

# **REA FINANCE B.V.**

**(a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands and registered with the trade registry of the Chamber of Commerce and Industries in Amsterdam with number 34259527)**

**issue of up to £40,000,000 8.75 per cent sterling notes 2020**

**irrevocably and unconditionally guaranteed by**

## **R.E.A. HOLDINGS PLC**

**(a public company with limited liability incorporated under the laws of England and Wales under the Companies Act 2006 with registered number 671099)**

**and**

## **R.E.A. SERVICES LIMITED**

**(a private company with limited liability incorporated under the laws of England and Wales under the Companies Act 2006 with registered number 1159736)**

The 8.75 per cent sterling notes 2020 (the "**new sterling notes**") will be issued by REA Finance B.V. in an aggregate principal amount of up to £40,000,000 and irrevocably and unconditionally guaranteed by R.E.A. Holdings plc and R.E.A. Services Limited pursuant to an exchange offer and placing further described in the section entitled "*Proposed Issue*" in this prospectus.

Interest on the new sterling notes is payable semi-annually in arrear on 30 June and 31 December in each year. Payments on the new sterling notes will be made without deduction for or on account of taxes imposed or levied by the Netherlands or the United Kingdom, unless the withholding or deduction of such taxes is required by law.

Application will be made to the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 for the new sterling notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc for such notes to be admitted to trading on the Regulated Market of the London Stock Exchange plc. The Regulated Market of the London Stock Exchange plc is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The new sterling notes will be issued in registered form in denominations of £100,000 and integral multiples of £1,000 in the excess thereof. New sterling notes may be held in certificated or uncertificated form.

**Prospective investors should have regard to the factors described under the section entitled "*Risk Factors*" in this prospectus.**

Unless otherwise defined herein, capitalised words and terms have the meanings given to them in the section entitled "*Definitions*" in this prospectus.

3 August 2015

This document is a prospectus for the purposes of Directive 2003/71/EC, as amended, and for the purpose of giving information with regard to REA Finance, REAH and REA Services and the new sterling notes proposed to be issued by REA Finance, and irrevocably and unconditionally guaranteed by REAH and REA Services which, according to the particular nature of REA Finance, REAH and REA Services and the new sterling notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of REA Finance (as issuer) and REAH and REA Services (as guarantors). Each of REA Finance, REAH and REA Services accepts responsibility for the information contained in this prospectus. To the best of the knowledge of each of REA Finance, REAH and REA Services (each of which has taken all reasonable care to ensure that such is the case), the information contained in this prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

This prospectus does not constitute an offer of, or an invitation by or on behalf of the issuer or any guarantor to subscribe or purchase, any of the new sterling notes in any jurisdiction in which such offer or invitation would be unlawful. The distribution of this prospectus and the offering of the new sterling notes in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus comes are required by the issuer and the guarantors to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of new sterling notes and distribution of this prospectus, see "*Subscription and Sale*" below.

No person is authorised to give any information or to make any representation not contained in this prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the issuer or any guarantor. Neither the delivery of this prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the issuer or any guarantor since the date hereof or the date upon which this prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the issuer or any guarantor since the date hereof or the date upon which this prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the new sterling notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The new sterling notes have not been and will not be registered under the US Securities Act of 1933, as amended. Accordingly, the new sterling notes may not be offered or sold within the United States, or to or for the account or benefit of any US persons, except in certain transactions that are exempt from the registration requirements of the US Securities Act of 1933, as amended.

References to "**dollars**" and to "\$" are to the lawful currency of the United States, to "**sterling**" and "£" are to the lawful currency of the United Kingdom and to "rupiahs" and "**Rp**" are to the lawful currency of the Republic of Indonesia. Unless otherwise specifically indicated, where an amount denominated in one currency is stated as at a date and with an equivalent amount in another currency, that equivalent represents the conversion of the applicable amount at the exchange rate ruling as at the close of business in London on the date in question or on the last business day preceding that date.

References to "**BST**" are references to British Summer Time, references to "**CEST**" are references to Central European Summer Time and references to "**GMT**" are references to Greenwich Mean Time.

## TABLE OF CONTENTS

	<b>Page</b>
DOCUMENTS INCORPORATED BY REFERENCE .....	1
SUPPLEMENTARY PROSPECTUS .....	2
RISK FACTORS .....	3
PROPOSED ISSUE .....	8
TERMS AND CONDITIONS OF THE STERLING NOTES .....	12
DESCRIPTION OF R.E.A. HOLDINGS PLC .....	31
DESCRIPTION OF REA FINANCE B.V. ....	37
DESCRIPTION OF R.E.A. SERVICES LIMITED .....	38
TAXATION .....	39
SUBSCRIPTION AND SALE .....	45
GENERAL INFORMATION.....	46
DEFINITIONS .....	48

## DOCUMENTS INCORPORATED BY REFERENCE

This prospectus should be read and construed in conjunction with:

- (a) the audited financial statements of the issuer for the financial years ended 31 December 2013 and 31 December 2014, respectively, together in each case with the audit report thereon;
- (b) the audited consolidated financial statements of REAH for the financial year ended 31 December 2013, together with the audit report thereon, appearing on pages 70 to 109 (inclusive) of REAH's annual report and accounts for the financial year ended 31 December 2013 (the "**2013 annual report**"), and the audited consolidated financial statements of REAH for the financial year ended 31 December 2014, together with the audit report thereon, appearing on pages 70 to 109 (inclusive) of REAH's annual report and accounts for the financial year ended 31 December 2014 (the "**2014 annual report**"); and
- (c) pages 8 to 28 (inclusive) entitled "*Strategic Report*" of the 2014 annual report,

which, in each case, have been previously published and which have been filed with the Financial Conduct Authority.

Such documents shall be incorporated in, and form part of, this prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this prospectus 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, except as so modified or superseded, constitute a part of this prospectus. Those parts of the documents incorporated by reference in this prospectus which are not specifically incorporated by reference in this prospectus are either not relevant for prospective investors in the new sterling notes or the relevant information is included elsewhere in this prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this prospectus shall not form part of this prospectus.

Copies of documents incorporated by reference in this prospectus may be inspected during normal business hours at the London offices of Ashurst LLP at Broadwalk House, 5 Appold Street, London EC2A 2HA and may be obtained (without charge) from the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html) and the website of the issuer at [www.rea.co.uk](http://www.rea.co.uk).

## **SUPPLEMENTARY PROSPECTUS**

In accordance with section 87 of the UK Financial Services and Markets Act 2000 (as amended), if (i) at any time during the period from approval of this prospectus to admission of the new sterling notes to the Official List and Regulated Market of the London Stock Exchange, a significant new factor, material mistake or inaccuracy arises or is noted relating to information included in this prospectus which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the issuer and/or either guarantor and/or the rights attaching to the new sterling notes or (ii) this prospectus omits any fact concerning the issuer or either guarantor or the new sterling notes the omission of which would, in the context of the issue and offering of the new sterling notes, make any material statement herein misleading, the issuer shall prepare and deliver a supplementary prospectus to this prospectus for use in connection with the offering of the new sterling notes. This prospectus should be read and construed in accordance with any such supplementary prospectus in relation thereto.

## **RISK FACTORS**

*The issuer and the guarantors believe that the following factors may affect their ability to fulfil their obligations under the new sterling notes. All of these factors are contingencies which may or may not occur and neither the issuer nor any guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the issuer and the guarantors believe may be material for the purpose of assessing the market risks associated with the new sterling notes are also described below.*

*The issuer and the guarantors believe that the factors described below represent the principal risks inherent in investing in the new sterling notes, but the inability of the issuer or the guarantors to pay interest, principal or other amounts on or in connection with the new sterling notes may occur for other reasons, and neither the issuer nor any guarantor represents that the statements below regarding the risks of holding the new sterling notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **Factors affecting the issuer's and guarantors' ability to fulfil their respective obligations under the new sterling notes**

#### ***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. Unusually low levels of rainfall can lead to a water availability below the minimum required for the normal development of the oil palm resulting in a reduction in subsequent crop levels. Overcast conditions can lead to delayed crop formation.

The estate is dependent upon the river transport system between the main area of operations and the port of Samarinda downstream. Unusually low levels of rainfall can also lead to disruptions to this transport system (or, in an extreme situation, bring the transport system to a standstill), resulting in disruptions to the delivery of essential supplies to the estate and to transportation of CPO and CPKO downstream.

#### ***Cultivation risks***

As in any agricultural business, there are risks that crops from the group's estate operations may be affected by pests and diseases. Pest and disease damage to oil palms and growing crops can result in a loss of crop or in a reduction in the quality of the harvest.

#### ***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.

After harvesting, fresh fruit bunches become rotten if not processed within a short period. Any hiatus in FFB collection or processing may therefore lead to a loss of mill output. The group endeavours to maintain resilience in its palm oil mills with three mills operating separately and some ability within each factory to switch from steam based to biogas or 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.

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 the 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. The occurrence of an adverse uninsured event could result in the group sustaining material losses.

### ***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. A fall in CPO and CPKO prices would lead to reduced revenue and a consequent reduction in cash flow and profit. However, price 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.

Restriction on sale of the group's CPO and CPKO at world market prices, including as a result of restrictions on Indonesian exports of palm products and/or the imposition of high export duties (as has occurred in the past for short periods) could lead to reduced revenue from the sale of CPO and CPKO production and a consequent reduction in cash flow and profit. Currently, the Indonesian government allows the free export of CPO and CPKO but applies a sliding scale of duties on exports which allows producers economic margins. The recent extension of this sliding scale to incorporate a new export levy, which is now being implemented at a level of \$50 per tonne, to fund biodiesel subsidies may be regarded as a measure to support CPO and CPKO producers.

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. However, 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, again leading to a consequent reduction in cash flow and profit.

### ***Expansion***

The group continues to plan 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 and equity 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 group's securities.

### ***Environmental practices***

Criticism of the group's environmental practices by conservation organisations scrutinising land areas that fall within a region that in places includes substantial areas of unspoilt primary rain forest inhabited by diverse flora and fauna could lead to reputational and consequently to financial damage to the group. However, the group is committed to sustainable development of oil palm and has obtained RSPO certification for most of its current operations. All group oil palm plantings are on land areas that have been previously logged and zoned by the Indonesian authorities as appropriate for

agricultural development. The group maintains substantial conservation reserves that safeguard landscape level biodiversity.

### ***Community relations***

Failure by REAH's agricultural operations to meet the standards expected of them as a large employer of significant economic importance to local communities could lead to reputational and consequently financial damage to REAH. A material breakdown in relations between the group and the host population (such as has occurred on a previous occasion), or disputes with staff and employees, could lead to disruption of operations, including blockages restricting access to oil palm plantings and mills, resulting in reduced and poorer quality CPO and CPKO production. However, the group seeks to foster mutually beneficial economic and social interaction between the local villages and the agricultural operations and also endeavours to manage its material dependence upon its staff and employees in accordance with international employment standards. In particular, the group gives priority to applications for employment from members of the local population, encourages local farmers and tradesmen to act as suppliers to the group, its employees and their dependents and promotes smallholder development of oil palm plantings.

Disputes over compensation payable for land areas allocated to the group that were previously used by local communities for the cultivation of crops or as respects which local communities otherwise have rights can lead to disruption of operations, including blockages restricting access to the area the subject of the disputed compensation. However, the group has established standard procedures to ensure fair and transparent compensation negotiations and encourages the local authorities, with whom the group has developed good relations and who are therefore generally supportive of the group, to assist in mediating settlements.

Individuals party to a compensation agreement subsequently denying or disputing aspects of the agreement can lead to disruption of operations, including blockages restricting access to the areas the subject of the compensation disputed by the affected individuals. The group seeks to manage this risk by, where a claim is found to have a valid basis, seeking to agree a new compensation arrangement or, where the claim is found to be falsely based, encouraging appropriate action by the local authorities.

### ***Currency***

CPO and CPKO are essentially dollar based commodities. Accordingly, the group's revenues are effectively dollar denominated while certain group costs and funding are denominated in sterling and/or in Indonesian rupiah. The strengthening of sterling or the Indonesian rupiah against the dollar could lead to increased costs in dollar terms.

### ***Counterparty risk***

Default by a supplier, customer or financial institution could lead to loss of any prepayment, unpaid sales proceeds or deposit.

### ***Regulatory exposure***

Changes in existing, and the 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 ability to retain its current structure or to continue to operate as it currently does. 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.

Breach of the various continuing conditions attaching to the group's land rights (including conditions requiring utilisation of the rights and concessions) or failure to maintain all permits and licences required for the group's operations could lead to civil sanctions and, in an extreme case, loss of the affected rights or concessions.

### ***Bribery and corruption***

Indonesia, where all of the group's operations are located, has been classified as relatively high risk by the International Transparency Corruption Perceptions Index. While the group believes that it has, and



has traditionally had, strong controls in this area, failure by the group to meet the standards expected in relation to bribery and corruption could lead to reputational damage and criminal sanctions.

### ***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 civil unrest.

The introduction of exchange controls or other restrictions on foreign owned operations in Indonesia could lead to restrictions on the transfer of profits from Indonesia to the UK with potential consequential negative implications for the servicing of the obligations in relation to the new sterling notes. However, the directors are not aware of any circumstances that would lead them to believe that, under current political conditions, any Indonesian government authority would impose exchange controls or otherwise seek to restrict the group's freedom to manage its operations.

Mandatory reduction of foreign ownership of Indonesian plantation operations could lead to forced divestment of interests in Indonesia at below market values with consequential loss of value. However, while the group accepts there is a significant possibility that foreign owners may be required over time to partially divest ownership of Indonesian oil palm operations, it has no reason to believe that such divestment would be at anything other than market value.

### ***Miscellaneous relationships***

The group is dependent upon employing, retaining and developing its staff and therefore disputes with employees may disrupt operations and lead to a consequent loss of revenues. However, the group appreciates its dependence and endeavours to manage this in accordance with international employment standards.

The group is also dependent on its relationships with local partners in its Indonesian subsidiaries. If these relationships were to break down, the group may need to rely on the Indonesian courts to enforce the agreements governing its arrangements with local partners. As well as the uncertainty that is involved with judicial proceedings, any failure to enforce is likely to have a material negative impact on the value of the stone and coal operations because the concessions are currently legally owned by the group's local partners. In any event, the group endeavours to maintain cordial relations with its local partners by seeking their support for decisions affecting their interests and responding constructively to any concerns that they may have.

### ***The issuer is a finance company***

The issuer is a wholly-owned finance company that conducts no business operations. Its assets are limited to loans to REAH and it has no ability to generate revenues other than the interest payable on the loans made by it. The issuer is thus dependent upon payments from REAH to meet its administration costs and make payments due on the sterling notes.

### **Risks relating to the new sterling notes**

#### ***Modification, waivers and substitution***

The Conditions contain provisions for calling meetings of the holders of the new sterling notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all noteholders, including noteholders who did not attend and vote at the relevant meeting and noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the trustee may, without the consent of noteholders, agree to certain modification of, or to the waiver or authorisation of certain breaches or proposed breaches of, any of the provisions of the new sterling notes.

#### ***Change of law***

No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the new sterling notes.

#### ***Market risks***

The market in the existing sterling notes is fairly illiquid. Even allowing for the new sterling notes proposed to be issued pursuant to the placing, it is likely that the market in the new sterling notes will remain fairly illiquid. Lack of liquidity may adversely affect the value of an investment in the new sterling notes and may make it difficult to sell such notes.

If market interest rates subsequently increase above the rate paid on the new sterling notes, this is likely to affect adversely the value of the new sterling notes.

#### ***Exchange rate risks and exchange controls***

The issuer will pay principal and interest on the new sterling notes in pounds sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**investor's currency**") other than pounds sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of the pound or revaluation of the investor's currency) and the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls. An appreciation in the value of the investor's currency relative to the pound would decrease (a) the investor's currency-equivalent yield on the new sterling notes, (b) the investor's currency equivalent value of the principal payable on the new sterling notes and (c) the investor's currency equivalent market value of the new sterling notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### ***Risks relating to the group's stone and coal operations***

Following a decision by the directors in 2012, further capital committed to the coal mining operations has been limited as the group concentrates on maximising recoveries from the concessions in which the group has already invested and minimising related costs. The significant fall in international coal prices in 2014 led to a suspension by the group of mining operations. The stone operations are not yet in operation. Thus, the directors are of the view that the group's stone and coal operations do not currently provide material risks as regards the group's ability to fulfil its obligations under the new sterling notes.

## PROPOSED ISSUE

REA Finance proposes to create £40,000,000 nominal amount of new sterling notes. The constitution of the new sterling notes will be effected by the execution of the amended and restated trust deed. The terms and conditions applicable to the new sterling notes (as well as the existing sterling notes) are set out in "*Terms and conditions of the new sterling notes*" below.

It is proposed that the new sterling notes be issued pursuant to the exchange offer and the placing.

### Exchange offer

REA Finance is offering to acquire all of the outstanding existing sterling notes on the following basis:

<b>for each £100,000 nominal amount of existing sterling notes</b>	<b>£100,000 nominal amount of new sterling notes</b>
	<b>plus</b>
	<b>£2,000 in cash</b>
	<b>plus</b>
	<b>a further amount in cash equal to the interest accrued but unpaid on £100,000 nominal amount of existing sterling notes as at the date on which the offer becomes unconditional</b>

and so in proportion for any greater or lesser amount of existing sterling notes held, provided that acceptances in respect of less than £100,000 nominal amount of existing sterling notes will only be valid where (a) the acceptance is in respect of the whole of a holder's holding of existing sterling notes and (b) the accepting holder makes a cash top-up payment as described in more detail under "*Top-up option*" below; if the necessary top-up payment is not received, the acceptance will be invalid.

### Top-up option

So as to enable qualifying holders to accept the exchange offer, if they should wish to do so, REA Finance is offering qualifying holders who accept the offer in respect of the whole of their respective holdings the option to top-up the shortfall by means of a cash payment to REA Finance. For this purpose, a "qualifying holder" is a holder of existing sterling notes whose registered holding of existing sterling notes was, as at 5.00 p.m. (BST) on 31 July 2015 (being the latest practicable date prior to the printing of this document), less than £100,000 nominal amount of existing sterling notes and "shortfall" means the amount by which the nominal amount of a qualifying holder's holding of existing sterling notes falls short of £100,000.

The amount of cash payable on exercise of this top-up option is £1,000 per £1,000 of the shortfall.

### Placing

At the same time as making the offer, REA Finance is seeking to place up to a further £5,460,000 nominal amount of new sterling notes at 100 per cent of the principal amount of the new sterling notes. The maximum number of new sterling notes to be placed will depend upon take-up of the top-up option described above. To the extent that the top-up option is exercised, the maximum nominal amount of new sterling notes to be placed for cash will be reduced, such that the maximum aggregate nominal amount of existing sterling notes and new sterling notes in issue, immediately following completion of the offer and placing, will not exceed £40,000,000.

The directors of REAH are comfortable that the continuing accretion of shareholder equity from retention of earnings and issues of new shares for cash means that the group can support an addition to its current indebtedness of up to £5,460,000.

To the extent that the full £40,000,000 nominal amount of new sterling notes are not issued pursuant to the offer and placing, the balance will remain available for issue in the future, subject always to compliance with all relevant formalities and the covenants included in the terms and conditions attaching to the sterling notes set out in "*Terms and Conditions of the Sterling Notes*" below, including in particular the covenants as regards borrowing limits and security coverage for the sterling notes.

Guy Butler has undertaken to use its reasonable endeavours to place all of the new sterling notes the subject of the placing. The subscription monies payable for the new sterling notes the subject of the placing are payable in full on allotment.

REA Finance has agreed to pay Guy Butler a commission of 1 per cent of the gross proceeds of the new sterling notes issued pursuant to the placing (plus VAT) and to bear all expenses of and incidental to the placing.

### **Reasons for the proposed issue of new sterling notes**

The continuing growth of the Indonesian economy and a gradual shift in Indonesian political opinion towards encouraging and potentially mandating increased local ownership of Indonesian palm oil operations has reinforced the long held view of the directors of REAH on the desirability of increasing Indonesian participation in the ownership of the group's oil palm operations through a listing on the Indonesia Stock Exchange in Jakarta of, and public offering of shares in, REA Kaltim, which is the Indonesian holding company for all of the agricultural operations of the group. Accordingly, the directors of REAH have resumed discussions with advisers on how best to structure a public offering in Indonesia and on the appropriate timing for such an offering. In the meantime, the group is continuing its planned extension planting programme which brings with it a requirement for investment in additional estate buildings, vehicles and equipment.

In the absence of any further purchases of existing sterling notes by a member of the group and cancellation of the same, under the terms of the existing sterling notes, some £9.9 million nominal of the existing sterling notes will fall due for redemption on 31 December 2015. The group has planned to meet this redemption obligation from a combination of internal cash flows and new bank borrowings, supplemented, subject to timing, by cash proceeds from the planned public offering of shares in REA Kaltim and of a placing of shares in REA Kaltim ahead of that offering.

However, the directors of REAH consider it likely that prospective new investors in REA Kaltim would prefer to see the monies subscribed by them for shares in that company being applied in continuing the planned extension planting programme rather than in paying down debt. In addition, the directors believe that an extension in the maturity profile of the group's indebtedness (which would be substantially matched by an extension in the maturity profile of the REA Kaltim sub-group's indebtedness) will also be of benefit to the success of the proposed public offering by REA Kaltim by improving perceptions of the financial standing of REA Kaltim. Moreover, the directors believe that it is prudent to work towards establishing a cash cushion to permit continuation of the planned extension planting programme in the event of any unplanned events adversely affecting the future cash flows available to the group.

As the new sterling notes will be redeemable in one instalment on 31 August 2020, rather than in three instalments over the three years to 31 December 2017, the exchange offer will, in effect, give holders of existing sterling notes the opportunity themselves to refinance the existing sterling notes.

### **Use of proceeds**

As noted above, it is proposed that the new sterling notes will be issued:

- (a) as part of the consideration for the acquisition by the issuer of existing sterling notes;
- (b) for cash; and
- (c) partly as part of the consideration for the acquisition by the issuer of existing sterling notes and partly for cash.

All cash proceeds of the issue of the new sterling notes will be applied by the issuer solely in meeting the expenses of the issue of new sterling notes (whether or not issued for cash and whether or not

issued at the same time) and otherwise in making loans to REAH, such loans to be applied by REAH solely in making loans to REA Services. REA Services will apply the loans made to it by REAH solely in making loans to subsidiaries of REAH incorporated in Indonesia and engaged in the cultivation of oil palms and/or the processing of oil palm fruit subject to REA Services and each such subsidiary having first entered into a loan agreement in respect of such loan on the terms prescribed by the amended and restated trust deed. Pending the making by the issuer of any such loans as are referred to above, the issuer will retain the cash proceeds of issue of the new sterling notes (net of any expenses of the issue of the same) on deposit in a bank account charged as security for its obligations in respect of the sterling notes.

The net cash proceeds of the issue of the new sterling notes on-lent to qualifying subsidiaries will be used by those subsidiaries for the purposes of their respective businesses.

### **Conditions**

The exchange offer is conditional upon:

- (a) acceptances being received by not later than 11.00 a.m. (BST) on 1 September 2015 (or such later time(s) and/or date(s) as REA Finance may decide, being not later than 11.00 a.m. (BST) on 18 December 2015) in respect of not less than £10,000,000 nominal amount of existing sterling notes or such lesser amount as REA Finance may decide, provided that this condition will not be satisfied unless REA Finance will have in issue, at the time that the exchange offer becomes unconditional, at least £10,000,000 nominal amount of new sterling notes (whether issued pursuant to the exchange offer or the exchange offer in conjunction with the placing);
- (b) the execution of all documentation necessary to create and constitute the new sterling notes and to effect the amendments to the trust deed and existing sterling loans to qualifying subsidiaries (which will include the execution of two supplemental trust deeds effecting certain modifications to the current trust deed requiring, as a pre-condition, the sanction of the holders of existing sterling notes given by way of extraordinary resolution); and
- (c) the admission of the new sterling notes allotted pursuant to the exchange offer to the Official List and to trading on the Regulated Market of the London Stock Exchange and such admissions becoming effective on or before 8.00 a.m. (BST) on 3 September 2015 (or such later time and/or date as REA Finance may decide, being not later than 5.00 p.m. (GMT) on 21 December 2015).

The placing is conditional upon:

- (a) there being in issue, at the time that the placing becomes unconditional, at least £10,000,000 in nominal amount of new sterling notes (including those issued pursuant to the offer);
- (b) the execution of all documentation necessary to create and constitute the new sterling notes and to effect the amendments to the trust deed and existing sterling loans to qualifying subsidiaries (which will include the execution of two supplemental trust deeds effecting certain modifications to the current trust deed requiring, as a pre-condition, the sanction of the holders of existing sterling notes given by way of extraordinary resolution); and
- (c) the admission of the new sterling notes allotted pursuant to the placing to the Official List and to trading on the Regulated Market of the London Stock Exchange and such admissions becoming effective on or before 8.00 a.m. (BST) on 3 September 2015 (or such later time and/or date as REA Finance may decide, being not later than 5.00 p.m. (GMT) on 21 December 2015).

The exchange offer and the placing are also conditional upon the receipt of the necessary consents from the holders of the existing sterling notes, given by way of the extraordinary resolution proposed to put to the holders of the existing sterling notes at a meeting of the holders of the existing sterling notes convened for 12 noon (CEST) on 27 August 2015.

### **Informal indications as regards intentions**

The directors of REAH have received informal and non-binding indications that holders in excess of £25 million in nominal of the existing sterling notes (representing in excess of 70 per cent of the outstanding existing sterling notes) are likely to vote in favour of the extraordinary resolution and to accept the offer in respect of their respective holdings of existing sterling notes.

### **General**

REA Finance and REAH will announce the results of the exchange offer and placing by notification to the Regulatory News Service of the London Stock Exchange. It is expected that such announcement will be made on 2 September 2015 and that dealings in the fully paid new sterling notes issued pursuant to the exchange offer and the placing, for normal settlement, will commence on or about 3 September 2015. Guy Butler currently maintains an over-the-counter market in the existing sterling notes and has indicated, without commitment, that it will endeavour also to do so in respect of the new sterling notes.

## TERMS AND CONDITIONS OF THE STERLING NOTES<sup>1</sup>

*The following are the terms and conditions substantially in the form to be endorsed on the new sterling notes in certificated form (if issued):*

The £50,000,000 9.5 per cent guaranteed sterling notes 2015/17 (the "**Series A Notes**") and £40,000,000 8.75 per cent guaranteed sterling notes 2020 (the "**Series B Notes**", the Series A Notes and the Series B Notes being together the "**Notes**", which expression shall in these terms and conditions (the "**Conditions**"), unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Series A Notes or the Series B Notes) of REA Finance B.V. (the "**Issuer**") are constituted by an amended and restated trust deed dated on or about the issue date of the Series B Notes made between the Issuer, R.E.A. Holdings plc (the "**Guarantor**"), R.E.A. Services Limited (the "**Co-Guarantor**") and Capita Trust Company Limited (the "**Trustee**") as trustee for the holders of the Notes (the "**Noteholders**") (such amended and restated trust deed as further amended and supplemented from time to time being the "**Trust Deed**"). The issue of the Series A Notes was authorised pursuant to resolutions of the board of directors of the Guarantor passed on 8 November 2006 and 23 July 2008 and resolutions of the sole managing director of the Issuer passed on 27 November 2006 and 29 July 2008. The issue of the Series B Notes are authorised pursuant to resolutions of the board of directors of the Guarantor passed on or before the issue date of the Series B Notes, resolutions of the board of directors of the Co-Guarantor passed on or before the issue date of the Series B Notes and resolutions of the sole managing director of the Issuer passed on or before the issue date of the Series B Notes. 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 principal office for the time being of the Trustee, being as at the date of issue of this certificate at 4th Floor, 40 Dukes Place, London EC3A 7NH. 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.

### 1. Definitions

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

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

"**Extraordinary Resolution**" means a resolution passed at a meeting of the Noteholders (or, as the case may be, any series (or class) thereof) duly convened and held in accordance with the provisions contained in schedule 3 to 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;

"**Indonesian Debtor Subsidiary**" means any Qualifying Subsidiary which is indebted to the Co-Guarantor, for so long as such Qualifying Subsidiary is so indebted;

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

"**Interest Period**" means the period commencing on (but excluding) 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;

"**Prescribed Loan Agreement**" means any loan agreement made between the Co-Guarantor and any Qualifying Subsidiary pursuant to which the Co-Guarantor lends monies to such subsidiary (as amended and/or re-stated from time to time with the sanction of the Noteholders);

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<sup>1</sup> These Terms and Conditions of the Sterling Notes comprise common terms and conditions for the new sterling notes and the existing sterling notes. Investors should note that this prospectus relates only to the issue of the new sterling notes and their admission to the Official List and to trading on the Regulated Market of the London Stock Exchange.

**"Prescribed Terms"** means:

- (i) as respects any loan by the Co-Guarantor to SYB, the terms set out in the loan agreement dated 29 November 2010 made between (1) the Co-Guarantor (as lender), (2) SYB (as borrower) and (3) the Guarantor (as amended and/or re-stated from time to time with the sanction of Noteholders);
- (ii) as respects any loan by the Co-Guarantor to PT Kutai Mitra Sejahtera, the terms set out in the loan agreement dated 13 March 2013 made between (1) the Co-Guarantor (as lender), (2) PT Kutai Mitra Sejahtera (as borrower) and (3) the Guarantor (as amended and/or re-stated from time to time with the sanction of Noteholders); and
- (iii) as respects any loan by the Co-Guarantor to any other Qualifying Subsidiary, the terms set out in the pro forma loan agreement included at schedule 5 to the Trust Deed, subject to any amendment(s) to which the Trustee has agreed in writing (which agreement the Trustee shall not withhold where the Guarantor has certified (by way of providing a certificate signed by two directors of the Guarantor on behalf of the Guarantor) that (i) the amendment(s) is/are necessary as a consequence of any change in a law, regulation or other legal requirement on or after the date of the Trust Deed and (ii) the amendment(s) is/are not materially adverse or detrimental to the security for the Notes);

**"Qualifying Subsidiary"** means any subsidiary of the Guarantor incorporated in Indonesia and engaged in the cultivation of oil palms and/or the processing of oil palm fruit;

**"REA Kaltim"** means PT REA Kaltim Plantations, a subsidiary of the Guarantor incorporated in Indonesia and engaged in the cultivation of oil palms and/or the processing of oil palm fruit;

**"redemption date"** means, in relation to the Series A Notes, 31 December in each of the three years commencing 31 December 2015 and, in relation to the Series B Notes, 31 August 2020;

**"relevant spot rate"** means, for any day, the spot rate shown by the Financial Times of that day as the closing spot rate on the preceding business day or, if the board of directors of the Guarantor so elects, the spot rate in London quoted at or about 11.00 a.m. on that day (or on the preceding business day) by a London clearing bank, approved by the board of directors of the Guarantor, as being the rate for the purchase by the Co-Guarantor or an Indonesian Debtor Subsidiary (as the case requires) of sterling or dollars (as applicable) for the currency and amount in question;

**"subsidiary"** has the meaning given thereto in section 1159 of the Companies Act 2006 of the United Kingdom; and

**"SYB"** means PT Sasana Yudha Bhakti, a subsidiary of REAH incorporated in the Republic of Indonesia and engaged in the cultivation of oil palms and/or the processing of oil palm fruit.

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

## 2. **Form, status and transfer**

### (A) Form and denomination

The Notes are issued in registered form, in the case of the Series A Notes, in amounts and integral multiples of £1,000 and, in the case of the Series B Notes, in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof.

The Issuer, the Guarantor, the Co-Guarantor 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) Status

The Notes are direct and unconditional secured obligations of the Issuer and rank equally and without any preference among themselves.

(C) Transfers

(a) Series A Notes

The Series A Notes are transferable in amounts and integral multiples of £1,000.

(b) Series B Notes

The Series B Notes are transferable in minimum amounts of £100,000 nominal and integral multiples of £1,000 in excess thereof provided that, where the transfer is in respect of part only of a holding of Series B Notes, the transfer will not be valid unless the transferor retains a minimum holding of £100,000 nominal of Series B Notes represented, in the case of Series B Notes held in certificated form, by one certificate. Where a prospective transferor of Series B Notes holds more than one Series B Note in certificated form and is proposing to transfer part only of his holding, he may need first to consolidate his holding into fewer certificates.

(c) General

Subject as provided below, transfers of Notes shall be made by instrument in writing in the usual common form applicable to UK securities or in any other form which the board of managing directors (or, if applicable, the sole managing director) of the Issuer may approve. There shall not be included in any instrument of transfer more than one series (or class) of Notes.

In the case of Notes held in uncertificated form, title to the Notes may be transferred by means of a relevant system (as defined in the Uncertificated Securities Regulations 2001 (the "**Regulations**")), in which event, the Conditions shall not apply to the Notes to the extent that they are inconsistent with:

- (i) the holding of Notes in uncertificated form;
- (ii) the transfer of title to the Notes by means of a relevant system;
- (iii) any provision of the Regulations,

and the provisions of the Regulations shall apply in respect of the Notes and these Conditions.

**3. Use of any cash proceeds**

All cash proceeds of issue of the Notes shall be receivable by the Issuer and shall be applied solely in meeting the expenses of the issue of Notes (whether or not issued for cash and whether or not issued at the same time) and in making loans to the Guarantor, such loans to be applied by the Guarantor solely in making loans to the Co-Guarantor provided that any monies lent by the Issuer to the Guarantor shall be paid directly by the Issuer to the Co-Guarantor, on behalf of the Guarantor, into a bank account of the Co-Guarantor charged as referred to in Condition 4 or in accordance with Condition 12(C)(v). The Co-Guarantor shall apply the loans made to it by the Guarantor solely in making loans to Qualifying Subsidiaries provided that the Co-Guarantor and each such subsidiary shall have first entered into a loan agreement in respect of such loan on the Prescribed Terms. Pending the making by the Issuer of any such loans as are referred to above, the Issuer shall retain the proceeds of issue of the Notes (net of any expenses of the issue of the same) on deposit with ABN Amro Bank N.V. or such other bank or banks as the Trustee may from time to time approve (in accordance with Condition 12(B)(iv)).

**4. Guarantee**

The payment of the interest and principal and any other monies payable by the Issuer on or in respect of the Notes is irrevocably and unconditionally guaranteed by the Guarantor and the Co-Guarantor. The full terms of the guarantee are set out in schedule 4 to the Trust Deed.

The obligations of the Guarantor in respect of such guarantee are unsecured and, except as may be provided by applicable legislation or judicial order, will rank equally and without preference with all

other unsecured and unsubordinated obligations of the Guarantor. The obligations of the Co-Guarantor in respect of such guarantee are secured by way of first ranking charges in favour of the Trustee (on behalf of Noteholders) over:

- (i) two designated bank accounts of the Co-Guarantor; and
- (ii) the rights of the Co-Guarantor in respect of all monies owed to it from time to time by any Indonesian Debtor Subsidiary.

Any demand under such guarantee must be in writing, signed by the Trustee and received by the Guarantor or the Co-Guarantor at its address for service of notices in accordance with Condition 19 on or before, in the case of the Series A Notes, 28 February 2018 and, in the case of the Series B Notes, 31 October 2020 or, in either case if earlier, in the event of the Trustee giving valid notice under Condition 10 to the Issuer and the Guarantor and the Co-Guarantor that the Notes are, in accordance with Condition 10, due and payable, on or before the expiry of three months from the date of the said notice from the Trustee.

## 5. Security

In addition to the security referred to at Condition 4 in respect of the Co-Guarantor's obligations in respect of its guarantee of the Notes, payment of interest and principal and all other monies payable by the Issuer on or in respect of the Notes is secured by way of a first right of pledge in favour of the Trustee (on behalf of Noteholders) over the bank account(s) of the Issuer.

## 6. Interest

### (A) Series A Notes

The Issuer shall pay interest on the principal amount of the Series A Notes at the rate of 9.5 per cent per annum payable semi-annually in arrear in equal instalments on each Interest Payment Date to those persons who are registered as holders of Series A Notes at the close of business on the relevant record date (notwithstanding any intermediate transfer or transmission of any Series A Notes). Each Note will cease to bear interest from (and including) the due date for redemption unless payment of principal in respect of the Note is improperly withheld or refused.

### (B) Series B Notes

The Issuer shall pay interest on the principal amount of the Series B Notes at the rate of 8.75 per cent per annum payable semi-annually in arrear in equal instalments on each Interest Payment Date to those persons who are registered as holders of Series B Notes at the close of business on the relevant record date (notwithstanding any intermediate transfer or transmission of any Series B Notes), save that:

- (i) in respect of the first Interest Period following the date of issue of each Series B Note issued as consideration for the acquisition by the Issuer of Series A Notes pursuant to the offer made by the Issuer on 3 August 2015 (the "**exchange offer**") on the date that the exchange offer becomes unconditional, interest shall be calculated from (but excluding) the date of issue to (and including) 31 December 2015;
- (ii) in respect of the first Interest Period following the date of issue of each Series B Note issued as consideration for the acquisition by the Issuer of Series A Notes pursuant to the exchange offer after the date that the exchange offer becomes unconditional but on or prior to 31 December 2015, the interest rate shall be calculated as if interest had accrued from (and including) the day following the date that the exchange offer becomes unconditional to (and including) 31 December 2015;
- (iii) in respect of the first Interest Period following the date of issue of each Series B Note issued for cash, interest shall be calculated from (but excluding) the date of issue to (and including) the first Interest Payment Date following the date of issue; and
- (iv) 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.

(C) General

For the above provisions of this Condition 6, 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.

If it should be necessary to compute an amount of interest in respect of any Notes for a period shorter than a complete Interest Period, 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.

Interest will be paid in sterling.

**7. Redemption, purchases and cancellation**

(A) Final Redemption

Unless previously redeemed or purchased and cancelled as provided below, the Issuer shall redeem:

- (i) the Series A Notes in sterling at their principal amount by three (as nearly as possible) equal annual instalments commencing 31 December 2015; and
- (ii) the Series B Notes in sterling at their principal amount in one instalment on 31 August 2020.

If Series A Notes are purchased and cancelled by the Issuer, the amount of Series A Notes that the Issuer will be obliged to redeem on any given redemption date will be reduced by the nominal amount of Series A Notes purchased and cancelled prior to that redemption date (save in so far as such Series A Notes were purchased and cancelled prior to a previous redemption date and taken into account in reducing the amount of Series A Notes otherwise due to be redeemed in relation to that redemption date).

Redemptions will be made pro rata to holdings of Notes on the due redemption date with the amount to be applied in redemption of each holding being rounded down to the nearest integral multiple of, in the case of the Series A Notes, £1,000 and, in the case of the Series B Notes, £100,000 and then utilised to redeem in full an appropriate proportion of the Notes comprised in that holding.

Any interest accrued but unpaid on any Notes to be redeemed shall be paid on redemption.

(B) Purchases

The Issuer, any parent company of the Issuer (including the Guarantor) and any subsidiary of the Issuer or of the Guarantor may at any time purchase Notes in any manner and at any price.

(C) Cancellation

All Notes redeemed or purchased by the Issuer will be cancelled forthwith and such Notes may not be reissued. Notes purchased by any subsidiary of the Issuer, or by the Guarantor or any subsidiary of the Guarantor (other than the Issuer) may be held and/or resold.

**8. Payments, unclaimed monies and prescription**

Any interest, principal and other monies payable by the Issuer, the Guarantor, the Co-Guarantor or the Trustee on or in respect of the Notes shall be paid by cheque 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 shall be a satisfaction of the monies represented thereby. Every such cheque 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 foregoing provisions

of this Condition 8, the payment to any of such persons of the monies in question shall be as effective a discharge to the Issuer, the Guarantor, the Co-Guarantor and the Trustee as if the person to whom the payment is made was the sole registered holder of such Notes.

If any monies should remain due to any Noteholder in respect of any Notes after the due date because any cheque in respect of such monies 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 or the Guarantor or the Co-Guarantor (as applicable) 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 shall 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 the Trustee 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 8 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.

#### 9. **Taxation**

All payments of interest and principal and any other monies payable by the Issuer, the Guarantor, the Co-Guarantor or the Trustee on or in respect of the Notes will be made free and clear of, and without withholding of or deduction for, or on account of, any taxes imposed or levied by the Netherlands or 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.

#### 10. **Events of Default and change of control**

##### (A) **Events of 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 sub-paragraphs (ii), (iii), (vi), (viii) or (ix) 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, the Guarantor and the Co-Guarantor 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 (each an "**Event of Default**"):

- (i) if default should 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 default should be made by the Issuer, the Guarantor or the Co-Guarantor 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 certifies 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 has been given to the Issuer, the Guarantor or the Co-Guarantor (as applicable) by the Trustee;
- (iii) if the Issuer, the Guarantor or the Co-Guarantor should stop or threaten by notice to its creditors generally to stop payment of its debts generally or if the Issuer, the Guarantor or the Co-Guarantor should cease or threaten to cease to carry on business or substantially the whole of its business;

- (iv) if:
    - (I) the Issuer should be unable to pay its debts within the meaning section 1 of the Dutch Insolvency Act (*Faillissementswet*) or section 123 of the Insolvency Act 1986;
    - (II) the Issuer has been granted suspension of payments (*surseance van betaling*), on a temporary basis or otherwise (within the meaning of section 214 of the Dutch Insolvency Act) or has become subject to any other similar regulation (including but not limited to emergency proceedings (*noodregeling*)), or has, wholly or partly, lost the free management or disposal of its property in any other way, the foregoing irrespective of whether that situation is irrevocable; or
    - (III) the Issuer should propose to its creditors any composition as regards the debts owed by the Issuer to them, whether under the laws of the Netherlands or elsewhere and whether within or outside the scope of the insolvency proceedings referred to under (II);
  - (v) if:
    - (I) the Guarantor or the Co-Guarantor should be unable to pay its debts within the meaning section 123 of the Insolvency Act 1986 of the United Kingdom; or
    - (II) any voluntary arrangement should be proposed under section 1 of the Insolvency Act 1986 of the United Kingdom in respect of the Guarantor or the Co-Guarantor;
  - (vi) if any indebtedness in the nature of borrowings of the Guarantor or the Co-Guarantor should become repayable by reason of default by the Guarantor or the Co-Guarantor (respectively) or if any guarantee or indemnity given by the Guarantor or the Co-Guarantor is not honoured when due and called upon and, in either case, steps are taken to enforce payment;
  - (vii) if an order should be made or a resolution passed for the winding up of the Issuer, the Guarantor or the Co-Guarantor (except for a voluntary members' winding up approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders);
  - (viii) if any security interest created by the Guarantor, the Co-Guarantor, the Issuer or any Indonesian Debtor Subsidiary, other than any customary retention of title provision, should become enforceable and steps are taken to enforce the same;
  - (ix) if any Indonesian Debtor Subsidiary should incur or have outstanding for more than 10 business days following the date on which it becomes an Indonesian Debtor Subsidiary any indebtedness in the nature of borrowings owed to the Guarantor or any of its subsidiaries (other than the Co-Guarantor or any other Indonesian Debtor Subsidiary); or
  - (x) if the Guarantor should cease to be the owner (directly or indirectly) of more than 50 per cent of the issued ordinary share capital of the Co-Guarantor or any Indonesian Debtor Subsidiary.
- (B) Change of control of the Guarantor

If any person (or group of persons acting in concert within the meaning of the City Code on Takeovers and Mergers of the United Kingdom) should obtain the right to exercise more than 50 per cent of the votes which may generally be cast at a general meeting of the Guarantor, the Guarantor shall promptly give notice of such event (a "**change of control**"). Each Noteholder at its discretion may, following a change of control, give notice to the Issuer and the Guarantor that the Notes held by that Noteholder are, and they shall accordingly forthwith become, immediately due and repayable at an amount equal to 101 per cent of their principal amount, together with accrued interest provided that any such notice to the Issuer and the Guarantor shall only be effective if received by the Guarantor prior to the expiry of 60 days from the date of the notification by the Guarantor as to the change of control as referred to above.

## 11. Limitation on borrowing

For so long as any of the Notes remain outstanding, except with the sanction of an Extraordinary Resolution of the Noteholders, the combined Borrowings (as defined below) of the Issuer and the

Indonesian Debtor Subsidiaries shall not, at any time, exceed an amount equal to 2.5 times the earnings before interest, tax, depreciation, amortisation and gain or loss on biological assets of REA Kaltim for the preceding financial period (expressed in dollars and calculated using figures derived from the consolidation schedules used to prepare the audited consolidated financial statements of the Guarantor for the relevant financial period) or, if more, the limit on the combined Borrowings of the Issuer and the Indonesian Debtor Subsidiaries applicable for the previous financial period (such amount being the "**Permitted Maximum**").

For these purposes, "**Borrowings**" means:

- (a) all indebtedness in the nature of borrowings owed by the Issuer to any person other than to the Guarantor, net of any cash balances deposited at a bank in the name of the Issuer; and
- (b) all indebtedness in the nature of borrowings owed by the Indonesian Debtor Subsidiaries other than indebtedness in the nature of borrowings owed to the Co-Guarantor or owed by one Indonesian Debtor Subsidiary to another, net of any cash balances deposited at a bank in the name of an Indonesian Debtor Subsidiary,

and "**indebtedness in the nature of borrowings owed by the Indonesian Debtor Subsidiaries**" includes:

- (x) the principal amount raised by any Indonesian Debtor Subsidiary 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;
- (y) the principal amount outstanding in respect of any finance leases entered into by any Indonesian Debtor Subsidiary; and
- (z) save where the principal obligor is another Indonesian Debtor Subsidiary, the principal amount of any monies borrowed or other indebtedness, the redemption or repayment of which is guaranteed or secured by, or is the subject of an indemnity given by, any Indonesian Debtor Subsidiary,

but Borrowings shall not include amounts not exceeding \$10,000,000 in aggregate of any monies borrowed by any Indonesian Debtor Subsidiary for the purpose of repaying the whole or any part (with or without premium) of any monies borrowed by that Indonesian Debtor Subsidiary then outstanding and so to be applied by that Indonesian Debtor Subsidiary within eighteen months of being so borrowed pending their application for such purpose within such periods (as to which, a certificate as to the purpose of the borrowing in question signed by any two directors of the Guarantor on behalf of the Guarantor shall be conclusive evidence as to such purpose for the purposes of this Condition 11).

Where the amount of any indebtedness required to be taken into account for the purposes of this Condition 11 is denominated or repayable (or repayable at the option of any person other than the Issuer or an Indonesian Debtor Subsidiary) in a currency other than dollars, such amount shall be translated, for the purpose of calculating the dollar equivalent, at the relevant spot rate on the day in question provided that the "day in question", for the purposes of the Notes, shall be taken to be the date on which the issue of the relevant Notes becomes unconditional.

A certificate or report by the auditors for the time being of the Guarantor as to the amount of the Permitted Maximum referred to above in this Condition 11 and/or the aggregate amount of the combined Borrowings of the Issuer and the Indonesian Debtor Subsidiaries at any time shall be conclusive evidence of such amount for the purposes of this Condition 11.

## 12. Other covenants

### (A) Covenants by the Guarantor

The Guarantor covenants with the Trustee that for so long as any of the Notes remain outstanding the Guarantor 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 2006;
- (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; keep the said books of account and all other documents relating to its affairs at its registered office or such other place or places where such books of account and other documents ought in the ordinary course to be kept and allow the Trustee or any person or persons nominated by the Trustee in writing (not being a person or persons to whom the Guarantor may reasonably object) at all reasonable times to have access to such books of account and other documents to the extent relevant for the purposes of the Notes;
- (iii) give to the Trustee or any person or persons nominated by the Trustee in writing (not being a person or persons to whom the Guarantor may reasonably object) such information as they may reasonably require, in such form as they may reasonably require, as to all matters relating to the business, assets and affairs of the Guarantor, the Co-Guarantor and its subsidiaries;
- (iv) furnish to the Trustee two copies of every report, balance sheet, profit and loss account, circular or notice issued by the Guarantor to its members, in each case at the same time as the same are despatched to members of the Guarantor;
- (v) send to the Noteholders a copy of (I) the annual report of the Guarantor (incorporating those reports and audited accounts required by law or the rules of the Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (or any successor body) to be incorporated therein) and (II) each published interim report of the Guarantor, in each case at the same time as the same are despatched to members of the Guarantor;
- (vi) use its best endeavours (I) to maintain the listing of the Notes on the Official List of the Financial Conduct Authority (or any successor body) and their admission to trading on the London Stock Exchange's regulated market for listed securities (being a regulated market for the purposes of Directive 2004/39/EC (The Markets in Financial Instruments Directive)) 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 (II) 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;
- (vii) 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;
- (viii) 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;
- (ix) give immediate notice in writing to the Trustee upon the Guarantor becoming aware of the happening of any such event as is mentioned in Condition 10;

- (x) deliver to the Trustee (I) within 14 days of request therefor from time to time by the Trustee and (II) without the need for any such demand, within 14 days of the date on which the audited accounts for each financial year of the Guarantor are despatched to the members of the Guarantor (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 of the Guarantor on behalf of the Guarantor certifying that, so far as the Guarantor 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 to and including the date of the certificate (or throughout any other period specified by the Trustee):
  - (a) none of the Guarantor, the Co-Guarantor and the Issuer is, or has been, in breach of the provisions of the Trust Deed; and
  - (b) none of the events specified in Condition 10 has occurred;
- (xi) deliver to the Trustee within 14 days of the date on which the audited accounts for each financial year of the Guarantor are despatched to the members of the Guarantor (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 of the Guarantor on behalf of the Guarantor certifying the outstanding amounts of all loans made by the Co-Guarantor to (and repaid to the Co-Guarantor by) any Qualifying Subsidiary, and of the interest rate and repayment provisions applicable to each such loan, in each case as at the preceding accounting reference date of the Co-Guarantor;
- (xii) not change its accounting reference date;
- (xiii) procure that the borrowing restriction set out in Condition 11 is not breached;
- (xiv) procure that no Indonesian Debtor Subsidiary permits to subsist and/or creates security interest(s) in respect of any of its assets, other than customary retention of title provisions or any security interest(s) arising by operation of law, such that, at any time while there exist any Indonesian Debtor Subsidiaries, the Indonesian Debtor Subsidiaries together have secured borrowings of more than \$55,000,000 in aggregate;
- (xv) procure that:
  - (I) in any financial period of the Guarantor when the Indonesian Debtor Subsidiaries did not together have, as at the beginning of the relevant financial period, fixed assets with an aggregate book value (expressed in dollars and calculated using figures derived from the consolidation schedules used to prepare the audited consolidated balance sheet of the Guarantor as at the end of the immediately preceding financial period) of more than three times the Permitted Maximum (as defined in Condition 11), the Indonesian Debtor Subsidiaries do not dispose (whether by way of sale, lease, transfer or otherwise) of fixed assets having an aggregate book value (expressed in dollars and calculated as provided above) of more than \$2,000,000; or
  - (II) in any financial period of the Guarantor when the Indonesian Debtor Subsidiaries together had, as at the beginning of the relevant financial period, fixed assets with an aggregate book value (expressed in dollars and calculated using figures derived from the consolidation schedules used to prepare the audited consolidated balance sheet of the Guarantor as at the end of the immediately preceding financial period) of more than three times the Permitted Maximum (as defined in Condition 11), the Indonesian Debtor Subsidiaries do not dispose (whether by way of sale, lease, transfer or otherwise) of fixed assets having an aggregate book value (expressed in dollars and calculated as provided above) of more than the amount by which the book value of the fixed assets of the Indonesian Debtor Subsidiaries as at the beginning of the relevant financial period (expressed in dollars and calculated as provided above) exceeded three times the Permitted Maximum,

provided that for the purposes of this sub-paragraph (xv):

- (a) any disposal of assets by one Indonesian Debtor Subsidiary to another;



- (b) any disposal of assets for cash where the proceeds of the disposal are applied within one month of the date of the disposal, in or towards repaying borrowings owed to the Issuer and the Issuer thereafter retains the proceeds of such repayment in cash or applies the proceeds in purchasing Notes;
- (c) any disposal of assets for cash where the proceeds of the disposal are applied within twelve months of the date of the disposal in acquiring, or any exchange of assets for, assets of a similar nature;
- (d) (A) any disposal by SYB of land to PT Ade Putra Tanrajeng of Indonesia and/or associates (the "**APT group**") and/or relinquishing of rights by SYB in respect of further land, in consideration of which the APT group would procure the transfer to SYB of the whole of the issued share capital of PT Praesetia Utama in connection with the proposed settlement arrangements detailed in the circular dated 13 January 2012 from the Guarantor to holders of the Series A Notes and (B) any disposal by SYB of up to (and including) five per cent of PT Praesetia Utama to a local partner; and
- (e) any creation of any security interest in respect of any assets,

shall be deemed not to constitute a "**disposal**" and "**fixed assets**" shall mean biological assets and property, plant and equipment that are treated as non-current assets in accordance with International Financial Reporting Standards applicable on 4 December 2006;

- (xvi) procure that each of the Issuer and the Co-Guarantor complies with its covenants under the Trust Deed (including these Conditions);
- (xvii) as soon as practicable after the first occasion on which the Co-Guarantor makes a loan to a Qualifying Subsidiary that is not immediately prior to the making of the loan an Indonesian Debtor Subsidiary (and in any event within five business days thereof), furnish to the Trustee:
  - (I) a certified copy of the loan agreement in respect of the new loan;
  - (II) an opinion from Ali Budiardjo, Nugroho, Reksodiputro (Counsellors at Law, Jakarta) or Oentoeng Suria & Partners (or such other firm of Indonesian lawyers as the Trustee may approve) addressed to the Trustee in relation to the relevant Qualifying Subsidiary in substantially the form of the opinion issued by Ali Budiardjo, Nugroho, Reksodiputro to Capita Trust Company Limited on 16 March 2013 (subject to any amendment(s) to which the Trustee has agreed in writing);
  - (III) a notification, and acknowledgement of notification, of the charge over receivables referred to in Condition 4(ii) in the form set out in the schedule to such charge over receivables, duly executed by the Co-Guarantor and the relevant Qualifying Subsidiary as applicable;
  - (IV) a notification, and acknowledgement of notification, of the fiduciary assignment of receivables proposed to be made between the Co-Guarantor and the Trustee in the form set out in schedules to such fiduciary assignment, duly executed by the Co-Guarantor and the relevant Qualifying Subsidiary as applicable; and
  - (V) a certificate signed by two directors of the Guarantor, on behalf of the Guarantor, certifying that:
    - (a) the loan agreement in respect of the new loan has been duly executed by the Co-Guarantor and the relevant Qualifying Subsidiary and is enforceable in accordance with its terms;
    - (b) the loan agreement in respect of the new loan is on the Prescribed Terms; and
    - (c) the Issuer is in compliance with Condition 12;

(xviii) not agree to amend, and procure that neither the Co-Guarantor nor any Indonesian Debtor Subsidiary agrees to amend, the terms of any Prescribed Loan Agreement provided that, for the avoidance of doubt, none of:

- (I) any further or other arrangements pursuant to which the Co-Guarantor agrees with commercial lenders to an Indonesian Debtor Subsidiary to subordinate (a) any indebtedness owed to the Co-Guarantor by that Indonesian Debtor Subsidiary to (b) indebtedness of the Indonesian Debtor Subsidiary falling due for repayment on or before 31 August 2020 (provided that such further or other arrangements are on like or substantially similar terms to, or no more onerous terms than, those included in the subordination agreement dated 23 April 2009 and made between (1) the Issuer (as subordinated creditor), (2) REA Kaltim (as debtor) and (3) PT Bank Rabobank Indonesia and others (as senior creditors)); and
- (II) any arrangements pursuant to which the Co-Guarantor agrees with the relevant counterparties to any derivative financial instrument entered into by any Indonesian Debtor Subsidiary with a view to hedging against US dollars indebtedness owed by the Indonesian Debtor Subsidiary in a currency other than US dollars (a "**hedging contract**") to subordinate (a) any indebtedness owed to the Co-Guarantor by that Indonesian Debtor Subsidiary to (b) the obligations of the Indonesian Debtor Subsidiary under the hedging contract,

will constitute an amendment for the purposes of this sub-paragraph (xviii);

(xix) apply the proceeds of any loans made to it by the Issuer as provided in Condition 3 only as stipulated in Condition 3; and

(xx) procure that the aggregate value of the assets subject to the security referred to at Conditions 4 and 5 at all times equals or exceeds an amount equal to the principal amount of the Notes outstanding from time to time plus, to the extent that the cash held by the Issuer or the Co-Guarantor at bank (and charged as security as referred to at Condition 4 or 5) is less than the principal amount of the Notes outstanding, the greater of (a) 50 per cent of the amount by which the principal amount of the Notes outstanding exceeds the cash so held and (b) £10,000,000 and, for this purpose, cash on deposit and any loans by the Co-Guarantor to any Indonesian Debtor Subsidiary shall be valued at face value, with any cash deposits not retained in sterling translated to sterling at the relevant spot rates on the day of valuation and any loans by the Co-Guarantor to any Indonesian Debtor Subsidiary made in dollars translated to sterling at the relevant spot rate(s) on the day or days on which such loans were first advanced (or, in the case of the loan of \$26,500,000 owed by SYB and assigned by the Issuer to the Co-Guarantor on 29 November 2010, at the rate of £1=\$1.6143) provided that, for the purposes of this sub-paragraph (xx), monies in the course of being transferred by the Issuer (from an account charged as required pursuant to Condition 5) to the Co-Guarantor (to an account charged as required pursuant to Condition 4), and vice versa, including transfers from the Issuer to the Co-Guarantor at the direction of the Guarantor and vice versa, shall be deemed to remain charged during the course of such transfer.

(B) Covenants by the Issuer

The Issuer covenants with the Trustee that for so long as any of the Notes remain outstanding the Issuer 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 its articles of association (*statuten*) and by Book 2 of the Dutch Civil Code (*Burgerlijk Wetboek*);
- (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; keep the said books of account and all other documents relating to its affairs at its registered office or such other place or places where such books of account and other documents ought in the ordinary course to be kept and allow the Trustee 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 access to

such books of account and other documents to the extent relevant for the purposes of the Notes;

- (iii) give to the Trustee or any person or persons nominated by the Trustee in writing (not being a person or persons to whom the Issuer may reasonably object) such information as they may reasonably require, in such form as they may reasonably require, as to all matters relating to the business, assets and affairs of the Issuer and its subsidiaries (if any);
- (iv) not open any bank account (other than its accounts with ABN Amro Bank N.V.) without:
  - (I) the same first being approved by the Trustee; and
  - (II) creating, in favour of the Trustee (on behalf of Noteholders) a charge over the same on terms to be approved by the Trustee with the highest possible ranking as security for the payment of interest in respect of the Notes and repayment of the principal amount of the Notes and for its obligations under the Trust Deed;
- (v) apply the proceeds of issue of the Notes only as stipulated in Condition 3;
- (vi) apply any monies lent by it to the Guarantor and subsequently repaid only:
  - (I) in making one or more cash deposits into a bank account of the Issuer charged as referred to in Condition 5 or in accordance with sub-paragraph (iv) above;
  - (II) in meeting costs and expenses in the ordinary course of its business (including without limitation in meeting interest payments due in respect of the Notes);
  - (III) in making loans to the Guarantor; and/or
  - (IV) in purchasing or redeeming Notes;
- (vii) not lend monies to any person other than the Guarantor provided that this shall not preclude the depositing of monies in a bank account as permitted under the terms of the Trust Deed;
- (viii) not incur any indebtedness in the nature of borrowings, other than:
  - (I) in respect of the Notes; or
  - (II) in respect of unsecured loans due to the Guarantor,and in any event not incur any indebtedness in the nature of borrowings where to do so would result in a breach, on the date on which the borrowing would be incurred, of the borrowing restriction set out in Condition 11;
- (ix) not create any security interest in respect of any of its assets, other than customary retention of title provisions or any security interests arising by operation of law and other than as envisaged at Condition 5;
- (x) not change its financial year end;
- (xi) give immediate notice in writing to the Trustee upon the Issuer becoming aware of the happening of any such event as is mentioned in Condition 10;
- (xii) 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 Trust Deed and these Conditions;
- (xiii) comply with the requirement to benefit from the banking license exemption as laid down in Section 3:2 of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) and implementing regulations as amended from time to time; and
- (xiv) once there are Series B Notes in issue, not issue any further Series A Notes.

(C) Covenants by the Co-Guarantor

The Co-Guarantor covenants with the Trustee that for so long as any of the Notes remain outstanding the Co-Guarantor 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 2006;
- (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; keep the said books of account and all other documents relating to its affairs at its registered office or such other place or places where such books of account and other documents ought in the ordinary course to be kept and allow the Trustee or any person or persons nominated by the Trustee in writing (not being a person or persons to whom the Co-Guarantor may reasonably object) at all reasonable times to have access to such books of account and other documents to the extent relevant for the purposes of the Notes;
- (iii) without prejudice to sub-paragraph (ii) above, keep proper records of all amounts lent by it to (and repaid or prepaid to it by) any Qualifying Subsidiary, and of the interest rate and repayment provisions applicable to each such loan, and notify the Trustee promptly (and in any event within five business days) upon (I) any new loan being made by it to a Qualifying Subsidiary (giving details of the amount of the loan and of the interest rate and repayment provisions applicable to it) and (II) any loan made by it to a Qualifying Subsidiary being repaid or prepaid in full or in part (giving details of the amount repaid or prepaid);
- (iv) give to the Trustee or any person or persons nominated by the Trustee in writing (not being a person or persons to whom the Co-Guarantor may reasonably object) such information as they may reasonably require, in such form as they may reasonably require, as to all matters relating to the business, assets and affairs of the Co-Guarantor and its subsidiaries (if any);
- (v) at all times maintain a bank account with a bank approved by the Trustee and charged in favour of the Trustee (on behalf of Noteholders) on terms approved by the Trustee with the highest possible ranking as security for its guarantee in respect of the Notes (provided that, for the avoidance of doubt, the Co-Guarantor shall be at liberty to maintain such other, uncharged, bank accounts as it considers appropriate);
- (vi) apply the proceeds of any loans made to it by the Guarantor as provided in Condition 3 only as stipulated in to Condition 3;
- (vii) apply any monies lent by it to a Qualifying Subsidiary and subsequently repaid only:
  - (I) in making one or more cash deposits into the bank account of the Co-Guarantor charged in accordance with Condition 12(C)(v);
  - (II) in making one or more loans to any Qualifying Subsidiary on the Prescribed Terms;
  - (III) in repaying amounts owed to the Guarantor;
  - (IV) in making one or more loans to the Guarantor on such terms as may be agreed from time to time between the Co-Guarantor and the Guarantor; and/or
  - (V) in paying dividends;
- (viii) lend monies to any Qualifying Subsidiary only in accordance with the terms of a loan agreement made between the Co-Guarantor and the Qualifying Subsidiary on the Prescribed Terms;
- (ix) not agree to amend the terms of any Prescribed Loan Agreement provided that, for the avoidance of doubt, none of:
  - (I) any further or other arrangements pursuant to which the Co-Guarantor agrees with commercial lenders to an Indonesian Debtor Subsidiary to subordinate (a) any

indebtedness owed to the Co-Guarantor by that Indonesian Debtor Subsidiary to (b) indebtedness of the Indonesian Debtor Subsidiary falling due for repayment on or before 31 August 2020 (provided that such further or other arrangements are on like or substantially similar terms to, or no more onerous terms than, those included in the subordination agreement dated 23 April 2009 and made between (1) the Issuer (as subordinated creditor), (2) REA Kaltim (as debtor) and (3) PT Bank Rabobank Indonesia and others (as senior creditors)); and

- (II) any arrangements pursuant to which the Co-Guarantor agrees with the relevant counterparties to any derivative financial instrument entered into by any Indonesian Debtor Subsidiary with a view to hedging against US dollars indebtedness owed by the Indonesian Debtor Subsidiary in a currency other than US dollars (a "hedging contract") to subordinate (a) any indebtedness owed to the Co-Guarantor by that Indonesian Debtor Subsidiary to (b) the obligations of the Indonesian Debtor Subsidiary under the hedging contract,

will constitute an amendment for the purposes of this sub-paragraph (ix);

- (x) furnish the Trustee with a certified copy of any subordination or hedging agreement as is referred to at sub-paragraphs (ix)(I) and (ix)(II) above as soon as practicable after such agreement is entered into;
- (xi) not change its financial year end;
- (xii) give immediate notice in writing to the Trustee upon the Issuer becoming aware of the happening of any such event as is mentioned in Condition 10;
- (xiii) 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 Trust Deed and these Conditions; and
- (xiv) not agree repayment amounts as regards the loans due to it by Indonesian Debtor Subsidiaries which would result in the aggregate amount being due to it by Indonesian Debtor Subsidiaries on any repayment date, when aggregated with the cash amounts then held by the Co-Guarantor and/or the Issuer in a bank account charged in favour of the Trustee (on behalf of Noteholders), being less than the aggregate amount then due to holders of sterling notes by the Issuer on the next following redemption date and, for this purpose, loans due to the Co-Guarantor by Indonesian Debtor Subsidiaries that are denominated in dollars shall be translated into sterling at the relevant spot rate(s) on the day(s) on which such loans were first advanced (or, in the case of the loan of \$26,500,000 owed by SYB and assigned by the Issuer to the Co-Guarantor on 29 November 2010, at the rate of £1=\$1.6143).

**The Trust Deed does not contain any provisions limiting the borrowings of the Guarantor or any of its subsidiaries, other than the Issuer and the Indonesian Debtor Subsidiaries, nor any provisions restricting or prohibiting the granting of security by the Guarantor or any of its subsidiaries, other than the Issuer and the Indonesian Debtor Subsidiaries.**

### 13. 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 and/or the Guarantor and/or the Co-Guarantor 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 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.

**14. Meetings of Noteholders and class meetings**

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 Trust Deed contains provisions for convening a single meeting of Noteholders in all circumstances save where the matter(s) to be considered include proposals for the variation or abrogation of the special rights attached to a series (or class) of Notes, in which event such rights may only be varied or abrogated either (a) with the consent in writing of the holders of more than 75 per cent in nominal value of the issued Notes of that series (or class); or (b) with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of that series (or class). For this purpose, "special rights" means rights particular to one series (or class) of Notes, rather than attached to all of the Notes.

The quorum at any meeting of Noteholders (or meeting of the holders of any series (or class) of Notes) for passing an Extraordinary Resolution, other than an adjourned meeting, is one or more persons holding or representing at least one third of the principal amount of the Notes (or the relevant series (or class) of Notes) for the time being outstanding. The quorum at any meeting of Noteholders (or meeting of the holders of any series (or class) of Notes) for passing an Extraordinary Resolution at an adjourned meeting is one or more holders or representatives of holders of Notes (or the relevant series (or class) of Notes) 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 (or meeting of the holders of any series (or class) of Notes) will be binding on all Noteholders, whether or not they are present at the meeting.

**15. Modification and waiver**

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 18.

**16. Further issues**

Subject to certain limitations included in clause 3 of the Trust Deed, 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 Series B Notes (or, where there are no Series B Notes in issue, the Series A 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 Series A Notes or the Series B 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.

**17. 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.

#### **18. 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 European Union, has not supplied to the Issuer an address within the European Union for the service of notices shall not be entitled to receive notices from the Issuer. The Issuer may, at its discretion, give notices to such Noteholder by advertisement (to Noteholders generally) in a national newspaper published in the Netherlands and a national newspaper published in the United Kingdom, 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 as a result of the suspension or curtailment of postal services in the Netherlands and/or the United Kingdom, notice may be given to Noteholders by advertisement in a national newspaper published in the Netherlands and 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 Netherlands or the United Kingdom (as applicable) are restored.

#### **19. Notices to the Issuer, to the Guarantor and to the Co-Guarantor**

Any notice, demand or other document may be served:

- (i) on the Issuer by sending the same by post in a prepaid letter to the registered office of the Issuer marked for the attention of The Managing Trustee, or to such other address in the Netherlands and/or addressee as the Issuer may from time to time notify to the Trustee and to Noteholders;
- (ii) on the Guarantor or the Co-Guarantor by sending the same by post in a prepaid letter to the registered office of the Guarantor or the Co-Guarantor (as applicable) marked for the attention of The Company Secretary, or to such other address in England and/or addressee as the Guarantor may from time to time notify to the Trustee and to Noteholders.

Any notice, demand or other document served on the Issuer shall be copied to the Guarantor in accordance with sub-paragraph (ii) above.

20. **Trustee**

Capita Trust Company Limited, whose principal office is 4th Floor, 40 Dukes Place, London EC3A 7NH, 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, together with any amount of value added tax or similar tax in respect thereof. 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, together with any amount of irrecoverable value added tax or similar tax in respect thereof.

21. **Indemnity in favour of the Trustee and contracts between the Trustee and the Issuer and/or the Guarantor**

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, (a) to enter into business transactions with the Issuer and/or the Guarantor and/or the Co-Guarantor and/or any of their respective subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or the Co-Guarantor and/or any of their respective subsidiaries, (b) 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 (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

22. **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.

23. **Governing law and submission to jurisdiction**

The Trust Deed and the Notes are governed by, and shall be construed in accordance with, English law. The Issuer, the Guarantor and the Co-Guarantor have irrevocably agreed, and each Noteholder is



deemed to have irrevocably agreed, that only the courts of England and those of the Netherlands have jurisdiction to hear and decide any suit, action or proceedings, and to settle any dispute, controversy or claim, which may in either case arise out of or in any way relate to the Trust Deed or the Notes.

## DESCRIPTION OF R.E.A. HOLDINGS PLC

### Introduction

R.E.A. Holdings plc was incorporated in England and Wales on 27 September 1960 under the Companies Act 1948 with registered number 671099. REAH is a public limited company and is subject to the provisions of the Companies Act 2006. REAH'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.

REAH 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 its subsidiaries and the issuer's profitability and cash flow is therefore materially dependent upon the REA Kaltim sub-group.

### Overview

The group is principally engaged in the cultivation of oil palms in the province of East Kalimantan in Indonesia and in the production of crude palm oil and crude palm kernel oil. Ancillary to this, the group generates renewable energy from its methane capture plants to provide power for its own operations and also for sale to local villages via the Indonesian state electricity company. 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 14 to 20 (inclusive) and 23 to 28 (inclusive) of the 2014 annual report (in the section entitled "*Strategic report*" under the headings "*Agricultural operations*" and "*Sustainability*").

The group also holds interests in respect of a stone deposit and three coal mining concessions, all of which are located in East Kalimantan. Detailed information concerning such stone and coal operations is provided on page 21 of the 2014 annual report (in the section entitled "*Strategic report*" under the heading "*Stone and coal operations*").

The group and predecessor businesses have been involved for over one hundred years in the operation of agricultural estates growing a variety of crops in developing countries in South East Asia and elsewhere. Today, the group sees itself as marrying developed world capital and Indonesian opportunity by offering investors in, and lenders to, REAH the transparency of a company listed on a stock exchange of international standing and then using capital raised by REAH (or with REAH's support) to develop natural resource based operations in Indonesia from which the directors believe that good returns can be achieved.

The group's long involvement in the plantation industry and its knowledge and expertise represent significant intangible resources because they underpin the group's credibility. This assists materially in sourcing capital, in negotiating with the Indonesian authorities in relation to project development and in recruiting management of a high calibre. Other resources important to the group are its established base of operations, its large, and uniquely near contiguous, land concessions, an experienced management team familiar with Indonesian regulatory processes and social customs and committed to sustainable practices, and a trained workforce with strong links to the local community.

### *Objectives and general strategy*

The group's objectives are both to provide attractive overall returns to investors in the shares and other securities of REAH from the operation and expansion of the group's existing businesses and to foster economic progress in the localities of the group's activities, while maintaining high standards of sustainability. Achievement of these objectives is dependent upon, among other things, the group's ability to generate the operating profits that are needed to finance such achievement.

CPO and CPKO are primary commodities and, as such, must be sold at prices that are determined by world supply and demand. Such prices fluctuate in ways that are difficult to predict and that the group cannot control. The group's operational strategy is therefore to concentrate on minimising unit production costs, without compromising on quality or its objectives as respects sustainable practices, with the expectation that, as a lower cost producer of primary commodities, the group has greater resilience in any downturn in price than competitor producers.

In the agricultural operations, the group adopts a two-pronged approach in seeking production cost efficiencies. First, the group aims to capitalise on its available resources by developing its land bank as rapidly as logistical, financial and regulatory constraints permit with a view to utilising the group's existing agricultural management capacity to manage a larger business. Secondly, the group strives to manage its established agricultural operations as productively and efficiently as possible.

The stone and coal mining interests represent group diversifications. The directors believe that quarrying of the stone interest will complement the agricultural operations and can be developed to provide a useful additional revenue source for the group. Following a decision in 2012 to limit further capital committed to the coal mining interests, the group's strategy for those interests is to maximise recovery of capital already committed.

As a financial strategy, the group aims to enhance returns to equity investors in REAH by procuring that a prudent proportion of the group's funding requirements is met with prior ranking capital in the form of fixed return permanent preferred capital and debt with a maturity profile appropriate to the group's projected future cash flows.

The group recognises that its agricultural operations, of which the total assets at 31 December 2014 represented some 95 per cent of the group's total assets and which, in 2014, contributed all of the group's profits, lie within a single locality and rely on a single crop. This permits significant economies of scale but brings with it some risks. Whilst further diversification would afford the group some offset against these risks, the group believes that, for the foreseeable future, the interests of the group and its shareholders will be best served by growing the existing operations. The group therefore have no plans for further diversification.

## **Current trading**

### *Operations*

The crop of oil palm fresh fruit bunches harvested during the half year to 30 June 2015 amounted to 280,000 tonnes, compared with 310,000 tonnes for the corresponding period in 2014. External purchases of FFB during the period totalled 68,000 tonnes, substantially the same as in the corresponding period in 2014.

The early months of 2015 saw generally lower palm oil production throughout East Kalimantan and East Malaysia, reflecting the combination of unusually high rainfall in February following on from an extended dry period in September and October 2014. Rainfall for the half year to 30 June 2015 averaged 1,505 millimetres across the group's operations, closer to recent historical averages for the equivalent period and ahead of the 1,295 millimetres during the corresponding period in 2014.

Cropping in the initial part of July was affected by the Ramadan fasting period and subsequent festivities but daily cropping rates are now improving to more normal levels. Smallholder crops continue to make a steady contribution to throughput and revenue.

For the half year to 30 June 2015, FFB processed palm products produced and relative extraction rates, together with the comparative figures for the corresponding period in 2014 were as follows:

	<b>Six-month period ended 30 June 2015:</b>	<b>Six-month period ended 30 June 2014:</b>
FFB processed (tonnes)	344,000	375,000
Crude palm oil produced (tonnes)	74,000	81,000
Palm kernels produced (tonnes)	18,000	17,000
Crude palm kernel oil produced (tonnes)	7,000	6,000
CPO extraction rate (%)	21.5	21.6
Palm kernel extraction rate (%)	4.6	4.4
CPKO extraction rate (%)	33.6	38.3

In the group's two older mills, refurbishment of three out of the four boilers has now been completed. Refurbishment of the remaining fourth boiler is in progress. Other major refurbishment works in the mills are now substantially complete although there is a continuing programme of repair work and

maintenance to ensure optimum throughput. Improving mill operation and capacity is being reflected in improving extraction rates. Completion of a new second loading ramp at the group's oldest mill means that it is now possible to grade all third party fruit being purchased by the group and this should, in due course, ensure a reduction in the negative impact on extraction rates of poorer quality third party fruit. Whilst the extent of this impact is difficult to measure precisely, the group's Perdana oil mill, which processes a much higher proportion of third party fruit than the group's Cakra and Satria oil mills, had a CPO extraction rate for the half year to 30 June 2015 of 21.4 per cent as compared with the 23.6 per cent achieved by the Satria oil mill.

Works have been initiated to extend the group's newest oil mill so as to double its capacity in 2016 and thereby, for the foreseeable future, ensure sufficient processing capacity for all crop from the group's estates and from the growing number of maturing smallholder plantings in the vicinity.

During the period from 1 January to 30 June 2015, the CPO price, CIF Rotterdam, has for the most part traded within the range \$650 to \$700 per tonne but with some occasional dips towards the \$600 level. Whilst there have been increasing indications of an El Niño weather event in 2015 and a recent announcement that the US will mandate increased use of biofuels with effect from 2016, the CPO prices have been slightly weaker in July 2015. In the opinion of the directors, this reflects a general weakness in commodity markets and the current plentiful supplies of soybeans. The previously announced new Indonesian levy on exports of CPO is now being implemented at a level of \$50 per tonne. The planned use of levy proceeds to support increased mandatory blending of biodiesel in fuel sold within Indonesia is likely to improve biodiesel offtake and may well result in some firming in the CPO price in due course.

The average selling price for the group's CPO for the six-month period to 30 June 2015, on an FOB basis at the port of Samarinda and after payment of export duty, was \$542 per tonne (2014: \$711 per tonne). The average selling price for the group's CPKO on the same basis was \$862 per tonne (2014: \$1,034 per tonne). In addition, during the half year to 30 June 2015, the group realised approximately \$339,000 from the sale of green palm certificates with the price for green palm certificates in respect of CPKO currently at \$50 per tonne (2014: \$60 per tonne).

The group considers that good progress is being made with development of its new land areas held by PT Putra Bongan Jaya and PT Cipta Davia Mandiri. Construction of the perimeter bunding required to control flooding in the lower lying areas of PT Putra Bongan Jaya is now substantially complete although water gates have still to be installed. During the half year to 30 June 2015, the area cleared for planting at PT Putra Bongan Jaya increased by 1,160 hectares. With expansion now possible into lower lying areas, the group expects clearing to accelerate rapidly within the further 6,000 hectares that are immediately available to be cleared. At PT Cipta Davia Mandiri, clearing has started on an initial 1,000 hectares.

The group is also working towards completing the long announced swap of land held by PT Sasana Yudha Bhakti for shares in PT Prasetia Utama in the second half of 2015.

The group's pioneering collaboration with the Indonesian state electricity company came to fruition in April 2015 when the group's two methane capture plants started to supply renewable electricity to local villages. Initially, 14 villages have been connected. The Indonesian state electricity company is now working on completing connections to a further 7 villages as well as installing prepay meters in village houses. As further villages are connected and the installed number of prepay meters increases, power offtake from the group is projected to increase.

The group is working with an international development NGO, SNV, to improve the agricultural practices of smallholders within the group's supply chain who manage their own land so as to optimise their yields and fruit quality in a way that complies with the standards of the Roundtable on Sustainable Palm Oil. The scheme is designed so that farmers, upon completion of training, will be in a position to train other smallholders within the same cooperative.

In support of the group's continuing commitment to produce palm oil in a responsible manner, the group published its second sustainability report in June 2015, produced in accordance with the Global Reporting Initiative. The purpose of this report is to provide stakeholders with detailed information about the group's performance on all material environmental and socio-economic issues that is more

comprehensive than the information provided in the 2014 annual report. The report is available to download from the group's website: [www.rea.co.uk](http://www.rea.co.uk).

The group is continuing to seek a "cornerstone" third party stone offtake agreement to underpin the investment needed to upgrade the access road to the group's stone concession which will be a necessary preliminary to commencing extraction operations at the concession. The group's coal mining activities remain suspended.

#### *Finance*

As stated in the 2014 annual report, the directors intend that, when market conditions permit, existing shorter dated debt should be repaid and replaced with preference share capital or debt of a longer maturity to meet the group's financing objectives. In line with this intention:

- (a) On 1 July 2015, 4,221,000 new 9 per cent cumulative preference shares were issued for cash at par. Such new preference shares rank pari passu in all respects with the existing issued preference shares.
- (b) The directors are proceeding with the exchange offer and placing described in more detail under the section entitled "*Proposed Issue*" in this prospectus. Concurrently with the exchange offer as described in this prospectus, the group is aiming to place a limited number of new sterling notes for cash.

The directors continue to work towards implementing their previously announced intention of effecting a public offering of a minority shareholding in the group's principal operating subsidiary, REA Kaltim, combined with a listing of REA Kaltim shares on the Indonesia Stock Exchange in Jakarta. The possibility of a placing of REA Kaltim shares in advance of such a listing is also being explored.

#### *Outlook*

With CPO prices at depressed levels, the group is making great efforts to reduce costs and improve operating efficiencies. In this, it is making good progress and is being helped by the continuing weakness of the Indonesian rupiah. With extension planting gathering momentum, the group should remain a low cost producer of CPO and, as such, well placed to weather the current low period in the CPO price cycle and to ensure that any upturn in prices flows through directly into profit.

#### **Significant shareholders**

On 31 December 2014, REAH had received notifications in accordance with chapter 5 of the Disclosure Rules and Transparency Rules of the Financial Conduct Authority of the following voting rights as shareholders of REAH:

<b>Substantial holders of ordinary shares:</b>	<b>Number of ordinary shares:</b>	<b>Percentage of voting rights:</b>
Emba Holdings Limited	9,957,500	28.4
Prudential plc and certain subsidiaries <sup>2</sup>	6,043,129	17.2
Alcatel Bell Pensionenfonds VZW	4,167,049	11.9
Artemis UK Smaller Companies	3,563,620	10.2

#### **Board of directors**

The directors of REAH, their positions and their principal activities outside REAH, where these are significant, are as follows:

<sup>2</sup> REAH has been notified that the interest of Prudential plc group of companies includes 6,021,116 ordinary shares (17.16 per cent) in which M&G Investment Funds 3 is also interested.

## **Richard 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 some 40 years in the plantation industry. He is non-executive but devotes a significant proportion of his working time to the affairs of the group. He is a non-executive director of M. P. Evans Group plc, a UK plantation company of which the shares are admitted to trading on the Alternative Investment Market of the London Stock Exchange, and of a Kenyan listed plantation company, REA Vipingo Plantations Limited.

Mr Robinow has announced that he proposes to retire as chairman of the group with effect from 1 January 2016, following his seventieth birthday. It is proposed that David Blackett succeed Mr Robinow as chairman. Mr Robinow proposes to remain on the board as a non-executive director and, for a transitional period, will undertake some additional responsibilities overseeing completion of the proposed Jakarta listing of REA Kaltim. Mr Robinow's family's significant shareholding in REAH will continue to support the development of the group.

## **John 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. He transferred in the early 1990s to take charge of the day to day management of the group's then embryonic East Kalimantan agricultural operations. He was appointed managing director in January 2002 and, until the appointment of a regional executive director in 2013, was the sole executive director of the group. Mr Oakley, who is based in London, has overall responsibility for the operations of the group.

Mr Oakley has announced that he proposes to retire as managing director with effect from 1 January 2016. It is proposed that Mark Parry succeed Mr Oakley as managing director. Mr Oakley proposes to remain on the board as a non-executive director and, for a transitional period, will undertake some additional responsibilities overseeing completion of the group's new information systems.

## **Mark Parry**

### *Executive director*

Mr Parry was appointed an executive director in January 2013. Mr Parry joined the group in 2011 as the group's regional director based in Singapore and Indonesia and was appointed president director of REA Kaltim in July 2012. He worked for ten years as a surveyor and engineer in the mining, oil and gas industries. Following completion of an MBA at the London Business School, he spent 15 years with an international bank, ultimately as managing director, project finance. He subsequently established and ran a private consultancy business for two years prior to joining the group. Mr Parry is also chief operating officer of REA Kaltim with local responsibility for all of the group's operations.

As noted above, it is proposed that Mr Parry will assume the role of managing director on the retirement of Mr Oakley from that role, with effect from 1 January 2016.

## **David Blackett**

### *Senior independent non-executive director*

Committees: audit (chairman), nomination, remuneration (chairman)

Mr Blackett was appointed a non-executive director in July 2008. 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's Asia Pacific operations. Previously, he was a director of an international investment bank with responsibility for the bank's South East Asian operations and until

October 2014 served as an independent non-executive director of South China Holdings Limited (now Orient Victory China Holdings Limited), a company listed on the Hong Kong Stock Exchange.

As noted above, it is proposed that Mr Blackett will assume the role of chairman on the retirement of Mr Robinow from that position, with effect from 1 January 2016.

**Irene Chia**

***Independent non-executive director***

Ms Chia was appointed a non-executive director in January 2013. Ms Chia has extensive corporate, investment and entrepreneurial experience in Asia, the USA and the UK. A graduate in economics and formerly a director of one of the Jardine Matheson Group companies, Ms Chia now lives in Singapore and is currently self-employed with Far Eastern interests in consulting, property and financial investment as well as in the charitable sector.

**David Killick, FCIS**

***Independent non-executive director***

Committees: audit, nomination (chairman), remuneration

Mr Killick was appointed a non-executive director in 2006. 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.

**Address of directors**

The business address of each of the directors is First Floor, 32-36 Great Portland Street, London W1W 8QX.

**Conflicts of interest**

As noted above, Mr Robinow is a director of M.P. Evans Group plc which has 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.

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 REAH. Emba has agreed that it will not undertake activities in conflict with those of the group.

Save as described in the immediately preceding paragraphs of this section "*Conflicts of interest*", there are no potential conflicts of interest between the duties to the group of any of the directors listed above and their private interests and/or other duties.

**Committees of the board of directors**

The board has appointed audit, nomination and remuneration committees to undertake certain of the board's functions, with written terms of reference which are available for inspection on REAH's website and are updated as necessary.

An executive committee of the board, currently comprising Mr Robinow and Mr Oakley, has been appointed to deal with various matters of a routine or executory nature.

## DESCRIPTION OF REA FINANCE B.V.

### Introduction

REA Finance B.V. is incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*). It is subject to the provisions of the Dutch Civil Code, has its registered office at 6th Floor, De Boelelaan 7, 1083 HJ Amsterdam, The Netherlands and has been registered with the trade registry of the Chamber of Commerce and Industries in Amsterdam under number 34259527. Its telephone number is +31 (0)20 504 3800.

### Business activities

REA Finance is a wholly-owned subsidiary of REAH. Substantially all of its assets comprise loans to REAH.

### Directors

REAH, as the sole shareholder of REA Finance, has appointed Corfas B.V. of De Boelelaan 7, 1083 HJ Amsterdam, The Netherlands to serve as the sole director of REA Finance. Corfas B.V. is a member of the AlterDomus group, a leading European provider of fund and corporate services. The directors of Corfas B.V. are Alter Domus Nederland B.V. (represented by Mr Sang-ki Brands and Mr Jochem Arnold Pieter Temmerman) and Ms Karina Franciska Johanna Jansen.

The business address of the director of REA Finance is De Boelelaan 7, 1083 HJ Amsterdam, The Netherlands.

The directors of Corfas B.V. have no significant activities outside Corfas B.V. and the AlterDomus group and no potential conflicts of interest between their duties to REA Finance and their private interests and/or other duties.



## DESCRIPTION OF R.E.A. SERVICES LIMITED

### Introduction

R.E.A. Services Limited was incorporated in England and Wales on 8 February 1974 under the Companies Act 1948 with registered number 1159736. REA Services is a private limited company and is subject to the provisions of the Companies Act 2006. REA Services' registered office is at First Floor, 32-36 Great Portland Street, London W1W 8QX and its telephone number is + 44 (0)20 7436 7877.

### Business activities

REA Services is a direct wholly-owned subsidiary of REAH. The principal activity of REA Services is the provision of financial, administrative and marketing services to the group.

### Directors

The directors of REA Services are Richard Robinow, John Oakley and Jeremy Robinow. Further details regarding Richard Robinow and John Oakley are given under "*Board of directors*" at "*Description of R.E.A. Holdings plc*" above.

The business address of each of the above is First Floor, 32-36 Great Portland Street, London W1W 8QX.

Save as described in "*Conflicts of interest*" at "*Description of R.E.A. Holdings plc*" above with regard to Richard Robinow, there are no potential conflicts of interest between the duties to the group of any of the directors listed above and their private interests and/or other duties.

### Provision of security for the new sterling notes and existing sterling notes

The existing sterling notes are, and the new sterling notes will be, secured principally by charges over loans made by REA Services to qualifying subsidiaries (being subsidiaries of REAH incorporated in Indonesia and engaged in the cultivation of oil palms and/or the processing of oil palm fruit). At 31 December 2014, such loans were reported in the audited balance sheet of REA Services at £63.9 million and represented substantially the whole of the gross assets of REA Services.

Pursuant to Condition 12(A)(xx) of the terms and conditions of the sterling notes (as set out above), REAH has undertaken to procure that the aggregate principal amount of loans outstanding from REA Services to qualifying subsidiaries does not fall below whichever is the greater of:

- (a) 1½ times the nominal amount of non-cash collateralised sterling notes outstanding (meaning, for this purpose, the principal amount of the sterling notes outstanding less cash balances held by REA Services or REA Finance at bank, in charged accounts, on the day of valuation); and
- (b) £10,000,000.

For these purposes, cash balances and loans by REA Services to qualifying subsidiaries will be valued at face value, with any cash balances not retained in sterling translated to sterling at the relevant spot rates on the day of valuation and any loans by REA Services to qualifying subsidiaries not denominated in sterling being translated to sterling at the spot rate on the date on which the loan is advanced (or, in the case of the dollar denominated SYB loans assigned by REA Finance to REA Services on 29 November 2010 at the rate of £1:\$1.6143 (being the average of the spot rates applicable when the loans were originally made to SYB)).

## TAXATION

### General

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no further issues of securities that will form a single series with the new sterling notes, and do not address the consequences of any further issue (notwithstanding that such further issue may be permitted under the amended and restated trust deed). Any potential investor in new sterling notes who is in doubt as to his own tax position should consult his own professional tax advisers.

### The Netherlands taxation

This summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of new sterling notes. It does not purport to describe every aspect of taxation that may be relevant to a particular holder of new sterling notes (as defined below). Any potential investor should consult his tax adviser for more information about the tax consequences of acquiring, owning and disposing of new sterling notes in his particular circumstances.

Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this summary the terms "the Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands. This summary assumes that the issuer is organised, and that its business will be conducted, in the manner outlined in this prospectus. A change to such organisational structure or to the manner in which the issuer conducts its business may invalidate the contents of this summary, which will not be updated to reflect any such change.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this prospectus. The tax law upon which this summary is based, is subject to changes, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

This summary assumes that each transaction with respect to new sterling notes is at arm's length.

Where in this Netherlands taxation paragraph reference is made to a "holder of new sterling notes", that concept includes, without limitation:

- (a) an owner of one or more new sterling notes who in addition to the title to such new sterling notes has an economic interest in such new sterling notes;
- (b) a person who or an entity that holds the entire economic interest in one or more new sterling notes;
- (c) a person who or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more new sterling notes, within the meaning of (a) or (b) above; or
- (d) a person who is deemed to hold an interest in new sterling notes, as referred to under (a) to (c) above, pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001, with respect to property that has been segregated, for instance in a trust or a foundation.

### *Withholding tax*

All payments under the new sterling notes may be made free from withholding or deduction of or for any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority of or in the Netherlands.

### *Taxes on income and capital gains*

The summary set out in this section "*Taxes on income and capital gains*" applies only to a holder of new sterling notes who is neither resident nor deemed to be resident in the Netherlands for the purposes

of Dutch income tax or corporation tax, as the case may be (a "**non-resident holder of new sterling notes**").

#### *Individuals*

A non-resident holder of new sterling notes who is an individual will not be subject to any Dutch taxes on income or capital gains in respect of any benefits derived or deemed to be derived from new sterling notes, including any payment under new sterling notes and any gain realised on the disposal of new sterling notes, except if:

- (a) he derives profits from an enterprise directly, or pursuant to a co-entitlement to the net value of such enterprise, other than as a holder of securities, which enterprise either is managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative which is taxable in the Netherlands, and his new sterling notes are attributable to such enterprise; or
- (b) he derives benefits or is deemed to derive benefits from new sterling notes that are taxable as benefits from miscellaneous activities in the Netherlands.

If a holder of new sterling notes is an individual who does not come under exception (a) above, and if he derives or is deemed to derive benefits from new sterling notes, including any payment under such new sterling notes and any gain realised on the disposal thereof, such benefits are taxable as benefits from miscellaneous activities in the Netherlands if he, or an individual who is a connected person in relation to him as meant by article 3.91, paragraph 2, letter b, or c, of the Dutch Income Tax Act 2001, has a substantial interest in the issuer.

Generally, a person has a substantial interest in the issuer if such person – either alone or, in the case of an individual, together with his partner, if any – owns or is deemed to own, directly or indirectly, either a number of shares representing five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the issuer, or rights to acquire, directly or indirectly, shares, whether or not already issued, representing five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the issuer, or profit participating certificates relating to five per cent or more of the annual profit of the issuer or to five per cent or more of the liquidation proceeds of the issuer.

A person who is entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and such person's entitlement to such benefits is considered a share or a profit participating certificate, as the case may be.

Furthermore, a holder of new sterling notes who is an individual and who does not come under exception (a) above may, *inter alia*, derive, or be deemed to derive, benefits from new sterling notes that are taxable as benefits from miscellaneous activities in the following circumstances, if such activities are performed or deemed to be performed in the Netherlands:

- (i) if his investment activities go beyond the activities of an active portfolio investor, for instance in the case of use of insider knowledge or comparable forms of special knowledge;
- (ii) if he makes new sterling notes available or is deemed to make new sterling notes available, legally or in fact, directly or indirectly, to certain parties as meant by articles 3.91 and 3.92 of the Dutch Income Tax Act 2001 under circumstances described there; or
- (iii) if he holds new sterling notes, whether directly or indirectly, and any benefits to be derived from such new sterling notes are intended, in whole or in part, as remuneration for activities performed or deemed to be performed in the Netherlands by him or by a person who is a connected person in relation to him as meant by article 3.92b, paragraph 5, of the Dutch Income Tax Act 2001.

### *Attribution rule*

Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or the parents who exercise, authority over the child, irrespective of the country of residence of the child.

### *Entities*

A non-Resident holder of new sterling notes other than an individual will not be subject to any Dutch taxes on income or capital gains in respect of any benefits derived or deemed to be derived from new sterling notes, including any payment under new sterling notes and any gain realised on the disposal of new sterling notes, except if

- (a) such non-Resident holder of new sterling notes derives profits from an enterprise directly, or pursuant to a co-entitlement to the net value of such enterprise, other than as a holder of securities, which enterprise either is managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative which is taxable in the Netherlands, and its new sterling notes are attributable to such enterprise; or
- (b) such non-Resident holder of new sterling notes has a substantial interest (as described above under "*Individuals*" above) or a deemed substantial interest in the issuer.

A deemed substantial interest may be present if shares, profit participating certificates or rights to acquire shares in the issuer are held or deemed to be held following the application of a non-recognition provision.

### *General*

Subject to the above, a non-Resident holder of new sterling notes will not be subject to income taxation in the Netherlands by reason only of the execution and/or enforcement of the documents relating to the issue of new sterling notes or the performance by the issuer of its obligations under such documents or under the new sterling notes.

### *Gift and inheritance taxes*

If a holder of new sterling notes disposes of notes by way of gift, in form or in substance, or if a holder of notes who is an individual dies, no Dutch gift tax or Dutch inheritance tax, as applicable, will be due, unless:

- (a) the donor is, or the deceased was resident or deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, as applicable; or
- (b) the donor made a gift of new sterling notes, then became a resident or deemed resident of the Netherlands, and died as a resident or deemed resident of the Netherlands within 180 days of the date of the gift.

For purposes of the above, a gift of new sterling notes made under a condition precedent is deemed to be made at the time the condition precedent is satisfied.

### *Registration taxes and duties*

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands in respect of or in connection with (i) the execution and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of new sterling notes, (ii) the performance by the issuer of its obligations under such documents or under the new sterling notes, or (iii) the transfer of new sterling notes, except that Dutch real property transfer tax may be due upon an acquisition in connection with the new sterling notes of (a) real property situated in the Netherlands, (b) (an interest in) an asset that qualifies as real property situated in the Netherlands, or (c) (an interest in) a right over real property situated in the Netherlands, for the purposes of Dutch real property transfer tax.

## **United Kingdom taxation**

The comments in this part are based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs). They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who hold new sterling notes as investments (regardless of whether the holder also carries on a trade, profession or vocation through a permanent establishment, branch or agency to which the new sterling notes are attributable) and are the absolute beneficial owners thereof. In particular, noteholders holding their notes via a depositary receipt system or clearance service should note that they may not always be the beneficial owners thereof. Certain classes of persons such as dealers, certain professional investors, or persons connected with the Issuer may be subject to special rules and this summary does not apply to such noteholders.

### ***Withholding***

While the new sterling notes continue to be listed on a recognised stock exchange within the meaning of Section 1005 of the Income Tax Act 2007, payments of interest by a company may be made without withholding or deduction for or on account of United Kingdom income tax. The Regulated Market of the London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List and are admitted to trading on the Regulated Market of the London Stock Exchange.

If the new sterling notes cease to be listed, interest will generally be paid by the issuer under deduction of income tax at the basic rate unless: (i) another relief applies; or (ii) the issuer has received a direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

If interest were paid under deduction of United Kingdom income tax (e.g. if the new sterling notes lost their listing), noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

### ***Payments in respect of the guarantee***

The United Kingdom withholding tax treatment of payments by the guarantor under the terms of the guarantee in respect of interest on the new sterling notes (or other amounts due under the new sterling notes other than the repayment of amounts subscribed for the new sterling notes) is uncertain. In particular, such payments by the guarantor may not be eligible for the exemption in respect of securities listed on a recognised stock exchange described above in relation to payments of interest by the issuer. Accordingly, if the guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate.

### ***Information reporting***

Information relating to securities may be required to be provided to HM Revenue & Customs in certain circumstances. This may include the value of the new sterling notes, details of the holders or beneficial owners of the new sterling notes (or the persons for whom the new sterling notes are held), details of the persons to whom payments derived from the new sterling notes are or may be paid and information and documents in connection with transactions relating to the new sterling notes. Information may be required to be provided by, amongst others, the holders of the new sterling notes, persons by (or via) whom payments derived from the new sterling notes are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the new sterling notes on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HM Revenue & Customs may be provided to tax authorities in other countries.

### ***Taxation of interest and on disposal (including redemption)***

#### ***Noteholders within the charge to United Kingdom corporation tax***

Noteholders within the charge to United Kingdom corporation tax (including non-resident noteholders whose new sterling notes are used, held or acquired for the purposes of a trade carried on in the United Kingdom through a permanent establishment) will be subject to tax as income on all profits and gains from the new sterling notes broadly in accordance with their statutory accounting treatment. Such

noteholders will generally be charged in each accounting period by reference to interest and other amounts which, in accordance with generally accepted accounting practice, are recognised in determining the noteholder's profit or loss for that period. Fluctuations in value relating to foreign exchange gains and losses in respect of the new sterling notes will be brought into account as income.

#### *Other United Kingdom noteholders*

Noteholders who are either individuals or trustees and are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the new sterling notes are attributable will generally be liable to United Kingdom tax on the amount of any interest received in respect of the new sterling notes.

The new sterling notes are "qualifying corporate bonds" with the result that on a disposal of the new sterling notes neither chargeable gains nor allowable losses will arise for the purposes of taxation of capital gains.

Transfers of new sterling notes by noteholders who are either individuals or trustees and are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the new sterling notes are attributable may give rise to a charge to tax on income in respect of an amount representing interest on the new sterling notes which has accrued since the preceding interest payment date under the provisions of Chapter 2 of Part 12 of the Income Tax Act 2007 (Accrued Income Profits and Losses).

#### *Non-United Kingdom noteholders*

In the event that interest payable under the new sterling notes is treated as having a United Kingdom source, it may in principle be chargeable to United Kingdom tax by direct assessment irrespective of the residence of the noteholder. However, where the interest is paid without withholding or deduction on account of United Kingdom tax, the interest will not be assessed to United Kingdom tax in the hands of noteholders (other than certain trustees) who are not resident for tax purposes in the United Kingdom, except where the noteholder carries on a trade, profession or vocation through a branch or agency, or in the case of a corporate holder, carries on a trade through a permanent establishment in the United Kingdom, in connection with which the interest is received or to which the new sterling notes are attributable, in which case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the United Kingdom branch or agency, or permanent establishment.

#### ***United Kingdom stamp duty and stamp duty reserve tax***

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue or transfer by delivery of new sterling notes or on redemption.

#### **European Union Directive on the Taxation of Savings Income**

The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above (the "**Amending Directive**"). Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Savings Directive will also apply a "look through approach" to payments made via certain persons, entities or legal arrangements (including trusts and partnerships), where certain conditions are satisfied, where an individual resident in a Member State is regarded as the beneficial owner of the payment for the purposes of the Savings Directive. This approach may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

The Organisation for Economic Co-operation and Development ("**OECD**") has been tasked by the G20 with undertaking the technical work needed to take forward the single global standard for automatic exchange of financial account information endorsed by the G20 in 2013. The OECD has released a full version of the Standard for Automatic Exchange of Financial Account Information in Tax Matters (the "**Common Reporting Standard**"), which calls on governments to obtain detailed account information from their financial institutions and exchange that information automatically with other jurisdictions on an annual basis.

On 9 December 2014, the Economic and Financial Affairs Council of the European Union officially adopted the revised Directive on Administrative Cooperation 2011/16/EU (the "**ACD**") (regarding mandatory automatic exchange of information in the field of taxation), which effectively incorporates the Common Reporting Standard. EU Member States are required to adopt and publish the laws, regulations and administrative provisions necessary to comply with the ACD by 31 December 2015. They are required to apply these provisions from 1 January 2016 and to start the automatic exchange of information no later than end of September 2017 (September 2018 in the case of Austria).

Therefore, the European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and the ACD (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

### **The Proposed Financial Transactions Tax**

On 14 February 2013, the European Commission published a proposal for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The European Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the new sterling notes (including secondary market transactions) in certain circumstances.

Under the proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the new sterling notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain.. Additional EU Member States may decide to participate. Prospective holders of the new sterling notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

### General

No action has been taken by the issuer or either of the guarantors in any jurisdiction (other than in the UK) that would permit, or is intended to permit, an offering of any of the new sterling notes or the possession or distribution of this prospectus or any supplement hereto or any other offering material relating to the new sterling notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, the new sterling notes may not be offered or sold, directly or indirectly, in connection with the issue of, or any secondary trading in, the new sterling notes and neither this prospectus 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.

### United States

The new sterling notes have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**") and the new sterling notes may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The new sterling notes may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986, as amended, and regulations thereunder.

Until 40 days after the commencement of any offer of the new sterling notes, an offer or sale of the new sterling notes within the United States by a dealer that is not participating in the offer may violate the registration requirements of the Securities Act.

### The Netherlands

The new sterling notes (including the rights representing an interest in the new sterling notes in global form) which are the subject of this prospectus have not been and shall not be offered, sold, transferred or delivered in the Netherlands other than to qualified investors (within the meaning of Directive 2003/71/EC, as amended).

No approved prospectus within the meaning of Directive 2003/71/EC, as amended, is required to be made generally available in connection with the placing or exchange offer.



## GENERAL INFORMATION

- (a) It is expected that listing of the new sterling notes on the Official List and admission of the new sterling notes to trading on the Regulated Market of the London Stock Exchange will be granted on or about 3 September 2015. Prior to admission to the Official List and to trading on the Regulated Market of the London Stock Exchange, dealings will be permitted by the London Stock Exchange in accordance with its rules. The total expenses of admission to trading are expected to be £5,475.
- (b) The issue of the new sterling notes was authorised by a resolution of the board of directors of the issuer passed on 31 July 2015; the giving of the guarantee by REAH was authorised by resolutions dated 31 July 2015 of a committee of the board of directors of REAH; and the giving of the guarantee by REA Services was authorised by resolutions dated 31 July 2015 of the board of directors of REA Services.
- (c) Save as disclosed under the heading "*Current trading*" in the section entitled "*Description of R.E.A. Holdings plc*" on pages 32 to 34 of this prospectus relating to the group's crop production and the selling prices achievable for the group's CPO production for the six-month period to 30 June 2015, (i) there has been no significant change in the financial or trading position of the issuer, REAH, REA Services or the group since 31 December 2014; and (ii) there has been no material adverse change in the prospects of the issuer, REAH, REA Services or the group since 31 December 2014.
- (d) There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which REA Finance, REAH or REA Services is aware) during the 12 month period preceding the date of this prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the issuer, REAH, REA Services or the group.
- (e) The new sterling notes have been accepted for settlement through CREST, the computerised settlement system operated by Euroclear UK & Ireland Limited to facilitate the transfer of title to securities held in uncertificated form.
- (f) The International Securities Identification Number (ISIN) for the new sterling notes is GB00BY8MM32.
- (g) There are no material contracts entered into other than in the ordinary course of the group's business, which could result in any member of the group being under an obligation or entitlement that is material to the issuer's or the guarantors' ability to meet their respective obligations to noteholders in respect of the new sterling notes being issued.
- (h) Where information in this prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third-party information is identified where used.
- (i) For the period of 12 months starting on the date of this prospectus, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of Ashurst LLP at Broadwalk House, 5 Appold Street, London EC2A 2HA:
  - (I) a draft of the amended and restated trust deed and, following issue of the new sterling notes, the amended and restated trust deed;
  - (II) the constitutional documents of the issuer and each guarantor;
  - (III) the 2013 annual report and the 2014 annual report of the group, the annual report and accounts of the issuer for the financial years ended 31 December 2013 and 31 December 2014; and

- (IV) a copy of this prospectus, together with any supplement to this prospectus or further prospectus.

This prospectus will be published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

- (j) The consolidated financial statements of the group and the financial statements of REAH and REA Services for the financial years ended 31 December 2013 and 31 December 2014 have been audited without qualification by Deloitte LLP, a member firm of the Institute of Chartered Accountants of England & Wales. The financial statements of REA Finance for the financial years ended 31 December 2013 and 31 December 2014 have been audited without qualification by Deloitte Accountants B.V. The partners and directors of Deloitte Accountants B.V. are member of the NBA, *Nederlandse Beroepsorganisatie van Accountants*. Furthermore, Deloitte Accountants B.V. has a licence of AFM (*Autoriteit Financiële Markten*) to perform legally required audits of financial statements of Dutch entities including public listed entities.

## DEFINITIONS

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

" <b>amended and restated trust deed</b> "	the current trust deed, as proposed to be amended and restated by a fifth supplemental trust deed made between the parties to the current trust deed
" <b>board</b> "	the board of directors of REAH
" <b>Conditions</b> "	the terms and conditions attaching to the sterling notes, as set out in schedule 1 to the amended and restated trust deed
" <b>CPKO</b> "	crude palm kernel oil
" <b>CPO</b> "	crude palm oil
" <b>current trust deed</b> "	the amended and restated trust deed dated 29 November 2010 made between REA Finance (as issuer), REAH (as guarantor), REA Services (as co-guarantor) and Capita Trust Company Limited (as trustee), constituting the existing sterling notes
" <b>directors</b> "	the directors of REAH
" <b>Emba</b> "	Emba Holdings Limited, a private company limited by shares incorporated in England and Wales, the whole of the issued share capital of which is owned by Richard Robinow together with his immediate family and other members of the Robinow family, being a significant shareholder in REAH
" <b>exchange offer</b> "	the offer by REAH on behalf of REA Finance to acquire all of the outstanding existing sterling notes in exchange for new sterling notes and references to "exchange offer" include, where the context so admits, the top-up option described under " <i>Proposed issue</i> " above
" <b>existing sterling notes</b> "	the £50,000,000 nominal of 9.5 per cent sterling notes 2015/17 of REA Finance, being notes that are irrevocably and unconditionally guaranteed by REAH and REA Services, of which £34,540,000 in nominal amount are currently in issue
" <b>group</b> "	REAH and its subsidiaries
" <b>guarantor</b> "	each of REAH and REA Services
" <b>Guy Butler</b> "	Guy Butler Limited of 21 Great Winchester Street, London EC2N 2JA
" <b>issuer</b> " or " <b>REA Finance</b> "	REA Finance B.V., a wholly-owned subsidiary of REAH, being a private company with limited liability incorporated under the laws of the Netherlands
" <b>London Stock Exchange</b> "	London Stock Exchange plc
" <b>new sterling notes</b> "	the 8.75 per cent sterling notes 2020 proposed to be created by REA Finance in an aggregate principal amount of up to £40,000,000 and irrevocably and

	unconditionally guaranteed by REAH and REA Services
"notes" or "sterling notes"	the existing sterling notes and the new sterling notes
"Official List"	the list maintained by the Financial Services Authority in accordance with section 74(1) of the Financial Services and Markets Act 2000
"ordinary shares"	ordinary shares of 25 pence each in the capital of REAH
"placing"	the proposed placing of up to £5,460,000 nominal amount of new sterling notes by Guy Butler at 100 per cent of the principal amount of the new sterling notes
"preference shares"	9 per cent cumulative preference shares of £1.00 each in the capital of REAH
"qualifying subsidiary"	any subsidiary of REAH incorporated in Indonesia and engaged in the cultivation of oil palms and/or the processing of oil palm fruit
"REAH"	R.E.A. Holdings plc, whose registered address is at First Floor, 32-36 Great Portland Street, London W1W 8QX
"REA Kaltim"	PT REA Kaltim Plantations, a subsidiary of REAH incorporated in Indonesia and engaged in the cultivation of oil palms and/or the processing of oil palm fruit, being the holding company for all of the agricultural operations of the group
"REA Kaltim sub-group"	REA Kaltim and its subsidiaries
"REA Services"	R.E.A. Services Limited, a wholly-owned subsidiary of REAH, being a private company limited by shares incorporated in England and Wales
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland

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