverse fiscal development.

The directors have previously stated that, whilst they believe that it is important that the group retains flexibility as to the extent to which the group should fund itself with borrowed monies, as a general borrowing policy they consider that it is appropriate to the group at its present stage of development that net debt (that is, borrowings and other indebtedness of the group (other than intra-group indebtedness), less cash, bank deposits and similar balances) remains below 100 per cent of total equity. The directors expect that net debt, which amounted to 49 per cent of total equity at 30

June 2009 (31 December 2008 – 48 per cent), will remain significantly below the 100 per cent level during 2010.

3.5 Selected financial information

The following table provides summary financial information concerning the group as at the dates and for the periods stated. The information has been extracted without material adjustment from the audited annual financial statements of the company included in the company's 2008 annual report and the unaudited financial statements of the company included in the company's 2009 half yearly report.

	As at 30 June 2009 \$'000	As at 30 June 2008 \$'000	As at 31 December 2008 \$'000	As at 31 December 2007 \$'000
Summary of net assets				
Non-current assets	290,931	260,557	278,227	236,713
Current assets	43,686	59,491	51,983	50,557
Current liabilities	(12,634)	(23,764)	(24,200)	(13,565)
Non-current liabilities	<u>(147,964)</u>	<u>(127,012)</u>	<u>(143,399)</u>	<u>(125,072)</u>
	<u>174,019</u>	<u>169,272</u>	<u>162,611</u>	<u>148,633</u>
	6 months to 30 June 2009 \$'000	6 months to 30 June 2008 \$'000	Year to 31 December 2008 \$'000	Year to 31 December 2007 \$'000
Summary of results (before taxation and minority interests)				
Revenue	<u>32,441</u>	<u>46,113</u>	<u>79,630</u>	<u>57,600</u>
Earnings before interest, tax, depreciation and movement on biological assets	15,908	29,582	45,700	43,346
Depreciation and amortisation	(1,446)	(1,419)	(2,477)	(1,990)
Change in fair value of biological assets	<u>1,523</u>	<u>7,460</u>	<u>(2,660)</u>	<u>8,030</u>
Operating profit	15,985	35,623	40,563	49,386
Investment revenues and finance costs	<u>(2,666)</u>	<u>(1,575)</u>	<u>(4,254)</u>	<u>(2,376)</u>
Profit before taxation	<u>13,319</u>	<u>34,048</u>	<u>36,309</u>	<u>47,010</u>

3.6 Directors and corporate governance of the company

(A) The directors of the company (all being of First Floor, 32-36 Great Portland Street, London W1W 8QX) are as follows:

- (i) Richard Michael Robinow (Chairman)

Mr Robinow was appointed a director in 1978 and has been chairman since 1984. After early investment banking experience, he has been involved for over 35 years in the plantation industry. He is a non-executive director but devotes a significant proportion of his working time to the affairs of the group, dealing principally with matters of strategy and finance. He is a non-executive director of M.P. Evans Group plc, a UK plantation company of which the issued shares are admitted to

trading on the Alternative Investment Market of the London Stock Exchange, and of two overseas listed plantation companies: Sipef NV, Belgium, and REA Vipingo Plantations Limited, Kenya. Aged 64.

(ii) John Clifton Oakley (Managing director)

After early experience in investment banking and general management, Mr Oakley joined the group in 1983 as divisional managing director of the group's then horticultural operations. He was appointed to the main board in 1985 and subsequently oversaw group businesses involved in tea, bananas, pineapples and merchanting, transferring in the early 1990's to take charge of the day to day management of the group's then embryonic East Kalimantan agricultural operations. He was appointed managing director on 1 January 2002. As the sole executive director, he has overall responsibility for operational control of the group. Aged 61.

(iii) David Blackett (Senior independent non-executive director)

Mr Blackett was appointed a non-executive director in July 2008 and was subsequently appointed as chairman of the audit and remuneration committees and as senior independent non-executive director. After qualifying as a chartered accountant in Scotland, he worked for over 25 years in South East Asia where he concluded his career as chairman of AT&T Capital Inc. Prior to joining that company, he was a director of an international investment bank with responsibility for the bank's South East Asian operations. He is a non-executive director of South China Holdings Limited, a company listed on the Hong Kong Stock Exchange. Aged 59.

(iv) John McDonald Green-Armytage (Independent non-executive director)

Mr Green-Armytage was a non-executive director from 1984 to 1994. He rejoined the board in a non-executive capacity in 1997 and subsequently for several years served as chairman of the audit and remuneration committees. After a career in investment banking, he moved to become managing director of a UK listed company with South East Asian involvement. He has subsequently held directorships of a number of companies in both executive and non-executive capacities. These currently include the chairmanship of AMEC PLC. Aged 64.

(v) John Rankin Macdonald Keatley (Independent non-executive director)

Mr Keatley was a non-executive director from 1975 to 1983 and chairman from 1978 to 1983. He rejoined the board in a non-executive capacity in 1985 and is chairman of the nomination committee. After a background in the fertiliser industry, he is now involved in a family business investing in property in the UK and elsewhere. Aged 76.

- (vi) David Henry Rothwell Killick (Independent non-executive director)

Mr Killick was appointed a non-executive director in 2006 and is a member of the audit and remuneration committees. After qualifying as a barrister, he became a Fellow of the Institute of Chartered Secretaries and Administrators. He worked for over 28 years for the Commonwealth Development Corporation, serving as a member of its management board from 1980 to 1994. Thereafter, he has held a number of directorships. He is currently a director of Reallyenglish.com Limited and a member of the council of management of Slough Council for Voluntary Service. Aged 72.

- (vii) Lionel Edgar Charles Letts (Independent non-executive director)

Mr Letts was appointed a non-executive director in 1989. After serving in the British Armed Forces in World War II and thereafter in the British Foreign Office, he was a main board director of Jardine Matheson & Co. Limited for 15 years and then set up his own business. Thereafter, for over 40 years, he has held directorships and advisory posts in companies covering a wide range of activities in various countries, with particular emphasis on the plantation industry. His present directorships include The China Club Limited and China Investment Fund. Aged 91.

- (viii) Chan Lok Lim (Independent non-executive director)

Mr Lim was appointed a non-executive director in 2002. He has been involved for over 30 years in companies in South East Asia engaged in power generation and distribution, water and waste treatment, industrial and agro-industrial engineering (including palm oil mill design and construction) and in the plantation industry. He is chairman of SPC Power Corporation, a public company listed on the Philippines Stock Exchange, and a director of Agusan Plantations Inc, Philippines, Agumil Philippines Inc and Pan Abrasives (Private) Limited, Singapore. Aged 68.

- (B) As noted in paragraph (A) above, Mr Robinow is a director of M.P. Evans Group plc and of Sipef NV. Both M.P. Evans Group plc and Sipef NV have interests in oil palm plantations in Indonesia. Since CPO is an international commodity and the group's share of the CPO market is small, the group does not compete for sales with other producers of CPO.
- (C) As detailed under "Significant shareholders" in section 3.9 below, Mr Robinow, together with his immediate family and other members of the Robinow family, together own the whole of the issued share capital of Emba, a significant shareholder in the company. Emba has agreed that it will not undertake activities in conflict with those of the group.
- (D) Save as referred to in paragraphs (B) and (C) above, no director of the company has any potential conflicts of interest between his duties to the company and his private interests or other duties.

3.7 **Corporate governance**

- (A) The directors appreciate the importance of ensuring that the group's affairs are managed effectively and with integrity and acknowledge that the principles laid down in the Combined Code provide a widely endorsed model for achieving this. The directors seek to apply those principles in a manner proportionate to the group's size but reserving the right enshrined in the Combined Code, when it is appropriate to the individual circumstances of the company, not to comply with certain Combined Code principles and to explain why.
- (B) The board has appointed audit, nomination and remuneration committees, with written terms of reference, to undertake certain of the board's functions. Further information regarding the audit committee is provided under "Audit committee" in section 3.8 below. The nomination committee is responsible for recommending new appointments to the board while the remuneration committee sets the remuneration and benefits of the managing director (being the only executive director of the company) and the chairman.
- (C) In the opinion of the directors, the company complies fully with the provisions set out in section 1 of the Combined Code.

3.8 **Audit committee**

- (A) The audit committee comprises David Blackett and David Killick. It is responsible for:
 - (i) monitoring the integrity of the financial statements and the significant reporting issues and judgements that they contain;
 - (ii) reviewing the effectiveness of the internal control functions (including the internal audit function and arrangements whereby internally raised staff concerns as to financial reporting and other relevant matters are considered);
 - (iii) making recommendations to the board in relation to the appointment, reappointment and removal of the external auditors, their remuneration and terms of engagement; and
 - (iv) reviewing and monitoring the independence of the external auditors and the effectiveness of the audit process.

The audit committee also monitors the engagement of the auditors in respect of non-audit work.

- (B) The members of the audit committee discharge their responsibilities by informal discussions between themselves and with the external auditors and management, by consideration of reports by management, the group's internal audit function in Indonesia and the external auditors, and by holding at least three formal meetings in each year.

3.9 Significant shareholders

- (A) As at 27 January 2010 (being the latest practicable date prior to the publication of this document), the company had received notifications required by the Disclosure and Transparency Rules of the Financial Services Authority from the following persons of the voting rights held by them as shareholders through the holdings of ordinary shares indicated:

	<i>Number of ordinary shares</i>	<i>Percentage of ordinary share capital</i>
Emba	9,957,500	30.57
Alcatel Bell Pensioenfonds VZW	4,007,049	12.3
Prudential plc group of companies	4,360,229	13.38
Artemis UK Smaller Companies	1,919,400	5.89

In addition, the company has been notified that the above interest of Prudential plc group of companies includes 3,630,792 ordinary shares (11.14%) in which M&G Investment Funds 3, an Open Ended Investment Company, is interested.

- (B) In so far as the company is aware, other than as disclosed in paragraph (A) above, no person has directly or indirectly an interest in the company's capital which is notifiable under the Disclosure and Transparency Rules of the Financial Services Authority. In so far as is known to the company and other than as disclosed in paragraph (A) above, there are no persons who, directly or indirectly, could exercise control over the company and no arrangements the operation of which could result in a change of control of the company at a future date.
- (C) Pursuant to deeds dated 24 November 1998 and 10 April 2001, Emba has agreed that it will not undertake activities in conflict with those of the group and that it will deal with the group only on a basis that is appropriate between, on the one hand, a listed company and its subsidiaries and, on the other hand, a significant shareholder in the listed company. On the basis of that agreement, the directors are satisfied that the group is capable of carrying on business independently of Emba and that all transactions and relationships between the group and Emba are, and will be, at arm's length and on normal commercial terms.
- (D) Mr R M Robinow (the chairman of the company), his immediate family and other members of the Robinow family together own the whole of the issued share capital of Emba.

4. **General information**

4.1 **Historical financial information**

The company's audited financial statements for years ended 31 December 2007 and 2008 were drawn up in accordance with International Financial Reporting Standards as adopted by the European Union.

4.2 **Legal and arbitration proceedings**

The group is not, and has not been involved in any legal, governmental or arbitration proceedings (including any proceedings which are pending or threatened of which the company is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position or profitability of the company and/or the group.

4.3 **Significant change in the company's financial or trading position**

There has been no significant change in the financial or trading position of the group since 30 June 2009, being the end of the last period for which the company has published interim financial information, nor has there been any recent event particular to the company that is to a material extent relevant to the solvency of the company.

4.4 **Material adverse changes in the company's prospects**

There has been no material adverse change in the prospects of the company since the date of the last published audited financial statements for the financial year ended 31 December 2008, being the end of the last period for which the company has published audited financial statements.

4.5 **Group investments**

Since 30 June 2009, the group has invested some \$4.5 million in relation to the acquisition of rights in respect of the Kota Bangun coal concession as described under paragraph 3.3 above. Apart from normal capital expenditure on the continued development of the group's agricultural operations as referred to in paragraph 3.2 above and the company's 2009 interim report, no material investments have been made by the group since 30 June 2009 and no commitments have been made as respects any future such investments.

4.6 **Material contracts**

The following are summaries of the principal contents of all the material contracts, not being contracts entered into in the ordinary course of business, that could result in a member of the group being under an obligation or entitlement that is material to the company's ability to meet its obligations:

- (A) a trust deed dated 12 September 2005 and made between (i) the company (as issuer) and (ii) The Law Debenture Trust Corporation plc (as trustee) pursuant to which the company constituted \$30 million of 7.5 per cent dollar notes 2012/14; such dollar notes are unsecured obligations of the company, bear interest at the fixed rate of 7.5 per cent per annum and are redeemable by three equal annual instalments commencing 31 December 2012 (provided that

the amount of dollar notes to be redeemed on any redemption date will be subject to reduction to the extent of dollar notes previously purchased and cancelled save in so far as such dollar notes were purchased and cancelled prior to a previous redemption date and taken into account in reducing the dollar note redemption requirement in relation to that previous redemption date);

(B) a supplemental rights agreement dated 23 January 2006 and made between (i) Mr M E Zukerman and the Zukerman Family Trust (together with their permitted assignees, the "Zukerman dollar noteholders") being the holders of \$19 million nominal of dollar notes (the "Zukerman dollar notes") and (ii) the company pursuant to which it was agreed that:

(a) subject to certain limitations, the company has the right to purchase from the Zukerman dollar noteholders at any time and from time to time some or all of their holdings of Zukerman dollar notes (the "call rights") at par plus interest accrued up to the date of completion of such purchase;

(b) under certain circumstances, the Zukerman dollar noteholders have the right to require the company to purchase some or all of the Zukerman dollar notes (the "put rights") at par plus interest accrued up to the date of completion of such purchase;

(c) the limitations upon the exercise by the company of the call rights are that the nominal amount of the Zukerman dollar notes (as reduced by any previous exercises of the call rights) shall not by such exercise be reduced in nominal amount to below 25 per cent of the nominal amount of the aggregate of all then outstanding dollar notes and any further notes constituted by deed supplemental to the trust deed summarised at sub-paragraph (A) above (the "trust deed") unless the entire outstanding holding of Zukerman dollar notes is to be acquired by the company; and

(d) the circumstances under which the Zukerman dollar noteholders may exercise the put rights are occurrences of events that supplement the events of default contained in the trust deed; the principal of such supplemental events comprise (i) material disposals of assets by the group, (ii) any person or group of persons acting in concert obtaining the right to exercise more than 50 per cent of the votes that may generally be cast at a general meeting of the company and (iii) if UK withholding tax becomes payable in respect of any principal or interest payments on the Zukerman dollar notes, the company not paying such additional amounts as will result in the net amounts receivable by the Zukerman dollar noteholders remaining as they would have been had no such withholding tax been payable;

(C) a master agreement (in the form of the International Swaps and Derivatives Association, Inc 2002 Master Agreement) dated 13 February 2007 and made between (i) Australia and New Zealand Banking Group Limited ("ANZ") and (ii) REA Kaltim together with:

(a) a confirmatory letter dated 14 February 2007 from ANZ to REA Kaltim pursuant to which (i) ANZ agreed to pay to REA Kaltim (I) on 27 December 2015 (or, if either party should so elect, 10 February 2012) (the "termination date"), the sum of £22,000,000 and (II) semi-annually in arrear in each year up to and including the termination date,

the sum of £1,145,683 and (ii) REA Kaltim agreed to pay to ANZ (I) on the termination date, the sum of \$42,889,000 and (II) semi-annually in arrear in each year up to and including the termination date, interest on the sum of \$42,889,000 calculated at the rate of 10.568 per cent per annum; and

- (b) a confirmatory letter dated 1 October 2008 from ANZ to REA Kaltim pursuant to which (i) ANZ agreed to pay to REA Kaltim (I) on 27 December 2015 (or, if either party should so elect, 30 September 2013) (the "termination date"), the sum of £8,000,000 and (II) semi-annually in arrear in each year up to and including the termination date, interest on the sum of £8,000,000 calculated at the rate of 10.4153 per cent per annum and (ii) REA Kaltim agreed to pay to ANZ (I) on the termination date, the sum of \$14,512,000 and (II) semi-annually in arrear in each year up to and including the termination date, interest on the sum of \$14,512,000 calculated at the rate of 9.71 per cent per annum;
- (D) a subordination deed dated 14 February 2007 and made between (i) REA Finance (as subordinated creditor), (ii) REA Kaltim (as borrower) and (iii) Australia and New Zealand Banking Group Limited (as senior creditor) pursuant to which REA Finance agreed to subordinate indebtedness owed by REA Kaltim to REA Finance to amounts owed by REA Kaltim to the senior creditor pursuant to the contract summarised at sub-paragraph (C) above upon terms that, for so long as REA Kaltim remains indebted to the senior creditor pursuant to that contract, no action may be taken by REA Finance to enforce recovery of amounts due to it from REA Kaltim;
- (E) an agreement as to amended and restated loan terms and ongoing loan agreement dated 16 August 2007 and made between (i) REA Finance, (ii) REA Kaltim and (iii) the company (as amended pursuant to a letter dated 21 August 2008 from REA Finance and the company to REA Kaltim) pursuant to which the parties amended and restated the terms of an agreement as to amended and restated loan terms and ongoing loan agreement dated 27 November 2006 and REA Finance and REA Kaltim agreed that:
 - (a) the terms applicable to a \$20 million loan from REA Finance to REA Kaltim be amended and restated so that the loan would be unsecured, would bear interest at a rate per annum equal to the aggregate of the applicable margin (as defined below) plus 2.75 per cent above the Singapore Inter Bank Offered Rate from time to time and would be repayable at par in one bullet payment on 31 December 2017;
 - (b) the terms applicable to a £385,000 loan from REA Finance to REA Kaltim (being a loan in an amount equal to the aggregate amount of the share premium contributions of £385,000 made by the company to REA Finance) be amended and restated so that the loan would be unsecured, would bear interest at a rate per annum equal to the aggregate of the applicable margin (as defined below) plus 9.5 per cent per annum and would be repayable at par in one bullet payment on 31 December 2017;
 - (c) the terms applicable to loans from REA Finance to REA Kaltim funded from the proceeds of issue of sterling notes be amended and restated so that the loans would be treated as booked in principal amounts equal to the par values of the sterling notes

from which the relative proceeds derived, would be unsecured, would bear interest at a rate per annum equal to the aggregate of the applicable margin (as defined below) plus 10.25 per cent per annum and would be repayable at par by three equal annual instalments commencing on 31 December 2015;

- (d) any further advances made by REA Finance to REA Kaltim (in addition to those referred to at (a) to (c) above) would be unsecured and made upon terms that:
- (i) where the advance is financed by REA Finance out of new borrowings ("funding borrowings"), the advance would be denominated (and repayable) in the currency of the funding borrowings, would bear interest at a rate per annum equal to the applicable margin (as defined below) plus the rate applicable to the funding borrowings, plus, where the funding borrowings are guaranteed by the company, the guarantee fee (if any) payable by REA Finance in respect of such guarantee, and would be repayable at such discount or premium as matches the discount or premium (if any) applicable on repayment of the funding borrowings and in accordance with a schedule or in one bullet payment that matches the repayment terms applicable to the funding borrowings;
 - (ii) where the advance is financed out of proceeds of the repayment or prepayment of a loan by REA Finance to any subsidiary of the company incorporated in Indonesia and engaged in the cultivation of oil palms or processing of oil palm fruit (a "predecessor loan"), the advance would be denominated (and repayable) in the currency of the predecessor loan, would bear interest at a rate per annum equal to the applicable margin (as defined below) plus the rate payable in respect of the predecessor loan (excluding such part as was referable to the margin but including such part of the rate (if any) as was referable to any guarantee fee) and would be repayable at par (i) where repayment of the predecessor loan was accelerated or the predecessor loan was prepaid, in accordance with a schedule or in one bullet payment that matches the repayment terms applicable to the predecessor loan; or (ii) where the predecessor loan was repaid in accordance with its terms on the due repayment date, on 31 December 2017; and
 - (iii) where the advance is financed otherwise than as provided in subparagraphs (i) and (ii) above, the advance would be denominated (and repayable) in sterling, would bear interest at a rate per annum equal to the applicable margin (as defined below) plus 9.5 per cent and would be repayable at par in one bullet payment on 31 December 2017;

and, further, so that all such loans and advances shall be repayable early in the event of default by REA Kaltim and may be prepaid at the option of REA Kaltim on any interest payment date after the second anniversary of the date on which the relevant loan or advance was made; for the foregoing purposes, the "applicable margin" means the margin determined by Transfer

Pricing Associates (an independent company established in Amsterdam and specialising in transfer pricing) as being an arm's length margin reasonably necessary to compensate REA Finance for (i) its equity risks and (ii) its involvement in the group financing activities;

- (F) a second supplemental trust deed dated 21 August 2008 and made between (i) REA Finance, (ii) the company and (iii) Capita Trust Company Limited pursuant to which REA Finance constituted £28 million nominal of 9.5 per cent guaranteed sterling notes 2015/17 forming a single series with and ranking *pari passu* with, and being fungible with, the then existing £22 million nominal of 9.5 per cent guaranteed sterling notes 2015/17 of REA Finance and the parties amended and restated the trust deed dated 1 December 2006 made between REA Finance (as Issuer), the company (as Guarantor) and Capita Trust Company Limited (as Trustee) as amended by a first supplemental trust deed dated 6 August 2007; such sterling notes are obligations of REA Finance secured principally on loans made by REA Finance to REA Kaltim and SYB, are unconditionally and irrevocably guaranteed by the company, bear interest at the fixed rate of 9.5 per cent per annum and are redeemable by three equal annual instalments commencing 31 December 2015 (provided that the amount of sterling notes to be redeemed on any redemption date will be subject to reduction to the extent of sterling notes previously purchased and cancelled save in so far as such sterling notes were purchased and cancelled prior to a previous redemption date and taken into account in reducing the sterling note redemption requirement in relation to that previous redemption date);
- (G) a loan agreement dated 21 August 2008 and made between (i) REA Finance, (ii) SYB and (iii) the company pursuant to which:
 - (a) REA Finance agreed to lend SYB (i) the sum of £6,990,774, financed by REA Finance out of the proceeds of the issue of sterling notes; (ii) the sum of \$6,000,000, financed by REA Finance out of new borrowings by REA Finance from the company pursuant to an intra-group loan agreement dated 29 July 2008 between the company as lender and REA Finance as borrower; and (iii) the sum of £90,000, financed by REA Finance out of an additional share premium contribution made by the company to REA Finance;
 - (b) it was agreed that each such advance and any further advances by REA Finance to SYB would be unsecured and:
 - (i) where the advance is financed by REA Finance out of the proceeds of the issue of sterling notes, the advance would be denominated (and repayable) in sterling, would bear interest at a rate per annum equal to the aggregate of the applicable margin (as defined below) plus 10.25 per cent per annum and would be repayable in an amount equal to the par value of the relevant sterling notes by three equal annual instalments commencing on 31 December 2015;
 - (ii) where the advance is financed by REA Finance out of other new borrowings ("funding borrowings"), the advance would be denominated (and repayable) in the currency of the funding borrowings, would bear interest at a rate per annum equal to the applicable margin (as defined below) plus the rate

applicable to the funding borrowings, plus, where the funding borrowings are guaranteed by the company, the guarantee fee (if any) payable by REA Finance in respect of such guarantee, and would be repayable at such discount or premium as matches the discount or premium (if any) applicable on repayment of the funding borrowings and in accordance with a schedule or in one bullet payment that matches the repayment terms applicable to the funding borrowings;

- (iii) where the advance is financed out of proceeds of the repayment or prepayment of a loan by REA Finance to any subsidiary of the company incorporated in Indonesia and engaged in the cultivation of oil palms or processing of oil palm fruit (a "predecessor loan"), the advance would be denominated (and repayable) in the currency of the predecessor loan, would bear interest at a rate per annum equal to the applicable margin (as defined below) plus the rate payable in respect of the predecessor loan (excluding such part as was referable to the margin but including such part of the rate (if any) as was referable to any guarantee fee) and would be repayable at par (i) where repayment of the predecessor loan was accelerated or the predecessor loan was prepaid, in accordance with a schedule or in one bullet payment that matches the repayment terms applicable to the predecessor loan; or (ii) where the predecessor loan was repaid in accordance with its terms on the due repayment date, on 31 December 2017; and
- (iv) where the advance is financed otherwise than as provided at (i), (ii) or (iii) above, the advance would be denominated (and repayable) in sterling, would bear interest at a rate per annum equal to the applicable margin (as defined below) plus 9.5 per cent and would be repayable at par in one bullet payment on 31 December 2017;

and, further, that all such advances shall be repayable early in the event of a default by SYB and may be prepaid at the option of SYB on any interest payment date after 2 September 2008; for the foregoing purposes, the "applicable margin" means the margin determined by Transfer Pricing Associates (an independent company established in Amsterdam and specialising in transfer pricing) as being an arm's length margin reasonably necessary to compensate REA Finance for (i) its equity risks and (ii) its involvement in the group financing activities;

- (H) a facility agreement dated 23 April 2009 and made between (i) REA Kaltim as borrower, (ii) PT Bank Rabobank International Indonesia, PT ANZ Panin Bank and PT Bank CIMB Niaga Tbk as lenders, (iii) PT Bank Rabobank International Indonesia as Agent and Accounts Bank and (iv) Cooperatieve Centrale Raiffeisen Boerenleenbank B.A., pursuant to which:
 - (a) the lenders agreed to provide facilities comprising Facility 1 in the amount of \$4.75 million and Facility 2 in the amount of \$11.75 million, Facility 1 being available for draw-down for a period of 12 months from the date of the agreement (and is currently

undrawn) and Facility 2 being available for draw-down at any time up until 29 June 2009 (and drawn-down on 29 June 2009 to \$11,119,041.44);

- (b) REA Kaltim agreed to pay interest on the aggregate amount of the facility drawn down (i) in the case of Facility 1, at a floating rate equal to 2.75 per cent per annum over the Singapore Inter Bank Offered Rate from time to time, plus a liquidity premium; (ii) in the case of Facility 2, at a floating rate equal to 3.90 per cent per annum over the Singapore Inter Bank Offered Rate for PT ANZ Panin Bank's share, 2.75 per cent per annum over the Singapore Inter Bank Offered Rate for PT Bank CIMB Niaga Tbk's share, and 3.25 per cent per annum over the Singapore Inter Bank Offered Rate for PT Bank Rabobank International Indonesia's share, plus (in each case) a liquidity premium and commitment fees to the lenders on undrawn balances;
- (c) REA Kaltim agreed to repay Facility 2 in monthly instalments commencing May 2009 as follows: May 2009 to December 2009 – 8 instalments of \$112,500, January 2010 to December 2010 – 12 instalments of \$125,000, January 2011 to December 2011 – 12 instalments of \$175,000, January 2012 to December 2012 – 12 instalments of \$225,000, January 2013 to December 2013 – 12 instalments of \$300,000, January 2014 to March 2014 – 3 instalments of \$316,666.67 (or, if earlier, following demand from the Agent in the event of an event of default) and to repay each advance drawn down under Facility 1 (together with any interest) in full on the Maturity Date for Facility 1, which is 12 months from the date of the agreement;
- (d) REA Kaltim agreed to provide or procure the provision to the lenders of security for the facilities principally comprising charges over substantially the whole of the assets and undertaking of REA Kaltim and an unsecured guarantee from the company; and
- (e) REA Kaltim gave various representations, warranties and undertakings to the lenders, including certain financial covenants;
- (I) a subordination deed dated 23 April 2009 and made between (i) REA Finance (as subordinated creditor), (ii) REA Kaltim (as borrower) and (iii) PT Bank Rabobank International Indonesia, PT ANZ Panin Bank and PT Bank CIMB Niaga Tbk (as senior creditors), pursuant to which REA Finance agreed to subordinate indebtedness owed by REA Kaltim to REA Finance to indebtedness owed by REA Kaltim to the senior creditors pursuant to the contract summarised at sub paragraph (H) above upon terms that, for so long as REA Kaltim remains indebted to the senior creditors pursuant to that contract, payments by REA Kaltim in respect of indebtedness owed to REA Finance are prohibited (save that, absent an event of default, REA Kaltim may make the interest payments provided for in the contract summarised at sub-paragraph (E) above) and no action may be taken by REA Finance to enforce recovery of amounts due to it from REA Kaltim;
- (J) a master agreement (in the form of the International Swaps and Derivatives Association, Inc 2002 Master Agreement) dated 20 October 2008 and made between (i) Australia and New

Zealand Banking Group Limited ("ANZ") and (ii) SYB together with a confirmatory letter dated 26 November 2008 from ANZ to SYB pursuant to which (i) ANZ agreed to pay to SYB (I) on 27 December 2015 (or, if either party should so elect, on 24 October 2013, 24 October 2014 or 24 October 2015) (the "termination date"), the sum of £7,000,000 and (II) semi-annually in arrear in each year up to and including the termination date, interest on the sum of £7,000,000 calculated at the rate of 10.4153 per cent per annum and (ii) SYB agreed to pay to ANZ (I) on the termination date, the sum of \$11,200,000 and (II) semi-annually in arrear in each year up to and including the termination date, interest on the sum of \$11,200,000 calculated at the rate of 10.33 per cent per annum;

(K) a placing agreement made by way of letter dated 28 January 2010 from the company to Guy Butler Limited ("Guy Butler") pursuant to which:

(a) Guy Butler, as agent of the company, has agreed to use its reasonable endeavours to procure placees to subscribe up to \$15 million nominal of additional dollar notes for cash at a subscription price equal to 90 per cent of par plus an amount equal to the interest that will be payable in respect of the additional dollar notes calculated by reference to the period from 1 January 2010 up to the date of allotment, such subscription being conditional upon the admission of the additional dollar notes placed to the Official List and to trading on the Regulated Market of the London Stock Exchange becoming effective by not later than 9.30 am on 28 February 2010;

(b) as a term of the issue of the additional dollar notes, each placee will also subscribe, at par, one KCC participating preference share for every \$100 nominal of additional dollar notes subscribed, each such share having the following rights and being subject to the following restrictions:

(i) Income

Save as provided at (iii) below, the KCC participating preference shares do not confer on the holders thereof any rights to participate in the profits of KCC

(ii) Capital

On a return of capital on the liquidation of KCC pursuant to (a) a valid resolution for the winding up of KCC passed on or prior to 31 December 2014 or (b) a valid order by a court of competent jurisdiction that KCC be wound up made on or prior to 31 December 2014, the surplus assets of KCC remaining after payment of its liabilities shall be applied first in paying to the holders of the KCC participating preference shares an amount equal to the amount that would have been payable on redemption of the KCC participating preference shares had one of the redemption events specified at paragraph (iii)(II) below occurred immediately prior to the commencement of the liquidation

(iii) Redemption

(I) If the earnings before interest, tax, depreciation and amortisation of the relevant coal operations (being (i) KCC, KCCMSI and those companies incorporated in Indonesia that, as at 28 January 2010, are (or are proposed to be) engaged in coal mining and are funded by loans from KCC and (ii) any subsidiaries from time to time of any such companies) over the four and a half year period from 1 January 2010 to 30 June 2014 amount, in aggregate, to \$36 million or more, KCC shall redeem all of the outstanding KCC participating preference shares on 31 December 2014 at \$44.70 per share

(II) KCC shall redeem all of the outstanding KCC participating preference shares on the 31 December next following the occurrence of any of the following events (each a "redemption event"):

- (1) the sale or divestment by the group of all or a significant part of, or an interest in all or a significant part of, the relevant coal operations (and for this purpose, a part or interest in part of the relevant coal operations will be considered "significant" if the net assets attributable to the part or interest divested represent 20 per cent or more of the net assets of the relevant coal operations in both cases as at the immediately preceding 31 December);
- (2) the accounting reference date of the company being changed to a date other than 31 December; and
- (3) any person or group of persons acting in concert obtains the right to exercise more than 50 per cent. of the votes which may generally be cast at a general meeting of the company

at a redemption price of:

- (1) \$21.50 per KCC participating preference share, where redemption becomes due on 31 December 2011;
- (2) \$31.20 per KCC participating preference share, where redemption becomes due on 31 December 2012;
- (3) \$36.50 per KCC participating preference share, where redemption becomes due on 31 December 2013; and
- (4) \$44.70 per KCC participating preference share, where redemption becomes due on 31 December 2014

(III) KCC may, on not less than three months' notice in writing to the holders of the KCC participating preference shares, elect to redeem all, but not some only, of the outstanding KCC participating preference shares on any of 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014 at the applicable price per share specified at (II) above

(IV) Redemption of the KCC participating preference shares is subject to any restrictions on redemption imposed by law; where, because of such restrictions, KCC is unable to redeem KCC participating preference shares otherwise required to be redeemed by the articles of association of KCC, KCC shall redeem as many of the KCC participating preference shares as, subject to such restrictions, it can and the balance when those restrictions cease to apply; each redemption of some but not all of the KCC participating preference shares shall be made amongst the holders thereof *pro rata* to their holdings of KCC participating preference shares

(iv) Conversion

If otherwise than by reason of the provisions of (iii)(IV) above KCC has not become obliged to redeem, or elected to redeem, all of the outstanding KCC participating preference shares by 31 December 2014, then, unless KCC has by such time commenced winding up, the rights attaching to each outstanding KCC participating preference share will automatically be varied to the effect that each such share is converted, on 1 January 2015, into one valueless deferred share of \$10 in the capital of KCC

(v) Voting

The KCC participating preference shares do not confer on the holders thereof any rights to receive notice of or to attend and vote at any general meeting of KCC

(c) the company agreed to pay Guy Butler a commission of 1.5 per cent of the nominal value of the additional dollar notes subscribed by the placees (plus VAT) and to bear all expenses of and incidental to the placing;

(d) the company granted to each placee a non assignable option to require the company to purchase, or to procure one or more purchasers to purchase, dollar notes owned by the placee at a price equal to par plus accrued but unpaid interest as follows:

(i) (I) if a redemption event (as defined in (K)(b)(iii)(II) above) should occur on or prior to 31 December 2013, (II) if KCC should elect to redeem the KCC participating preference shares on or prior to 31 December 2013 or (III) if a valid resolution is passed for the winding up of KCC or an order is validly made by a court of competent jurisdiction that KCC be wound up, in either

case on or prior to 31 December 2013, then in any such event (each such event being a "Put Event") the placee may require the company to purchase, or to procure one or more purchasers to purchase, on the 31 December following the relevant Put Event (or, if the Put Event occurs on a 31 December, on that 31 December) (or, in either case, if later, within seven days of receipt by the company of the relevant notice exercising the option), all or any of the dollar notes owned by the placee up to a maximum nominal amount equal to $\$100N$ where "N" is the number of KCC participating preference shares owned by the relevant placee at the date of the relevant Put Event (such option being exercisable only once by each placee); and

- (ii) if the company purchases and cancels dollar notes such that the nominal amount of dollar notes due to be redeemed by the company on 31 December 2012 or 31 December 2013 is reduced (in accordance with the provisions of condition 5(A) of the trust deed), then the placee may require the company to purchase, or to procure one or more purchasers to purchase, on 31 December 2012 and/or 31 December 2013 (as applicable) (or, if later, within seven days of receipt by the company of the relevant notice exercising the option), all or any of the dollar notes owned by the placee that would, but for such purchase and cancellation, have fallen to be redeemed on 31 December 2012 or 31 December 2013 (as applicable) up to a maximum nominal amount equal to:

$\$100N/3 - \Y

where:

"N" is the number of KCC participating preference shares owned by the relevant placee ; and

"Y" is the amount of a holding of $\$100N/3$ of dollar notes that the Issuer is obliged to redeem on 31 December 2012 or 31 December 2013 (as applicable) after taking into account any dollar notes previously purchased and cancelled by the Issuer

provided that the company shall only be obliged to purchase, or to procure one or more purchasers to purchase, dollar notes owned by a placee following an exercise by such placee of the put option against receipt by the company of such evidence as the company may reasonably require as to the number of KCC participating preference shares that the placee owns; and

- (L) a deed poll dated 28 January 2010 executed by the company in favour of the holders from time to time of the KCC participating preference shares pursuant to which:
 - (a) the company granted to each holder from time to time of the KCC participating preference shares an option, exercisable in the event that KCC is prohibited by law from redeeming the KCC participating preference shares on the date upon which they

would otherwise, in accordance with the articles of association of KCC, become due for redemption, to require the company to purchase, or to procure one or more purchasers to purchase, those of the affected KCC participating preference shares held by such holder; the price payable for any KCC participating preference shares purchased pursuant to an exercise of such option will be an amount equal to the redemption price due; and

- (b) the company guaranteed the due and punctual payment by KCC of the amount due, owing or payable by KCC to the holders from time to time of the KCC participating preference shares, in the event that a valid resolution is passed for the winding up of KCC or an order is validly made by a court of competent jurisdiction that KCC be wound up, in either case on or prior to 31 December 2014.

4.7 **Available Information**

During the life of this document, the following documents will be available to be downloaded from the company's website: www.rea.co.uk and to be inspected, during normal business hours, at the London offices of the company's solicitors, Ashurst LLP, at Broadwalk House, 5 Appold Street, London EC2A 2HA.

- (A) the memorandum and articles of association of the company;
- (B) the annual reports of the company for the years ended 31 December 2008 and 31 December 2007;
- (C) the half yearly report of the company for the six month period ended 30 June 2009; and
- (D) the trust deed.

4.8 **Statutory auditors**

The annual financial statements of the company for the years ended 31 December 2008 and 31 December 2007 have been audited by Deloitte LLP (Chartered Accountants and Registered Auditors) of 2 New Street Square, London EC4A 3BZ and contain an audit report from Deloitte LLP which was not qualified and which did not contain a statement under section 498(2) or (3) of the Companies Act 2006. None of the information contained in this document has been audited.

4.9 **Third party information**

This document contains third party information (provided by Oil World, found on page 24 of the company's 2008 Annual Report). The company confirms that the third party information has been accurately reproduced from the information provided to it and as far as the company is aware and able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Definitions

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

"additional dollar notes"	the \$15 million nominal of 7.5 per cent dollar notes 2012/14 proposed to be issued by the company to form a single series with and rank <i>pari passu</i> with the existing dollar notes
"board"	the board of directors of the company
"Combined Code"	the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2006
"company"	R.E.A. Holdings plc, whose registered address is at First Floor, 32-36 Great Portland Street, London W1W 8QX
"CPKO"	crude palm kernel oil
"CPO"	crude palm oil
"directors"	the directors of the company
"dollar notes"	the \$30 million nominal of 7.5 per cent dollar notes 2012/14 of the company, all of which are in issue, or, as the context may permit, such dollar notes together with the additional dollar notes
"Emba"	Emba Holdings Limited
"FFB"	oil palm fresh fruit bunches
"group"	the company and its subsidiaries
"KCC"	KCC Resources Limited, the wholly owned subsidiary of the company that acts as a sub-holding company for the group's coal operations, incorporated in England and Wales
"KCCMSI"	PT KCC Mining Services Indonesia, a subsidiary of the company incorporated in the Republic of Indonesia
"KCC participating preference shares"	redeemable participating preference shares of \$10 each in the capital of KCC having the rights and being subject to the restrictions described in the summary of material contract (K) in paragraph 4.6 above
"London Stock Exchange"	London Stock Exchange plc
"ordinary shares"	ordinary shares of 25p each in the capital of the company
"original trust deed"	the trust deed dated 12 September 2005 made between the company (as issuer) and The Law Debenture Trust Corporation plc (as trustee) constituting the dollar notes
"REA Finance"	REA Finance B.V., a wholly owned subsidiary of the company incorporated in the Netherlands
"REA Kaltim"	P.T. REA Kaltim Plantations, the principal operating subsidiary of the

company, incorporated in the Republic of Indonesia

"sterling notes "

the £50 million nominal of 9.5 per cent guaranteed sterling notes 2015/17 of REA Finance which are irrevocably and unconditionally guaranteed by the company, £37 million nominal of which are in issue

"SYB"

PT Sasana Yudha Bhakti, a subsidiary of the company incorporated in the Republic of Indonesia

"trust deed"

the original trust deed as supplemented by a supplemental trust deed to be executed between the parties to the original trust deed

References to "dollars" and to "\$" are to the lawful currency of the United States and to "sterling" and "£" are to the lawful currency of the United Kingdom. Unless otherwise specifically indicated, where a dollar amount is stated as at a date and with a sterling equivalent, that sterling equivalent represents the sterling conversion of the applicable dollar amount at the exchange rate ruling as at the close of business in London on the date in question.

SUMMARY AND SECURITIES NOTE

issued by

R.E.A. Holdings plc

Dated 28 January 2010

R.E.A. Holdings plc

(Incorporated in England and Wales under the Companies Act 2006 with registered number 671099)

This document is a summary and securities note prepared pursuant to the Prospectus Directive and provides information in connection with a proposed issue by R.E.A. Holdings plc (the "**company**") of up to \$15 million nominal of 7.5 per cent dollar notes 2012/14 of the company to be consolidated and form a single series ranking *pari passu* with the \$30 million nominal of 7.5 per cent dollar notes 2012/14 of the company that are already in issue.

This document and the registration document together constitute a prospectus for the purposes of Article 5.4 of the Prospectus Directive. The prospectus has been approved by the UK Financial Services Authority, which is the UK competent authority for the purposes of the Prospectus Directive in the UK. Application will be made for the additional dollar notes to be admitted to the Official List and to trading on the Regulated Market of the London Stock Exchange (the "**Market**"). The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The company accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the company (which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omissions likely to affect the import of the statements contained in it.

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1. **Summary**

The following summary information should be read as an introduction to the prospectus. Any decision by a prospective investor to invest in the additional dollar notes should be based on consideration of the prospectus as a whole.

Where a claim relating to the information contained in the prospectus is brought before a court in a member state of the European Economic Area, the claimant investor might, under the national legislation of that member state where the claim is brought, be required to bear the costs of translating this prospectus before legal proceedings are initiated.

In each member state of the European Economic Area that has implemented the Prospectus Directive, civil liability attaches to the persons responsible for this summary (being the company), including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus.

1.1 **Business of the group**

The group is principally engaged in the cultivation of oil palms in the province of East Kalimantan in Indonesia and in the production of CPO and by-products from fruit harvested from its oil palms. The area of oil palms planted or under development at 31 December 2009 amounted to some 31,000 hectares of which some 22,000 hectares were classified as mature from 1 January 2010. The FFB crop harvested in 2009 amounted to 490,000 tonnes and the crop for 2010 has been budgeted at 561,000 tonnes.

During 2008, the directors decided to augment the traditional oil palm operations of the group by developing a modest coal mining operation also based in East Kalimantan. Following this decision, the group has acquired rights in respect of two coal concessions near Tanah Grogot in the southern part of East Kalimantan and in respect of a further concession near Kota Bangun in the central part of East Kalimantan.

1.2 **Purposes of the proposed issue**

One of the two Tanah Grogot concessions is now coming into production and the group plans that the Kota Bangun concession should also be brought into production within a few months. To optimise returns from the sale of coal mined from the producing Tanah Grogot concession, it may be appropriate to blend that coal with coal purchased from third parties. Moreover, the company owning the producing Tanah Grogot concession has been approved as a supplier to the Indonesian state electricity company and it is planned to take advantage of this approval by sourcing additional coal from third parties (by a combination of outright purchases and by mining third party coal concessions against payment of a royalty) and selling it to the Indonesian state electricity company. Working capital will be required to fund the new mining operations until commercial levels of production are achieved, to finance the provision of normal credit terms to coal buyers and to fund coal purchases from third parties. The proposed issue is designed to meet these requirements and to refinance some \$4.5 million of the monies that have been advanced to the relevant coal operations by other group companies.

All proceeds of the proposed issue will be applied by the group in funding the relevant coal operations, with the coal operations applying \$4.5 million of the proceeds in making the repayment referred to in the preceding paragraph. It may be that the coal operations develop less quickly than is hoped or generate surplus cash flow more rapidly than expected and that this reduces their requirement for externally funded working capital. This may permit the relevant coal operations to make additional repayments of the monies currently provided to them by other group companies. All monies repaid by the coal operations will be used to provide standby funding for the group's agricultural operations.

1.3 **Details of the proposed issue**

The company proposes to create \$15 million nominal of additional dollar notes (ranking *pari passu* with and forming a single issue with the original notes) and to issue all of the additional dollar notes proposed to be created by way of a placing pursuant to which, for each \$100 nominal of additional dollar notes subscribed, placees will also subscribe one KCC participating preference share.

Guy Butler has undertaken to use its reasonable endeavours to place all of the additional dollar notes together with 150,000 KCC participating preference shares at a subscription price of, in the case of the additional dollar notes, \$90 per \$100 nominal of additional dollar notes plus an amount equal to the interest that will be payable in respect of the additional dollar notes calculated by reference to the period from 1 January 2010 up to the date of allotment and, in the case of the KCC participating preference shares, \$10 per share. Subscription monies payable for the additional dollar notes and the KCC participating preference shares are payable in full on allotment.

The placing is conditional upon the creation of the additional dollar notes and the admission of the additional dollar notes placed to the Official List and to trading on the Regulated Market of the London Stock Exchange by no later than 26 February 2010. As a term of the placing, the company has agreed that, under certain circumstances, placees will have the right to require the company to purchase from them, or procure the purchase from them of, some or all of the additional dollar notes subscribed by them.

The terms and conditions of the dollar notes are summarised in paragraph 1.4 below.

The KCC participating preference shares will provide a limited interest in the relevant coal operations such that if those operations achieve an average annual level of earnings before interest, tax, depreciation and amortisation ("EBITDA") of \$8 million over the four and a half year period from 1 January 2010 to 30 June 2014 (equivalent to a total of \$36 million for the full period), the combined return to a placee of additional dollar notes and KCC participating preference shares (subscribed in the ratio of \$100 nominal of additional dollar notes to one KCC participating preference share) will be 15 per cent per annum. If the relevant coal operations do not prove successful in achieving the required level of EBITDA, then, except in certain limited circumstances (such as divestment of all or a significant part of the operations or a change of control of the company), no dividends or other distributions will be paid or made on KCC participating preference shares and, after 31 December 2014, those shares will be converted into valueless deferred shares.

No application is being made to list the KCC participating preference shares on any stock exchange or for admission of those shares to trading on any market. However, the KCC participating preference shares will be freely transferable by private arrangement (subject to due stamping of the relevant transfer form).

1.4 **Particulars of the dollar notes**

The dollar notes are or will be admitted to the Official List and traded on the Regulated Market of the London Stock Exchange.

The dollar notes bear interest at the rate of 7.5 per cent per annum, payable half yearly in arrear on 30 June and 31 December of each year, save that, as respects the additional dollar notes, in the first interest period following the date of issue, interest will be calculated as if it had accrued with effect from 1 January 2010.

Unless previously redeemed or purchased and cancelled by the company, the dollar notes will be redeemed at par by three equal annual instalments commencing 31 December 2012. If dollar notes have been purchased by the company and cancelled, the amount of dollar notes that the company will be obliged to redeem on any given redemption date will be reduced by the nominal amount of dollar notes purchased and cancelled prior to that redemption date (save in so far as such notes were purchased and cancelled prior to a previous redemption date and taken into account in reducing the dollar note redemption requirement in relation to that previous redemption date).

The dollar notes are unsecured obligations of the company. The trust deed will not contain any restrictions on further borrowings by the company ranking in priority to or *pari passu* with the dollar notes save that the company will covenant to procure that the overall borrowings of the group do not exceed an amount equal to 1½ times the share capital and reserves of the group (as defined in the conditions of the dollar notes).

The attention of prospective investors in the additional dollar notes is drawn to the fact that the company has obtained no commitments to subscribe for the additional dollar notes proposed to be issued.

1.5 **Risk factors**

The value of the additional dollar notes may be adversely affected by changes in economic conditions and in the group's performance and prospects. Moreover the additional dollar notes will be unsecured obligations of the company and the trust deed will contain no restrictions on further borrowings by the company ranking in priority to the dollar notes or on the grant of security by the company.

In addition, a number of risks could affect the group's future operating performance and thereby affect the company's ability to meet its obligations. Of these, the more material include:

- the exposure of the group's agricultural operations to adverse climatic conditions, pests, diseases and potential damage from logistical disruptions;

- the financial dependence of the agricultural operations upon CPO prices and, as respects the planned level of the extension planting programme, the group's ability to make land available for planting and to finance expansion at the rate that the programme will require;
- currency risks inherent in the fact that CPO is essentially a dollar based commodity;
- environmental risks stemming from the group's involvement in planting oil palm in a region that elsewhere includes substantial areas of unspoilt rain forest;
- regulatory, country and locality risks that arise from the fact that substantially all of the group's agricultural assets are located in the East Kalimantan province of Indonesia; and
- failure by the group's new coal operations to achieve the anticipated results with a consequent loss of capital invested in those operations.

2. **Risk factors relating to the additional dollar notes**

Before making any investment decisions, prospective investors in the additional dollar notes should carefully consider all of the information in this document and the registration document, including the risks and uncertainties referred to in section 2 of the registration document and the risks and uncertainties described below. Those risks and uncertainties are considered by the directors to be the material risk factors currently faced by the group or applicable to an investment in the additional dollar notes. Such risks and uncertainties are not the only ones currently so faced or applicable and other risks and uncertainties not currently known to the directors or that the directors currently deem immaterial may also have a material adverse effect on the group or on such an investment.

2.1 **Investment risk**

The additional dollar notes will represent investments in the loan capital of the company. As such, payments of interest and repayment of principal in respect of the additional dollar notes will be dependent upon the future ability of the company to meet its obligations.

The additional dollar notes will be unsecured obligations of the company and the trust deed will contain no restrictions on further borrowings by the company ranking in priority to the dollar notes or on the grant of security by the group.

2.2 **Market issues**

The value of an investment in the additional dollar notes may be affected by many factors including general economic conditions, levels of interest rates, political events and trends, tax laws and rates of inflation. The value may also be affected by actual and/or perceived changes in the group's financial condition, performance and prospects reflecting, inter alia, announcements made and/or reports published by the company, speculation about the group's business in the press, media or the investment community and/or the publication by investment analysts of research reports concerning the group and/or the market in which it operates.

The market in the original notes is, and it is likely that even with the issue of any additional dollar notes the market in the dollar notes will remain, illiquid. Lack of liquidity may adversely affect the value of an investment in any additional dollar notes and may make it difficult to sell such notes. Even if an active market in the dollar notes were to develop, the additional dollar notes may trade at prices lower than the subscription price.

3. **Proposed issue**

3.1 **General**

The company proposes to create \$15 million nominal of additional dollar notes ranking *pari passu* with and forming a single issue with the original notes so as to create a total issue of up to \$45 million nominal of dollar notes. The constitution of the additional dollar notes will be effected by the execution by the parties thereto of a supplemental trust deed supplementing the original trust deed constituting the dollar notes. The terms and conditions applicable to the dollar notes are set out in section 4 of this document and are summarised in paragraph 3.3 below.

The company intends that all of the additional dollar notes proposed to be created should be issued by way of a placing pursuant to which, for each \$100 nominal of additional dollar notes subscribed, placees will also subscribe one KCC participating preference share.

Guy Butler has undertaken to use its reasonable endeavours to place all of the additional dollar notes together with 150,000 KCC participating preference shares at a subscription price of, in the case of the additional dollar notes, \$90 per \$100 nominal of additional dollar notes plus an amount equal to the interest that will be payable in respect of the additional dollar notes calculated by reference to the period from 1 January 2010 up to the date of allotment and, in the case of the KCC participating preference shares, \$10 per share. The subscription monies payable for the additional dollar notes and the KCC participating preference shares are payable in full on allotment.

The placing is conditional upon the creation of the additional dollar notes and the admission of the additional dollar notes placed to the Official List and to trading on the Regulated Market of the London Stock Exchange by no later than 26 February 2010. As a term of the placing, the company has agreed that, under certain circumstances (as detailed in the summary of the placing agreement included at material contract (K) on page 25 of the registration document), placees will have the right to require the company to purchase, or to procure one or more persons to purchase, some or all of the additional dollar notes subscribed by them.

The company will announce the results of the placing by notification to the Regulatory News Service of the London Stock Exchange. It is expected that such announcement will be made on 10 February 2010 and that dealings in the fully paid additional dollar notes issued pursuant to the placing, for normal settlement, will commence on 11 February 2010. Guy Butler currently maintains a market in the dollar notes and has indicated, without commitment, that it will endeavour to continue to do so.

No application is being made to list the KCC participating preference shares on any stock exchange or for admission of those shares to trading on any market. However, the KCC participating preference shares will be freely transferable by private arrangement (subject to due stamping of the relevant transfer form).

The rights attaching to the KCC participating preference shares are set out in the articles of association of KCC and are summarised as part of the summary of the placing agreement included at material contract (K) on page 25 of the registration document. The KCC participating

preference shares will be issued in registered form but may be held in uncertificated form on CREST. The International Security Identification Number assigned to the KCC preference shares is GB00B61H4989.

3.2 **Reasons for the issue**

The principal business of the group has for some years been, and remains, the cultivation of oil palms in the province of East Kalimantan in Indonesia and the production of crude palm oil and by-products from fruit harvested from the group's oil palms.

During 2008, the directors decided to augment the traditional oil palm operations of the group by developing a modest coal mining operation in East Kalimantan. Following this decision, the group has acquired rights in respect of two coal concessions near Tanah Grogot in the southern part of East Kalimantan and in respect of a further concession near Kota Bangun in the central part of East Kalimantan.

One of the two Tanah Grogot concessions is now coming into production and the group plans that the Kota Bangun concession should also be brought into production within a few months. To optimise returns from the sale of coal mined from the producing Tanah Grogot concession, it may be appropriate to blend that coal with coal purchased from third parties. Moreover, the company owning the producing Tanah Grogot concession has been approved as a supplier to the Indonesian state electricity company and it is planned to take advantage of this approval by sourcing additional coal from third parties (by a combination of outright purchases and by mining third party coal concessions against payment of a royalty) and selling it to the Indonesian state electricity company. Working capital will be needed to fund the new mining operations until commercial levels of production are achieved, to finance the provision of normal credit terms to coal buyers and to fund coal purchases from third parties.

At current levels of production and crude palm oil prices, the group's agricultural operations are generating substantial cash flows. However, the agricultural operations require significant capital to fund their planned further development and the directors do not wish to scale back such planned development, which offers the prospect of good returns, to release capital to fund the group's coal operations. The directors therefore believe that going forward the latter operations should, in so far as practicable, be funded from their own internally generated cash flow supplemented by external borrowings at a level that the operations can reasonably be expected to support.

The group's coal operations have been offered some local bank facilities. While the directors consider that it is sensible to have bank facilities available, given recent events in the banking market and the general conditions applicable to the bank debt available, they believe that the coal operations should not become reliant on bank finance. Rather, the directors believe that additional funding needed for the coal operations should be secured by the issue of further listed debt securities. Given that the group already has outstanding two issues of listed debt securities, namely £37 million nominal of sterling notes and the \$30 million nominal of original notes, the directors feel that it is preferable that any further issue of listed debt securities be made as an addition to one of these two existing issues rather than as a separate issue as this is likely to be more economic as respects both initial issue costs and future administrative costs.

Because the structure of the sterling notes requires that the proceeds of any issue of such notes be employed in the group's agricultural operations, the group cannot issue further sterling notes to provide funding to the group's coal operations. Accordingly, if funding for those operations is to be provided by an addition to one of the group's existing issues of debt securities, then it must be provided by way of an issue of further dollar notes. Unfortunately, the directors have found that many European and Asian investors in dollar debt markets regard the group as too small for them to be able to consider an investment in the additional dollar notes. The directors therefore concluded that to attract interest in an issue of further dollar notes it would be necessary, particularly in the circumstance that the proceeds of such issue would be invested in what for the group is a new business, to offer prospective investors some incentive to subscribe further dollar notes.

It is for this reason that placees of the additional dollar notes will also subscribe one KCC participating preference share for every \$100 nominal of additional dollar notes subscribed. The KCC participating preference shares will provide a limited interest in the relevant coal operations such that if those operations achieve an average annual level of earnings before interest, tax, depreciation and amortisation ("EBITDA") of \$8 million over the four and a half year period from 1 January 2010 to 30 June 2014 (equivalent to a total of \$36 million for the full period), the combined return to a placee of additional dollar notes and KCC participating preference shares (subscribed in the ratio of \$100 nominal of dollar notes to one KCC participating preference share) will be 15 per cent per annum. If the relevant coal operations do not prove successful in achieving the required level of EBITDA, then, except in certain limited circumstances (such as divestment of all or a significant part of the operations or a change of control of the company), no dividends or other distributions will be paid or made on the KCC participating preference shares and, after 31 December 2014, those shares will be converted to valueless deferred shares.

3.3 Particulars of the dollar notes

The company currently has in issue \$30 million nominal of original notes. The \$15 million nominal of additional dollar notes now proposed to be issued will rank *pari passu* with and form a single series with the original notes.

The dollar notes have been or will be created pursuant to resolutions of the board and will be constituted by the trust deed. Holders of the dollar notes will be bound by, and be deemed to have notice of, all of the provisions of the trust deed.

The dollar notes have been or will be issued in registered form in amounts and integral multiples of \$1 and may be held in uncertificated form on CREST. They are or will be admitted to the Official List and traded on the Regulated Market of the London Stock Exchange.

The dollar notes bear interest at the rate of 7.5 per cent per annum, payable half yearly in arrear on 30 June and 31 December of each year, save that, as respects the additional dollar notes, in the first interest period following the date of issue, interest will be calculated as if interest had accrued with effect from 1 January 2010.

Unless previously redeemed or purchased and cancelled by the company, the dollar notes will be redeemed at par by three equal annual instalments commencing 31 December 2012. If dollar

notes have been purchased by the company and cancelled, the amount of dollar notes that the company will be obliged to redeem on any given redemption date will be reduced by the nominal amount of dollar notes purchased and cancelled prior to that redemption date (save in so far as such notes were purchased and cancelled prior to a previous redemption date and taken into account in reducing the dollar note redemption requirement in relation to that previous redemption date).

Holders of dollar notes may elect to receive payments of interest and redemption monies due in respect of their holdings of dollar notes in pounds sterling. Where any such election has been made and remains in force, the amount of each dollar payment that, absent the election, would be due to the electing holder in respect of the dollar notes held by that holder will be converted to pounds sterling by the company shortly ahead of the due date of the payment and the resultant conversion proceeds will be paid to the holder in lieu of the dollar amount that would otherwise be payable. Any election to receive payments in respect of the dollar notes in pounds sterling may be revoked by not less than 30 days' notice in writing to the company's registrars ahead of any date upon which a payment of interest or redemption monies will fall due.

The dollar notes are unsecured obligations of the company. The trust deed will not contain any restrictions on further borrowings by the company ranking in priority to or *pari passu* with the dollar notes save that the company will covenant to procure that the overall borrowings of the group do not exceed an amount equal to 1½ times the share capital and reserves of the group (as defined in the conditions of the dollar notes).

The attention of prospective investors in the additional dollar notes is drawn to the fact that the company has obtained no commitments to subscribe for the additional dollar notes proposed to be issued.

3.4 **Use of proceeds**

All proceeds of the proposed issue will be applied by the group in funding the relevant coal operations, with the coal operations applying \$4.5 million of the proceeds in repaying an equivalent amount of the monies currently provided to the operations by other group companies. It may be that the coal operations develop less quickly than is hoped or generate surplus cash flow more rapidly than expected and that this reduces their requirement for externally funded working capital. This may permit them to make additional repayments of the monies currently provided to the relevant coal operations by other group companies. All monies repaid by the coal operations will be used to provide standby funding for the group's agricultural operations.

All costs and expenses incurred in connection with the proposed issue have been or will be recharged to the relevant coal operations.

4. **Terms and conditions of the dollar notes**

The terms and conditions to be endorsed on the dollar notes will be in the form set out below.

"The \$45,000,000 7.5 per cent dollar notes 2012/14 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 14 and forming a single series with the Notes) of R.E.A. Holdings plc (the "**Issuer**") are constituted by a trust deed dated 12 September 2005 made between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**") as trustee for the holders of the Notes (the "**Noteholders**") as supplemented by a supplemental trust deed dated [date of execution] (the "**Trust Deed**"). The issue of the Notes was authorised pursuant to resolutions of the board of directors of the Issuer passed on 16 August 2005 and 20 January 2010 and pursuant to resolutions of duly constituted committees of the board of directors passed on 12 September 2005 and 28 January 2010. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed are available for inspection during normal business hours by the Noteholders at the registered office for the time being of the Trustee, being as at the date of issue of this certificate at Fifth Floor, 100 Wood Street, London EC2V 7EX. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed.

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

1. **Definitions**

In these Conditions, except to the extent that the context otherwise requires:

"**business day**" means a day which banks in the City of London are generally open for business (other than a Saturday or Sunday);

"**Extraordinary Resolution**" means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded then by a majority consisting of not less than three-fourths of the votes given on such a poll;

"**Interest Payment Date**" means 30 June and 31 December in each year;

"**Interest Period**" means the period commencing on (and including) the date of issue of the relevant notes and ending on (and including) the next following Interest Payment Date and thereafter each successive period commencing on (and including) the day following an Interest Payment Date and ending on (and including) the next following Interest Payment Date;

"**Redemption Date**" means 31 December in each of the three years commencing 31 December 2012;

"**subsidiary**" has the meaning given thereto in section 736 of the Companies Act 1985; and

"**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland.

2. Form and transfer

(A) Form and denomination

The Notes are issued in registered form in amounts and integral multiples of \$1.

The Issuer and the Trustee may (to the fullest extent permitted by applicable law) deem and treat the registered holder of any Notes as the absolute owner for all purposes, notwithstanding any notice to the contrary, including any notice of ownership, trust or any interest in it and no person shall be liable for so treating the registered holder.

(B) Transfer

The Notes will be transferable in amounts or integral multiples of \$1 by transfer in the usual form for such securities.

3. Status

The Notes are direct and unconditional unsecured obligations of the Issuer and rank *pari passu* and without any preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future.

4. Interest

The Issuer shall pay interest on the principal amount of the Notes at the rate of 7.5 per cent per annum semi-annually in arrear in equal instalments on each Interest Payment Date to those persons who are registered as Noteholders at the close of business on the relevant record date (notwithstanding any intermediate transfer or transmission of any Notes), save that in respect of the first Interest Period following the date of issue of each Note, the interest rate will be calculated as if interest had accrued from (and including) the day following the most recent Interest Payment Date (or, if none, 1 July 2005) (and for this purpose, the "**record date**" shall mean the thirtieth day before the relevant interest payment date or, if such day is not a business day, then the next following business day). Each Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of principal in respect of the Note is improperly withheld or refused.

Whenever it is necessary to compute an amount of interest in respect of any Notes for a period shorter than a complete Interest Period (other than the first Interest Period following the issue of the Notes in question), such interest shall be calculated on the basis of the actual number of days in the period from (and including) the day following the most recent Interest Payment Date to (and including) the final day of the relevant period divided by the actual number of days in the period from (and including) the day following the most recent Interest Payment Date to (and including) the next Interest Payment Date. In respect of the first Interest Period following the issue of the Notes in question, the above provisions shall apply as if the date of issue were an Interest Payment Date.

Interest will be paid in dollars unless the relevant Noteholder has elected, by notice in writing to the Issuer received by the Issuer (at the office of its registrars) prior to the relevant record date as

regards any future interest payment, to receive interest in pounds sterling, in which event interest will be paid to that Noteholder in pounds sterling, with each dollar of interest otherwise payable by the Issuer being translated into pounds sterling at the rate actually achieved by the Issuer at or around 11.00 am on the fifth business day prior to the relevant Interest Payment Date (provided always that the Issuer shall not be responsible to any Noteholder for any loss or alleged loss arising from any such sale of dollars for pounds sterling). Any such election shall remain in force for all subsequent interest payments to the Noteholder making the election unless and until revoked by the Noteholder by notice in writing to the Issuer received by the Issuer (at the office of its registrars) prior to the relevant record date as regards any subsequent interest payment.

5. Redemption, purchase and cancellation

(A) Final Redemption

Unless previously redeemed or purchased and cancelled as provided below, the Issuer shall redeem the Notes at their principal amount by three equal annual instalments commencing 31 December 2012. If Notes are purchased and cancelled by the Issuer, the amount of Notes that the Issuer will be obliged to redeem on any given redemption date will be reduced by the nominal amount of Notes purchased and cancelled prior to that redemption date (save in so far as such Notes were purchased and cancelled prior to a previous redemption date and taken into account in reducing the amount of Notes otherwise due to be redeemed in relation to that redemption date).

(B) Purchases

The Issuer or any of its subsidiaries may at any time purchase Notes in any manner and at any price.

(C) Cancellation

All Notes redeemed will be cancelled forthwith and such Notes may not be reissued or resold. Notes purchased by the Issuer or any of its subsidiaries may be held, resold or surrendered for cancellation.

(D) Election to receive monies in sterling

An election to receive interest payments in pounds sterling, given in accordance with the provisions of Condition 4, will be deemed also to be an election to receive redemption payments in pounds sterling (and any revocation of any such election to receive interest payments in pounds sterling, given in accordance with the provisions of Condition 4, will be deemed also to be a revocation of such election to receive redemption payments in pounds sterling) provided that, in relation to the repayment of any amount of principal, the sterling amount paid shall not exceed 100 per cent of the dollar amount due to be repaid on the date of payment applying the spot exchange rate between dollars and sterling on the relevant repayment date.

6. Payments, unclaimed monies and prescription

- (A) Any principal or interest or other monies payable by the Issuer or the Trustee on or in respect of any Notes may be paid by cheque or warrant made payable to the order of and sent through the post to the registered address of the holder or person entitled thereto or in the case of joint holders made payable to the order of and sent through the post to the registered address of that one of the joint holders who is first named in the register in respect of the Notes or made payable to the order of such person and sent to such address as the holder or joint holders may in writing direct. Payment of any such cheque or warrant shall be a satisfaction of the monies represented thereby. Every such cheque or warrant shall be sent at the risk of the person(s) entitled to the monies represented thereby. If several persons are entered in the register as joint holders of any Notes, then without prejudice to the forgoing provisions of this paragraph, the payment to any of such persons of any principal or interest on or other monies payable in respect of such Notes shall be as effective a discharge to the Issuer and to the Trustee as if the person to whom the payment is made was the sole registered holder of such Notes.
- (B) If any monies should remain due to any Noteholder in respect of any Notes after the due date (whether an Interest Payment Date or a Redemption Date) because any cheque or warrant in respect of it has not been presented, then after the expiry of six months from such due date (or at such earlier time as the Trustee may agree), the Issuer may pay to the Trustee the amount due to such Noteholder and upon such payment being made the interest due on the Notes which the Issuer is ready to redeem (as the case may be) shall be deemed to have been paid or redeemed. The Trustee may place any such monies so received by it on deposit in the name of the Trustee in such bank as it may think fit and thereafter it shall not be responsible for the safe custody of such monies or for interest thereon. Any payment made to the Trustee as described in this Condition 6(B) shall be held by the Trustee on trust for the holder of the relevant Notes provided that the Trustee may amalgamate any such monies with any other monies for the time being held by the Trustee for which it is accountable to any other Noteholder or to the holders of any stock or security (whether or not of the Issuer) for which it is or was the trustee under provisions equivalent to or similar to these provisions. Any monies which remain unclaimed after ten years (in the case of principal) or five years (in the case of interest), and any interest thereon, will be forfeit and will revert to the Issuer.

7. Taxation

All payments of principal and interest in respect of the Notes by the Issuer will be made free and clear of, and without withholding of or deduction for, or on account of, any taxes imposed or levied by or on behalf of the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes is required by law.

8. Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary

Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured to its satisfaction) (but, in the case of the happening of any of the events mentioned in subparagraphs (iii), (iv), (v), (vi) and (vii) below, only if the Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest, in any of the following events ("**Events of Default**"):

- (i) if default shall be made in the payment on the due date of any principal monies or for a period of 14 days in the payment of any interest which ought to be paid in accordance with these Conditions;
- (ii) if an administration order shall be made, or if an order shall be made or a resolution passed for the winding up of the Issuer (except for a voluntary members' winding up approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders) or if an administrator shall otherwise be appointed with or without a court order;
- (iii) if an encumbrancer shall take possession or a receiver shall be appointed of the whole or any part of the assets or undertaking of the Issuer or if a distress, execution or other process shall be levied or enforced or sued out upon or against any of the assets of the Issuer and such distress, execution or other process shall not be removed discharged or paid out within 14 days;
- (iv) if the Issuer shall stop or threaten by notice to its creditors generally to stop payment of its debts generally or if the Issuer shall cease or threaten to cease to carry on business or substantially the whole of its business;
- (v) if default shall be made by the Issuer in the performance or observance of any covenant, condition or provision binding on it under the Trust Deed or the Notes (other than a covenant, condition or provision for payment of principal or interest) and (except in circumstances where the Trustee shall certify that delay would in its opinion place the interests of the Noteholders in jeopardy) the same (if capable of remedy) is not remedied to the satisfaction of the Trustee within one calendar month after notice in writing of such default shall have been given to the Issuer by the Trustee;
- (vi) if the Issuer shall be unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986 or if any voluntary arrangement is proposed under section 1 of that Act in respect of the Issuer; or
- (vii) if the security for any other debenture or any mortgage or charge of the Issuer shall become enforceable and steps are taken to enforce the same or if any debenture, loan capital or borrowings of the Issuer shall become repayable by reason of default by the Issuer or if any guarantee or indemnity given by the Issuer is not honoured when due and called upon and steps are taken to enforce payment.

9. Limitation on borrowing

The Issuer covenants with the Trustee that for so long as any of the Notes remain outstanding it will procure that (except with the sanction of an Extraordinary Resolution of the Noteholders) the aggregate amount for the time being remaining undischarged of all monies borrowed by the Issuer and its subsidiary undertakings for the time being (the "**Group**") and for the time being owing to persons outside the Group shall not at any time exceed a sum equal to 1½ times the aggregate of:

- (i) the amount paid up on the issued share capital of the Issuer; and
- (ii) the total of the capital and revenue reserves of the Group (including any share premium account, capital redemption reserve and credit balance on the revenue reserve) in each case whether or not such amounts are available for distribution,

all as shown in the latest audited consolidated balance sheet of the Issuer and after:

- (a) making such adjustments as may be appropriate in respect of any variation in such amount paid up on the issued share capital or share premium account or capital redemption reserve or merger reserve since the date of such latest audited consolidated balance sheet and so that for this purpose if any issue or proposed issue of shares for cash or otherwise has been underwritten or otherwise agreed to be subscribed (for cash or otherwise) then, at any time when the underwriting of such shares or other agreement as aforesaid shall be unconditional, such shares shall be deemed to have been issued and the amount (including any premium) payable (or which would be credited as payable) in respect thereof (not being monies payable later than six months after the date of allotment) shall be deemed to have been paid up to the extent that the underwriters or other persons are liable therefor;
- (b) deducting (to the extent included):
 - (I) any amounts distributed or proposed to be distributed (but not provided in such latest audited consolidated balance sheet) other than distributions attributable to the Issuer or any subsidiary undertaking;
 - (II) any amounts attributable to goodwill (other than goodwill arising on consolidation) or other intangible assets;
- (c) excluding:
 - (I) any sums set aside for taxation;
 - (II) any amounts attributable to outside shareholders in subsidiary undertakings of the Issuer;
- (d) deducting any debit balance on the revenue reserve; and
- (e) making such other adjustments (if any) as the auditors for the time being of the Issuer may consider appropriate.

For the purpose of the foregoing limit "**monies borrowed**" shall be deemed to include the following except in so far as otherwise taken into account (together in each case with any fixed or minimum premium payable on final redemption or repayment):

- (i) the principal amount for the time being owing (other than to a member of the Group) in respect of any loan capital, whether secured or unsecured, issued by a member of the Group in whole or in part for cash or otherwise;
- (ii) the principal amount raised by any member of the Group by acceptances or under any acceptance credit opened on its behalf by any bank or accepting house other than acceptances relating to the purchase of goods in the ordinary course of trading and outstanding for not more than ninety days;
- (iii) the nominal amount of any issued share capital, and the principal amount of any monies borrowed or other indebtedness, the redemption or repayment of which is guaranteed or secured or is the subject of an indemnity given by any member of the Group and the beneficial interest in the redemption or repayment of which is not owned within the Group; and
- (iv) the nominal amount of any issued share capital (not being equity share capital which as regards capital has rights no more favourable than those attached to its ordinary share capital) of any subsidiary undertaking of the Issuer owned otherwise than by other members of the Group;

but shall not include and shall be deemed not to include:

- (a) amounts borrowed for the purpose of repaying the whole or any part (with or without premium) of any monies borrowed by any member of the Group then outstanding and so to be applied within six months of being so borrowed, pending their application for such purpose within such period; and
- (b) the proportion of the excess outside borrowing of a partly owned subsidiary undertaking which corresponds to the proportion of its equity share capital which is not directly or indirectly attributable to the Issuer and so that, for this purpose, the expression "**excess outside borrowing**" shall mean so much of the monies borrowed by such partly owned subsidiary undertaking otherwise than from members of the Group as exceeds the amounts (if any) borrowed from it by other members of the Group.

When the aggregate amount of monies borrowed required to be taken into account for the purposes of this Condition 9 on any particular day is being ascertained, any of such monies denominated or repayable (or repayable at the option of any person other than the Issuer or any subsidiary undertaking) in a currency other than sterling shall be translated, for the purpose of calculating the sterling equivalent, at the rate(s) of exchange prevailing on that day in London, or on the last business day six months before such day if thereby such aggregate amount would be less (and so that for this purpose the rate of exchange prevailing shall be taken as the spot rate in London quoted at or about 11.00 am on the day in question by a London clearing bank, approved by the board of directors of the Issuer, as being the rate for the purchase by the Issuer of the

currency and amount in question for sterling). A certificate or report by the auditors for the time being of the Issuer as to the amount of the limit referred to above in this Condition 9 or the aggregate amount of monies borrowed falling to be taken into account as provided above in this Condition 9, or to the effect that the limit imposed by this Condition 9 has not been or will not be exceeded at any particular time or times or during any period shall be conclusive evidence of such amount or fact for the purposes of this Condition 9.

10. Other covenants

The Issuer covenants with the Trustee that for so long as any of the Notes remain outstanding it will:

- (i) carry on and conduct its businesses and affairs in a proper and efficient manner and duly comply with all obligations imposed on it by the Companies Act 1985;
- (ii) keep proper books of account and therein make true and proper entries of all dealings and transactions of and in relation to its business and keep the said books of account and all other documents relating to its affairs at its registered office or other place or places where the said books of account and documents of a similar nature ought in the ordinary course to be kept and allow the Trustee and any receiver or any person or persons nominated by the Trustee in writing (not being a person or persons to whom the Issuer may reasonably object) at all reasonable times to have full access to all its books, accounts and documents as are relevant for the purposes of the Notes;
- (iii) give to the Trustee or to such person or persons as aforesaid such information as they shall reasonably require and in such form as they shall reasonably require as to all matters relating to its business, immovable property, assets and affairs and furnish to the Trustee two copies of every report, balance sheet, profit and loss account, circular or notice issued to its shareholders at the time of issue and send to the Noteholders every published consolidated balance sheet of the Issuer and such other documents as ought to be sent to them in compliance with sections 240 and 246 of the Companies Act 1985;
- (iv) use its best endeavours (a) to maintain the listing of the Notes on the Official List of the Financial Services Authority and their admission to trading on the London Stock Exchange's market for listed securities or, if it is unable to do so having used such best endeavours or if the maintenance of such listing and admission to trading is agreed by the Trustee to be unduly onerous, use its best endeavours to obtain and maintain the quotation and listing of the Notes on such other stock exchange and by such other listing authority, where applicable, as it may (with the prior written approval of the Trustee) decide and (b) to procure that there will at all times be furnished to any stock exchange and listing authority, where applicable, on which and by which the Notes are for the time being traded and listed, on the application of the Issuer, such information as such stock exchange and listing authority, where applicable, may require in accordance with its normal requirements or in accordance with any arrangements for the time being made with any such stock exchange and listing authority, where applicable;

- (v) use all reasonable endeavours to procure that its auditors furnish to the Trustee such certificates, reports or other information as the Trustee may from time to time reasonably require and in such form as the Trustee may reasonably require in connection with any calculation or matter arising under the Trust Deed or these Conditions;
- (vi) at all times execute all such further documents and carry out all such further acts and things as may be necessary at any time or times in the opinion of the Trustee to give effect to the provisions of the Trust Deed and these Conditions;
- (vii) give immediate notice in writing to the Trustee upon it becoming aware of the happening of any such event as is mentioned in Condition 8;
- (viii) at the same time as the audited accounts for each financial period of the Issuer are despatched to the members of the Issuer, use all reasonable endeavours to procure the delivery to the Trustee of a written report from the auditors in a form approved by the Trustee showing that the borrowing limits set out in Condition 9 were not being exceeded as of the date of the relevant accounts; and
- (ix) deliver to the Trustee (a) within 14 days of request therefor from time to time by the Trustee and (b) without the need for any such demand, at the same time as the audited accounts for each financial period of the Issuer are despatched to the members of the Issuer (or, if earlier, not later than 180 days after the end of the financial year to which such audited accounts relate) a certificate signed by two Directors on behalf of the Issuer certifying that, so far as the Issuer is aware, having made all proper enquiries and except as set out in the relevant certificate, as at the date of such certificate and throughout the period from and including the date of the last such certificate (or, in the case of the first such certificate, the date of the Trust Deed) to and including the date of the certificate (or throughout any other period specified by the Trustee):
 - (I) none of the provisions of the Trust Deed (including in particular, without limitation, the borrowing limitation set out in Condition 9) is being or has been breached; and
 - (II) none of the events specified in Condition 8 has occurred

The Trust Deed does not contain any provision restricting or prohibiting the granting of security by the Issuer or any of its subsidiaries.

11. Consent to reduction in capital

The Trust Deed contains provisions pursuant to which the Trustee, on behalf of itself and the Noteholders, has irrevocably consented to one or more reductions of share capital and/or amounts standing to the credit of the Issuer's share premium account and/or capital redemption reserve, up to a maximum aggregate amount of £6 million, and to the release of the reserves thereby created to the distributable reserves of the Issuer, subject only to the necessary consent of the court and provided always that such reduction(s) would not result in the Issuer being in breach of the borrowing restriction set out in Condition 9.

12. Enforcement of rights

(A) Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed or the Notes, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed or the Notes unless (i) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it has been indemnified and/or secured to its satisfaction.

(B) Enforcement by the Noteholders

No Noteholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

13. Meetings of Noteholders, modification and waiver

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing at least one third of the principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented. An Extraordinary Resolution passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

The Trustee may agree, without the consent of the Noteholders, to any modification (subject to certain exceptions) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed which is not, in the opinion, of the Trustee, materially prejudicial to the interests of the Noteholders or to any modification which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest or proven error. Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 16.

14. Further issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further notes or bonds either ranking *pari passu* in all respects (save for the first payment of interest thereon) and (in the case of notes) so that the same shall be consolidated and form a single series with the Notes or upon such terms as to ranking, interest, premium, redemption and otherwise as the Issuer may at the time of the issue thereof determine. Any such notes or bonds, if they are to form a single series with the Notes, shall be constituted by a deed

supplemental to the Trust Deed and in any other case in such manner as the Trustee may agree. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series for the purpose of passing an Extraordinary Resolution in certain circumstances where the Trustee so decides.

15. Replacement of certificates

If any certificate in respect of Notes be worn out or defaced then, upon production of such certificate to the Issuer, the Issuer shall cancel the same and shall issue a new certificate in lieu thereof to the person(s) entitled to such worn out or defaced certificate. If any such certificate be lost or destroyed then, upon proof thereof to the satisfaction of the Issuer and on such terms as to evidence and indemnity as the Issuer may deem adequate being given, the Issuer shall issue a new certificate in lieu thereof to the person(s) entitled to such lost or destroyed certificate. An entry as to the issue of the new certificate and indemnity (if any) shall be made in the register of Noteholders.

16. Notices to Noteholders

Any notice may be given to or served on any Noteholder either personally or by sending it by first class or airmail post in a prepaid envelope addressed to him at his registered address or (if he desires that notices shall be sent to some other person or address) to the person at the address supplied by him to the Issuer for the giving of notices or sending of other documents to him. In the case of joint registered holders of any Notes, a notice given to the Noteholder whose name stands first in the register in respect of such Notes shall be sufficient notice to all the joint holders. Any notice or other document duly served on or delivered to any Noteholder as provided above shall, notwithstanding that such Noteholder is then dead or bankrupt or that any other event has occurred and whether or not the Issuer has notice of the death or the bankruptcy or other event, be deemed to have been duly served or delivered in respect of any Notes registered in the name of such Noteholder as sole or joint holder unless before the day of posting (or if it is not sent by post before the day of service or delivery) of the notice or document his name has been removed from the register as the holder of the Notes, and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such notice or document on all persons interested (whether jointly with or claiming through or under him) in the Notes.

Any notice given or document served by post shall be deemed to have been given or served on the day following that on which the same is posted and in proving such service it shall be sufficient to prove that the envelope or wrapper containing the notice of the document or the notice or document itself was properly addressed stamped and posted. Any notice given or document served by delivery otherwise than by post shall be deemed to have been given or served at the time it is delivered to the address hereinbefore specified.

A Noteholder who, having no registered address within the United Kingdom, has not supplied to the Issuer an address within the United Kingdom for the service of notices shall not be entitled to receive notices from the Issuer provided that the Issuer may, at its discretion, give notices to such Noteholder by advertisement (to Noteholders generally) in a national newspaper published in the UK, and any such notices shall be deemed to be effective on the date of such publication.

If at any time the Issuer is unable to give notice by post within the United Kingdom as a result of the suspension or curtailment of postal services or if at the time that such notice is to be posted there is no register of Noteholders, notice may be given to Noteholders by advertisement in a national newspaper published in the United Kingdom. In any such case, the Issuer shall send confirmatory copies of the notice by post as soon as practicable after normal postal services throughout the United Kingdom are restored.

17. Trustee

The Law Debenture Trust Corporation p.l.c., whose head office is at 100 Wood Street, London EC2V 7EX, has agreed to act as trustee of the Noteholders in respect of the Notes.

The statutory power of appointing new trustees shall be vested in the Issuer but a new trustee so appointed must in the first place be approved by the Noteholders by an Extraordinary Resolution. At least one trustee must be a trust corporation and a trust corporation may be a sole trustee. Whenever there are more than two trustees, a majority of trustees shall be competent to exercise all the powers, authorities and discretions vested in the Trustee under the Trust Deed or by law, provided always that a trust corporation is included in such majority.

Any trustee may at any time on the expiry of not less than three months' written notice to that effect given to the Issuer retire without assigning any reason and without being responsible for any expense thereby occasioned.

As between the Trustee and the Noteholders, the Trustee shall have full power to determine all questions and doubts arising in relation to any of the provisions of the Trust Deed and the Notes and every such determination, whether made upon a question actually raised or implied in the acts or proceedings of the Trustee, shall be conclusive and shall bind all Noteholders.

The Issuer will pay to the Trustee by way of remuneration for its services as trustee such sum as may from time to time be agreed between them. The Issuer shall also reimburse all costs, charges, liabilities and expenses reasonably incurred by the Trustee in relation to the carrying out of its functions as trustee.

18. Indemnity in favour of the Trustee and contracts between the Trustee and the Issuer

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any of the Issuer's subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/ or any of the Issuer's subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

19. Exercise of functions by the Trustee

In connection with the exercise of any of its trusts, powers or discretions (including but not limited to those relating to any proposed modification, waiver, authorisation or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interest arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. The Trustee shall not be entitled to require, nor shall any Noteholder, in connection with any such modification, waiver, authorisation or substitution, be entitled to claim from the Issuer or any other person any indemnification or payment in respect of any tax or other consequence thereof upon individual Noteholders.

20. Rights of third parties

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

21. Governing law and submission to jurisdiction

The Trust Deed and the Notes are governed by, and shall be construed in accordance with, English law.

Each Noteholder is deemed to have irrevocably agreed that the courts of England shall have exclusive jurisdiction to hear and decide any suit, action or proceedings and / or to settle any disputes which may arise out of or in connection with the Notes or their creation and for these purposes each Noteholder will be deemed to have irrevocably submitted to the exclusive jurisdiction of the courts of England."

5. **UK Taxation**

(A) General

The comments below are of a general nature and are based upon the company's understanding of current UK tax laws and the practice of Her Majesty's Revenue and Customs ("HMRC") as of the date hereof. They do not purport to be a complete analysis of all tax considerations, relate only to the position of persons who hold the dollar notes as an investment and are the absolute beneficial owners of the dollar notes and may not apply to certain classes of persons such as dealers, persons who have acquired their dollar notes by reason of their employment or persons connected with the company for relevant tax purposes. Save as specifically mentioned, the comments apply only to holders of dollar notes who are resident and (if individuals) ordinarily resident in the UK for tax purposes. Prospective holders of dollar notes who are in any doubt whatsoever as to their taxation position or who may be subject to tax in a jurisdiction other than the UK should consult their own professional adviser.

(B) UK withholding tax

While the dollar notes are listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007 ("ITA"), payments of interest may be made without withholding or deduction of, or on account of, income tax. The London Stock Exchange is such a recognised stock exchange. If the dollar notes cease to be listed, interest may be paid under deduction of income tax at the lower rate (currently 20 per cent).

Any interest on dollar notes will have a UK source and accordingly may be chargeable to UK tax by direct assessment. Where the interest is paid without withholding or deduction, the interest will not generally be assessed to UK tax in the hands of holders of dollar notes who are not resident in the UK, except for certain non-UK resident trustees or where such persons carry on a trade, profession or vocation in the UK through a UK branch or agency (or, in the case of a company, through a permanent establishment) in connection with which the interest is received or to which the dollar notes are attributable, in which case (subject to exemptions for interest received by certain categories of agent, such as brokers or investment managers) tax may be levied on the UK branch or agency or permanent establishment.

(C) UK individuals and other holders not within the charge to UK corporation tax

(i) Taxation of chargeable gains

The dollar notes are not denominated in sterling and accordingly do not fall within the definition of qualifying corporate bond in section 117(1) of the Taxation of Chargeable Gains Act 1992. Since they will form part of a single series of fungible debt securities of which more than half by nominal value will have been issued at a price that is not less than par and will be repaid at par, it is thought that they will not constitute "deeply discounted securities" and will not therefore be deemed to be

qualifying corporate bonds pursuant to section 117(2AA) of that act. Accordingly, individual holders of dollar notes may be subject to UK taxation on capital gains on a disposal or redemption of dollar notes if they are resident or ordinarily resident for tax purposes in the UK or if they carry on a trade in the UK through a branch or agency to which the dollar notes are attributable.

(ii) Accrued income scheme

The transfer of dollar notes by a holder who is not within the charge to UK corporation tax and is resident or ordinarily resident for tax purposes in the UK or carrying on a trade through a branch or agency to which the dollar notes are attributable may give rise to a charge to UK tax on income in respect of an amount treated under rules known as the "accrued income scheme" (contained in chapter 2 of Part 12 of ITA) as representing interest accrued on the dollar notes at the time of transfer.

(D) UK corporation taxpayers

Holders of dollar notes who are within the charge to UK corporation tax should be aware of the provisions contained in Part 5 of the Corporation Tax Act 2009 relating to the taxation of "loan relationships". The effect of these provisions is that any profits and gains (including interest or discount or foreign exchange gains) arising on the dollar notes in the hands of such holders will generally be charged to tax as income in each accounting period on a basis reflecting the treatment in the noteholders' statutory accounts. However, the loan relationship provisions apply to authorised unit trusts, open ended investment companies, investment trusts or venture capital trusts in modified form and, in particular, profits of a capital nature are generally excluded.

(E) Stamp duty and stamp duty reserve tax

It is considered that no stamp duty or stamp duty reserve tax will generally be payable on issue or transfer of the dollar notes.

(F) EU Savings Tax Directive

A new directive regarding the taxation of savings income adopted by the EU Council of Economic and Finance Ministers took effect from 1 July 2005. Under the directive each Member State will be required to provide to the tax authorities of another Member State and certain other states and territories details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that time they elect otherwise) to operate a withholding system in relation to such payments (the ending of such period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have agreed to adopt similar measures.

(G) UK provision of information requirements

Persons in the UK paying interest to or receiving interest on behalf of another person may be required to provide certain information to HMRC regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

6. **General Information**

6.1 **Admission**

The admission of the additional dollar notes to listing on the Official List of the Financial Services Authority and to trading on the Regulated Market of the London Stock Exchange is expected to take effect on 11 February 2010.

6.2 **Selling and offering**

(A) United States

The additional dollar notes have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "Securities Act"). The additional dollar notes are only being offered and sold outside the United States to persons that are not US persons in transactions meeting the requirements of Regulation S under the Securities Act ("Regulation S"). Accordingly, the additional dollar notes may not be offered or sold within the United States or to or for the account or benefit of any US persons. Terms used in this paragraph have the meaning given to them by Regulation S.

Until 40 days after the commencement of any offer of the additional dollar notes, an offer, sale or transfer of the additional dollar notes within the United States by a dealer (whether or not participating in the offer of the additional dollar notes) may violate the registration requirements of the Securities Act.

(B) General

No action has been taken by the company in any jurisdiction (other than in the UK) that would permit, or is intended to permit, an offering of any of the additional dollar notes or the possession or distribution of this document or any amendment or supplement hereto or any other offering material relating to the further notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, the additional dollar notes may not be offered or sold, directly or indirectly, in connection with the issue of , or any secondary trading in, the additional dollar notes and neither this document nor any other offering material may be distributed or published, in or from any country or jurisdiction except in circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

6.3 **ISIN**

The International Security Identification Number assigned to the dollar notes is GB00B0FRLM43.

Definitions

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

"additional dollar notes"	the \$15 million nominal of 7.5 per cent dollar notes 2012/14 proposed to be issued by the company to form a single series with and rank <i>pari passu</i> with the original notes
"board"	the board of directors of the company
"company"	R.E.A. Holdings plc, whose registered address is at First Floor, 32-36 Great Portland Street, London W1W 8QX
"CPO"	crude palm oil
"CREST"	the computerised settlement system operated by Euroclear UK & Ireland Limited to facilitate the transfer of title to securities in uncertificated form
"directors"	the directors of the company
"dollar notes"	the original notes and the additional dollar notes
"FFB"	oil palm fresh fruit bunches
"group"	the company and its subsidiaries
"Guy Butler"	Guy Butler Limited of 21 Great Winchester Street, London EC2N 2JA
"KCC"	KCC Resources Limited, the wholly owned subsidiary of the company that acts as a sub-holding company for the group's coal operations, incorporated in England and Wales
"KCCMSI"	PT KCC Mining Services Indonesia, a subsidiary of the company incorporated in the Republic of Indonesia
"KCC participating preference shares"	redeemable participating preference shares of \$10 each in the capital of KCC having the rights and being subject to the restrictions described in the summary of material contract (K) on page 25 of the registration document
"London Stock Exchange"	London Stock Exchange plc
"Official List"	the list maintained by the Financial Services Authority in accordance with section 74(1) of the Financial Services and Markets Act 2000
"original notes"	the \$30 million nominal of 7.5 per cent dollar notes 2012/14 of the company in issue
"original trust deed"	the trust deed dated 12 September 2005 made between the company (as issuer) and The Law Debenture Trust Corporation plc (as trustee) constituting the dollar notes
"proposed issue"	the proposed issue of up to \$15 million nominal of additional dollar notes and 150,000 KCC participating preference shares

"prospectus"	the registration document together with this document
"Prospectus Directive"	Directive 2003/71/EC, including relevant implementing measures
"registration document"	the registration document pursuant to Directive 2003/71/EC issued by the company and dated 28 January 2010, including all information incorporated by reference therein
"relevant coal operations"	KCC, KCCMSI and those companies incorporated in Indonesia that, as at 28 January 2010, are (or are proposed to be) engaged in coal mining and are funded by loans from KCC and (ii) any subsidiaries from time to time of any of such companies
"sterling notes"	the £50 million nominal of 9.5 per cent guaranteed sterling notes 2015/17 of REA Finance B.V. (a wholly owned subsidiary of the company incorporated as a private company with limited liability under the laws of the Netherlands) which are irrevocably and unconditionally guaranteed by the company, £37 million nominal of which are in issue
"trust deed"	the original trust deed as supplemented by a supplemental trust deed to be executed between the parties to the original trust deed

References to "dollars" and to "\$" are to the lawful currency of the United States and to "sterling" and "£" are to the lawful currency of the United Kingdom. Unless otherwise specifically indicated, where a dollar amount is stated as at a date and with a sterling equivalent, that sterling equivalent represents the sterling conversion of the applicable dollar amount at the exchange rate ruling as at the close of business in London on the date in question.