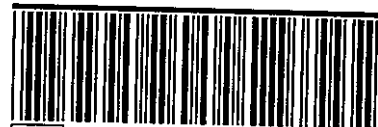
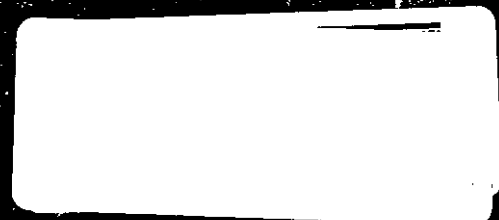


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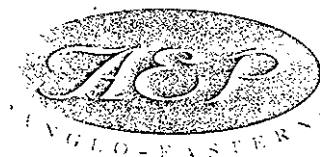


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Anglo-Eastern Plantations Plc, quoted on the London Stock Exchange, operates and is developing plantations in Malaysia and Indonesia, amounting to some 40,000 hectares producing palm oil, rubber and cocoa.

FINANCIAL SUMMARY

	1998	1997	1998	1997
	US\$000	US\$000	£000	£000
Turnover	14,944	24,649	8,997	15,030
Profit before tax	9,666	13,473	5,819	8,215
Shareholders' funds	71,020	82,297	42,425	49,877
Earnings per share	13.3cts	15.8cts	8.0p	9.6p
Dividends per share	7.00cts	6.60cts	4.34p	4.00p



CHAIRMAN'S STATEMENT

The group's profit before tax for 1998 at \$9.7 million (£5.8 million) was 28% lower than the \$13.5 million (£8.2million) achieved in the previous year. At the operating level the profit of \$8.5 million was 41% below that for 1997.

The principal reasons for the fall were the tax on Indonesian palm oil exports, in force for nine months of the year, coupled with lower oil palm crops from our main estates. High world palm oil prices, caused in part by Indonesian export restrictions, compensated. Based on prices as they were, the nominal loss of revenue to the group either directly through the export tax or from depressed local prices was estimated at around \$15.0 million.

At the attributable level, earnings per share at 13.3cts (8.0p) were only 16% lower than 1997. This was due to the exceptional profit from asset sales, lower rates of tax and minority charges as well as lower share capital following share

repurchases.

The board is recommending a final and only dividend of 7.00cts per share compared to 6.60cts for 1997. Shareholders who elect to receive their dividend in sterling will receive 4.34p compared to 4.00p last year.

Indonesia

The momentous events in Indonesia in the last year have been widely reported. The instability has manifested itself in the plantation industry mainly in a spate of land claims and in attempts at organised theft of produce. We have not been immune but I am glad to report that so far our problems have either been relatively minor or contained thanks to our staff.

Staff

I want to take this opportunity to pay tribute to our employees, particularly those in Indonesia, for



CHAIRMAN'S STATEMENT

their loyalty and steadfastness in difficult times. We are grateful to them all. At the core of this business are people, organisation and management without which good agronomy, profits and asset values are not possible.

Exchange rates

The Indonesian rupiah depreciated a further 42% in 1998 from Rp4,650:\$ to Rp8,025:\$ and is now standing at around Rp8,600:\$, representing a devaluation of about 73% since January 1997. The Malaysian ringgit has been pegged at RM3.8:\$ since September 1998.

CPO export tax and prices

The export of CPO from Indonesia was banned between January and April 1998. The ban was then replaced by a tax of 40% which was subsequently raised to 60% in July where it remained until February 1999 when it was reduced back to 40%. CPO prices remained very high throughout 1998 averaging \$660/mt compared to \$532/mt in 1997.

In early 1999 world vegetable oil prices fell sharply and CPO is now back around \$530/mt. The reduction in export tax last February has offset the effect of this fall in price. Although the Indonesian government is committed to cut the rate to 10% under its IMF agreement an early reduction is unlikely.

Valuations

The group has always carried its properties in its consolidated balance sheet at estimated market values. At the end of 1997 these values became difficult to assess but those from an independent valuation in April 1997 were used on the basis that the company is a long term investor and the valuations represented a reasonably sound basis in

the long term.

Under current conditions, market value of plantations in Indonesia is certainly lower than our previous valuation. A new UK accounting standard no longer allows the long term market value approach where there has been a temporary diminution in value. Assets are required to be shown either at cost, current market value or their value in use to the owner. Accordingly we have valued our Indonesian plantations based on their forecast cash flows. This has resulted in a net reduction of \$12 million in fixed asset values.

Oil palm plantation prices in Malaysia have benefited from high CPO prices without any of the disruption seen in Indonesia. The valuations used in the 1997 accounts remain reasonable but for prudence we have included the plantations at a further discount in the 1998 accounts.

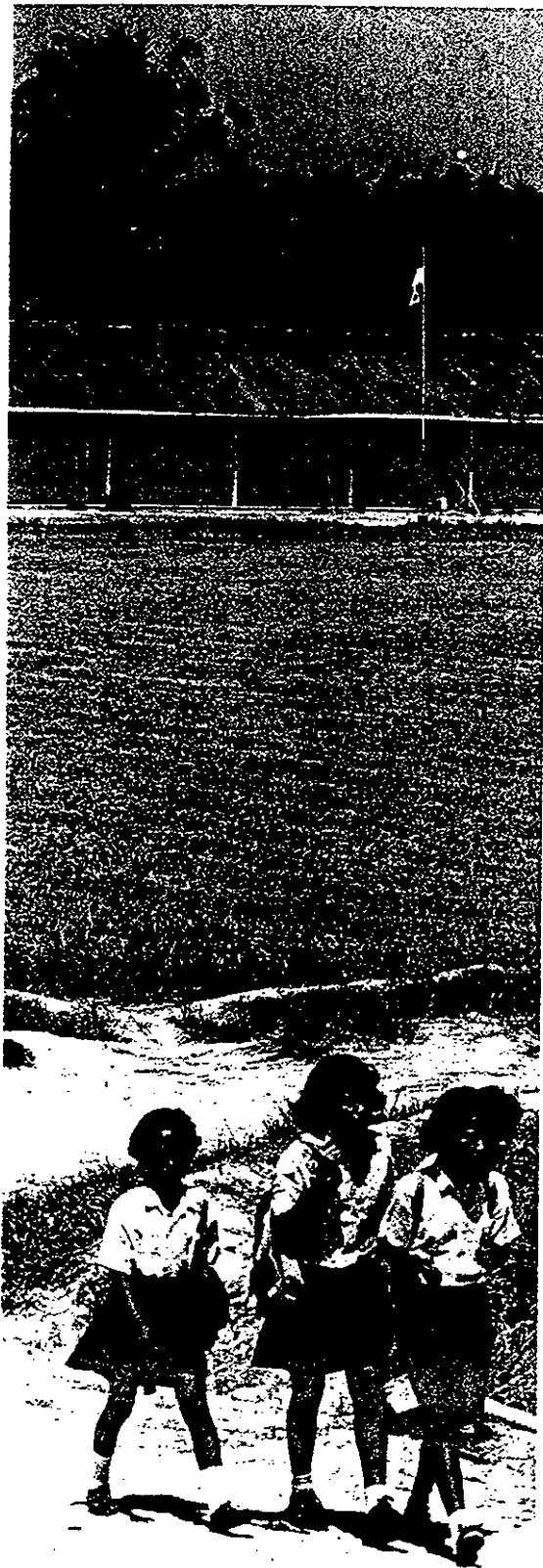
Together with exchange movements the effect of these revaluations is to show net asset value at 106p per share compared to 120p in last year's accounts.

Development - Indonesia

It was reported in the interim statement that we had at last obtained the initial occupation permit on the fourth and last block of land (10,500ha, called Sumindo) in Bengkulu, which we contracted to purchase in 1996. The Sumindo terrain looks favourable and clearing work is now starting.

We are now on site on the third parcel of land, Mustika Rama, with an access road, nursery and small clearing. We have decided to limit this development to 3,500ha initially. Barring any unforeseen circumstances our planned planted area in Bengkulu is 26,000ha which when completed will bring the planted area in Indonesia to 36,000ha.

CHAIRMAN'S STATEMENT



At the end of 1998 5,800ha had been planted on Alno and Puding Mas with a further 2,000ha ready for planting which will be finished by June 1999. Therefore an area larger than Tasik will have been planted in three years. Another 2,000ha is scheduled to be planted in the remainder of this and early next year 2000. Harvesting will commence next year and crops should be above Tasik levels in 2002. The first of several mills is required in 2001.

During the year we secured a site in Bengkulu port, some four hours' drive away, on which a storage and shipping terminal will be constructed.

Development - Malaysia

In May 1998 the purchase of a further 2,900ha of vacant land at Cenderung was completed at a cost of \$6.4 million. Part of this area was being cleared at the time the purchase was first agreed and 1,150ha of it will have been planted by June 1999. This will bring the total planted area to 3,710ha of which 2,200ha have been planted since we acquired the property.

At the same time as the above acquisition, we met our investment approval conditions by completing the disposal of a 15% interest in Cenderung to The Malaysian Armed Forces Pension Fund (LTAT) for a consideration of \$2.6 million. This resulted in a profit of \$240,000 based on the group's 1997 valuation. LTAT, which also purchased 15% from our other partner now owns 30%. Our holding is 55%.

Due to the devaluation of the Malaysian ringgit the dollar cost of our investment is about \$4.3 million above the dollar value of the underlying fixed assets. We have written down the investment against part of a provision for such exchange losses brought forward from previous years.

Given the attractive returns now available in

CHAIRMAN'S STATEMENT

Indonesia it has been decided to consolidate and bring to maturity the existing immature areas of Cenderung and not to extend the estate for the time being.

Tasik

In common with other estates in the area, crops from Tasik and Anak Tasik were disappointing. There appeared to be a severe reaction to the haze and drought of 1997 compounded by another sharp dry spell early in 1998. At one stage crops were 38% down on the previous year. They ended 13% down and rainfall 8% below average.

Lower crops and the early dry weather led to a continual struggle with fruit quality, particularly from outside. The extraction rate was down 0.8%. A 40% fall in crop processed from outside followed attempts to enforce quality control in a sellers' market.

Medan estates

Unlike Tasik FFB production on our smaller estates was ahead of budget with average yields of 20 and 23mt/ha. Rubber production was also slightly ahead of expectation and cocoa production, while not very significant, responded dramatically to some sustained management attention.

World cocoa prices were firm in the early part of 1998 before joining rubber in a steady decline. However, local prices of both commodities, with no export tax distortion, benefited directly from devaluation of the Indonesian rupiah. Altogether these smaller estates were quite profitable.

Cenderung

Production from the small mature area at 7,900mt was lower than expected, caused in part by the unusual weather of 1997 and 1998 which affected Malaysia as well.

FFB prices in Malaysia reflected the high world CPO price and Cenderung's average price was 80% higher than the previous year. Even at this early stage of development the estate contributed about \$240,000 to group profit.

Shares

The share price declined to a low of 26p before recovering to the present level of 48p. The low price reflects in part the market's view on the uncertainties of the Asian economic crisis but the board feels it does not reflect the long term potential of the group. Accordingly, the company purchased 1.9 million shares for cancellation during the year and a further 0.8 million since the year end at a total cost of \$2.1 million or about 48p per share.

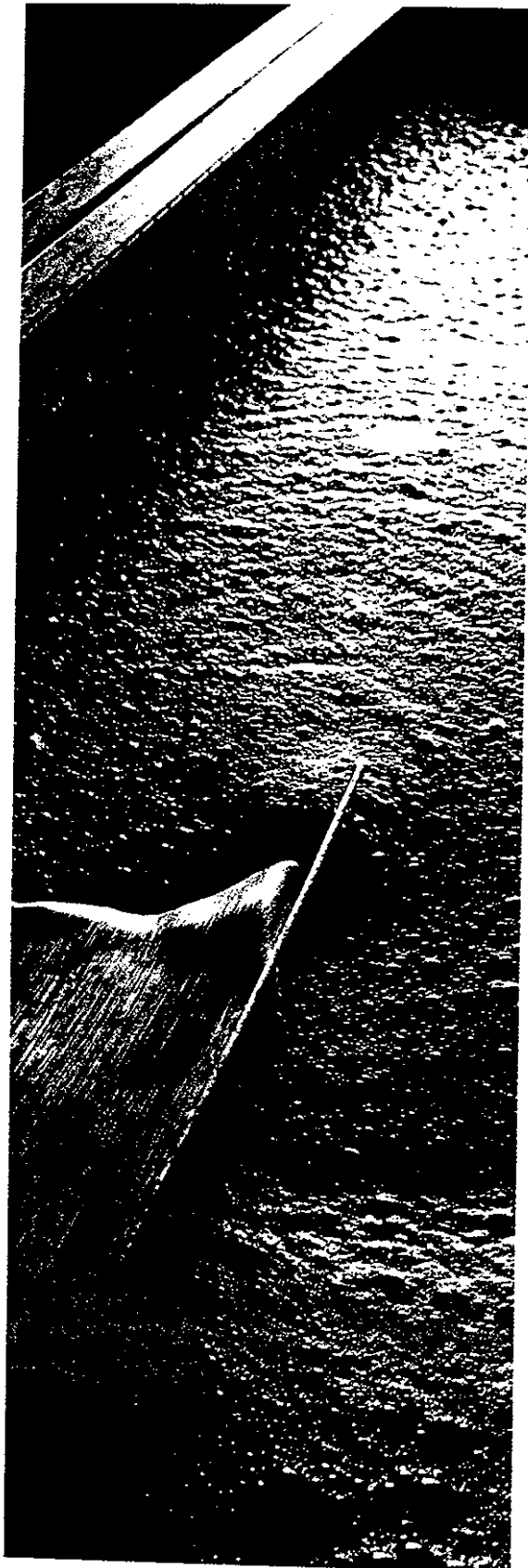
Management

To the board's regret Mr Patrick Low resigned as Chief Executive in August 1998 and subsequently as a director. I have taken on the position of Chairman and Chief Executive. Together with my wife S K Lim, who was previously Chairman, my family has a controlling interest of 55% in the company. We therefore have a particularly keen interest to see the company prosper and shareholders' value increase.

Policy

There has been much talk of opportunities to purchase developed estates in Indonesia at attractive prices in current conditions. The management has examined a number of prospects, all of which so far were found to be problematic but we continue to review opportunities. In the meantime we intend to press on steadily with development in Bengkulu. Tasik is nearing its peak productivity and while there is growth to

CHAIRMAN'S STATEMENT



come from the Medan estates, it is not so significant.

All being well significant production will come from Bengkulu in 2002 with a consequent effect on earnings which should grow rapidly for five years. Therefore as Tasik enters its replanting programme in 2005 the Bengkulu operation should enable us to continue our policy of a steadily improving dividend.

Immediate outlook

FFB crops in the first three months of 1999, though behind budget, were 15% ahead of last year. Severe droughts like that of 1997 are normally thought to affect production eighteen months to two years later and it is likely their effect is still being felt. However latest reports indicate a surge in crops in coming months. CPO prices have fallen but as explained earlier the effect has been offset by a cut in export tax. Rubber crops are well up but again prices continue to drift.

It is difficult to predict events for the rest of the year in Indonesia. We believe any problems are likely to be temporary and remain confident in the attractive long term prospects of our estates. An early reduction in the export tax would significantly improve profits for 1999. Failing that, if the CPO price stabilises and crops maintain current trends then we should see an improvement in results for 1999.

CHAN TEIK HUAT

Chairman

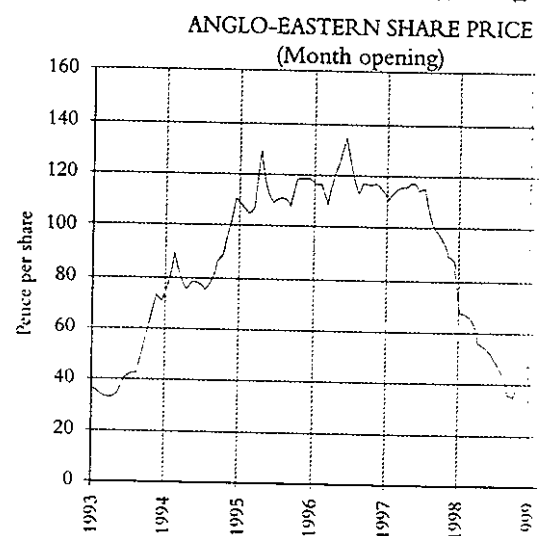
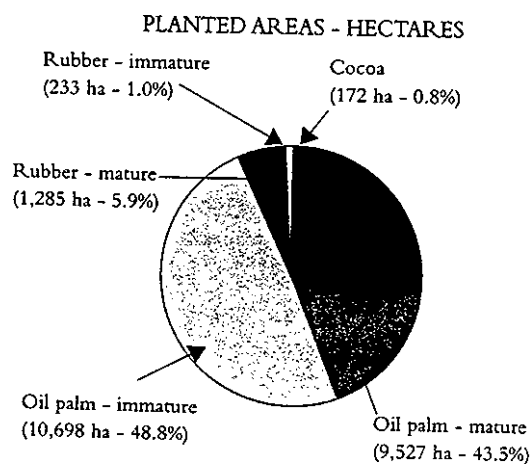
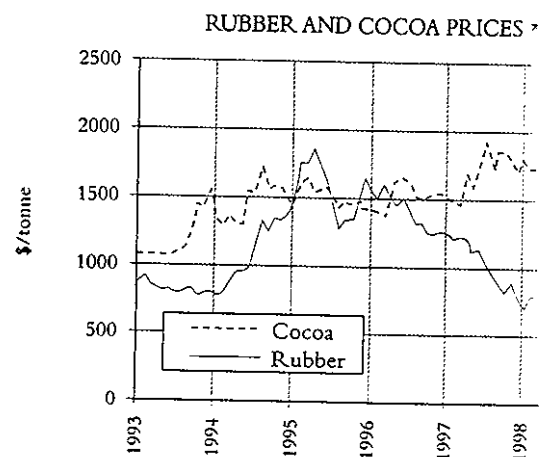
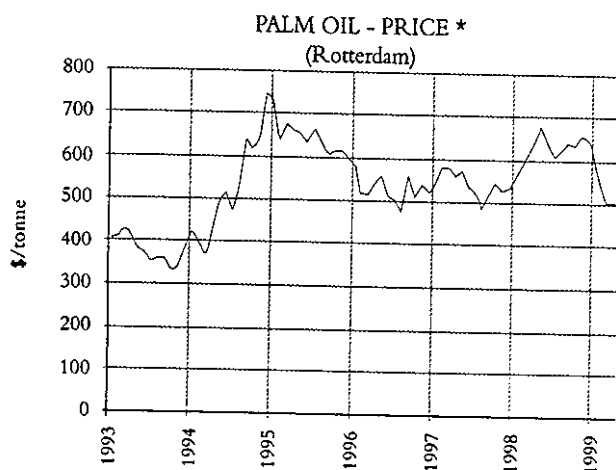
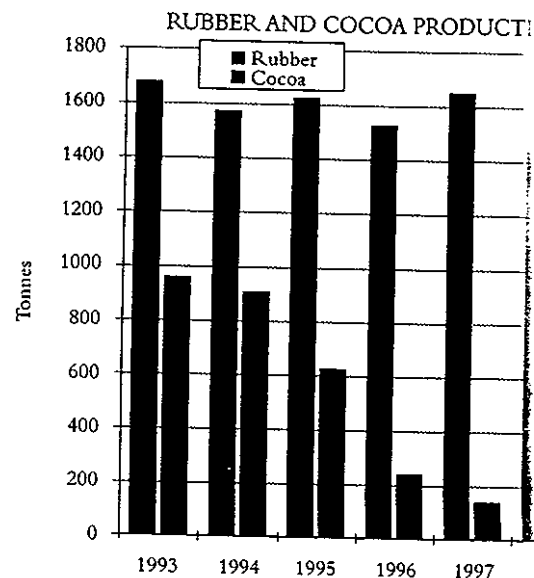
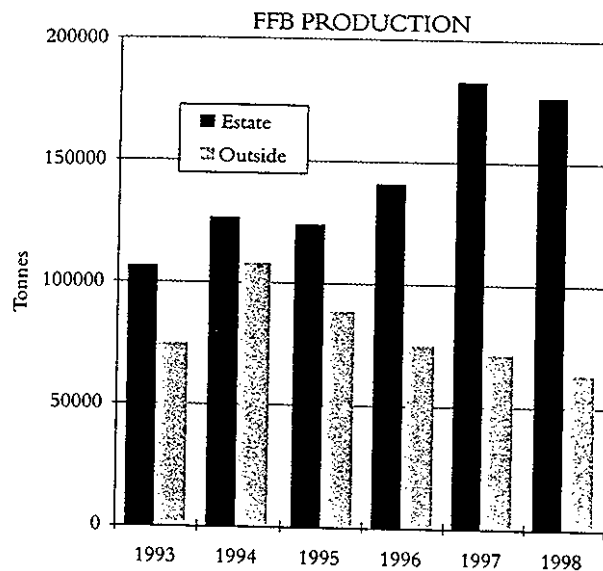
29 April 1999

FINANCIAL RECORD

	1998 \$000	1997 \$000	1996 \$000	1995 \$000	1994 \$000
Profit and Loss Account					
Turnover	14,944	24,649	19,570	23,057	19,940
Operating profit	8,473	14,510	10,459	14,148	11,505
Net interest received/(charged)	245	296	599	46	(741)
Exceptional items	948	(1,333)	111	102	(1,037)
Profit before tax	9,666	13,473	11,169	14,296	9,727
Taxation	(3,170)	(4,611)	(3,293)	(4,119)	(345)
Minority interests	(1,042)	(2,239)	(1,486)	(1,979)	(1,923)
Profit attributable to shareholders	5,454	6,623	6,390	8,198	7,459
Dividends	(2,746)	(2,745)	(2,375)	(2,160)	(1,210)
Retained profit	2,708	3,878	4,015	6,038	6,249
Balance Sheet	\$000	\$000	\$000	\$000	\$000
Fixed assets	87,587	94,183	84,711	50,797	46,572
Cash net of short term borrowings	6,943	7,823	12,174	31,993	4,474
Long term loans	-	(923)	(1,846)	(2,768)	(6,041)
Other working capital and deferred tax	(5,614)	(1,477)	759	(4,126)	(1,738)
	88,916	99,606	95,798	75,896	43,267
Minority interests	(17,896)	(17,309)	(15,947)	(7,996)	(5,964)
Net worth	71,020	82,297	79,851	67,900	37,303
Share capital	15,480	16,200	16,258	16,258	10,096
Share premium and capital redemption account	24,348	23,628	23,570	23,570	5,105
Revaluation and exchange reserve	6,290	18,227	19,431	11,495	10,719
Profit and loss account	24,902	24,242	20,592	16,577	11,383
Shareholders' funds	71,020	82,297	79,851	67,900	37,303
Ordinary shares in issue ('000s)	40,027	41,888	42,038	42,038	26,206
Earnings per share (US cents)	13.3cts	15.8cts	15.2cts	27.0cts	27.6cts
Dividends per share (US cents)	7.00cts	6.60cts	5.65cts	5.14cts	4.62cts
Asset value per share (US cents)	177cts	197cts	190cts	162cts	142cts
Earnings per share (pence equivalent)	8.0p	9.6p	9.7p	17.3p	18.0p
Dividends per share (pence equivalent)	4.34p	4.00p	3.49p	3.40p	2.90p
Asset value per share (pence equivalent)	106p	120p	111p	103p	91p
Net borrowing: shareholders' funds (%)	-	-	-	-	4%

Earnings per share and dividends in prior years have been adjusted for the rights issue in 1995.
Relevant exchange rates shown on page 9.

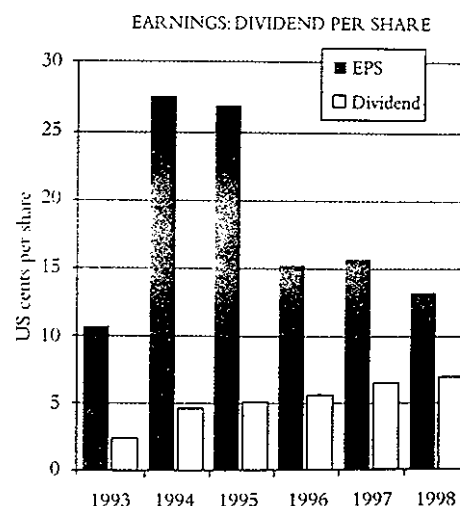
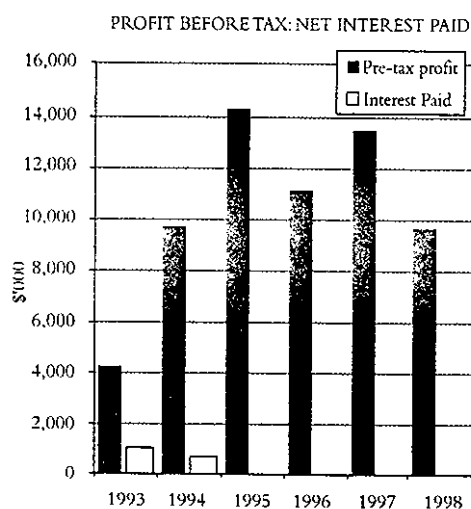
ADDITIONAL INFORMATION



* = Source: DATASTREAM

ADDITIONAL INFORMATION

	1998	1997	1996	1995	1994
Crops	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
FFB - all estates	176,546	182,855	140,566	123,632	126,095
- bought in or processed for third parties	42,750	71,697	74,723	89,012	108,287
Saleable Crude Palm Oil (CPO)	31,224	36,894	30,728	32,711	35,501
Rubber	1,621	1,658	1,530	1,633	1,577
Cocoa	206	139	245	627	910
Sales					
CPO - Tasik	29,012	37,647	29,899	35,992	34,479
FFB - other estates	26,486	33,803	10,956	-	-
Rubber	1,621	1,682	1,526	1,633	1,576
Cocoa	162	152	224	725	898
Average Sales Prices - Indonesia	Rp/kg	Rp/kg	Rp/kg	Rp/kg	Rp/kg
CPO (after export tax)	3,166	1,360	1,085	1,133	928
Rubber	6,941	2,749	3,232	3,290	2,332
Cocoa	15,787	4,570	2,870	3,006	2,481
FFB	668	239	183	-	-
Average Sales Prices - Malaysia	RM/mt	RM/mt	RM/mt	RM/mt	RM/mt
FFB	424	227	183	-	-
Exchange Rates - Year End					
Rp : \$	8,025	4,650	2,363	2,280	2,204
\$: £	1.67	1.65	1.71	1.56	1.56
RM : \$	3.80	3.89	2.53	2.54	-
Exchange Rates - Average					
Rp : \$	9,935	2,921	2,330	2,280	2,162
\$: £	1.66	1.64	1.57	1.56	1.54
RM : \$	3.89	2.87	2.52	2.51	-



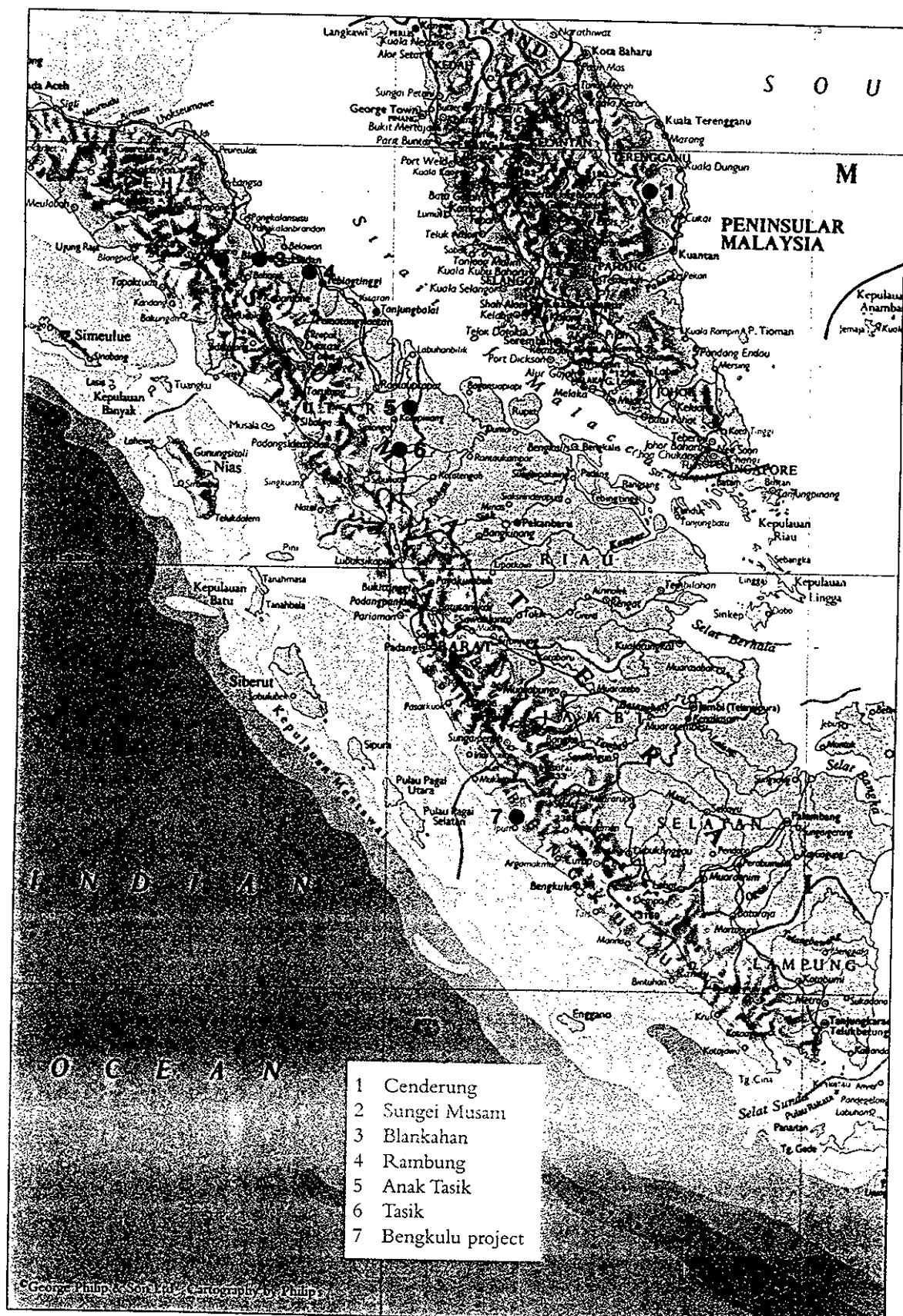
ESTATE AREAS

	GROUP	MALAYSIA		INDONESIA		NORTH SUMATRA					BENGKULU			
		CENDERUNG hectares	TOTAL hectares	TASIK hectares	ANAK TASIK hectares	BLANKAHAN hectares	RAMBUNG hectares	SUNGEI MUSAM hectares	ALNO hectares	MUSTIKA hectares	PUDING hectares	MAS hectares	SUMINDO hectares	
At 31 December 1998														
Oil Palm														
Mature	9,527	807	8,720	6,021	764	926	8	851	-	-	150	-	-	
Immature														
due to mature 2000	2,960	682	2,278	-	-	-	22	6	1,300	-	950	-	-	
other	5,458	1,788	3,670	-	-	-	-	68	1,560	-	2,042	-	-	
under preparation	2,280	304	1,976	-	-	-	-	-	1,140	-	836	-	-	
Total	20,225	3,581	16,644	6,021	764	926	30	925	4,000	-	3,978	-	-	
Rubber														
Mature	1,285	-	1,285	-	-	-	403	882	-	-	-	-	-	
Immature:	223	-	223	-	-	-	223	-	-	-	-	-	-	
Total	1,508	-	1,508	-	-	-	626	882	-	-	-	-	-	
Cocoa														
Mature - total	172	-	172	-	-	-	172	-	-	-	-	-	-	
Immature	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	172	-	172	-	-	-	172	-	-	-	-	-	-	
Timber														
	129	129	-	-	-	-	-	-	-	-	-	-	-	
Total planted area	22,034	3,710	18,324	6,021	764	926	828	1,807	4,000	-	3,978	-	-	
Reserves														
Plantable	19,013	1,789	17,224	-	-	-	-	34	3,740	3,450	-	-	10,000	
Unplantable	1,926	900	1,026	11	-	-	-	53	197	50	215	500	-	
Other - housing, roads, etc	401	19	382	64	34	30	14	30	133	-	77	-	-	
Total	43,374	6,418	36,956	6,096	798	956	842	1,924	8,070	3,500	4,270	10,500	-	

Note: No land title has yet been issued in respect of Alno but the main procedures involved in the application have been completed and at 31 December 1998 substantial work had taken place on the site.

Similarly no land titles have yet been issued in respect of Mustika Rama and Sumindo. The application procedures have commenced but will take some time. Meanwhile some clearing work has started.

LOCATION OF ESTATES



DIRECTORS' REPORT

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 31 December 1998.

Principal Activity

The company acts as a holding company and co-ordinates the businesses of its subsidiaries. At 31 December 1998 these comprised principally the cultivation of oil palm, rubber and cocoa in Indonesia and Malaysia.

The subsidiary and associated undertakings principally affecting the profits or net assets of the group in the year are listed in note 24 to the financial statements.

Results and Dividends

The audited financial statements for the year ended 31 December 1998 are set out on pages 20 to 35. The group profit for the year on ordinary activities before taxation was \$9,666,000 (1997 - \$13,473,000) and the profit attributable to ordinary shareholders was \$5,454,000 (1997 - \$6,623,000). No interim dividend was paid. The directors recommend a final dividend of 7.00cts (1997 - 6.60cts) to be paid on 16 June 1999 to shareholders on the register on 14 May 1999. Shareholders who elect to receive their dividend in sterling as described on page 14 will receive a dividend of 4.34p (1997 - 4.00p).

Fixed Assets

Information relating to changes in tangible fixed assets is given in note 10 to the financial statements.

Directors

A full list of directors appears on page 15. With the exception of Datuk H Chin, who was appointed on 1 May 1998, and Mr P H H Low, who resigned on 7 October 1998, all the directors served throughout the year. In accordance with the Articles of Association, Madam S K Lim and Mr S C Ho, who do not have service contracts, will retire by rotation and will offer themselves for

re-election at the forthcoming annual general meeting.

No directors have service agreements exceeding one year's duration.

Directors' Interests

The interests of the directors together with those of their immediate families in the securities of the company were as shown below:

Directors' beneficial interests at 31 December	1998	1997
	Ordinary shares	Ordinary shares
R O B Barnes	3,602	3,602
T H Chan	345,500	345,500
Datuk Chin	-	-
Dato Haron	249,000	249,000
S C Ho	400,000	400,000
S K Lim	21,217,914	21,017,914
P E O'Connor	300,000	300,000
S T Wee	-	-

Mr S T Wee is general manager of Benchmark Asia Ltd which owned 1,200,000 shares at 31 December 1998 (1997 - 1,200,000) and in which Mr Wee is therefore deemed to be interested.

The interests disclosed for Madam S K Lim are held by Genton International Ltd and certain other companies of which Madam Lim is the controlling shareholder.

On 12 February 1999 a company in which Madam S K Lim has a controlling interest sold 400,000 shares. Otherwise there has been no change in the interests of the directors in the securities of the company between 31 December 1998 and the date of this report.

Share options granted to the directors of the company under the company's 1994 Executive Share Option Scheme and Overseas Share Option Scheme at 31 December 1998 were:

Name of director	No of ordinary shares under option	Date of grant	Exercise price	Exercise period
R O B Barnes	31,412	5.11.94	93.2p	5.11.97-4.11.04
	14,338	24.5.96	124p	24.5.99-23.5.06

The market price of shares at 31 December

DIRECTORS' REPORT

1998 was 46.5p and the range during 1998 was 73.5p to 26.5p.

No director had a material interest in any contract of the company subsisting during, or at the end of, the financial year.

Substantial Share Interests

As at 29 April 1999 the following were the interests in excess of 3% of the issued ordinary share capital:

Name of holder	Number	Percentage held
Genton International Limited	20,176,414	51.4%
Govett Oriental Investment Trust plc	1,226,900	3.1%
Benchmark Asia Limited	1,200,000	3.1%
P H H Low	1,177,550	3.0%

Power to Issue Share Capital

At the annual general meeting held on 5 June 1998 shareholders authorised the board under the provisions of section 80 of the Companies Act 1985 to allot relevant securities within specified limits for a period of five years. Renewal of this authority on similar terms is being sought under Resolution 6 at the forthcoming annual general meeting. Such authority will be limited to the unissued authorised share capital.

A fresh authority is also being sought under the provisions of section 95 of the Companies Act 1985 to enable the board to make an issue to existing shareholders without being obliged to comply with certain technical requirements of the Companies Act, which create problems with regard to fraction entitlements and to overseas shareholders. In addition the authority will give the board power to make issues of shares for cash to other than existing shareholders up to a maximum nominal amount of £490,336 representing 5% of the current issued share capital. The section 95 authority will last for up to 15 months from the date of the annual general meeting.

Scrip Dividends

Resolution 7 to be proposed at the annual general

meeting seeks renewal for a further five years of the authority under which the directors are able to offer shareholders a scrip dividend alternative. A scrip dividend alternative is not being offered in respect of the 1998 final dividend.

Acquisition of the Company's Own Shares and Authority to Purchase Own Shares

Further to the shareholders' resolution of 5 June 1998 the company purchased, for a consideration of £648,326 - 1,861,500 ordinary shares representing 4.4% of the company's issued ordinary share capital at 31 December 1997.

Since 31 December 1998 the company purchased - for a consideration of £420,312 - 800,000 ordinary shares representing 2.0% of the company's issued ordinary share capital at 31 December 1998.

At 29 April 1999, the directors had remaining authority, under the shareholders' resolution of 5 June 1998, to make further purchases of 1,797,342 of the company's ordinary shares. This authority expires on 14 June 1999.

The board will only make purchases if they believe the earnings or net assets per share of the company would be improved by such purchases. All such purchases will be market purchases made through the London Stock Exchange and will be subject to the London Stock Exchange's model code of dealings. Any shares purchased by the company will be cancelled and the number of shares in issue will accordingly be reduced.

Resolution 8 to be proposed at the forthcoming annual general meeting seeks authority to purchase up to a maximum of 3,922,692 ordinary shares of 25p each on the London Stock Exchange, representing 10% of the company's issued ordinary share capital. The maximum price which may be paid for ordinary shares on any exercise of the authority will be restricted to 5% above the average middle market quotations for such shares as derived from the London Stock Exchange Daily Official List for the 5 business days before the purchase is made.

DIRECTORS' REPORT

Denomination of Dividends

The group reporting currency is US dollars. However at the time of acquiring their interest shareholders can choose to receive dividends in US dollars or in sterling. In the absence of any specific instruction up to the date of closing the register shareholders with addresses in the UK are deemed to have elected to receive their dividends in sterling and those with addresses outside the UK in US dollars.

The sterling equivalent dividend will be paid at the exchange rate ruling at the date of approval of the company's financial statements by the directors and in the case of the current year is recorded within the section "Results and Dividends" on page 12.

Payment of Dividends by Electronic Means

Following the withdrawal of the bulk distribution system to the banks the company will need to be in a position to pay dividends via the Bankers Automated Clearing System (BACS) for any dividends paid on or after 1 January 1999 to shareholders who have their dividends paid direct to their bank accounts.

A special resolution will therefore be proposed as Resolution 5 at the forthcoming annual general meeting to enable payment of dividends by electronic means to be implemented.

Shareholders who receive their dividends by other means will not be affected but, by informing the registrars, may change to being paid by electronic means if they so wish.

Supplier Payment Policy

It is the company's policy to pay suppliers promptly in accordance with terms of payment.

Year 2000

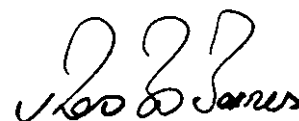
Modifications of all main and integrated systems to make them Year 2000 compliant have been completed. Certain peripheral systems remain to be amended or replaced with new proprietary systems.

Liability Insurance for Company Officers

As permitted by the Companies Act 1985 the company has maintained insurance cover for the directors against liabilities in relation to the company.

Income and Corporation Taxes Act 1988

In the opinion of the directors, the company is not a close company within the meaning of the above Act.



By order of the board
R O B Barnes
Secretary

29 April 1999

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards

have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS

T H Chan (Chairman and CEO, aged 59)
Chartered Accountant; managing director of Metroplex Berhad; founder and managing partner of a leading accounting firm in Malaysia for some 17 years.

R O B Barnes (Chief Financial Officer, aged 54)
Chartered Accountant; director of The Chillington Corporation Plc from 1986 to 1989.

Dato Haron bin Dato Mohd Salleh (Executive, aged 55)
Managing director, Anglo-Eastern Plantations (Malaysia) Sdn Bhd.
Vice Admiral Royal Malaysian Navy, now retired.
Chief of Staff Malaysian Armed Forces HQ 1994 - 1996.

Datuk H Chin Poy-Wu (Independent non-executive, aged 61)
Director of Glenealy Plantations Berhad, Malaysian Mosaics Berhad and Sabah Forest Industries Sdn. Bhd. Commissioner of Police - Kuala Lumpur, retired 1993.

S C Ho (Independent non-executive, aged 49)
Director of ST Capital Limited a financial services company based in Singapore.

Madam S K Lim (Non-executive, aged 50)
Executive chairman of Metroplex Berhad, an investment holding company, listed on the Kuala Lumpur Stock Exchange, primarily engaged in property development, investment property, hotel ownership, building materials, leisure and gaming.

P E O'Connor (Senior independent non-executive, aged 58)
Chairman of Asset Universal (Hong Kong) Ltd, City Merchants High Yield Trust Plc and of Advance Developing Markets Plc; director of GT Management Plc 1975 to 1990 (in London and Hong Kong).

S T Wee (Independent non-executive, aged 50)
President & CEO of Vickers Ballas Holdings Limited, a group which is principally involved in securities broking and related financial services.

STATEMENT ON CORPORATE GOVERNANCE

In June 1998 the Stock Exchange published the Principles of Good Governance and Code of Best Practice (the "Combined Code") which became effective in respect of accounting periods after 31 December 1998.

During 1998 the company has complied with the majority of the requirements of the Combined Code but a number of procedures have been changed at the end of 1998 or are under review to achieve compliance as far as possible and appropriate in 1999.

Particular comment is made in the statements below and in the Remuneration Report on page 17 where the requirements were not met during 1998. The statements do not seek to reiterate all the requirements of the Combined Code.

The Board

Mr T H Chan has been both chairman and chief executive since 22 September 1998. Together with his wife, Madam S K Lim, he is a controlling shareholder of the company. In the opinion of the board, given the size of his family's commitment to the company, his common interest as shareholder and manager in the company make it reasonable that the post of chairman and chief executive are combined. The other members of the board are satisfied that through the specific powers reserved for the board, and given the balance of four wholly independent non-executives, there is a reasonable balance of influence.

Mr P E O'Connor was appointed senior non-executive director in January 1999.

Non-executives are not appointed for specified terms. There have been changes in non-executive directors at intervals in the past for a variety of reasons. While accepting the need to maintain the vitality of the board the directors do not intend to specify terms of office for non-executives.

However the board will review the position of each director at the time set for his normal two to three yearly reappointment under the Articles.

A nomination committee is not considered necessary given the small size of the company.

Directors are provided with background information on candidates who are then discussed by the board as a whole.

Remuneration

The required report is set out at the end of this statement.

Relations with Shareholders

Company executives make a point of attempting to meet principal shareholders at least once a year and at all times are pleased to speak to and meet any shareholder.

The Combined Code requires proxy votes to be announced after any vote by show of hands. This practice will be instituted at the annual general meeting in 1999.

A member, but not necessarily the chairman, of the audit and remuneration committees will be available at the 1999 annual general meeting.

Accountability and Audit

The responsibilities of the directors as regards the financial statements are set out on page 15. A statement of going concern is also on page 15.

The audit committee comprises Mr S C Ho, Mr P E O'Connor and Datuk H Chin. The committee met prior to the completion of the 1997 and 1998 financial statements.

The Combined Code has extended the requirement that directors review the effectiveness of the group's system of financial controls to those covering risk management, operations and compliance with laws and regulations. There is no specific guidance yet on reporting to shareholders on these further aspects, but the board as a whole necessarily has always been keenly interested in these matters and particularly in the specific and major risks faced by the group in commodity prices and foreign currency. These risks are reviewed regularly.

Internal Financial Control Statement

The board of directors has overall responsibility for ensuring that the group maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of

STATEMENT ON CORPORATE GOVERNANCE

financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The key features of the internal financial control system that operated throughout the period covered by the financial statements are described under the following headings.

- *Control environment*

There are clearly defined and understood lines of responsibility and delegation of authority from the board to operating units.

- *Identification and evaluation of business risks and control objectives*

The board has the primary responsibility for identifying the major business risks facing the group and developing appropriate policies to manage those risks.

- *Information systems*

The group prepares annual budgets, approved by the board. The financial reporting system compares monthly results against the plan.

- *Main control procedures*

These controls include defined procedures for seeking and obtaining approval for major transactions and organisational changes as well as organisational controls involving the segregation of incompatible duties and controls relating to the security of assets.

- *Monitoring*

The board has delegated to executive management implementation of the system of internal financial control. An internal audit department reviews the main areas of the group's business.

It is considered that there have been no material weaknesses in this system that have led to any material losses or contingencies during the last year or the period from the balance sheet date to the date of this report.

REMUNERATION REPORT BY THE BOARD

Details of directors' remuneration in 1998 are set out in note 6 of the financial statements and details of outstanding share options are shown in the directors' report on page 12.

In 1998 executive directors' remuneration was considered by the board as a whole, excluding the executive directors.

In January 1999 the board decided that the members of the audit committee should also act as a remuneration committee and, advised by the chief executive, should make recommendations to the board as a whole on all aspects of executive pay and incentives.

Non-executives' remuneration will continue to be considered by the board as a whole.

Policy

Executive directors receive a regular salary which is normally reviewed annually. In the past the board has determined annual bonuses at its discretion, in relation

to the company's performance.

No director has a contract exceeding one year or with predetermined compensation on termination.

Share options have been awarded on an occasional basis. Share options issued to date do not have performance criteria.

There is no company pension scheme for executive directors or senior executives. In the case of one executive director the company makes contributions, based on salary, to a personal money purchase pension plan. Pension contributions are not paid in respect of bonuses.

The board has noted the recommendation of the Combined Code that a substantial proportion of executives' remuneration should be performance related. The remuneration committee is charged to set criteria for bonuses for 1999 onwards and for future issue of any share options.

ASIAN ECONOMIC CRISIS AND THE BUSINESS OF THE GROUP

The annual report for 1997 contained in this section a description of how the main factors in the Asian economic crisis had had and could have a further effect on the business of the group.

The Indonesian rupiah depreciated to Rp 15,000 : \$ in June 1998 after starting the year at Rp4,650 : \$. It closed the year at Rp8,025 : \$. Although the exchange rate of the Indonesian rupiah appears to have stabilised in the past few months and the contraction of economic activity also seems to have slowed, social stability in parts of the country, which has deteriorated for more than a year, is still uncertain. The country plans for an open election in June. Its outcome and effect are uncertain. Against this background, it is difficult to predict the stability of the local exchange rate and social stability. Government policy towards foreign investments and the plantation industry might also change.

The Malaysian ringgit has come under strict foreign exchange control and has been fixed at RM3.8 : \$ since September 1998. Although the exchange control regulations, which have not affected direct investments of the type undertaken by the group, are due to be relaxed in September 1999, the manner or effect on the exchange rate is difficult to predict. Indeed, the exchange control might be extended beyond September 1999.

The effects of devaluation in local currencies on the group's operations are as follows: Since selling prices of the group's produce are linked directly to the US dollar, a depreciation of local currencies against the US dollar would increase the profit of the Malaysian and Indonesian subsidiaries. However, this benefit is partly offset over time by consequent inflation in local costs. Cost of development in dollar terms also reduces. The group retains little of its cash balances in local currencies. A US dollar denominated loan of an Indonesian subsidiary is no longer significant and any related exchange loss therefrom is more than offset by gains in the Indonesian subsidiaries. Exchange losses on dollar intercompany debt do not affect the group's profit.

The group has no local currency borrowings. Therefore, it is not affected by high interest rates and tight liquidity conditions.

Foreign currency profits of subsidiaries are translated into dollars in the group accounts using average rates of exchange. Under this treatment, reported dollar profit is normally slightly higher than it would be in the absence of any depreciation in local currencies.

Value of plantations in Indonesia has been included in the group's financial statements based on estimated future cash flows. Plantations in Malaysia have been included in the group's financial statements at valuation determined by the directors. In both cases, exchange losses are offset against revaluation surpluses.

The group's profit and cash flows can also be affected by government action. In January 1998, the Indonesian government banned the export of CPO. In April 1998 the Indonesian government replaced the ban with an export tax of 40% on CPO exports. The tax rate was increased to 60% in July 1998 and then reduced back to 40% in February 1999. The level of tax is expected to be reduced to 10% by December 1999. It is difficult to predict what future action local government might take.

AUDITORS' REPORT

To the Shareholders of Anglo-Eastern Plantations Plc

We have audited the financial statements on pages 20 to 35 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 24. We have also examined the amounts disclosed relating to the share options of the directors which form part of the directors' report on page 12 and the disclosures relating to the Asian economic crisis and business of the group on page 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, including as described on page 15, the financial statements. Our responsibilities, as independent auditors, are established 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 financial statements 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 financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we required 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 statement on pages 16 and 17 reflects the company's compliance with those 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 form an opinion on the effectiveness of the company's corporate governance procedures or its internal controls.

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

Basis of 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements 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 financial statements 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 financial statements.

Fundamental uncertainty

The group's operations in Indonesia continue to be exposed to adverse economic, political and social conditions. During the year, exchange rates fluctuated substantially and restrictions continued to be placed on the export of palm oil. In forming our opinion we have considered the adequacy of disclosures made in the financial statements concerning the economic and political situation in Indonesia and its effect on the group.

Although exchange rates and other economic indicators appear to have stabilised in early 1999, it is not possible to determine the effect that social unrest, political change or a further deterioration in economic conditions may have on the future asset values, earnings, profitability or cash flows of the group. The financial statements of the group include the effect of these factors as far as they can be currently determined and estimated.

The financial statements have been prepared on a going concern basis. There remains a fundamental uncertainty as to the effect on the group's operations of the economic, political and social conditions in Indonesia.

Our opinion is not qualified in this respect.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 December 1998 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.

29 April 1999

Arthur Andersen

ARTHUR ANDERSEN
Chartered Accountants and
Registered Auditors

1 Surrey Street
London WC2R 2PS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	1998 US\$000	1997 US\$000
Turnover - continuing operations	1	14,944	24,649
Cost of sales		(3,636)	(6,954)
Gross profit - continuing operations		11,308	17,695
Other income and expenses (net)	2	(2,835)	(3,185)
Operating profit	3	8,473	14,510
Interest - receivable		373	503
- payable	4	(128)	(207)
Exceptional profits/(losses)	5	948	(1,333)
Profit on ordinary activities before taxation		9,666	13,473
Tax on profit on ordinary activities	7	(3,170)	(4,611)
Profit on ordinary activities after taxation		6,496	8,862
Minority interests	19	(1,042)	(2,239)
Profit for the financial year		5,454	6,623
Dividends proposed	8	(2,746)	(2,745)
Retained profit for the year		2,708	3,878
Earnings per ordinary share	9	13.3cts	15.8cts

The accompanying notes are an integral part of this consolidated profit and loss account.

CONSOLIDATED AND COMPANY BALANCE SHEETS

31 DECEMBER 1998

	Notes	Consolidated		Company	
		1998 US\$000	1997 US\$000	1998 US\$000	1997 US\$000
Fixed Assets					
Tangible assets	10	87,587	94,183	-	815
Investments	24	-	-	1,599	1,599
		<u>87,587</u>	<u>94,183</u>	<u>1,599</u>	<u>2,414</u>
Current Assets					
Stocks	12	900	352	-	-
Debtors	13	3,658	8,392	55,353	60,261
Investments	14	453	816	453	816
Cash at bank and in hand	23	7,866	8,746	2,098	1,233
		<u>12,877</u>	<u>18,306</u>	<u>57,904</u>	<u>62,310</u>
Current Liabilities					
Creditors: falling due within one year					
Borrowings	15	(923)	(923)	-	-
Other creditors	15	(10,035)	(10,447)	(15,420)	(16,453)
		<u>(10,958)</u>	<u>(11,370)</u>	<u>(15,420)</u>	<u>(16,453)</u>
Net current assets		<u>1,919</u>	<u>6,936</u>	<u>42,484</u>	<u>45,857</u>
Total assets less current liabilities		<u>89,506</u>	<u>101,119</u>	<u>44,083</u>	<u>48,271</u>
Non-current liabilities					
Creditors: falling due after more than one year					
Borrowings	16	-	(923)	-	-
Deferred taxation	17	(590)	(590)	-	-
Net assets		<u>88,916</u>	<u>99,606</u>	<u>44,083</u>	<u>48,271</u>
Capital and Reserves					
Called-up share capital	18	15,480	16,200	15,480	16,200
Share premium account	19	23,570	23,570	23,570	23,570
Share capital redemption reserve	19	778	58	778	58
Revaluation and exchange reserve	19	6,290	18,227	3,872	8,218
Profit and loss account	19	24,902	24,242	383	225
Shareholders' funds - all equity interests		<u>71,020</u>	<u>82,297</u>	<u>44,083</u>	<u>48,271</u>
Minority interests - all equity interests	11.19	<u>17,896</u>	<u>17,309</u>	-	-
Total capital employed		<u>88,916</u>	<u>99,606</u>	<u>44,083</u>	<u>48,271</u>

On behalf of the board: R O B Barnes (director). 29 April 1999.

The accompanying notes are an integral part of these balance sheets.

R O B Barnes

**RECOGNISED GAINS AND LOSSES
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
HISTORICAL COST PROFITS AND LOSSES**

FOR THE YEAR ENDED 31 DECEMBER 1998

	Consolidated		Company	
	1998 US\$000	1997 US\$000	1998 US\$000	1997 US\$000
Statement of Total Recognised Gains and Losses				
Profit/(loss) for the financial year	5,454	6,623	4,315	(426)
Unrealised surplus on revaluation of the estates	9,313	34,837	-	-
(Loss) on exchange translation	(21,276)	(36,041)	-	-
Provision for diminution in value of investment in subsidiary	-	-	(4,346)	-
Total recognised (losses)/gains relating to the year	(6,509)	5,419	(31)	(426)
Reconciliation of Movements in Shareholders' Funds				
Total recognised (losses)/gains	(6,509)	5,419	(31)	(426)
Dividends	(2,746)	(2,745)	(2,746)	(2,745)
Transfers re purchase of own shares	(1,411)	(228)	(1,411)	(228)
Reserves relating to disposal of interest in subsidiary	(611)	-	-	-
Net (decrease)/increase in shareholders' funds	(11,277)	2,446	(4,188)	(3,399)
Beginning of year	82,297	79,851	48,271	51,670
End of year	71,020	82,297	44,083	48,271
Historical Cost Profits and Losses				
Reported profit/(loss) on ordinary activities before taxation	9,666	13,473	4,315	(426)
Difference between historical cost depreciation charge and the actual depreciation charge for the year	(746)	(144)	-	-
Historical cost profit/(loss) on ordinary activities before taxation	8,920	13,329	4,315	(426)
Historical cost retained profit/(loss) for the year	1,962	3,734	1,569	(3,171)

Depreciation based on the historic dollar cost of fixed assets exceeds that on the current reported amount because of the effects of the long term decline in value of the Indonesian rupiah against the US dollar.

The accompanying notes are an integral part of this statement of total recognised gains and losses and of this note of historical cost profits and losses.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	1998 US\$000	1997 US\$000
Net cash inflow from operating activities	22	12,012	11,773
Returns on Investments and Servicing of Finance			
Interest received		373	503
Interest paid		(128)	(207)
		245	296
Taxation			
Foreign tax paid		(2,823)	(3,794)
UK tax paid		(687)	(579)
		(3,510)	(4,373)
Capital Expenditure			
Payments to acquire tangible fixed assets		(8,755)	(6,822)
Payments to acquire land and freehold building		(733)	(1,924)
Proceeds from sale of tangible fixed assets		1,208	285
		(8,280)	(8,461)
Acquisition and Disposals			
Proceeds from disposal of interest in subsidiary		2,640	-
Equity Dividends Paid			
Parent company		(2,745)	(2,375)
Minority shareholders		(939)	-
		(3,684)	(2,375)
Cash (outflow) before management of liquid resources and financing		(577)	(3,140)
Management of Liquid Resources			
Payments to acquire liquid resources		-	(1,742)
Proceeds from sale of liquid resources		159	1,682
		159	(60)
Cash (outflow) before financing		(418)	(3,200)
Financing			
Purchase of own shares		(1,411)	(228)
Repayment of long term loan		(923)	(923)
Subscription by minority shareholder		1,872	-
		(462)	(1,151)
(Decrease) in cash and cash equivalents	23	(880)	(4,351)

The accompanying notes are an integral part of this consolidated cash flow statement.

ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards.

Basis of Consolidation

The group financial statements consolidate those of Anglo-Eastern Plantations Plc and its subsidiary undertakings, drawn up to 31 December each year under the acquisition method of accounting.

Tangible Fixed Assets

The estates are valued at directors' valuation each year based on external valuations normally performed every three years.

The estates were valued during 1997 by independent valuers at open market values for existing use less certain discounts where considered prudent by the directors.

At 31 December 1998 the Indonesian estates have been valued at a value in use estimated by the directors; the Malaysian estates have been included at a valuation which is estimated by the directors to be approximately their recoverable value.

The Tasik oil mill is included at cost less depreciation.

The depreciation charge on Indonesian estates is based on mature values at the beginning of the year and is provided at a rate of 2% per annum. The Tasik oil mill is depreciated at the rate of 5% per annum. The Malaysian leasehold land is depreciated over the remaining term of the lease. Mature plantations in Malaysia are depreciated at a rate of 5% per annum. The UK equipment is depreciated at 25% per annum.

Fixed Asset Investments

The company's fixed asset investments in subsidiary undertakings are stated at cost. Only dividends received or receivable are credited to the company's profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Current Asset Investments

The company's investments are stated at the lower of cost or market value.

Foreign Currency

Normal trading transactions in foreign currencies are recorded at the rates of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

In the group financial statements the results and year end balances of foreign group companies are translated using the average and closing rates respectively. Exchange rate adjustments arising from translation are transferred direct to revaluation and exchange reserves.

Exchange differences on foreign currency loans, to the extent that they relate to investments in overseas operations, are also taken to revaluation and exchange reserve.

Turnover

Turnover represents amounts receivable for goods and services provided by the group in the normal course of business, net of trade discounts, VAT and export taxes

Taxation

UK and foreign corporation tax payable on taxable profits is provided at the current rates.

Deferred tax is provided using the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates 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.

Deferred tax has been provided in respect of the revaluation of the estates where there is a possibility of disposing of an interest in those estates in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

1 Segment Information

	Net assets		Turnover		Profit before taxation	
	1998 \$000	1997 \$000	1998 \$000	1997 \$000	1998 \$000	1997 \$000
Oil palm	81,819	89,517	13,555	22,828	9,925	16,380
Rubber	3,564	7,422	1,131	1,583	1,146	1,123
Cocoa	1,034	511	258	238	237	192
Other income and expenses	-	-	-	-	(2,835)	(3,185)
Interest	-	-	-	-	245	296
Exceptional items	-	-	-	-	948	(1,333)
Unallocated assets	2,499	2,156	-	-	-	-
	<u>88,916</u>	<u>99,606</u>	<u>14,944</u>	<u>24,649</u>	<u>9,666</u>	<u>13,473</u>
Turnover, by location of customer, is analysed as follows:						
Indonesia					13,249	11,011
Rest of Asia					1,695	5,841
Europe					-	7,797
					<u>14,944</u>	<u>24,649</u>

Turnover and profit on ordinary activities before taxation arose primarily in Indonesia.

2 Other Income and Expenses

	1998 \$000	1997 \$000
Administrative expenses	(2,748)	(3,525)
Other operating income	31	175
Rent received	102	123
Income on current investments	10	24
(Loss)/profit on disposal of fixed assets (excluding exceptional items)	(230)	18
	<u>(2,835)</u>	<u>(3,185)</u>

3 Operating Profit

	1998 \$000	1997 \$000
Operating profit is stated after charging:		
Auditors' remuneration - audit	85	97
- other advisory services - UK only	38	332
	<u>123</u>	<u>429</u>

4 Interest Payable

	1998 \$000	1997 \$000
Payable on loans repayable within five years:		
Oil mill development loan	128	207
	<u>128</u>	<u>207</u>

NOTES TO THE FINANCIAL STATEMENTS

5 Exceptional items

	1998	1997
	\$000	\$000
Profit on sale of UK property	387	-
Profit on sale of 15% interest in Anglo-Eastern Plantations (M) Sdn Bhd	239	-
(Loss) on sale of current investments	(305)	(613)
Write-back/(increase) in provision on current investments	124	(598)
Expenses relating to application for listing on Kuala Lumpur Stock Exchange	-	(400)
Exchange profits	503	278
	<u>948</u>	<u>(1,333)</u>

6 Employees and Directors' Remuneration

	1998	1997
	number	number
Average numbers employed (primarily overseas) during the year - full time	1,497	1,255
- casual	1,955	2,397
	<u>1998</u>	<u>1997</u>
	\$000	\$000
Staff costs (primarily overseas):		
Wages and salaries	2,220	3,850
Social security costs	64	88
Other pension costs	247	180
	<u>2,531</u>	<u>4,118</u>

The company has contributed \$26,000 (1997 - \$25,000) to directors' and employees' money purchase pension plans administered by UK insurance companies. Only one director is a member of such plans and no other director has a pension entitlement. The remaining amount of \$221,000 (1997 - \$155,000) for pension costs charged to profit and loss account relates to overseas employees.

Name of director	Fees \$000	Executive salary \$000	Bonus \$000	Pension contribution \$000	Taxable benefits \$000	Total 1998 \$000	Total 1997 \$000
Executive:							
T H Chan (Chairman and CEO)	15	-	-	-	-	15	13
P H H Low	-	57	7	-	3	67	127
R O B Barnes	-	121	-	21	12	154	165
Dato Haron bin Dato Mohd Salleh	13	-	-	-	-	13	13
Non-executive:							
S K Lim	18	-	-	-	-	18	-
Datuk H Chin Poy-Wu	9	-	-	-	-	9	-
S C Ho	13	-	-	-	-	13	13
P E O'Connor	13	-	-	-	-	13	13
S T Wee	13	-	-	-	-	13	13
1998	<u>94</u>	<u>178</u>	<u>7</u>	<u>21</u>	<u>15</u>	<u>315</u>	
1997	<u>65</u>	<u>230</u>	<u>28</u>	<u>21</u>	<u>13</u>		<u>357</u>

Mr P H H Low resigned as Chief Executive Officer on 3 August 1998 and as a director on 7 October 1998. Mdm S K Lim relinquished her position as Chairman on 22 September 1998 in favour of Mr T H Chan who was also appointed Chief Executive Officer on that date.

NOTES TO THE FINANCIAL STATEMENTS

7 Taxation

	1998 \$000	1997 \$000
The tax charge comprises:		
Foreign corporation tax - current year	2,671	4,701
Prior year foreign taxation provisions no longer required	(56)	(380)
Foreign withholding tax on remittances	555	290
	<u>3,170</u>	<u>4,611</u>

8 Dividends

	1998 \$000	1997 \$000
Final proposed - 7.00 cts per ordinary share (1997 - 6.60cts)	<u>2,746</u>	<u>2,745</u>

9 Earnings per Ordinary Share

Net earnings per ordinary share for 1998 have been calculated on the profit attributable to ordinary shareholders divided by 41,005,062 (1997 - 42,020,614) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

10 Tangible Fixed Assets

	Consolidated balance sheet					
	UK					
	Freehold building	Equipment	Total UK	Estates	Oil mill	Total consolidated
	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation						
Beginning of year	848	37	885	89,950	4,583	95,418
Additions						
- existing operations	-	-	-	6,220	35	6,255
- new land	-	-	-	7,092	-	7,092
Revaluations and exchange translations	-	-	-	(17,313)	(1,910)	(19,223)
Disposals	(848)	(9)	(857)	(249)	-	(1,106)
End of year	-	28	28	85,700	2,708	88,436
Depreciation						
Beginning of year	(33)	(37)	(70)	-	(1,165)	(1,235)
Revaluations and exchange translations	-	-	-	1,072	459	1,531
Charge for the year	(13)	-	(13)	(1,072)	(115)	(1,200)
Disposals	46	9	55	-	-	55
End of year	-	(28)	(28)	-	(821)	(849)
Net book value						
Beginning of year	815	-	815	89,950	3,418	94,183
End of year	-	-	-	85,700	1,887	87,587

The net book value, including cumulative revaluation incorporates the effect of a decline in value of the Indonesian rupiah and the Malaysian ringgit since acquisition which has been partially offset by the appreciation in the underlying value of the estates; the cumulative effect is shown in note 19.

NOTES TO THE FINANCIAL STATEMENTS

10 Tangible Fixed Assets - continued

The estates were professionally valued by Messrs Raine & Horne of Malaysia in April 1997 on an open market existing use basis using projected crops and profit margins over the remaining economic life of each planting. The Indonesian estates were valued in US dollars and were included in the accounts at December 1997 at those valuations. The Malaysian estates were valued in Malaysian ringgit and were included in the December 1997 accounts at those valuations less a discount considered prudent by the directors.

The directors valued the estates at 31 December 1998 at the discounted values of projected cash flows in local currency over fifteen years including replanting where required. The Indonesian estates have been included at these values which are considered by the directors to be fair values in use. The Malaysian estates have been included at a fair estimate of their recoverable value which is above the discounted value referred to above and below the valuation at December 1997.

No interest was capitalised in respect of expenditure on estates under development during 1998.

Original cost and depreciation at historical rates of exchange of tangible fixed assets at 31 December 1998 were:

	UK equipment \$000	Estates \$000	Oil Mill \$000	Total \$000
Original cost	28	90,901	10,182	101,111
Cumulative depreciation based on original cost	(28)	(11,321)	(2,492)	(13,841)
	<u>-</u>	<u>79,580</u>	<u>7,690</u>	<u>87,270</u>

The Indonesian authorities have granted or agreed to grant certain land exploitation rights and operating permits for the estates. These rights and permits expire between 2023 and 2028 for all the estates other than Alno, Mustika Rama and Sumindo where the land titles have yet to be issued but which, under normal rules, should be for a period of 35 years. The land title of the estate in Malaysia is a long lease expiring in 2084.

For certain categories of fixed asset the depreciation period exceeds the initial term of the rights and permits since the directors are confident that the land rights and permits will be extended beyond the initial term.

11 Minority Interests

In 1995 the Indonesian minority shareholders in PT United Kingdom Indonesian Plantations, PT Perusahaan Perkebunan Musam Utjing and PT Tasik Raja waived their rights to increase their shareholding to 51% over specified periods. In return those minority shareholders have been granted a right to acquire interests of 10% (increased from 8% in 1997) in the Puding Mas project and 6% in the Alno project on deferred terms. Interest will accrue on the resulting debts which will be settled from dividends ultimately arising from these projects.

Under a ruling of the Foreign Investment Committee (FIC) of Malaysia the company was required to reduce its interest in Anglo-Eastern Plantations (M) Sdn Bhd (AEP Malaysia), which owns the Cenderung estate, by 31 December 1997 so that 70% was owned by Malaysians of whom 30% were to be bumiputera. In May 1998 the company and its minority partner each completed the sale (together with necessary official approvals) of a 15% interest in AEP Malaysia to a bumiputera organisation.

12 Stocks

These are estate and mill stores of \$620,000 (1997 - \$337,000), and produce stocks of \$280,000 (1997 - \$15,000), stated at the lower of cost and net realisable value. Replacement value is not materially different.

NOTES TO THE FINANCIAL STATEMENTS

13 Debtors

	1998 \$000	1997 \$000
Consolidated balance sheet		
Due within one year		
Trade debtors	251	1,089
Other debtors	443	75
Taxation	2,235	1,572
Deposits on land purchase contracts subject to completion	-	3,859
Prepayments and accrued income	137	583
Due after more than one year		
ACT on proposed dividend	-	687
Other debtors	592	527
	<u>3,658</u>	<u>8,392</u>
Company balance sheet		
Due within one year		
Owed by group undertakings	52,981	57,781
ACT recoverable on prior year dividends	2,235	1,512
Other debtors	128	55
Prepayments and accrued income	9	226
Due after more than one year		
ACT recoverable on proposed dividend	-	687
	<u>55,353</u>	<u>60,261</u>

Of the ACT recoverable at 31 December 1998, \$1,539,000 was repaid in February 1999.

14 Investments

These represent short term investments listed on the Kuala Lumpur Stock Exchange and are shown at market value. Historic cost: \$1,063,000 (1997 - \$1,527,000).

15 Creditors: Amounts Falling Due Within One Year

	1998 \$000	1997 \$000
Consolidated balance sheet		
Borrowings		
Current portion of long term loan (note 16)	923	923
Other creditors		
Trade creditors	436	601
Overseas taxation	2,984	2,652
ACT on proposed dividend	-	687
Other creditors	2,524	1,776
Accruals	915	1,556
Proposed dividend	2,746	2,745
Share capital subscriptions advance by minority shareholder	430	430
	<u>10,035</u>	<u>10,447</u>
Company balance sheet		
Group undertakings	12,395	12,325
Other creditors	60	58
ACT on proposed dividend	-	687
Proposed dividend	2,746	2,745
Accruals	219	638
	<u>15,420</u>	<u>16,453</u>

NOTES TO THE FINANCIAL STATEMENTS

16 Borrowings

	1998 \$000	1997 \$000
Consolidated balance sheet		
Oil mill development dollar loan to a subsidiary repayable in four remaining equal quarterly instalments.		
Rate of interest about 7.5% pa.	923	1,846
Less repayments due in one year (note 15)	(923)	(923)
	<u>-</u>	<u>923</u>

17 Deferred Taxation

This represents a provision for Malaysian taxation on the potential disposal of the group's interest in Anglo-Eastern Plantations (M) Sdn Bhd based on the valuation at which it is carried in the consolidated balance sheet.

18 Share Capital

	Authorised Number	Issued and fully paid Number	Authorised \$000	Issued and fully paid \$000	Authorised £000	Issued and fully paid £000
Ordinary shares of 25p each						
Beginning of year	60,000,000	41,888,422	23,865	16,200	15,000	10,473
Purchases of own shares and transfer to share capital redemption reserve	-	(1,861,500)	-	(720)	-	(465)
End of year	<u>60,000,000</u>	<u>40,026,922</u>	<u>23,865</u>	<u>15,480</u>	<u>15,000</u>	<u>10,008</u>

See note 21 for post balance sheet movements.

Options have been granted under the company's 1994 Executive Share Option Scheme and Overseas Share Option Scheme to subscribe for ordinary shares of 25p each of the company as follows:

Date of grant	Price per share	Period of option	Number of options			Number of shares subject to option		
			1 Jan 98	Lapsed	31 Dec 98	1 Jan 98	Lapsed	31 Dec 98
5.11.94	92.4p	5.11.97 - 4.11.04	2	(1)	1	405,162	(376,943)	28,219
5.11.94	93.2p	5.11.97 - 4.11.04	1	-	1	31,412	-	31,412
3.11.95	115.8p	3.11.98 - 2.11.05	1	-	1	8,000	-	8,000
24.5.96	124.0p	24.5.99 - 23.5.06	3	(1)	2	67,205	(39,986)	27,219
21.10.96	120.6p	21.10.99 - 20.10.06	1	-	1	28,700	-	28,700
			<u>8</u>	<u>(2)</u>	<u>6</u>	<u>540,479</u>	<u>(416,929)</u>	<u>123,550</u>

Options granted to directors, included above, are shown on page 12.

19 Reserves and Minority Interests (a) Consolidated balance sheet

	Share premium account \$000	Share capital redemption \$000	Revaluation and exchange reserve \$000	Profit and loss account \$000	Minority interests \$000
Beginning of year	23,570	58	18,227	24,242	17,309
Transfers re purchase of own shares	-	720	-	(1,411)	-
Capitalisation of subsidiary reserves	-	-	26	(26)	-
Reserves relating to sale of interest in subsidiary	-	-	-	(611)	2,401
Allocation of interests in new projects (note 10)	-	-	-	-	18
Share capital subscription to subsidiary	-	-	-	-	1,872
Revaluation	-	-	9,313	-	2,218
Exchange translation	-	-	(21,276)	-	(6,025)
Retained profit for year	-	-	-	2,708	1,042
Minority dividends	-	-	-	-	(939)
End of year	<u>23,570</u>	<u>778</u>	<u>6,290</u>	<u>24,902</u>	<u>17,896</u>

ANGLO - EASTERN PLANTATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS

19 Reserves and Minority Interests - continued

(a) Consolidated balance sheet

As significantly all foreign exchange translation is attributable to fixed assets, foreign exchange translation effects have been included in the revaluation and exchange reserve. This reserve includes cumulative revaluation reserve of \$71,253,000 (credit), the reserve of \$3,449,000 (credit) referred to in note 19(b) below and exchange translation loss of \$68,412,000 (debit).

(b) Company balance sheet

	Share premium account \$000	Share capital redemption \$000	Revaluation and exchange reserve \$000	Profit and loss account (distributable) \$000
Beginning of year	23,570	58	8,218	225
Profit for year	-	-	-	4,315
Proposed dividend	-	-	-	(2,746)
Retained profit for year	-	-	-	1,569
Transfers re purchase of own shares	-	720	-	(1,411)
Provision for diminution in value of investment in subsidiary	-	-	(4,346)	-
End of year	<u>23,570</u>	<u>778</u>	<u>3,872</u>	<u>383</u>

As permitted by section 230 of the Companies Act 1985, a separate profit and loss account dealing with the results the company has not been presented.

Of the revaluation and exchange reserve at the beginning of the year \$7,795,000 was available to meet any reduction in dollar terms of investments in and loans to subsidiaries caused by adverse exchange rate movements on the underlying assets. Following the 34% devaluation of the ringgit from about RM 2.5 : \$ in 1997 to RM 3.8 : \$ at the end of 1998 the directors are of the opinion that the US dollar value of the company's assets in Malaysia are now permanently below the dollar cost of the investment in those assets. Therefore a provision of \$4,346,000 has been made against this investment and debited to the revaluation reserve referred to above which has consequently been reduced to \$3,449,000.

20 Guarantees and Other Financial Commitments

	1998 \$000	1997 \$000
Consolidated		
<i>Capital commitments at 31 December</i>		
Contracted for but not provided for - normal operations	822	2,186
- acquisition of new land	528	1,118
Authorised but not contracted for	<u>3,494</u>	<u>3,707</u>

Contingent liabilities

The company is facing claims over two separate parcels of land in Indonesia amounting to 350ha and 236ha, one not planted by the company, the other fully planted by the company. In both cases the subsidiary in question has a valid HGU land title covering the relevant area and in the second case the subsidiary has already won its case in the Appeal Court, but the plaintiff has appealed to the Supreme Court. The company is reasonably confident of winning these cases. The relevant pieces of land are valued in the consolidated accounts at approximately \$45,000 and \$1,040,000. Certain categories of retiring employees in Indonesia received a lump sum based on period of service : others are part of a newly established pension scheme required by the government. Provisions have been made since 1994 in the group companies affected gradually to provide for the full potential liability for pensions and lump sums. By 31 December 1998 full provisions had been made for both liabilities. At 31 December 1997 \$353,000 was unprovided.

Company

The company has provided a guarantee for the oil mill development loan of \$923,000 (1997 - \$1,846,000) referred to in note 16.

The company had no capital commitments at 31 December 1998 (1997 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

21 Post Balance Sheet Events

On 1 February 1999 the Indonesian government reduced the export tax on CPO to 40% from the 60% ruling since July 1998.

In 1999 the company purchased a further 800,000 of its own shares for cancellation at an average price of 52p and at a cost of \$673,000, leaving 39,226,922 shares in issue at 29 April 1999.

22 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	1998	1997
	\$000	\$000
Operating profit	8,473	14,510
Exceptional items	948	(1,333)
Depreciation and amortisation	1,200	1,799
(Profit) on sale of fixed assets	(157)	(18)
(Profit) on disposal of interest in subsidiary	(239)	-
Realised and unrealised losses on investments	181	1,211
(Increase)/decrease in stocks	(548)	496
Decrease in debtors	869	203
(Decrease)/increase in creditors	(58)	368
Foreign exchange	<u>1,343</u>	<u>(5,463)</u>
Net cash inflow from ordinary activities	<u>12,012</u>	<u>11,773</u>

23 Analysis of Changes in Net Funds

	At 31 Dec 1998	Flows	At 31 Dec 1997	Flows	At 31 Dec 1996
	\$000	\$000	\$000	\$000	\$000
Cash in hand, at bank	7,866	(880)	8,746	(4,351)	13,097
Borrowings due within 1 year	(923)	-	(923)	-	(923)
Borrowings due after 1 year	-	923	(923)	923	(1,846)
Current asset investments	<u>453</u>	<u>(363)</u>	<u>816</u>	<u>(2,149)</u>	<u>2,965</u>
Change in net funds	<u>7,396</u>	<u>(320)</u>	<u>7,716</u>	<u>(5,577)</u>	<u>13,293</u>

24 Subsidiary Undertakings

	Percentage holding
Principal United Kingdom sub-holding company	
Anglo-Indonesian Oil Palms Limited	100
Malaysian operating companies	
Anglo-Eastern Plantations (M) Sdn Bhd	55
Anglo-Eastern Plantations Management Sdn Bhd	100
Indonesian operating companies	
PT Tasik Raja	80
PT United Kingdom Indonesian Plantations	75
PT Perusahaan Perkebunan Simpang Ampat	100
PT Perusahaan Perkebunan Musam Utjing	75
PT Anak Tasik	100
PT Puding Mas	90
PT Alno Agro Utama	94

The principal United Kingdom sub-holding company is registered in England and Wales and is a direct subsidiary of the company.

The Malaysian operating companies are incorporated in Malaysia and are registered direct subsidiaries of the company.

The Indonesian operating companies are incorporated in Indonesia and are direct subsidiaries of the principal sub-holding company.

Details of United Kingdom and Malaysian subsidiaries which are not significant have been omitted.

The principal activity of the operating companies is plantation agriculture.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (£ STERLING)

FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes (References in US dollars)	1998 £000	1997 £000
Turnover - continuing operations	1	8,997	15,030
Cost of sales		(2,189)	(4,240)
Gross profit - continuing operations		6,808	10,790
Other income and expenses (net)	2	(1,707)	(1,942)
Operating profit	3	5,101	8,848
Interest - receivable		225	307
- payable	4	(77)	(127)
Exceptional profits/(losses)	5	570	(813)
Profit on ordinary activities before taxation		5,819	8,215
Tax on profit on ordinary activities	7	(1,908)	(2,811)
Profit on ordinary activities after taxation		3,911	5,404
Minority interests	19	(627)	(1,366)
Profit attributable to shareholders		3,284	4,038
Dividends proposed	8	(1,652)	(1,674)
Retained profit for the year		1,632	2,364
Earnings per ordinary share	9	8.0p	9.6p

The accompanying notes are an integral part of this consolidated profit and loss account.

CONSOLIDATED AND COMPANY BALANCE SHEETS (£ STERLING)

31 DECEMBER 1998

	Notes (References in US dollars)	Consolidated		Company	
		1998 £000	1997 £000	1998 £000	1997 £000
Fixed Assets					
Tangible assets	10	52,322	57,081	-	494
Investments	24	-	-	955	969
		<u>52,322</u>	<u>57,081</u>	<u>955</u>	<u>1,463</u>
Current Assets					
Stocks	12	538	213	-	-
Debtors	13	2,185	5,086	33,066	36,522
Investments	14	271	495	271	495
Cash at bank and in hand	23	4,698	5,300	1,253	746
		<u>7,692</u>	<u>11,094</u>	<u>34,590</u>	<u>37,763</u>
Current Liabilities					
Creditors: falling due within one year					
Borrowings	15	(551)	(559)	-	-
Other creditors	15	(5,995)	(6,332)	(9,211)	(9,972)
		<u>(6,546)</u>	<u>(6,891)</u>	<u>(9,211)</u>	<u>(9,972)</u>
Net current assets		<u>1,146</u>	<u>4,203</u>	<u>25,379</u>	<u>27,791</u>
Total assets less current liabilities		<u>53,468</u>	<u>61,284</u>	<u>26,334</u>	<u>29,254</u>
Non-current Liabilities					
Creditors: falling due after more than one year					
Borrowings	16	-	(559)	-	-
Deferred taxation	17	(352)	(358)	-	-
Net assets		<u>53,116</u>	<u>60,367</u>	<u>26,334</u>	<u>29,254</u>
Capital and Reserves					
Called-up share capital	18	10,008	10,473	10,008	10,473
Share premium account	19	15,329	15,329	15,329	15,329
Share capital redemption reserve	19	471	37	471	37
Revaluation and exchange reserve	19	1,741	9,346	297	3,280
Profit and loss account	19	14,876	14,692	229	135
Shareholders' funds - all equity interests		<u>42,425</u>	<u>49,877</u>	<u>26,334</u>	<u>29,254</u>
Minority interests - all equity interests	11,19	<u>10,691</u>	<u>10,490</u>	<u>-</u>	<u>-</u>
Total capital employed		<u>53,116</u>	<u>60,367</u>	<u>26,334</u>	<u>29,254</u>

CONSOLIDATED CASH FLOW STATEMENT (£ STERLING)

FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes (References in US dollars)	1998 £000	1997 £000
Net cash inflow from operating activities	22	7,160	7,471
Returns on Investments and Servicing of Finance			
Interest received		225	307
Interest paid		<u>(77)</u>	<u>(127)</u>
		148	180
Taxation			
Foreign tax paid		(1,700)	(2,313)
UK tax paid		<u>(414)</u>	<u>(353)</u>
		(2,114)	(2,666)
Capital Expenditure			
Payments to acquire tangible fixed assets		(5,271)	(4,160)
Payments to acquire land and freehold building		(441)	(1,172)
Proceeds from sale of tangible fixed assets		<u>727</u>	<u>174</u>
		(4,985)	(5,158)
Acquisitions and Disposals			
Proceeds from disposal of interest in subsidiary		1,589	-
Equity Dividends Paid			
Parent company		(1,653)	(1,448)
Minority shareholders		<u>(565)</u>	<u>-</u>
		(2,218)	(1,448)
Cash (outflow) before management of liquid resources and financing		(420)	(1,621)
Management of Liquid Resources			
Payments to acquire liquid resources		-	(1,062)
Proceeds from sale of liquid resources		<u>96</u>	<u>1,026</u>
		96	(36)
Cash outflow before financing		(324)	(1,657)
Financing			
Purchase of own shares		(849)	(139)
Repayment of long term loan		(556)	(563)
Subscription advance by minority shareholder		<u>1,127</u>	<u>-</u>
		(278)	(702)
(Decrease) in cash and cash equivalents	23	<u>(602)</u>	<u>(2,359)</u>

The accompanying notes are an integral part of this consolidated cash flow statement.

NOTICE OF MEETING

Notice is hereby given that the fourteenth Annual General Meeting of Anglo-Eastern Plantations Plc will be held at the offices of Lovell White Durrant, 21 Holborn Viaduct, London EC1A 2DY on 14 June 1999 at 11.00 a.m. for the following purposes:

As Ordinary Business

- 1 To receive and consider the company's annual report for the year ended 31 December 1998.
- 2 To declare a dividend.
- 3 To re-elect the following directors.
 - a) Madam S K Lim
 - b) Mr S C Ho
- 4 To re-appoint Arthur Andersen as auditors and to authorise the directors to fix their remuneration.

As Special Business

- 5 To consider and, if thought fit, to pass the following resolution as a special resolution:

That any dividend or other monies payable in cash on or in respect of a share in the capital of the company may be paid by such method other than by cheque or warrant (including, without limitation, by direct debit, bank or other funds transfer system or transfer by any electronic media) as the directors may in their absolute discretion think fit (subject always, in the case of shares in uncertified form, to the facilities and requirements of the relevant computer-based system and procedures where payment is to be made by means of such system and procedures) to or through such person as the holder or person entitled may in writing direct. Every payment so made shall be made at the risk of the holder or person entitled. The transfer of the funds by the bank instructed to make the same or the making of payment otherwise in accordance with this Resolution shall be a good discharge to the company and the company shall have no responsibility for any sums lost or delayed in the course of payment by a method selected by the directors pursuant to this resolution or where it has acted on any directions given by the holder or person entitled.

- 6 To consider and, if thought fit, to pass the following resolution as a special resolution:

That

- (a) the directors be generally and unconditionally authorised pursuant to and in accordance with section 80 of the Companies Act 1985 ("the Act") to exercise for the period ending on 13 June 2004 all the powers of the company to allot relevant securities up to an aggregate nominal amount equal to the company's authorised but unissued share capital at the date of this resolution;
- (b) pursuant to the said authority and during the period expiring on the date of the next Annual General Meeting or on 13 September 2000 (whichever shall be earlier) the directors be empowered to allot equity securities wholly for cash:
 - (i) in connection with a rights issue; and
 - (ii) up to an aggregate nominal amount of £490,336 otherwise than in connection with a rights issue; as if section 89 (1) of the Act did not apply to any such allotment;
- (c) by such authority and power the directors may during such periods make offers or agreements which would or might require the making of allotments after the expiry of such period; and
- (d) for the purposes of this resolution:
 - (i) "rights issue" means an offer of equity securities open for acceptance for a period fixed by the directors to holders of equity securities on the register on a fixed record date in proportion to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory);
 - (ii) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the company, the nominal amount of such shares which may be allotted pursuant to such rights; and
 - (iii) words and expressions defined in or for the purposes of part IV of the Act shall bear the same meanings herein.

NOTICE OF MEETING

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

That the directors be and they are hereby authorised

- (i) to exercise the powers contained in Articles 137 and 138 of the Articles of Association of the company so that, to the extent determined by the directors, the holders of ordinary shares be permitted to elect to receive new ordinary shares of 25p each in the capital of the company, credited as fully paid, instead of all or part of any interim or final dividend or dividends which may be declared or paid at any time or times prior to 13 June 2004; and
- (ii) to capitalise the appropriate nominal amount of additional ordinary shares, falling to be allotted pursuant to elections made as aforesaid, out of the amount standing to the credit of any reserves of the company, to apply such sum in paying up such ordinary shares and pursuant to section 80 of the Act to allot such ordinary shares up to a maximum nominal value of an aggregate nominal amount equal to the company's authorised but unissued share capital at the date of this resolution to members of the company validly making such elections at any time or times prior to 13 June 2004 as if sub-section (1) of section 89 of the said Act did not apply thereto and so that this authority shall be without prejudice and additional to the authority conferred by resolution no. 6.

- 8 To consider and, if thought fit, to pass the following as a special resolution:

That the company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 25p each in the capital of the company provided that:

- (a) the maximum number of ordinary shares hereby authorised to be purchased is 3,922,622 (representing 10% of the issued ordinary share capital);
- (b) the minimum price which may be paid for each ordinary share is 25p;
- (c) the maximum price which may be paid for each ordinary share is an amount equal to 105% of the average of the middle market quotations for such share as derived from the Daily Official List of the London Stock Exchange Limited for the five business days immediately preceding the date of purchase; and
- (d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the company save that the company may before the expiry of this authority make a contract of purchase which will or may be executed wholly or partly after such expiry and may make a purchase of shares pursuant to any such contract.

By order of the board
R O B BARNES
Secretary

29 April 1999

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. 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.

Pursuant to regulation 34 of the Uncertified Securities Regulations 1995, the company has specified that only those shareholders on the register of members of the company at 11:00 a.m. on 10 June 1999 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after 11:00 a.m. on 10 June 1999 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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 the registered office of the company during usual business hours from the date of this notice until the date of the annual general meeting and at 21 Holborn Viaduct, London EC1A 2DY from 11.00 a.m. on that day until the conclusion of the meeting. No directors have service agreements exceeding one year's duration.

COMPANY ADDRESSES

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