

R. E. A. Holdings plc

Annual Report 1999



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R.E.A. Holdings plc

Directors

R M Robinow^{†*}
(Chairman)

Joined board in 1978; chairman since 1984. After early merchant banking experience, has been engaged principally in the financial and plantation sectors. Non-executive but actively involved for the major part of his working time in the management of the group. (Age 54)

N E Newby
(Managing director)

Joined board in 1978 as managing director. Previous activities included tea planting and stockbroking. Has particular responsibility for the group's plantation interests. (Age 55)

J M Green-Armytage

Independent non-executive director from 1984 to 1994. Rejoined board in non-executive capacity in 1997. Chairman of JZ Equity Partners PLC and of International Biotechnology Trust PLC and a non-executive director of a number of other companies. (Age 54).

J R M Keatley^{†*}

Senior independent non-executive director from 1975 to 1983 (chairman 1978 to 1983). Rejoined board in non-executive capacity in 1985 and is now chairman of the audit, remuneration and nomination committees. Has had wide interests in the fertiliser business. Managing director of NPK Holdings Limited. (Age 66)

L E C Letts^{†*}

Independent non-executive director since 1989. Directorships include Kuala Lumpur Kepong Berhad, Malaysia; Rheem (Far East) Pte Limited, Singapore; Farming Management Services Pty Limited, Western Australia. (Age 81)

J C Oakley

Joined board in 1985. Early experience was in merchant banking. Has particular responsibility for the group's Indonesian operations and special corporate projects within the group. (Age 51)

[†] member of the nomination committee

* member of the audit committee

Secretaries and registered office

R.E.A. Services Limited
7 Bedford Square,
London WC1B 3RA

Registrars and transfer office

IRG plc
Balfour House, 390/398 High Road,
Ilford, Essex IG1 1NQ

Notice of meeting

Notice is hereby given that the annual general meeting of the company will be held at 7 Bedford Square, London WC1B 3RA, on 7 June 2000, at 11.00 am for the following purposes

As ordinary business

- 1 To receive and consider the company's annual report for the year ended 31 December 1999.
- 2 To re-elect Mr R M Robinow, who retires by rotation, as a director.
- 3 To re-elect Mr J M Green-Armytage, who retires by rotation, as a director.
- 4 To re-appoint Arthur Andersen, chartered accountants, as auditors of the company to hold office until the conclusion of the next general meeting at which accounts are laid before the company and to authorise the directors to fix the remuneration of the auditors.

As special business

To consider and if thought fit to pass the following resolutions as ordinary resolutions

5 That

(i) the directors of the company be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 to exercise all the powers of the company to allot relevant securities (as defined in sub-section (2) of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £3,000,000 such authority to expire on 6 June 2005;

(ii) without prejudice to paragraph (i) above the directors of the company be and are hereby further generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 to exercise all the powers of the company to allot 9 per cent cumulative preference shares up to an aggregate nominal amount of £600,000 such authority to expire on 6 June 2005;

(iii) the authority conferred on the directors pursuant to paragraphs (i) and (ii) above includes the power to make an offer or agreement which would or might require relevant securities to be allotted after the authority has expired; and

(iv) the authority conferred on the directors pursuant to paragraphs (i) and (ii) above supersedes the authority conferred on the directors by an ordinary resolution passed at the annual general meeting of the company held on 25 May 1999, which authority is hereby revoked.

6 That

subject as hereinafter provided the purchase by the company of up to 242,500 warrants of the company, as constituted by deed poll dated 10 May 1996 ("warrants") be and is hereby authorised provided always that

(i) the price to be paid for the warrants shall be not more than 5 per cent above the average of the market values for the warrants for the five business days immediately preceding the date of purchase;

(ii) the authority given by this resolution shall expire at the conclusion of the next annual general meeting at which accounts are laid before the company.

To consider and if thought fit to pass the following resolution as a special resolution

7 That

(i) the directors of the company be and are hereby empowered in accordance with section 95 of the Companies Act 1985 to allot equity securities (as defined in sub-section (2) of section 94 of the Companies Act 1985) pursuant to the authority conferred on them by resolution 5 set out in the notice of annual general meeting of the company dated 22 March 2000 as if sub-section (1) of section 89 of the Companies Act 1985 did not apply to the allotment, such power to expire on the date of the annual general meeting of the company to be held in 2001, provided that this power is limited to

(a) the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares where the equity securities attributable to the interests of such holders are proportionate (as nearly as may be) to the respective number of such ordinary shares held by them subject only to such exclusions or other arrangements as the directors feel necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or the requirements of any recognised regulatory body; and

(b) the allotment (otherwise than pursuant to (a) above) of equity securities up to an aggregate nominal value of £459,000; and

(ii) the power conferred on the directors by paragraph (i) above includes the power to make an offer or agreement which would or might require equity securities to be allotted after the power has expired.

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

22 March 2000

A member of the company entitled to attend and vote at the meeting may appoint one or more proxies to attend and on a poll vote instead of him or her. A proxy need not be a member. The instrument appointing a proxy must be deposited at the office of the registrars not less than forty-eight hours before the time appointed for holding the meeting. The appointment of a proxy will not prevent a member from attending and voting at the meeting should he or she wish to do so.

The register of directors' interests, showing any transactions of directors and of their families in the securities of the company, will be available for inspection at 7 Bedford Square, London WC1B 3RA, the registered office of the company, during normal business hours on each business day.

Holders of the 9 per cent cumulative preference shares, the 12 per cent unsecured loan stock 2000, the 6.5 per cent unsecured loan notes 1999/2000 and the warrants are entitled to receive a copy of the annual report but not to attend and vote at the annual general meeting.

Chairman's statement

Results

Comparison of the 1999 results shown in the accompanying consolidated profit and loss account with those of the preceding year is complicated by the fact that the 1998 figures reflected the effects of several significant corporate transactions implemented by the group during that year. Identification of the key components of the results and comparison with 1998 may be facilitated by the following table which summarises the 1999 and 1998 consolidated results before taxation.

	1999 £000	1998 £000
Normal profits		
Continuing activities	347	887
Discontinued activities	-	630
Sale of assets	265	(168)
	<u>612</u>	<u>1,349</u>

It had always been expected that the 1998 decision to divest most of the group's former UK businesses and to concentrate increasingly on the Indonesian oil palm project would mean that group profits would be marginal for a limited period until the Indonesian operations had reached a sufficient level of maturity to contribute meaningfully to those profits. Nevertheless, group profits from continuing activities in 1999 were lower than might have been expected and materially lower than in the previous year. This was entirely due to poor results from the agricultural division. Weak tea prices for most of the year coupled with reduced cropping made it difficult for the Bangladesh operations to cover costs while, in East Africa, although crops recovered from the previous year to a record level, weak sisal prices, reflecting poor demand from the key markets in the Far East, meant that a loss was sustained.

That the results were not worse than reported was only because of a first contribution from the Indonesian operations. Production started during the year and although crops were only harvested from the relatively small area comprising the first mature plantings, an encouraging initial profit was made.

Merchanting, following last year's divestments, comprises solely sisal, abaca and flax trading. Despite the depressed sisal market and difficult trading conditions generally, the division achieved a satisfactory result.

Group development

The established policy of divesting non core operations was continued during 1999. Further residual assets in East Africa were sold, while the group's net investment in Anglo American Agriculture PLC was reduced by the repayment of balances due to the group from Anglo American. In the UK, the group sold the freehold of its former office property in Southwark Bridge Road, subject to lease back of a minor part of the property for continued occupation by the merchanting division.

The year saw additional investment in Indonesia as the group and its partner in the Indonesian project provided the bridge finance necessary to sustain the project for a limited further period until it becomes self supporting at its existing stage of development. More funding will be needed if the project is to be developed further but it is hoped that such supplemental funding can be secured from external sources.

Net assets

The 1999 balance sheet includes revaluations of all group properties and estates. As in the past, the net overall revaluation has had set against it various exchange translation adjustments. These arise mainly from the impact of currency fluctuations on the translation into sterling of the local currency values of overseas estates. In revaluing the property in Indonesia, the directors have made special provision for the remaining political uncertainties of that country.

Dividends

An immediate effect of the December 1998 restructuring was the loss to the group of the former contribution to group profits of the businesses divested. The replacement of that contribution is principally dependent upon future revenues from the Indonesian project. It was noted in the 1998 chairman's statement that the directors intended that future dividend payments by the company (if any) should reflect the extent to which such revenues materialised. In line with that intention and having regard to the fact that, in 1999, with the Indonesian project still largely in a development phase, revenues from that project were modest, the directors have not declared and do not recommend the payment of any ordinary dividend in respect of 1999. It remains the intention of the directors to restore ordinary dividend payments as revenues from the Indonesian project increase.

Staff

Together with the other directors, I extend our thanks to all of the group's staff for their continued hard work and support.

Prospects

The directors remain convinced that the Indonesian oil palm project, if successfully completed, has the potential to transform the scale of the group's operations and to raise its profits to a wholly different level. With the positive, if slightly uneven, political progress being achieved in Indonesia and the steady maturing of the project itself, the directors are increasingly confident that the potential of the project can and will be realised.

Much has been achieved in the past two years in terms of placing increased focus on the Indonesian operations and divesting other activities. The directors hope that further steps in the same direction can be taken during 2000.

RICHARD M ROBINOW
Chairman

Review of operations

PLANTATIONS

Bangladesh

The group's plantation interests in Bangladesh are held by a 50 per cent associate, Deundi Tea Company Limited ("Deundi").

Deundi's operations comprise three estates, each of a total area of approximately 1,000 hectares and all situated some 200 kilometres north of Chittagong. The overall areal composition at 31 December 1999 was as follows

	Ha
Mature tea	1,579
Immature tea	<u>103</u>
	1,682
Nurseries	20
Plantable reserve	117
Others	<u>1,321</u>
	<u>3,140</u>

BANGLADESH MAP



Unusually dry conditions impacted several of the world's tea producing areas during 1999. The tea areas of Bangladesh were among the worst hit with a prolonged drought that saw national production for the year fall by some 25 per cent on that of the previous year. Situated at the southern end of the tea belt, the Deundi gardens did not receive rain for five months. Fortunately, the irrigation equipment installed in recent years enabled the young clonal plantings to survive but cropping in the mature tea areas was unavoidably affected. The result was a harvest of only 2,064 tonnes, as compared with 2,779 tonnes in 1998.

It might have been expected that the fall off in world tea production that resulted from the generally dry conditions would lead to higher world tea prices. This, however, did not happen and Deundi's teas achieved an average price of Tk60 per kilogramme over the year, a little less than the average price achieved in 1998 of Tk63 per kilogramme.

With a poor crop and unexciting prices, results from the Bangladesh operations in 1999 were disappointing. Looking forward to 2000, weather conditions have to-date been more normal. Provided that tea prices are maintained at current levels, an improved result for the year can therefore be expected.

East Africa

The group's plantation interests in East Africa comprise a 36 per cent investment in REA Vipingo Plantations Limited ("RVP"), a Kenyan company listed on the Nairobi Stock Exchange, and certain other assets which are held with a view to ultimate divestment.

RVP's own interests comprise the Dwa and Vipingo sisal estates in Kenya and the Amboni estates and sisal spinning mill in Tanzania. Dwa is situated adjacent to the main road linking Nairobi and Mombasa, at approximately the midpoint, while Vipingo lies some 30 kilometres north of Mombasa overlooking the Indian Ocean. The Amboni estates, of which there are four, are located in the hinterland of the port of Tanga. Three of these estates are under sisal and the fourth is lying fallow. The sisal spinning mill is sited some 15 kilometres west of Tanga on the main Tanga to Dar es Salaam road.

At 30 September 1999 (the end of RVP's last financial year), the overall areal composition of the RVP group estates was as follows

	Ha
Mature sisal	7,508
Immature sisal	<u>3,023</u>
	10,531
Nurseries	184
Other areas	<u>23,465</u>
	<u>34,180</u>

The total sisal raw fibre crop from the RVP group estates for the year to 30 September 1999 was 12,939 tonnes, an increase of 16 per cent on the preceding year in which production was adversely affected by severe rains. In the spinning mill, spun fibre output at 2,245 tonnes was over 20 per cent down on the preceding year. This reflected a decision to initiate a major programme of machinery refurbishment. Once completed, the programme should result in much improved productivity but its immediate effect was the temporary withdrawal of older machinery from production. As a consequence, output capacity was lost and the reduced level of production was the result.

Raw fibre prices were very weak throughout the year with demand from RVP's key markets in the Far East continuing at levels significantly below the historic norms. Spun fibre prices also fell but the decline was less marked than in raw fibre and, after an initial period of weak offtake, the latter part of the year saw some recovery. Regrettably, this was insufficient to offset the negative impact of the poor initial market and the lower spinning mill production and, combined with the weak raw fibre prices, led to small loss in RVP for its year to 30 September 1999.

Review of operations *continued*



EAST AFRICAN MAP

The early part of RVP's current year has seen raw sisal fibre prices remaining weak. Recent weeks, however, have seen a material reduction in unsold stocks and, with that reduction, the first signs that the sisal market may at last be moving into a recovery phase. With reasonable expectations of further increases in crops following the programme of planting carried out in recent years, current and future years' results will largely depend upon the speed and durability of such recovery.

Progress was again made in 1999 in divesting East African residual assets. In Tanzania, of the three operating units in which the group held an interest at the beginning of the year, two were sold during the year and the third became the object of active negotiations which may well lead to its sale during the current year. In Kenya, where the group holds a minority interest in a land area adjacent to the Indian Ocean, the year saw the first sales of plots forming part of a beach-front development on an element of the area.

Indonesia

Location and development area

The group continues to hold a 42 per cent equity participation in Makassar Investments Limited, which owns PT REA Kaltim Plantations ("REA Kaltim"). The latter is engaged in the development of an oil palm plantation in East Kalimantan. The project is based on an overall

concession area of 125,000 hectares, located some 140 kilometres north west of Samarinda, the capital of East Kalimantan, and lying either side of the Belayan river, a tributary of the Mahakam, one of the major river systems of South East Asia.

Of the total concession area, it is proposed that 50,000 hectares ("the nucleus area") should be developed under the sole ownership of REA Kaltim. It has been agreed in principle that the balance of 75,000 hectares ("the joint venture area") should, subject to financing, be developed under the joint ownership of REA Kaltim and local Indonesian interests. REA Kaltim's level of participation in the joint ventures will be 80 per cent.

Land within the concession area is being released to REA Kaltim by the Indonesian Ministry of Forestry in stages that reflect the pace of REA Kaltim's development. As each land area is handed over, REA Kaltim is able to initiate the titling process. This leads to the eventual issue of a registered land title certificate but only after insertion of boundary markers, as part of a cadastral survey, and completion of other required legal procedures. To date, the Ministry of Forestry has made three land releases totalling just over 30,000 hectares and land title certificates have been obtained in respect of the whole of this area. The Ministry of Forestry has recently agreed to the release of a further 12,000 hectares and the survey required under the release process will commence shortly.

INDONESIAN MAP



Review of operations *continued*

The overall areal composition of the REA Kaltim development at 31 December 1999 was as follows

Nucleus area	Ha
Mature oil palm	2,400
Immature oil palm	<u>10,112</u>
	12,512
Nurseries	48
Other areas	1,885
Plantable reserve (fully titled)	<u>15,661</u>
	30,106
Plantable reserve (awaiting survey)	12,000
Plantable reserve (to be released)	<u>7,894</u>
	50,000
Joint venture area	
Plantable reserve (to be released)	<u>75,000</u>
	<u>125,000</u>

Operations

The fresh fruit bunch ("FFB") crop for the year totalled 19,750 tonnes, materially less than the level originally projected. The shortfall is attributed by REA Kaltim to the long-term effects of the El Nino drought conditions suffered during 1997/98. Crops from areas planted in 1994 and 1995 started the year at low levels but recovered strongly as the year progressed and have now returned to the levels normally associated with plantings of an equivalent age. The 1996 and 1997 plantings, which, self-evidently, were younger than the 1994 and 1995 plantings during the period of greatest water deficiency, have taken longer to recover. Whilst recovery of these areas is now becoming evident, it does appear that their development may have been set back by approximately one year, although it is not anticipated that their final yield potential will be adversely affected. Looking forward, the natural increases in yield during the first five years of maturity of an oil palm and the increasing size of REA Kaltim's mature areas may be expected to combine to produce significant growth in crops over the next four years.

The new mill, which started production in the last quarter of 1998, ran very satisfactorily during 1999. Both oil and kernel extraction rates were materially higher than anticipated and process losses were minimal. With a small crop, total processing hours during the year were low. Nevertheless, it is encouraging to note that processing rates in excess of the present rated throughput of 30 tonnes per hour of FFB from the single production line that is currently in place were consistently achieved during operating hours. The mill structure has been designed and constructed to accommodate a second production line in due course. Plans have been prepared for this to be installed and become operational at an initial rated throughput of 30 tonnes per hour in the second half of 2001. Thereafter it is intended to enhance the capacity of both production lines to achieve an eventual rated throughput of 75 tonnes per hour in total. At this level, the mill should be capable of processing all future FFB production from the existing planted hectareage.

Crude palm oil ("CPO") and palm kernel production in 1999 totalled 4,444 tonnes and 700 tonnes respectively. In view of the relatively low production volumes, all product was sold in the local Indonesian market. Prices realised were broadly equivalent to those available in the

export market. During the year, CIF Rotterdam CPO prices fell progressively from levels in excess of US\$600 per tonne to a level of some US\$350 per tonne. The market weakness reflected a significant build up of palm oil stocks in Malaysia and Indonesia during 1999 following a surge in CPO production in both countries as post El Nino production recovered to more normal levels. On a more positive note, the Indonesian export tax on CPO was reduced during the year to the present level of US\$12 per tonne.

1999 saw good and well distributed rainfall on all estates and work patterns were, for the first time for two years, unaffected by exceptional weather conditions. Some small additional areas were planted up during the year using existing stocks of seedlings. It is planned to continue such extension planting in the current year until the available stock of seedlings has been exhausted. This would result in nearly 800 hectares of additional plantings to give a total planted area of around 13,300 hectares. Beyond that level, further expansion within REA Kaltim's now sizeable land bank will be deferred until such time as the financing to sustain such expansion becomes available either from external sources or from the build up of internally generated cash flow that will follow from the progressive maturing of existing immature areas.

Emphasis continues to be placed on welfare, estate amenities and remuneration structures in order to promote a productive and stable workforce. A workers' co-operative, established in 1998 under the supervision of REA Kaltim, continues to provide the workforce with a consistent supply of essential foods at reasonable prices. During the year, labour recruitment programmes were successfully extended off-island for the first time as it became clear that the pool of locally available labour was becoming insufficient to satisfy fully REA Kaltim's continuing need to expand its workforce.

Some delays were experienced in the completion of the tank farm facilities adjacent to the port of Samarinda. The berthing jetty and infrastructure were completed during the year but it is only now in 2000 that the tank storage and piping are nearing completion. The first receipts of oil into the facility have just taken place and despatches are expected to commence shortly. In the interim, sales have been made direct from the 1,000 tonne capacity river barges used to transport the CPO and kernels from the mill to Samarinda.

Operationally, REA Kaltim has been relatively unscathed by the much publicised difficulties and unrest that affected Indonesia during 1999. In this, REA Kaltim has probably been helped by having its estates within the province of East Kalimantan which remained stable and prosperous throughout 1999 due, no doubt, to its large natural resource base, low population and full employment. The Indonesian national elections in June marked an important milestone in the evolution of a new political structure in Indonesia and further positive developments have followed the appointment of Abdurrahman Wahid as president in November. There appears to be growing evidence that the worst of the economic crisis has passed and that capital, albeit limited, is returning to the country.

Financing

The initial capital for the REA Kaltim development totalled US\$11.4 million. This was augmented in March 1996 by a syndicated loan facility of US\$26.0 million and, later, by additional bank finance of some US\$3.5 million. In satisfaction of a condition of the syndicated loan facility, the equity of REA Kaltim was increased by US\$2.0 million in March 1996 and by a further US\$3.4 million in March 1998.

Review of operations *continued*

It had originally been planned that all post March 1998 funding required by REA Kaltim would be met by additional bank finance. With the deteriorating conditions in Indonesia in the first quarter of 1998, it became obvious that such bank finance would not be available. Accordingly, the group and its partner in Indonesia, the ME Zukerman group, provided additional financial support to REA Kaltim of US\$5.6 million during 1998 and agreed in early 1999 to increase their support to the extent of a further US\$10.4 million. Of the total commitment of US\$16.0 million, the group's share was one half, or US\$8 million. Of this, US\$7.3 million had been made available by the group up to 31 December 1999.

With an operating oil mill and the near certainty of progressively increasing crops for several years to come, REA Kaltim can reasonably look forward to a rapidly increasing cash flow from its operations. In the absence of unforeseen circumstances, this should in the fairly near future become sufficient to meet, and should thereafter overtake, the cash requirements of debt service and REA Kaltim's continuing capital expenditure programme. The exact point at which REA Kaltim will become cash positive after debt service and capital expenditure is difficult to predict because of a number of inherent uncertainties. Operationally, these include CPO prices, the level of taxes on CPO exports from Indonesia and the US dollar to rupiah exchange rate. Financially, there is the final outcome of continuing negotiations to reschedule repayments of REA Kaltim's US\$26 million syndicated loan facility upon which future levels of debt service will be dependent.

CPO prices continued to fall in the early months of the current year but recent weeks have seen signs that the CPO market has bottomed and is now recovering. The rupiah to US dollar exchange rate has also been relatively stable so far this year trading within the Rp7,000 to Rp7,500 = US\$1 range. Whilst negotiations to reschedule the US\$26 million syndicated loan have progressed slowly, seven of the eight syndicate banks have now indicated their agreement to reschedule. To date, no loan repayments have been made by REA Kaltim but interest payments remain current. It is hoped that unanimous agreement to the rescheduling can finally be achieved in the coming months.

Although the local banking system within Indonesia remains largely dysfunctional and international banks are still cautious about extending long term credit to Indonesian borrowers, REA Kaltim continues to maintain relations with a considerable number of potential sources of Indonesian debt finance. Recent discussions with certain of these potential sources, although at this juncture very preliminary, encourage the hope that REA Kaltim may within a few months again be able to access the Indonesian debt market to fund development.

Having regard to the foregoing, REA Kaltim is confident that, with some further support from the group and its partner, the ME Zukerman group, it will have the resources necessary to take to full maturity the 13,300 hectares of plantings to which it has to-date committed and to provide the additional capacity required in the oil mill in 2001. The result should be a fully economic project producing good profits. On the same basis, REA Kaltim is also optimistic of its eventual ability to expand its oil palm plantings beyond 13,300 hectares and thereby to maximise the opportunity afforded by its East Kalimantan project.

North America

The group's North American interests are held by Anglo American Agriculture PLC ("AAA"). Following a rights issue by AAA in June 1999, to which the group did not subscribe, the group's economic interest in AAA reduced from 33 per cent to 17 per cent. At the same time the group's overall commitment to AAA was significantly reduced by utilisation of part of the rights issue proceeds to repay loan balances due to the group from AAA.

Subsidiaries of AAA are engaged in fruit farming and viticulture in California. Investments in two US partnerships with participations in certain crude oil and natural gas producing properties in the US and the North Sea, which were previously held by AAA, were divested during 1999. Concurrently with such divestment, AAA's viticultural interests were expanded by the acquisition of an additional 75 hectares of land for development as an extension of the existing vineyard.

The fruit farming interests are represented by the UCC ranch which is situated in the fertile Central Valley of California just east of Fresno and grows citrus. The viticultural interests comprise the San Ysidro vineyard to the south of San Francisco, which is planted with wine grapes of the chardonnay, merlot and pinot noir varieties, and the newly acquired area, to be called the San Felipe vineyard, which is located some eight miles away and will be planted with a range of premium varieties of grape. The overall areas farmed at 31 December 1999 were as follows

	Ha
Citrus	423
Wine grapes	155
Unplanted	<u>132</u>
	<u>710</u>



CALIFORNIAN MAP

1999 results from AAA's agricultural operations were disappointing. At UCC, a severe frost in the week ahead of Christmas 1998 resulted in the loss of the major part of the ranch's 1999 citrus crop. The loss was covered by insurance but the insurance proceeds fell significantly short of the income that UCC could reasonably have expected had a normal citrus crop been harvested and, as a result, UCC incurred a loss for the year. Performance from San Ysidro was rather better but a long cool summer inhibited bunch formation and the crop harvested,

Review of operations *continued*

at 1,171 tonnes, fell short of the 1998 crop of 1,342 tonnes. Prices for wine grapes remained firm but the lower crop inevitably resulted in lower profits. Fortunately, the unfavourable agricultural outcome for the year was considerably offset by a material final contribution from the oil participations.

In view of the difficult operating conditions following the frost, the extension planting that had been planned at UCC for 1999 was deferred. At San Ysidro, an area of 6 hectares was replanted during the year. This replanting largely completed the San Ysidro development programme of recent years and vineyard development will in future be concentrated on San Felipe, with a planned planting of 50 hectares during the current year and of the balance of the plantable area of the property in 2001. This planned programme represents a major financial commitment and will be financed by AAA by a combination of internally generated cash flow and development loans (which loans have, for the most part, already been arranged).

With the divestment of the former oil interests, revenue from those interests has now ceased. Moreover, results from the agricultural operations for the current year will suffer from the loss of a second lemon harvest at UCC as a knock-on effect of the December 1998 frost. In all other respects, however, the current year promises to be a normal year with every reason to expect past cropping trends to be resumed and a consequential improvement in agricultural revenues.

MERCHANTING

Following the divestments of 1998, the merchanting division now consists entirely of the business of Wigglesworth & Co Limited ("Wigglesworth"). Based in premises in Southwark Bridge Road, London, Wigglesworth trades principally in sisal, abaca and flax raw fibres and finished products. The London operations are supported by offices in Belgium and Kenya, with the former office serving as a centre for the flax operations and the latter overseeing the physical export of a large part of the East African sisal fibre and products sold by Wigglesworth.

In sisal, trading conditions were difficult almost throughout 1999 with depressed fibre prices and strong competition for business. Nevertheless, Wigglesworth managed to retain and probably enlarge its share of the available sisal market which, increasingly, is aimed at higher value-added end products than the traditional agricultural twine. The year also saw a consolidation of Wigglesworth's position in abaca and abaca products against the background of a rising market reflecting reduced production in the Philippines following severe typhoons in the last quarter of 1998.

Given the unhelpful trading environment, Wigglesworth's overall results were satisfactory with a useful contribution from the Belgian office where new management was commendably successful in increasing turnover and identifying new markets.

The freehold of the Southwark Bridge Road premises from which Wigglesworth operates, which was formerly owned by the group, was sold during the year at a significant profit on its 1998 group balance sheet value. Whilst Wigglesworth has leased back sufficient space for its requirements, the major part of the building had been let to third parties prior to sale and has thus been sold free of any future group obligation.

OTHER

The principal other interest of the group comprises a 51 per cent shareholding in a UK wire rope core manufacturing operation. This operation is a useful adjunct to the group's sisal merchandising activities and provides an outlet for a proportion of the fine yarn produced by RVP's Tanga spinning mill. Following difficulties with fine yarn feedstock supplies in 1998, some important customers were lost with the result that, in 1999, the operation was obliged to cut margins in order to recover markets. Results were affected accordingly.

Directors' report

The directors present their report concerning the operations of the company and its subsidiary and associated companies for the year ended 31 December 1999.

Principal activities and business review

The company acts as a holding company. At 31 December 1999 the principal businesses of its subsidiary and associated companies comprised the cultivation of plantation crops and merchanting.

The activities and future development of the group are covered in the accompanying review of operations.

Results

The results are presented in the profit and loss account and segment information is given in the notes to the accounts.

Payment of suppliers

It is the company's policy to establish appropriate terms and conditions for dealings with suppliers and to comply with such terms and conditions. As a holding company the company does not have trade creditors.

Dividends

The preference dividends due during the year were paid.

A single interim dividend (in lieu of final) of 4p per ordinary share for the year ended 31 December 1998 was declared on 31 March 1999. The dividend was paid on 31 January 2000 to ordinary shareholders on the register on 6 January 2000.

No dividend is proposed on the ordinary shares for the year ended 31 December 1999.

Substantial shareholdings

The register maintained by the company pursuant to section 211 of the Companies Act 1985 shows the following interests in the ordinary shares of the company at the date of this report

		Per cent
Emba Holdings Limited	3,910,213	42.6
M & G Group plc	1,309,057	14.3
J R M Keatley	320,041	3.5
J G Bartholomew	284,950	3.2

Emba Holdings Limited is controlled by Mr R M Robinow and members of his family.

Directors

The present directors are listed on page 1. All served throughout the year under review.

The directors retiring by rotation are Mr R M Robinow and Mr J M Green-Armytage who, being eligible, offer themselves for re-election.

Directors' interests

The interests of directors, together with those of members of their immediate families, at 31 December 1999 and at 1 January 1999 in the underlisted securities of the company, all of which were beneficial interests, were as follows

	9 per cent cumulative preference shares	Ordinary shares	Warrants	12 per cent unsecured loan stock 2000
31 December 1999				
R M Robinow	61,203	45,083	129,648	-
N E Newby	1,891	23,464	-	-
J M Green-Armytage	2,455	29,679	21,000	-
J R M Keatley	1,701	320,041	-	£27,000
L E C Letts	4,099	46,703	-	-
J C Oakley	384	22,869	-	-
1 January 1999				
R M Robinow	61,203	45,083	129,648	-
N E Newby	391	8,919	-	-
J M Green-Armytage	2,455	29,679	21,000	-
J R M Keatley	1,701	74,391	-	£27,000
L E C Letts	4,099	46,703	-	-
J C Oakley	384	8,324	-	-

There were no changes in the interests of the present directors in the securities of the company between 31 December 1999 and the date of this report.

No director was interested during the year in any contract with the group otherwise than as indicated in the notes to the accounts.

Directors' remuneration

Information regarding directors' remuneration and benefits is provided in the accompanying separate statement on corporate governance and remuneration committee's report and in the notes to the accounts. The information so provided follows the provisions of schedule B to the Combined Code (as defined in the accompanying separate statement on corporate governance).

Directors' report *continued*

Going concern

The directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the accounts.

Millennium compliance

The change to the new millennium has not caused any major disruption, or involved any significant cost to the group.

Changes in issued share capital

On 6 August 1999, 698 ordinary shares of £1 each were allotted, fully paid in satisfaction of warrant rights exercised by warrant holders to subscribe those shares in cash. Of every 100 ordinary shares to be issued as a result of such exercise, 58 of every 100 ordinary shares to which the holder of the warrants was entitled were issued fully paid up out of the aggregate warrant price for those shares (£73.50) and the balance of 42 of every 100 ordinary shares to which the holder of the warrants was entitled were issued, credited as fully paid up at par, by way of capitalisation of part of the amount standing to the credit of the share premium account of the company. This resulted in the cash proceeds of the subscription being applied in payment of 404 ordinary shares at a price of £1.26 each and 294 shares issued by way of capitalisation of share premium account.

Power to issue share capital

At the last annual general meeting held on 25 May 1999, shareholders authorised the board under the provisions of section 80 of the Companies Act 1985 to allot relevant securities within specified limits. A replacement of this authority is being sought at the forthcoming annual general meeting. Such authority will be limited to £3,600,000 nominal of share capital representing 24 per cent of the total share capital in issue at the date of this report, and will be split to provide for the allotment of (i) ordinary shares up to an aggregate nominal amount of £3,000,000 representing 33 per cent of the total ordinary share capital in issue at the date of this report and (ii) 9 per cent cumulative preference shares up to an aggregate nominal amount of £600,000. The authority will terminate on 6 June 2005. The directors have no present intention of exercising the authority.

A fresh authority is also being sought under the provisions of section 95 of the Companies Act 1985 to enable the board to make a rights issue to existing ordinary shareholders without being obliged to comply with certain technical requirements of the Companies Act, which create problems with regard to fractions and overseas shareholders. In addition the authority will give the board power to make issues of shares for cash other than by way of rights to existing ordinary shareholders up to a maximum nominal amount of £459,000 representing 5 per cent of the issued ordinary share capital at the date of this report. The section 95 authority will terminate on the date of the annual general meeting to be held in 2001, which will be no later than 15 months from the passing of the resolution granting the authority.

Power to purchase own warrants

At an annual general meeting held on 25 May 1999 shareholders authorised the company to purchase up to 242,500 warrants of the company, such authority to expire at the next annual general meeting of the company. A replacement of this authority is being sought at the forthcoming annual general meeting. The directors intend to exercise the proposed authority, if granted, only to the extent of the normal availability of the warrants through the London Stock Exchange and within the constraints of the company's internal cash flow. The maximum number of warrants that the company will be authorised to purchase under the authority will be 242,500 warrants representing 14.9 per cent of the warrants in issue at the date of this report. The authority will terminate on the date of the annual general meeting to be held in 2001.

7 Bedford Square
London WC1B 3RA
22 March 2000

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

Corporate governance

A code ("the Combined Code") setting out principles of good governance and a code of best practice, as prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel, was published in June 1998. The Combined Code divides the principles of good governance into two sections. The principles applicable to companies are contained in section 1.

APPLICATION

The company has applied the principles of good governance set out in section 1 of the Combined Code as follows

Directors

The composition of the board of the company is set out on page 1 and comprises a balance of executive and non-executive directors (including independent non-executive directors). The offices of chairman and managing director are held by different individuals. All directors are equally accountable for the proper stewardship of the company's affairs. Directors have free access to the advice and services of the company secretary and, individually or collectively, may take independent professional advice at the expense of the company when circumstances so require.

Regular board meetings are held four times a year. Other board meetings are held as necessary to consider corporate and operational matters. Operating reports and management accounts of group companies are circulated to the board on a monthly basis. These are augmented by annual budgets and positional papers on matters of a non routine nature. The board has a schedule of matters that are reserved for decision by it. Such matters include the appointment and removal of the company secretary.

Appointments to the board are considered by a nomination committee which is formally constituted with written terms of reference. Recommendations from the committee are submitted for approval to the full board. The present composition of the nomination committee is shown on page 1.

One third of the directors retire by rotation each year and may submit themselves for re-election. This has the effect that each director is subject to re-election once every three years.

Directors' remuneration

The specific remuneration and benefits of each of the executive directors is determined by a remuneration committee within a framework of executive remuneration set by the full board on the basis of recommendations from that committee. The remuneration committee is formally constituted with written terms of reference. The fees, other remuneration and benefits of non-executive directors are fixed by the board as a whole.

The composition of, and the policies applied and procedures followed by, the remuneration committee are set out in the accompanying separate report of that committee.

Relations with shareholders

The company seeks to provide, through its annual report and accounts, interim report and such other circular letters to shareholders as circumstances may require, balanced information on the operational activities and financial affairs of the group. Beyond such written communications, the directors regard the company's annual general meeting as the principal opportunity for communication between the company and its private shareholders. In addition to answering questions from shareholders within the formal context of the meeting, directors are available to talk on an informal basis to shareholders after the meeting has been concluded. At least twenty working days' notice of the annual general meeting is given to shareholders.

Within the limits imposed by considerations of confidentiality, the company endeavours to maintain constructive relations with its institutional shareholders based on periodic meetings and a mutual understanding of objectives.

Audit and internal control

The accompanying chairman's statement and review of operations, when read in conjunction with the accounts and directors' report, are designed to present a balanced and understandable assessment of the group's position and prospects. The directors' responsibilities for the preparation of the accounts are detailed in the accompanying separate statement on that subject.

The Combined Code introduced a requirement that directors should, at least annually, conduct a review of the effectiveness of the group's system of internal control and should report to shareholders that they have done so. In September 1999 guidance to this requirement was provided to directors by the publication of *Internal Control: Guidance for Directors on the Combined Code* ("The Turnbull Report").

The company has adopted the transitional approach set out in the letter from the London Stock Exchange to all listed companies dated 27 September 1999. In respect of the accounting period to 31 December 1999 the board continues to report on internal financial control in accordance with the guidance for directors on internal control and financial reporting that was issued by the Rutteman Working Group in 1994. Following publication of the Turnbull Report the directors have established the procedures necessary to implement the guidance and expect that the company will fully comply with the guidance in respect of the accounting period ending 31 December 2000.

The directors acknowledge their responsibility for ensuring that the company has a sound system of internal control in place to safeguard shareholders' investment and the company's assets and for reviewing its effectiveness. The purpose of such system is to manage and control risk rather than to eliminate it and can provide only reasonable and not absolute assurance against material mis-statement or loss.

The group has an established system of management hierarchy at all working locations throughout the group. This system has been designed to delegate the day to day responsibility for specific departmental functions within each working location, including financial, operational and compliance controls and risk management, to a number of senior managers, reporting to a director with overall responsibility for that particular working location.

Corporate governance *continued*

Each working location reports to the board on a regular basis by way of the circulation of progress reports, monthly management reports and management accounts. Local management are required to seek authority from the board in respect of any transaction which is above the limits set within the agreed annual operating plan for that working location, which is other than in the normal course of business, or in respect of any matter that is likely to have a material impact on the operations of the relevant working location.

Designated directors of the company undertake at least two supervisory visits to each of the principal overseas operations each year. Reports of such visits are circulated to the board and reviewed by the full board at the regular board meetings.

Key risks to the success of the group's operations have been identified and, to the extent possible, systems put in place to minimise the impact of such risks. Key risks, together with all the group's procedures of internal control, including internal financial control, are reviewed by the directors on a regular basis and are adapted and improved as necessary.

The company has a formally constituted audit committee with written terms of reference. The members of the audit committee are shown on page 1. The duties of the audit committee include responsibility for reviewing the group's financial and other reporting procedures, the scope and results of the audit of the group's accounts and the objectivity of, and level of fees charged by, the auditors.

COMPLIANCE

With one limited exception and save as noted above as respects reporting on internal control, the company complied throughout the year with the provisions of section 1 of the Combined Code. The one exception was as regards the composition of the remuneration committee which, rather than comprising three independent non-executive directors, comprised two such directors and Mr R M Robinow, who, although non-executive, by virtue of his involvement in the day to day management of the group, may not be regarded as an independent non-executive director. In view of the significant interest held by Mr Robinow and his family in the ordinary shares of the company, the directors consider that the remuneration committee operates effectively as currently constituted.

Remuneration committee's report

The committee presents its report to shareholders concerning the remuneration of directors. The members of the committee are Mr J R M Keatley (chairman), Mr L E C Letts and Mr R M Robinow.

Compliance

In framing its policy on performance related remuneration the committee followed the provisions of schedule A to the Combined Code (as defined in the accompanying separate statement on corporate governance).

Policy

The committee sets the remuneration and benefits of the executive directors of the company. In so doing, it considers the achievement of each individual in attaining the objectives set for that individual and draws on data of the remuneration of others performing similar functions in similarly sized organisations. The key objective of the remuneration policy is to attract, retain, motivate and fairly reward executive directors of a high calibre, while ensuring that the remuneration of each individual executive director is consistent with the best interests of the company and its shareholders.

The committee considers all proposals for executive directors to hold outside directorships. Such directorships are normally permitted only if considered to be of value to the group and on terms that any remuneration payable will be accounted for to the group.

Basis of remuneration

The basic remuneration of all executive directors comprises a pensionable salary and benefits. In addition, directors may be paid bonuses. These are awarded annually in arrears on a discretionary basis taking into account the performance of the group during the relevant year *and the contribution to that performance that each director is assessed by the committee as having made*. Bonuses do not normally exceed 40 per cent of salary and are paid in cash and by appropriation of ordinary shares of the company purchased pursuant to the REA Services Profit Sharing Scheme. There is no separate pension scheme for executive directors but those directors are members of the group pension scheme. Only basic salaries are pensionable. There are no share options.

No director has a contract of service with any member of the group having a notice period of more than one year or with provisions for payment of compensation on termination of in excess of one year's basic salary and benefits. No director offering himself for re-election at the forthcoming annual general meeting has a contract of service with any member of the group.

Details of remuneration

Details of the remuneration payable to each director in respect of the year under review are set out in the notes to the accounts.

Signed on behalf of the remuneration committee
J R M KEATLEY
Remuneration Committee Chairman

22 March 2000

Directors' responsibilities

The following paragraphs, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out in their report, are intended to distinguish for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the group profit or loss for the financial year.

The directors are required in preparing the accounts to ensure that the group has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, that all applicable accounting standards have been followed, and that the going concern basis is used.

The directors have responsibility for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors have responsibility for safeguarding the assets of the company and the group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

Auditors' report

To the shareholders of R.E.A. Holdings plc

We have audited the accounts set out on pages 26 to 44 together with the disclosures relating to the group's Indonesian investment on pages 8 to 12 (which together form the "accounts" of the group) which have been prepared under the historical cost convention as modified by the revaluation of certain fixed and current assets, and the accounting policies set out on page 31.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 24, the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and the group is not disclosed.

We review whether the corporate governance statement on pages 20 to 22 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the accounts.

Basis of audit opinion

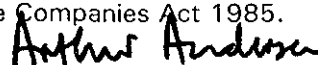
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 1999 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

1 Surrey Street, London WC2R 2PS
22 March 2000


ARTHUR ANDERSEN

Chartered Accountants and Registered Auditors

Consolidated balance sheet 31 December 1999

	Notes	1999 £000	1998 £000
Fixed assets			
Tangible assets	3	1,896	3,021
Investments	4	11,242	11,578
		<u>13,138</u>	<u>14,599</u>
Current assets			
Stocks	5	898	1,135
Debtors*	6	13,906	21,682
Cash		2,565	224
		<u>17,369</u>	<u>23,041</u>
Creditors up to one year	7	(11,448)	(17,202)
Net current assets		<u>5,921</u>	<u>5,839</u>
Total assets less current liabilities		<u>19,059</u>	<u>20,438</u>
Creditors over one year	8	(664)	(1,790)
Net assets		<u>18,395</u>	<u>18,648</u>
Capital and reserves			
Called up share capital	9	14,890	14,889
Share premium account	9	720	720
Capital redemption reserve	9	3,240	3,240
Warrants	9	1,219	1,219
Revaluation reserve	9	1,860	712
Profit and loss account	9	(3,534)	(2,156)
Shareholders' funds*	9	<u>18,395</u>	<u>18,624</u>
Minority interests		-	24
Total capital employed		<u>18,395</u>	<u>18,648</u>

* Debtors include amounts due after one year of £nil (1998 £1,134,000), and shareholders' funds comprise equity interest of £12,690,000 (1998 £12,919,000) and non-equity interest of £5,705,000 (1998 £5,705,000).

The accompanying notes are an integral part of this consolidated balance sheet.

Consolidated profit and loss account for the year ended 31 December 1999

	Notes	1999 £000	1998 £000
Turnover			
Continuing		23,899	29,582
Discontinued		-	40,885
		<u>23,899</u>	<u>70,467</u>
 Cost of sales		 (20,781)	 (61,753)
Gross profit		<u>3,118</u>	<u>8,714</u>
 Other income and expenses	 11	 (2,077)	 (6,663)
Group operating profit*		<u>1,041</u>	<u>2,051</u>
 Share of operating profit of associates		 1,886	 2,196
 Disposal of assets and investments	 12	 265	 (168)
 Interest payable – associates		 (1,724)	 (1,180)
 Interest payable – other	 12	 (856)	 (1,550)
Profit on ordinary activities before taxation	12	<u>612</u>	<u>1,349</u>
 Tax on profit on ordinary activities	 15	 (214)	 (259)
Profit on ordinary activities after taxation		<u>398</u>	<u>1,090</u>
 Minority interests	 12	 (161)	 (647)
Profit for the financial year		<u>237</u>	<u>443</u>
 Dividends, including non-equity dividends	 16	 (513)	 (806)
Retained loss for the year	9	<u>(276)</u>	<u>(363)</u>
 (Loss)/earnings per ordinary share - basic	 12	 (3.0)p	 0.1p
- fully diluted		(3.2)p	0.1p

* Group operating profit comprises £1,041,000 for continuing operations and £nil for discontinued (1998 £784,000 and £1,267,000) respectively.

A statement of movement in reserves is given in the accompanying notes which are an integral part of this consolidated profit and loss account.

Total consolidated recognised gains and losses and note of historical cost profits and losses for the year ended 31 December 1999

Recognised gains and losses	1999 £000	1998 £000
Profit for the financial year	237	443
Currency translation and revaluation adjustments	46	595
	<u>283</u>	<u>1,038</u>
	<u><u>283</u></u>	<u><u>1,038</u></u>
Note of historical cost profits and losses	1999 £000	1998 £000
Reported profit on ordinary activities before taxation	612	1,349
Realisation of property revaluation losses of previous years	(950)	(60)
Historical cost (loss)/profit on ordinary activities before taxation	<u>(338)</u>	<u>1,289</u>
Tax on loss/profit on ordinary activities	(214)	(259)
Historical cost (loss)/profit on ordinary activities after taxation	<u>(552)</u>	<u>1,030</u>
Minority interests	(161)	(647)
Historical cost (loss)/profit for the financial year	<u>(713)</u>	<u>383</u>
Dividends, including non-equity dividends	(513)	(806)
Retained historical cost loss for the year	<u><u>(1,226)</u></u>	<u><u>(423)</u></u>


The accompanying notes are an integral part of these statements.

Company balance sheet

31 December 1999

	Notes	1999 £000	1998 £000
Fixed assets			
Investments	4	5,485	6,526
Current assets			
Debtors*	6	12,615	15,887
Cash		2,441	41
Creditors up to one year	7	15,056 (2,146)	15,928 (2,489)
Net current assets		12,910	13,439
Total assets less current liabilities		18,395	19,965
Creditors over one year	8	-	(1,341)
Net assets		18,395	18,624
Capital and reserves			
Called up share capital	9	14,890	14,889
Share premium account	9	720	720
Capital redemption reserve	9	3,240	3,240
Warrants	9	1,219	1,219
Revaluation reserve	9	(2,972)	(4,958)
Profit and loss account	9	1,298	3,514
Shareholders' funds*	9	18,395	18,624

Approved by the board on 22 March 2000


R M ROBINOW
Director

* Debtors includes amounts after one year of £nil (1998 £1,134,000), and shareholders' funds comprises equity interest of £12,690,000 (1998 £12,919,000) and non-equity interest of £5,705,000 (1998 £5,705,000).

The accompanying notes are an integral part of this balance sheet.

Consolidated cash flows for the year ended 31 December 1999

	1999 £000	1998 £000
Net cash inflow from operating activities	6,169	1,217
Dividends from associates	235	96
Returns on investments and servicing of finance		
Interest received	568	477
Interest paid	(856)	(1,550)
Investment income	2	4
Dividends paid to minority shareholders	-	(46)
Dividends paid to preference shareholders	(559)	(438)
	(845)	(1,553)
Taxation	(183)	(265)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(21)	(145)
Sale of tangible fixed assets	1,337	237
Sale of investments	108	133
Purchase of investments	(70)	-
	1,354	225
Acquisitions and disposals		
Sale of own shares	-	646
Purchase of shares in associated companies	-	(934)
Sale of one half of Deundi Tea Company Limited	-	1,161
Sale of interests to Willington plc	-	1,872
	-	2,745
Equity dividends paid	-	(321)
Management of liquid resources	(2,050)	-
Financing		
Net repayment of debt up to one year	(118)	(167)
Net issue/(repayment) of debt over one year	315	(209)
Finance lease repayments	(118)	(639)
Share issue and expenses	1	(14)
	80	(1,029)
Increase in cash	4,760	1,115

The accompanying notes are an integral part of this consolidated cash flow statement. Refer to note 17.

Accounting policies

Basis of accounting

The accompanying accounts have been prepared under the historical cost convention, as modified by the revaluation of certain assets, and in accordance with applicable accounting standards except for valuation of stock as stated below.

Basis of consolidation

The group accounts consolidate those of the company and its subsidiary companies, made up to the year end. On the acquisition of subsidiaries and associated companies the difference between cost and the fair value of the underlying net assets was charged to reserves. Unless otherwise stated the acquisition method of accounting has been adopted. Results of subsidiaries acquired or disposed of are consolidated from the date of acquisition or up to the date of disposal.

Tangible fixed assets

Estates, freehold property and leasehold property are shown at a directors' valuation which is based on periodic external valuation. Plant and machinery are included at cost.

Depreciation has been provided by equal annual instalments at rates which the directors consider will reduce the assets to their disposal values at the end of their useful lives. The rates used are: property 2 per cent; plant and machinery 5 per cent to 20 per cent.

Investments

Associated companies are entities in which a consolidated member of the group has a participating interest and over which the group exercises significant influence. The group's investments in associated companies are stated at its share of year end net asset values adjusted for a directors' valuation of estates which is based on periodic external valuation. The difference between acquisition cost and the share of underlying net tangible assets is reflected in the profit and loss account and revaluation reserve as appropriate.

The company's investments in its subsidiary and associated companies are stated at its share of year end net asset values, with changes in values being taken to revaluation reserve. Only dividends received or receivable are credited to the company's profit and loss account.

Other fixed asset investments are stated at cost less any provision for any permanent diminution in value.

Stock

For merchandising operations, certain stock and unmatured commodity contracts are stated at market value. The directors consider this departure from accounting standards to be necessary to reflect industry valuation practice. The effect of this departure is shown in the notes. All remaining stock is stated at the lower of cost and net realisable value.

Foreign exchange

For consolidation purposes, the results and year end balances of foreign group companies are translated using the average and closing rates respectively. Exchange adjustments on foreign currency loans, to the extent that they relate to investment in overseas operations, are taken to reserves, as are other exchange adjustments arising from the above translation.

Turnover

Turnover is the total amount receivable by the group in the ordinary course of business for goods supplied and services rendered to third parties.

Finance leases

Finance charges for assets held under finance leases are allocated using a constant rate of return on the outstanding balance.

Taxation

United Kingdom tax payable on taxable profits is provided at the current rate. Deferred tax is calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rate of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. No deferred tax has been provided in respect of the revaluation of the estates or property as there is no intention to dispose of them in the foreseeable future. Deferred tax not provided for is shown in the notes to the accounts.

Pension costs

The amount charged to profit and loss account is the estimated regular cost of providing for the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to profit and loss account evenly over the estimated average remaining working life of scheme members.

Notes to accounts

1 Corporate transactions

In December 1998, the group was reconstructed by dividing it into two parts. One part, comprising most of the United Kingdom interests, was sold to Willington plc. The group results for 1998 include the results of the interests sold to Willington plc up to the date of sale, which was effectively the end of December, and these results are separately identified in the profit and loss account and in the segment information below. During 1999 the subsidiaries in which the businesses of part of those interests were carried on, were wound up.

In June 1999, an associate, Anglo American Agriculture PLC raised additional funds, at the same time reorganising its share capital. The group did not contribute additional funds. Consequent upon the fundraising and the reorganisation, the group's effective participation in the results of that associate became 17 per cent, although its voting rights remain unchanged.

2 Segment information

In the tables below the group's net assets, turnover and profit before taxation (excluding result of sales of assets) are analysed by geographical area and by business class. The element of continuing turnover and profit before taxation (excluding result of sales of assets) included in total, is separately identified.

Net assets, in the case of the geographical analysis, are allocated to the area where the main operation of a particular activity is carried out and where the majority of that activity's assets are situated. Unallocated items include general group financing and head office costs; financing which is directly attributable to a particular activity has been allocated to that activity.

<i>(a) Net assets</i>	1999		1998	
	Associates	Total	Associates	Total
Net assets – by geographical area	£m	£m	£m	£m
United Kingdom	-	6.6	-	5.4
Continental Europe	-	0.4	-	0.5
Bangladesh	1.1	1.1	1.5	1.5
Indonesia	7.1	7.1	6.6	6.6
America	0.4	0.4	0.4	1.5
Africa	2.0	2.8	2.4	3.1
	<u>10.6</u>	<u>18.4</u>	<u>10.9</u>	<u>18.6</u>
Net assets – by business class				
Merchanting	-	1.8	-	1.8
Agriculture	10.6	10.6	10.9	11.9
Other activities	-	0.4	-	0.4
Unallocated	-	5.6	-	4.5
	<u>10.6</u>	<u>18.4</u>	<u>10.9</u>	<u>18.6</u>

<i>(b) Turnover</i>		1999	1998	1998	
Turnover – by geographical area		Total	Total	of which	
		£m	£m	continuing	
				£m	
United Kingdom		3.3	33.2	2.7	
Continental Europe		12.0	18.2	13.0	
Bangladesh		-	0.8	0.8	
Rest of Asia		4.2	6.4	3.9	
America		2.6	6.3	4.7	
Africa		1.3	5.0	3.9	
Australasia		0.5	0.6	0.6	
		<u>23.9</u>	<u>70.5</u>	<u>29.6</u>	
Turnover – by geographical area, by origin of transaction					
United Kingdom		22.0	66.8	25.9	
Continental Europe		1.6	1.9	1.9	
Bangladesh		-	0.8	0.8	
Africa		0.3	1.0	1.0	
		<u>23.9</u>	<u>70.5</u>	<u>29.6</u>	
Turnover – by business class					
Merchanting		22.2	60.6	27.1	
Agriculture		-	0.8	0.8	
Storage		-	7.4	-	
Other activities		1.7	1.7	1.7	
		<u>23.9</u>	<u>70.5</u>	<u>29.6</u>	
<i>(c) Profit before taxation excluding sales of assets</i>					
		1999	1998	1998	
		Associates	Total	Associates	Total
		£000	£000	£000	£000
Profit - by geographical area, by origin of transaction					
United Kingdom		-	183	-	100
Continental Europe		-	48	-	107
Bangladesh		(58)	(58)	157	477
Indonesia		157	157	-	-
America		87	87	683	683
Africa		(24)	(70)	176	150
		<u>162</u>	<u>347</u>	<u>1,016</u>	<u>1,517</u>
Profit - by business class					
Merchanting		-	369	-	152
Agriculture		162	162	1,016	1,186
Storage		-	-	-	729
Other activities		-	(11)	-	(106)
Unallocated		-	(173)	-	(444)
		<u>162</u>	<u>347</u>	<u>1,016</u>	<u>1,517</u>

Notes to accounts *continued*

3 Tangible fixed assets

The movement in the year was as follows

	Freehold property £000	Leasehold property £000	Plant and machinery £000	Total £000
Cost or valuation				
Beginning of year	1,000	1,500	918	3,418
Revaluation and foreign exchange	-	-	(9)	(9)
Additions	-	-	88	88
Disposals	(1,000)	-	(44)	(1,044)
	<u>-</u>	<u>1,500</u>	<u>953</u>	<u>2,453</u>
Depreciation				
Beginning of year	-	-	397	397
Revaluation and foreign exchange	-	(50)	(6)	(56)
Charge	-	50	180	230
Disposals	-	-	(14)	(14)
End of year	<u>-</u>	<u>-</u>	<u>557</u>	<u>557</u>
Net book value				
End of year	<u>-</u>	<u>1,500</u>	<u>396</u>	<u>1,896</u>
Beginning of year	<u>1,000</u>	<u>1,500</u>	<u>521</u>	<u>3,021</u>

At the year end the value of land included in property which is not depreciated was £nil (1998 £800,000) and the net book value of finance leases in plant and machinery included above was £158,000 (1998 £198,000).

Leasehold property was valued at the year end by the directors by reference to an independent external valuation performed as at 31 December 1997, on an existing use basis. Plant and machinery is shown at cost.

Original cost, and depreciation based on cost, of tangible fixed assets are

	Freehold property £000	Leasehold property £000	Plant and machinery £000	Total £000
Original cost	-	1,850	953	2,803
Cumulative depreciation based on cost	-	150	557	707
	<u>-</u>	<u>1,850</u>	<u>953</u>	<u>2,803</u>
	<u>-</u>	<u>150</u>	<u>557</u>	<u>707</u>

4 Fixed asset investments

(a) Consolidated balance sheet

	Original cost £000	1999 £000	1998 £000
Associated companies	8,496	10,595	10,853
Other investments	647	647	725
	<u>9,143</u>	<u>11,242</u>	<u>11,578</u>

	£000
The movement during the year was	
Beginning of year	11,578
Additions - associates £40,000	70
Disposal of other investments	(108)
Share of results of associated companies	(258)
Exchange	2,745
Revaluation	(2,785)
End of year	<u>11,242</u>

Other investments include £182,000 (1998 £218,000) of listed investments with a market value of £116,000 (1998 £205,000).

(b) Company balance sheet

	Original cost £000	1999 £000	1998 £000
Shares in subsidiaries	4,644	801	1,810
Associated companies	3,752	4,612	4,572
Other investments	72	72	144
	<u>8,468</u>	<u>5,485</u>	<u>6,526</u>

	£000
The movement during the year was	
Beginning of year	6,526
Additions - associates	40
Disposals - subsidiaries £2,779,000	(2,851)
Revaluation of investments in subsidiaries	1,770
End of year	<u>5,485</u>

(c) Subsidiary and associated companies

The principal subsidiary and associated companies at the year end are listed below. Details of companies which are not significant are not shown to avoid a statement of excessive length. All shareholdings are in ordinary shares and percentages represent the proportion of the group's interest in the nominal value and in the voting rights. Except where indicated all are wholly owned and are incorporated in the United Kingdom; those incorporated in the United Kingdom are registered in England and Wales.

Subsidiaries

Wigglesworth & Co Limited
R.E.A. Services Limited

Merchanting
Services

Associated companies

Anglo American Agriculture PLC (equity 17 per cent; voting 33 per cent)
Deundi Tea Company Limited (50 per cent)
Makassar Investments Limited (42 per cent) (Jersey)
REA Vipingo Plantations Limited (36 per cent) (Kenya)

Plantation agriculture
Plantation agriculture
Plantation agriculture
Plantation agriculture

Notes to accounts *continued*

All operate in their country of incorporation, except that Deundi Tea Company Limited operates in Bangladesh and Anglo American Agriculture PLC and Makassar Investments Limited, through their own subsidiaries, operate in the United States and Indonesia respectively. Wigglesworth & Co Limited is not a direct subsidiary of the company. REA Vipingo Plantations Limited makes up its accounts to 30 September.

The group's investments in associated companies are stated at its share of year end net asset values adjusted for the revaluation of the estates. The estates were revalued at the year end by the directors by reference to independent external valuations performed as at 31 December 1996. In the case of estates in Indonesia, their revaluation takes account of the financial and other uncertainties in Indonesia, and the long term nature of the investment there, as described in the review of operations on pages 8 to 12.

The group's share of certain items derived from the accounts of the principal associates is set out below.

	Anglo American Agriculture PLC £000	Deundi Tea Company Limited £000	Makassar Investments Limited £000	REA Vipingo Plantations Limited £000
1999				
Fixed assets	1,563	2,248	20,087	2,402
Current assets	385	731	607	1,140
Creditors up to one year	(150)	(1,344)	(2,949)	(1,531)
Creditors over one year	(1,409)	(555)	(8,904)	(34)
Turnover	533	758	307	1,684
Profit/(loss) before taxation	108	(58)	157	(24)
Taxation	-	-	-	1
Profit/(loss) after taxation	108	(58)	157	(23)
1998				
Fixed assets	15,639	2,248	17,427	2,464
Current assets	1,214	625	666	1,062
Creditors up to one year	(992)	(866)	(2,337)	(1,154)
Creditors over one year	(14,090)	(506)	(6,978)	(15)
Turnover	1,318	751	-	1,865
Profit before taxation	694	157	-	176
Taxation	-	-	-	(17)
Profit after taxation	694	157	-	159

5 Stocks

The stock is all merchanting stock and is stated at market value which is £11,000 (1998 £33,000) higher than cost.

6 Debtors

(a) Consolidated balance sheet

	1999 £000	1998 £000
Due within one year		
Trade debtors	6,356	11,658
Associated companies including loans £2,538,000 (1998 £361,000)	3,747	3,353
Other debtors	3,111	4,741
Prepayments and accrued income	692	796
	<u>13,906</u>	<u>20,548</u>
Due after one year		
Associated companies – all loans	-	723
Other	-	411
	<u>13,906</u>	<u>21,682</u>

Debtors include £562,000 (1998 £435,000) relating to accrued income on

(b) Company balance sheet

	1999 £000	1998 £000
Due within one year		
Group companies	8,104	10,336
Associated companies including loans £2,538,000 (1998 £361,000)	2,539	2,408
Other debtors	1,972	2,009
	<u>12,615</u>	<u>14,753</u>
Due after one year		
Associated companies - all loans	-	723
Other	-	411
	<u>12,615</u>	<u>15,887</u>

7 Creditors up to one year

(a) Consolidated balance sheet

	1999 £000	1998 £000
Current portion of debenture loans	(1,416)	(118)
Bank loans and overdrafts - merchanting	(6,084)	(10,052)
Bank loans and overdrafts - other	(237)	(738)
Lease obligations	(101)	(135)
Trade creditors	(1,561)	(2,935)
Associated companies	(299)	(47)
Taxation and social security	(47)	(82)
Other creditors	(1,566)	(2,780)
Accruals	(137)	(315)
	<u>(11,448)</u>	<u>(17,202)</u>

(b) Company balance sheet

Current portion of debenture loans	(1,341)	(58)
Group companies	(1)	(1,421)
Other creditors	(804)	(1,010)
	<u>(2,146)</u>	<u>(2,489)</u>

Charges have been granted on certain assets in the United Kingdom to secure bank loans and overdrafts of £237,000 (1998 £1,971,000). Other creditors include dividends of £368,000 (1998 £414,000).

Notes to accounts *continued*

8 Creditors over one year

(a) Consolidated balance sheet

	1999 £000	1998 £000
Debenture loans	(600)	(1,701)
Lease obligations	(64)	(89)
	<u>(664)</u>	<u>(1,790)</u>
Debenture loans are		
12 per cent unsecured loan stock 2000	-	(1,283)
Other	(600)	(418)
	<u>(600)</u>	<u>(1,701)</u>

At 31 December 1999 the 12 per cent unsecured loan stock is included in creditors up to one year. The other debenture loan carries interest at 8 per cent per annum and is secured.

Debenture loans and lease obligations repayable

between one and two years	(120)	(1,460)
between two and five years	(244)	(210)
over five years	(300)	(120)
	<u>(664)</u>	<u>(1,790)</u>

(b) Company balance sheet

Debenture loans		
12 per cent unsecured loan stock 2000	-	(1,283)
Other	-	(58)
	<u>-</u>	<u>(1,341)</u>

9 Capital and reserves

(a) Share capital

	1999 £000	1998 £000
Authorised		
9 per cent cumulative preference shares of £1 each	6,750	6,750
Ordinary shares of £1 each	12,250	12,250
	<u>19,000</u>	<u>19,000</u>
Called-up		
9 per cent cumulative preference shares of £1 each	5,705	5,705
Ordinary shares of £1 each	9,185	9,184
	<u>14,890</u>	<u>14,889</u>

In July rights were exercised in respect of 698 warrants resulting in 698 new ordinary shares of £1 each being issued. At the year end there were 1,624,501 (1998 1,625,199) warrants, having an issue premium of £1,219,000 (1998 £1,219,000). Each warrant entitles the holder in each year until 2010, in effect, to acquire one new ordinary share at a price of 73.5p, or by surrendering 0.735 preference shares.

Non equity shareholders' funds relate to 9 per cent cumulative preference shares.

<i>(b) Reserves - Consolidated balance sheet</i>	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
Beginning of year	720	3,240	712	(2,156)
Revaluation	-	-	(1,580)	(950)
Foreign exchange translation	-	-	2,728	(152)
Retained loss for year	-	-	-	(276)
End of year	<u>720</u>	<u>3,240</u>	<u>1,860</u>	<u>(3,534)</u>

Aggregate goodwill of £450,000 has been written off to profit and loss account.

<i>(c) Reserves - Company balance sheet</i>	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
Beginning of year	720	3,240	(4,958)	3,514
Revaluation and exchange	-	-	1,986	(152)
Retained loss for year	-	-	-	(2,064)
End of year	<u>720</u>	<u>3,240</u>	<u>(2,972)</u>	<u>1,298</u>

As permitted by section 230 of the Companies Act 1985, a separate profit and loss account dealing with the results of the company has not been presented. The loss before dividends recognised in the company's profit and loss account is £1,551,000 (1998 profit £3,520,000).

<i>(d) Reconciliation of shareholders' funds - Consolidated balance sheet</i>	1999 £000	1998 £000
Profit for financial year	237	443
Adjustment on sale of own shares at a value less than carrying value	-	(1,294)
Goodwill previously written off, reinstated	-	2,110
Dividends	(513)	(806)
Conversion of converting shares	-	(3,240)
Issue of shares	1	-
Warrants	-	(14)
Revaluation and foreign exchange translation	46	595
	<u>(229)</u>	<u>(2,206)</u>
Shareholders' funds at beginning of year	18,624	20,830
Shareholders' funds at end of year	<u>18,395</u>	<u>18,624</u>

<i>(e) Reconciliation of shareholders' funds - Company balance sheet</i>	1999 £000	1998 £000
(Loss)/profit for financial year	(1,551)	3,520
Dividends	(513)	(806)
Conversion of converting shares	-	(3,240)
Issue of shares	1	-
Warrants	-	(14)
Revaluation and foreign exchange translation	1,834	(1,666)
	<u>(229)</u>	<u>(2,206)</u>
Shareholders' funds at beginning of year	18,624	20,830
Shareholders' funds at end of year	<u>18,395</u>	<u>18,624</u>

Notes to accounts *continued*

10 Commitments and risks

At the year end the group had no commitments for capital expenditure contracted but not provided for (1998 £nil). The group had a commitment to provide finance to an associate of £435,000. Included in cash is £2,050,000 on deposit which acts as security to a bank which provides temporary finance to an associate.

The group's financial instruments comprise preference shares, borrowings, some cash and liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for, and facilitate the conduct of, the group's operations. The group also enters into derivative transactions principally forward foreign currency contracts. The purpose of such transactions is to manage the currency risks arising from the group's operations and its sources of finance. It is, and has been throughout the year, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the year. The group finances its operations through a mixture of retained profits, bank borrowings and credit from suppliers. The group borrows at both fixed and floating rates of interest. The group's policy is to finance most of its trading in the currency in which the trade is primarily denominated using mainly floating rate bank borrowings denominated in the particular currency, or credit from suppliers. Any resulting material currency exposure is eliminated through forward currency contracts. The number and amount of such contracts is insignificant compared with the sales carried out. At the year end 25 per cent of the group's borrowings were at fixed rates. The proportion of the group's borrowings at fixed rates will substantially diminish by the end of 2000.

As regards liquidity, approximately 5 per cent of the group's borrowings mature in more than five years. Short-term flexibility is achieved by overdraft facilities. At the end of the year, the group had underdrawn bank facilities which are subject to annual renewal of £800,000. About 85 per cent of the group's turnover is priced in US dollars with most of the rest of the turnover being in sterling. The group has no financial assets apart from short-term debtors and an immaterial amount of cash at bank, other than a US\$3.3 million bank deposit and a US\$ 4.0 million short term loan to an associate.

After taking into account forward foreign currency contracts entered into by the group, the interest rate profile of the group's financial liabilities (excluding preference shares) at 31 December 1999 was

	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Financial liabilities on which no interest is paid
	£000	£000	£000	£000
Sterling	(6,456)	(1,584)	(2,181)	(2,691)
US dollar	(5,155)	(4,660)	-	(495)
Other	(501)	(82)	-	(419)
	<u>(12,112)</u>	<u>(6,326)</u>	<u>(2,181)</u>	<u>(3,605)</u>

The sterling fixed rate financial liabilities carry a weighted average interest rate of 10.3 per cent per annum, fixed for a weighted average period of 2.3 years. The financial liabilities on which no interest is paid have a weighted average period until maturity of 0.1 years. The floating rate financial liabilities bear interest based on applicable bank base rates.

Financial instruments at 31 December 1999 were

	Book value	Fair value
	£000	£000
Short term financial liabilities	(11,448)	(11,498)
Long term borrowings	(664)	(664)
Financial assets	16,471	16,471
Forward foreign currency contracts	20	23
Preference shares	(5,705)	(4,978)

Fair values have been calculated using currently available market values and interest rates.

The group's policy towards currency risk is to eliminate substantially all exposures arising from trading that will impact on reported profit but not to cover long term risk in respect of its investments. Financial instruments used as hedges are marked to market in the accounts. Almost all its investments are in associates and almost all their trade is, in effect, priced in US dollars. Amounts receivable by the group from its associates are denominated mainly in US dollars, with the rest in sterling. That which is denominated in US dollars, and the cash deposit referred to above of \$3.3 million which is denominated in US dollars, are not covered by forward currency contracts. A degree of interest rate risk is accepted as long as the effects of various changes in rates remain within certain prescribed ranges. On the basis of the group's analysis, it is estimated that a rise of one percentage point in all interest rates would have reduced 1999 profit before tax by a negligible amount.

11 Other income and expenses

	1999 Total £000	1998 Continuing £000	1998 Discontinued £000	1998 Total £000
Distribution costs	-	(18)	(1,383)	(1,401)
Administrative expenses	(2,883)	(3,386)	(2,707)	(6,093)
Other operating income	236	254	-	254
Income from fixed asset investments	2	100	-	100
Other interest receivable and similar income	568	309	168	477
	<u>(2,077)</u>	<u>(2,741)</u>	<u>(3,922)</u>	<u>(6,663)</u>

12 Profit and loss account analysis

The retained loss for the year is stated after charging

	1999 £000	1998 £000
Depreciation, including finance leases £99,000 (1998 £198,000)	230	1,002
Operating leases	27	322
Auditors' remuneration - audit fees	64	114
- other	11	34
	<u>332</u>	<u>1,472</u>

Interest payable totalling £856,000 (1998 £1,550,000) comprises interest on bank loans and overdrafts of £525,000 (1998 £1,154,000) and interest on all other loans of £331,000 (1998 £396,000). Continuing and discontinued group interest in 1998 amounted to £913,000 and £637,000.

Minority interests includes £186,000 (1998 £550,000) for share of minority interests of associates. The remaining minority interests are equity minority interests.

	1999 £000	1998 £000
The profit on sale of assets and investments comprises		
Profit on sale of one half of the group's previous 100 per cent shareholding in Deundi Tea Company Limited	-	1,151
Profit on sale to Wellington plc of the group's entire shareholding interests in certain United Kingdom businesses	-	791
Profit on sale of tangible fixed assets	265	-
	<u>265</u>	<u>1,942</u>
Less goodwill originally paid when the above interests were acquired and which, at the time of acquisition, had been written off direct to reserves	-	(2,110)
	<u>265</u>	<u>(168)</u>

Earnings per share has been calculated on the profit on ordinary activities after taxation attributable to ordinary shareholders divided by the average number of ordinary shares in issue, being 9,185,000 during the year (1998 8,625,000). Fully diluted earnings per share is based on 8,747,000 shares (1998 9,438,000) allowing for the exercise of outstanding warrants.

Notes to accounts *continued*

13 Staff costs in the United Kingdom

	1999	1998
	£000	£000
Wages and salaries	1,300	4,321
Social security costs	128	386
Pension costs	224	549
	<u>1,652</u>	<u>5,256</u>

The average number of persons employed was 41 (1998 186).

The group participates in the R.E.A. Pension Scheme which is a funded defined benefit pension scheme. The cost to the group, which is the same as the amount paid, is shown above. This is assessed by an independent actuary using the projected unit method. The last assessment was made as at 1 January 1997; the funding rate payable by the group is 18 per cent of the salary of members of the scheme, on which basis the scheme is fully funded.

Directors' remuneration is as follows

	Emoluments	Bonus	Benefits	1999	1998
	£000	£000	£000	Total	Total
				£000	£000
R M Robinow (chairman)	-	-	8	8	8
N E Newby	128	26	12	166	156
J C Oakley	100	36	10	146	131
M Sythes - retired June 1998	-	-	-	-	31
V C Troy - retired December 1998	-	-	-	-	120
J M Green-Armytage	-	-	-	-	-
J R M Keatley - fees	2	-	-	2	2
L E C Letts - fees	-	-	-	-	2
				<u>322</u>	<u>450</u>

Mr Robinow, Mr Green-Armytage and Mr Letts, who did not receive any emoluments, were interested in service arrangements with three other companies whereby aggregate amounts of £156,000 (1998 £183,000) in respect of Mr Robinow, £1,000 (1998 £2,000) in respect of Mr Green-Armytage and £2,000 (1998 £nil) in respect of Mr Letts were paid during the year.

Directors' pension entitlement

	Age at	Increase in	Accrued	Increase in
	31 December	accrued pension	annual	transfer value
	1999	during the year	pension	in the year
		£000	at year end	£000
			£000	£000
N E Newby	55	11	87	111
J C Oakley	51	4	28	27

14 Related party transactions

The group provided technical and other services valued at £491,000 (1998 £191,000) to related party companies.

15 Taxation

	1999	1998
	£000	£000
The tax charge is based on the profit for the year and comprises		
UK corporation tax	(158)	(64)
Foreign taxation	(35)	(64)
Share of taxation of associated companies	1	(17)
Previous years	(22)	(114)
	<u>(214)</u>	<u>(259)</u>

There is no material potential liability for deferred taxation (1998 £nil).

16 Dividends

	1999 £000	1998 £000
Preference dividend	513	438
Ordinary dividend: interim in lieu of final	-	368
	<u>513</u>	<u>806</u>

17 Cash flow statement

	1999 £000	1998 £000
<i>(a) Reconciliation of operating profit to operating cashflow</i>		
Operating profit	1,041	2,051
Interest receivable	(568)	(477)
Investment income	(2)	(100)
Depreciation	230	1,002
Decrease in stocks	292	3,095
Decrease/(increase) in debtors	7,967	(5,283)
(Decrease)/increase in creditors	(2,719)	441
Exchange	(72)	488
Net cash inflow from operating activities	<u>6,169</u>	<u>1,217</u>

(b) Analysis of net debt

	Opening £000	Cash flow £000	Other £000	Exchange £000	Closing £000
Cash	224	282	-	9	515
Overdrafts	(10,790)	4,478	-	(9)	(6,321)
Debt up to one year	(118)	118	(1,416)	-	(1,416)
Debt over one year	(1,701)	(315)	1,416	-	(600)
Finance leases	(224)	118	(59)	-	(165)
Bank deposits	-	2,050	-	-	2,050
	<u>(12,609)</u>	<u>6,731</u>	<u>(59)</u>	<u>-</u>	<u>(5,937)</u>

	1999 £000	1998 £000
Increase in cash in the year	4,760	1,115
Cash flow from debt and leases	(79)	1,015
Cash flow from management of liquid resources	2,050	-
	<u>6,731</u>	<u>2,130</u>
Cash, debt and leases sold	-	2,527
New debt and leases, net	(59)	(142)
Exchange	-	2
	<u>6,672</u>	<u>4,517</u>
Net debt at beginning of year	(12,609)	(17,126)
Net debt at end of year	<u>(5,937)</u>	<u>(12,609)</u>

Notes to accounts *continued*

	1999 £000	1998 £000
<i>(c) Subsidiaries sold</i>		
Tangible fixed assets	-	9,001
Stock	-	584
Debtors	-	5,133
Cash	-	364
Bank overdrafts	-	(328)
Other loans up to one year	-	(276)
Leases up to one year	-	(276)
Creditors	-	(4,667)
Loans over one year	-	(1,204)
Leases over one year	-	(807)
	-	7,524
Minority interest	-	(1,497)
	-	6,027

18 Rates of exchange

		1999		1998	
		Closing	Average	Closing	Average
Bangladesh	Taka	82.00	80.00	81.00	78.00
Indonesia	Rupiah	11,431.00	12,550.00	13,321.50	16,600.00
Kenya	Shilling	117.00	114.00	103.00	100.00
United States of America	Dollar	1.61	1.61	1.66	1.66

ILLUSTRATIONS

Front cover

View of the Perdana Estate, East Kalimantan

Inside front cover

Top picture: Kernel plant

Bottom picture: Palm kernels

Inside back cover

Top picture: Laboratory in factory

Bottom picture: Water treatment plant

Back cover

Top picture: Fresh fruit bunches from young palms

Bottom picture: Turbines and boiler

R. E. A. Holdings plc

FORM OF PROXY

I/We the undersigned, being a member(s) of the above-named company, hereby appoint the chairman of the meeting

..... (see notes)
as my/our proxy to vote and act for me/us and on my/our behalf at the annual general meeting of the company to be held on 7 June 2000 and at any adjournment thereof.

ANNUAL GENERAL MEETING

		<u>For</u>	<u>Against</u>
Ordinary resolution			
No 1	To receive the annual report for the year ended 31 December 1999	<input type="checkbox"/>	<input type="checkbox"/>
No 2	To re-elect Mr R M Robinow, who retires by rotation, as a director	<input type="checkbox"/>	<input type="checkbox"/>
No 3	To re-elect Mr J M Green-Armytage, who retires by rotation, as a director	<input type="checkbox"/>	<input type="checkbox"/>
No 4	To re-appoint the auditors and to authorise the directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
No 5	To grant authority in accordance with section 80 of the Companies Act 1985	<input type="checkbox"/>	<input type="checkbox"/>
No 6	To authorise the purchase by the company of up to 242,500 warrants of the company	<input type="checkbox"/>	<input type="checkbox"/>
Special resolution			
No 7	To grant authority in accordance with section 96 of the Companies Act 1985	<input type="checkbox"/>	<input type="checkbox"/>

Signature Date.....

THE ABOVE FORM OF PROXY SHOULD BE SIGNED

Notes

- (1) Please indicate with '✓' in the appropriate space how you wish your vote to be cast. If the form is returned without any indication as to how the proxy should vote, the proxy will vote or abstain as he or she thinks fit.
- (2) This form (and the power of attorney or other authority if any under which it is signed, or a notarially certified copy of such power or authority) must reach the offices of the company's registrars at the address given overleaf not less than 48 hours before the time appointed for holding the meeting.
- (3) Any alterations made in this form of proxy should be initialled.
- (4) If it is desired to appoint any other person (who need not be a member of the company) to act as proxy, insert the name on this form and strike out the words "the chairman of the meeting".
- (5) If the appointer is a corporation this form of proxy must be executed under its common seal or under the hand of an officer attorney duly authorise. Alternatively, a company to which section 36A of the Companies Act 1985 applied may execute this form of proxy by a director and the secretary of the company or by two directors signing the form on behalf of the company (in which case the name of the company should be clearly stated).
- (6) In the case of joint holders, the signature of any one member will suffice.
- (7) Completion and return of a form of proxy will not prevent shareholders from attending the meeting and voting in person if they so wish.

Initials and surname

Please use block capitals Address

.....

.....

Cut here



I R G plc
Balfour House
390/398 High Road
Ilford
Essex
IG1 1NQ

Second fold

Third fold and tuck in edge

First fold

First fold