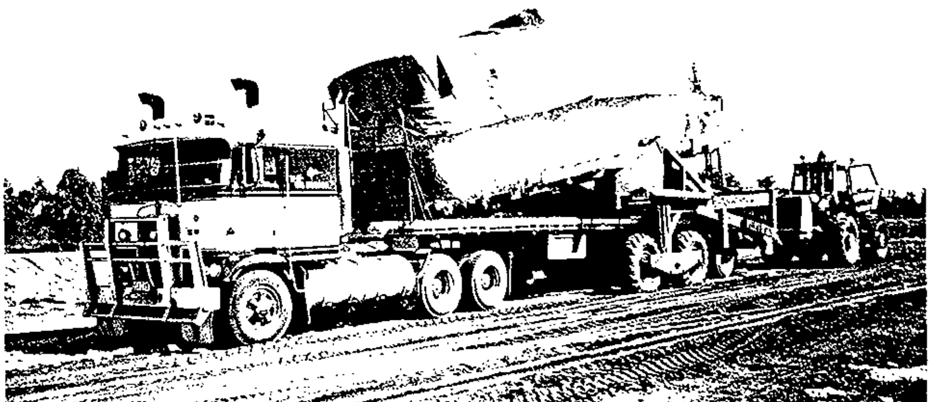
Company No: 1555042

Rowe Evans INVESTMENTS PLC

ANNUAL REPORT

1997



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FRONT COVER
Harvested fresh fruit bunches ("f.f.b.") ready for collection.

INSIDE FRONT COVER
TOP
New bridge across the Manjunto River at the PT Agro Muko project in Bengkulu.
MIDDLE LEFT
Road maintenance on Simpang Kiri Estate.
MIDDLE RIGHT
Recently budded young rubber plant.
BOTTOM
Loading a cotton module on Lendu Holdings PLC's Australian cotton farm.

INSIDE BACK COVER
Map of the Group's estates.

Officers, professional advisers and representatives

CHAIRMAN

Edwin Hadsley-Chaplin, FCIS*
(Non-executive)

Chairman of the Company since its incorporation in 1981 and managing director from 1981 to 1991. Non-executive chairman of all other plantation companies in the M. P. Evans grouping. A former chairman of The Tropical Growers' Association. (Age 75).

EXECUTIVE DIRECTORS

Philip A Fletcher, FCA
(Managing director)

Appointed a director in 1987 and managing director in 1991. An executive director of all other plantation companies in the M. P. Evans grouping. Joined the Group in 1982 after initial career in accountancy with KPMG in London and Sydney and in industry with The RTZ Corporation PLC group.
(Age 48).

Peter E Hadsley-Chaplin, MA MBA

Appointed a director in 1989. Managing director of Bertam Holdings PLC and Lendu Holdings PLC, and an executive director of all other plantation companies in the M. P. Evans grouping. Former chairman of The Association of the International Rubber Trade. Prior to joining the Group in 1988 he was a commodity broker with C Czarnikow Limited.
(Age 40).

NON-EXECUTIVE DIRECTORS

Eric J Ells*

A director of the Company since its incorporation in 1981. Former chairman of M. P. Evans (UK) Limited and past chairman of The Association of the International Rubber Trade.
(Age 69).

Konrad P Legg*

Appointed a director of the Company in 1987. A non-executive director of Lendu Holdings PLC and formerly managing director of Plantation & General Investments Plc.
(Age 54).

* *member of the audit, nomination and remuneration committees.*

Secretaries, share registrars and registered office
M. P. Evans (UK) Limited
3 Clanricarde Gardens
Tunbridge Wells
Kent TN1 1HQ

Auditors
Deloitte & Touche
Chartered Accountants
Hill House, 1 Little New Street
London EC4A 3TR

Managing agents in Indonesia
P.T. Tolan Tiga Indonesia
Jalan Let. Jend. S. Parman 217
Medan, North Sumatra

Merchant bankers
N M Rothschild & Sons Limited
New Court, St Swithin's Lane
London EC4P 4DU

Principal bankers
National Westminster Bank Plc
1 Princes Street
London EC2R 8PA

Bank Dagang Negara
5 Jalan M.H. Thamrin
Jakarta 10340, Indonesia

Solicitors
Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A 2HA

Stockbrokers
CSFB de Zoete & Bevan Limited
One, Cabot Square
London E14 4QJ

Summary of results

FOR THE YEAR ENDED 31 DECEMBER 1997

	1997 £'000	1996 £'000
Turnover	**6,792**	7,533
Profit on ordinary activities before taxation	**9,306**	10,937
Profit on ordinary activities attributable to members	**6,119**	8,299
Earnings per 10p share	**12.64p**	17.17p
Equity dividend per 10p share*	**4.25p**	4.00p
Equity shareholders' funds	**39,993**	47,124
Capital employed	**41,720**	49,037
Movement in net funds	**2,501**	228

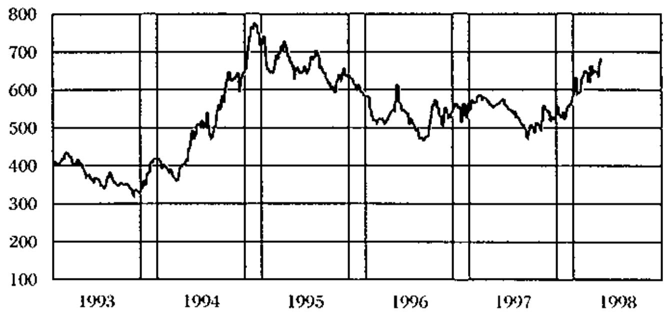
* of this dividend 3.81p will be paid as a foreign income dividend (1996 - 2.00p)

Chairman's statement

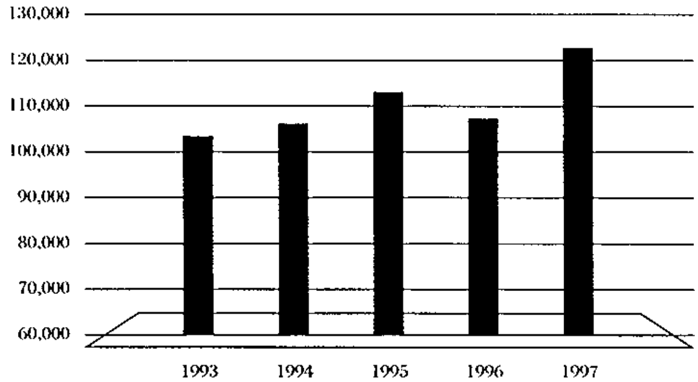
I am pleased to report an operating profit of £8,025,000 for the year (including exchange gains of £1,791,000) which compares with last year's £6,282,000. Exceptional gains amounted to £1,043,000 (1996 £4,471,000) and, as a result, the profit attributable to shareholders was £6,119,000 (1996 £8,299,000).

Your board recommends increasing the dividend to 4.25p from 1996's 4.00p. As last year, part of this will be paid as a foreign income dividend.

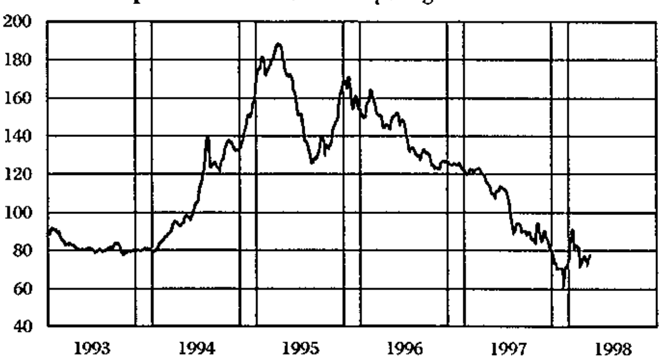
Crude palm oil prices Rotterdam c.i.f. – US $ per tonne



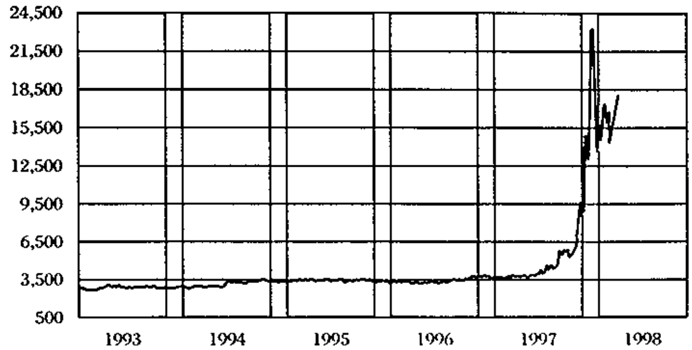
Oil palm f.f.b. crops – tonnes



Rubber prices RSS1 US cents per kg



Exchange rate Rupiah v. Sterling.



SOUTH EAST ASIA

The recent extreme turbulence in the currency and stock markets of South East Asia has been well documented. Indonesia has suffered more than most in this respect which is amply demonstrated by the exchange rate graph on this page which shows £1 = Rp 4,000 at the end of June 1997, falling to around Rp 24,000 in early 1998, then seeming to settle at around Rp 14,000, before falling again recently to the Rp 18,000 level. Not surprisingly, business confidence in the country has been badly shaken and uncertainty continues whilst the International Monetary Fund and the Indonesian Government attempt to restore order to the markets.

On the face of it the palm oil business should not be adversely affected by the currency turbulence since it is a commodity traded in US Dollars. However, since cooking oil (palm oil is one of the major types used in Indonesia) is an important part of the staple Indonesian diet and, in order to prevent very sharp increases in the price arising out of the Rupiah devaluation, a temporary export ban was imposed by the Government at the end of 1997. Indonesia produces considerably more palm oil than it consumes and it is one of the country's major export earners so the export ban was always likely to be of a short-term nature. Accordingly it has recently been announced that the ban has

Chairman's statement

CONTINUED

been lifted but that a substantial, 40%, export tax has come into force.

In the meantime, and no doubt partly because of the export ban, palm oil in the world market has been trading at robust levels. The current adverse effect of last year's haze on crop levels and the prospect of the continuation of lower crops because of the drought is also a factor. I have referred later in my report in more detail to the effect of all of the above on the operations of the Group, both in 1997 and so far in 1998.

REVIEW OF 1997

Indonesian plantation operations

Selling prices

The US-Dollar palm oil price gradually weakened in the first half of the year but, apart from a sharp, but brief, dip mid-year, largely stayed in the reasonably healthy US$500 to US$550 range before beginning to improve towards the year-end. Because of the currency turbulence referred to above the Rupiah price of palm oil increased markedly in the last part of the year bringing the 1997 average price we received for our fresh fruit bunches ("f.f.b.") above that of 1996. Rubber prices were on a downward trend throughout the year. Supply exceeded demand, exacerbated by the Asian crisis.

Crops

As expected the f.f.b. crop, at 122,800 tonnes, was markedly higher than last year's 107,000 tonnes although a little lower than the original estimate of some 130,000 tonnes. Bilah Estate had a particularly good year whilst Simpang Kiri Estate only started emerging slowly from the acute trough period that it and other surrounding estates have suffered over the last couple of years.

The rubber crop was expected to be lower than that achieved in 1996 largely due to the continuing replanting programme. In addition, an unusually prolonged dry period in the middle of the year adversely affected yields.

Exchange rate

The average rate of exchange for 1997 was £1 = Rp 4,753 compared with Rp 3,579 last year. As shown in the graph on page 5 the sharp devaluation of the Rupiah largely occurred at the end of the year so that the year-end rate was Rp9,010 although, as I referred to earlier, there was a very dramatic further deterioration in early 1998 before a slight recovery. As far as the palm oil operations were concerned, the effect in 1997 of the devaluation was broadly neutral in that the Rupiah selling prices were higher than in 1996 but similar when translated into Sterling. The markedly lower rubber results due to the lower selling prices were accordingly lower in Sterling terms. As a result of all of the above, the Group estate profit for the year amounted to £3,751,000 compared with £3,939,000 in 1996.

The surplus funds of the three Indonesian subsidiaries were, throughout 1997, largely maintained in US Dollars. An exchange gain of £1,791,000 arose from the restatement of those cash balances at the year end into a substantially higher level of Rupiahs due to the sharp devaluation.

Associated undertakings

The share of associated undertakings' profits was similar in total to last year although the constituent parts differed somewhat.

Bertam Holdings PLC (33.43% owned)

Improved plantation activities, interest receivable and profits of associates resulted in higher operating profits but the exceptional

Chairman's statement

CONTINUED

gains from land disposals of 1996 were not repeated. The 40% associate, Bertam Properties Sdn. Bhd., which now owns most of Bertam Estate, suffered from the downturn in the Malaysian economy which adversely affected the property market. The company reported lower profits whilst the other associated companies posted improved results.

PT Agro Muko (30.43% owned)

PT Agro Muko enjoyed another successful operating year under the guidance of the resident consultant, Jimmy Taylor, with f.f.b. crops increased to 154,000 tonnes (1996 - 117,000 tonnes) which produced over 33,000 tonnes of palm oil (1996 - 26,000 tonnes) and nearly 7,000 tonnes of palm kernels (1996 - 5,500 tonnes). As a result, the Rupiah profit was strongly ahead of 1996 but most regrettably, this was more than offset by exchange losses incurred with regard to the company's US-Dollar and Deutschmark loans following the Indonesian currency crisis. The company's loans at the end of the year amounted to US$5.25 million and DM8.30 million respectively.

Lendu Holdings PLC (35.13% owned)

The company's cotton, cereal and cattle farm in Queensland, Australia reported a highly successful year with a cotton crop of 14,780 bales compared with just over 3,000 in the previous year. The farm had, for the first time in three years, sufficient water for irrigation. Accordingly the company's profit increased markedly.

PT Kerasaan Indonesia (32.00% owned)

Kerasaan Estate recorded a very successful year with a higher than expected crop of f.f.b. and higher operating profits. As with the Group's Indonesian subsidiaries referred to above, a substantial exchange gain arose from the surplus funds held in US Dollars.

Other associated undertakings

The Group's other associated plantation companies reported similar results to the previous year. The Singapore Para Rubber Estates, PLC (42.03% owned) reported that the conditional sale of its estate, Perhentian Tinggi, near Seremban in Malaysia, into a joint venture whose majority shareholder was to be the Malaysian Hong Leong group was called off in early 1998.

THE INDONESIAN ESTATES

Pangkatan Estate (2,586 hectares)

This is a well-run, mature estate. During 1997 142 hectares of oil palms were planted, 113 of which were the replanting of old oil palms and 29 hectares the completion of new planting on swamp land. 47 hectares of this swamp land have now been utilised and, although more costly to plant than other areas because of drainage and flood-protection work required, should contribute useful extra tonnage to the estate's production.

80 hectares of rubber were also replanted with rubber during the year. The young areas on the estate have been planted to a high standard and are in good order - the 1993 planting will come into tapping in early 1998, only 4½ years after planting. The estate's rubber factory, in which the RSS1 grade is manufactured, is getting towards the end of its life and consideration is currently being given as to the most suitable replacement. Pangkatan Estate's hak guna usaha (HGU), the right to use the land, was due to expire in 1998. I am pleased to report this was renewed during the year for a further 25 years taking us up to 2023.

Simpang Kiri Estate (2,654 hectares)

At the end of 1997 the estate was 95% mature, with the remaining 110 hectares declared mature in January 1998. As referred to earlier the yields on the estate have been a little disappointing and it has taken longer than expected to emerge from the acute low-cropping phase that seemed to affect not only Simpang Kiri but also other estates in the locality. The estate should be on a rising crop trend as the extensive young areas increase in maturity although, as explained later in my report, there may, in common with plantations throughout Indonesia and Malaysia, be a short-term period of lower crops arising from the haze from forest fires and the drought experienced in 1997.

The HGU of one of the divisions expired in 1997 and I am pleased to report that it was renewed during the year. The new one is for 25 years, expiring in 2022.

Bilah Estate (2,961 hectares)

Work was completed during the year on the protective bund on one edge of the estate alongside the adjacent Kelundang River. There was fortunately no major flooding during 1997 and the estate had a most successful year. The remaining 88 hectares of the estate were planted and at the end of the year it was 94% mature. As with Simpang Kiri Estate, Bilah should be on an upward trend of crops as the young areas increase in maturity.

MINORITY INTERESTS

I reported in the interim statement that the agreed sale of 20% of PT Pangkatan Indonesia to the Indonesian company, PT Austindo Nusantara Jaya ("ANJ"), was completed during the year. The surplus arising from this disposal amounted to £1,043,000 and has been treated as an exceptional item.

In addition, I am pleased to report that ANJ has also, since the end of the year, purchased the existing 20% minority interests in PT Simpang Kiri Plantation Indonesia and in PT Bilah Plantindo. The previous owners of the two holdings of 20% were individuals associated with our managing agents in Indonesia, PT Tolan Tiga. On behalf of the board, I have pleasure in welcoming ANJ and look forward to their further involvement in our Group.

CURRENT TRADING

F.f.b. crops generally in Indonesia and Malaysia seem to be lower so far this year, possibly caused by the haze experienced over much of the area last year as a result of forest fires in Kalimantan and Sumatra. These forest fires proliferated because of the drought thought to be associated with the El Niño phenomenon and it is likely that this drought will have some effect on f.f.b. yields towards the end of this year. Yields, as can be seen from the table on page 9, are down on our estates so far but it is too early to tell what the outturn for the year will be. Both Simpang Kiri and Bilah Estates have substantial young areas and should be on an upward trend despite the adverse factors referred to.

Palm oil prices are trading at robust levels so far in 1998, no doubt because of the factors just mentioned. Despite the uncertainties in the Indonesian palm oil sector caused by the export ban, export taxes etc. the twin effect of robust US-Dollar prices and mayhem in the currency markets has resulted, so far in 1998, in reasonably profitable trading even in Sterling terms. Indonesian revenue costs are now much lower in Sterling terms although an inevitable consequence of the Rupiah devaluation is that inflation will, in time, take a hold especially for items such as fertilisers, which have a substantial import content.

The rubber crop to date has been in line with expectations. Prices improved sharply in

Chairman's statement

CONTINUED

February before falling back again. Rubber has not been subject to an export ban in Indonesia.

The estimated crops for the Group in 1998 are approximately 129,000 tonnes of f.f.b. and 950,000 kg of rubber. Crops and sales for the first four months of 1998, together with comparative figures, are set out below:

	1998	1997
Oil palm f.f.b.		
Crop - tonnes	**24,450**	30,300
Approximate average selling price per tonne	**Rp540,000**	Rp230,000
Rubber		
Crop - kg	**276,000**	266,000
Approximate average selling price per kg	**Rp5,500**	Rp2,880

Plantation activities are continuing very successfully in the Malaysian associated companies because of the robust palm oil prices. The Malaysian export tax is much lower than the level being proposed in Indonesia and ungeared plantation companies are enjoying healthy trading conditions.

The plantation associated companies, PT Agro Muko and PT Kerasaan Indonesia, are obviously experiencing the same business climate, as referred to above, in connection with the subsidiary companies. PT Agro Muko's US-Dollar and Deutschmark loans clearly reduce room for manoeuvre. The immediate loan principal repayments are covered by foreign currency deposits and the expectation is that trading cash flows will more than adequately enable the company to fund its commitments in this regard. However, the extensive planting programme planned for 1998 is under close scrutiny and it will be decided nearer the time of planting in the middle of the year whether this will go ahead in full or whether it will have to be restricted.

As I have already discussed, the property sector in Malaysia has suffered in that country's economic downturn. Development land prices appear to have eased from the levels of a year ago, whilst plantation values have improved as a result of the strength of the palm oil business.

Lendu Holdings PLC's Australian farming activities are heading for another good year. A cotton crop of approximately 14,000 bales is expected, slightly below the previous year's 14,780 bales. Cotton prices, in Australian Dollar terms, have been stronger although the beneficial effect of this will be reduced by the strength of Sterling.

ACKNOWLEDGEMENTS

During 1997, the president director of our Indonesian managing agents, PT Tolan Tiga, Michael St Clair-George, was appointed managing director of their holding company in Belgium, SA SIPEF NV. I take this opportunity, on behalf of the board, to thank him for the first-class job he has done on our behalf looking after our interests in Indonesia over the last six years. His replacement as president director is Derek Hoare, who has many years' experience in the plantation business with, amongst others, the Harrisons & Crosfield group.

The period since the middle of last year has been difficult to manage in Indonesia. I should like, on behalf of the board, to thank Derek Hoare and PT Tolan Tiga's agricultural director, Alan Benton, as well as their team, for their contribution during this time. Our thanks also go to the estate managers, their staffs and workforces for all of their efforts.

E Hadsley-Chaplin
Chairman

15 May 1998

Report of the directors

FOR THE YEAR ENDED 31 DECEMBER 1997

Principal activities

The Rowe Evans Investments PLC Group ("REI") is a plantation group. The Group has interests in oil palm and rubber plantations in Indonesia and Malaysia held either directly by Group companies or indirectly through associated undertakings.

Results and dividend

Details of the profit for the year, the cost of the proposed dividend and the retained earnings are given in the profit and loss account on page 17.

The review of the year and of future activities is included in the chairman's statement.

The board recommends a dividend of 4.25p per 10p share (1996 - 4.00p). Of this, 3.81p (1996 - 2.00p) will be paid as a foreign income dividend. This dividend will be paid on or after 1 August 1998 to those shareholders on the register at the close of business on 22 May 1998.

Share capital

Details of the authorised, allotted and fully-paid capital of the Company are as follows:–

	Shares of 10p each
Authorised capital	64,000,000
Allotted and fully-paid capital	
At 1 January and 31 December 1997	48,422,073

Directors

The present membership of the board is set out on pages 2 and 3. Mr K P Legg retires by rotation and, being eligible, offers himself for re-election. Mr Legg does not have a service contract with the Company.

The directors who served during the year, together with their interests at the beginning of the year, and at the year end, in the shares of 10p each in the Company were as follows:–

	31 December 1997	
	Beneficial	**Non-beneficial**
E Hadsley-Chaplin	**2,264,705**	**118,605**
P A Fletcher	**446,199**	**—**
P E Hadsley-Chaplin	**344,802**	**—**
E J Ells	**567,771**	**—**
K P Legg	**36,400**	**—**
	1 January 1997	
	Beneficial	Non-beneficial
E Hadsley-Chaplin	2,264,705	105,605
P A Fletcher	446,199	—
P E Hadsley-Chaplin	344,802	—
E J Ells	567,771	—
K P Legg	36,400	—

Since the year end purchases have been made totalling 50,000 shares of 10p each, beneficially, by Mr K P Legg and sales have been made totalling 100,000 shares of 10p each, beneficially, by Mr E J Ells. None of the directors holds any beneficial interest in the shares or holds options to buy, at a later date, shares in any subsidiary undertaking. No director had a material interest in any contract of significance in relation to the business of the Company, or of any of its subsidiary undertakings, either during or at the end of the financial year.

Substantial interests

In addition to the beneficial interests of Mr E Hadsley-Chaplin noted above, the following interests under Part VI of the Companies Act 1985 had been notified to the Company as at the date of this report:–

Report of the directors

CONTINUED

	Shares	%
Sungkai Holdings Limited	11,289,545	23.31
Bertam Holdings PLC	3,377,266	6.97
Padang Senang Holdings PLC	1,945,644	4.02
Beradin Holdings PLC	1,902,290	3.93
The Singapore Para Rubber Estates, PLC	1,871,490	3.87
Lendu Holdings PLC	450,665	0.93
M. P. Evans (Malaysia) Sdn. Berhad	23,533	0.05
	20,860,433	43.08
Abtrust Fund Managers (Singapore) Limited	3,321,110	6.86
Foreign & Colonial Pacific Investment Trust PLC	2,289,166	4.73
Kuala Lumpur-Kepong Investments Limited	860,460	1.78
Batu Kawan Berhad	806,051	1.66

In addition to the above:

(i) Bertam Holdings PLC has notified the Company that it has an interest in all of the shares in which Sungkai Holdings Limited is interested.

(ii) Batu Kawan Berhad has notified the Company that it has an interest in all of the shares in which Kuala Lumpur-Kepong Investments Limited is interested.

(iii) Arusha Enterprise Sendirian Berhad has notified the Company that it has an interest in all of the shares in which Kuala Lumpur-Kepong Investments Limited and Batu Kawan Berhad are interested.

(iv) Wan Hin Investments Sendirian Berhad has notified the Company that it has an interest in all of the shares in which Kuala Lumpur-Kepong Investments Limited and Batu Kawan Berhad are interested.

To clarify further the interests of the Company and other companies within the M. P. Evans (UK) Limited agency, the full inter-related shareholdings of each company, as at the date of this report, are set out below.

Total no. of shares in issue	Rowe Evans Investments PLC ("REI") 48,422,073	Beradin Holdings PLC ("Beradin") 14,850,000	Bertam Holdings PLC ("Bertam") 21,109,541	M. P. Evans (Malaysia) Sdn. Berhad ("MPE(M)") 888,000	M. P. Evans (UK) Limited ("MPE(UK)") 100,000	Lendu Holdings PLC ("Lendu") 13,288,746	Padang Senang Holdings PLC ("PSH") 4,950,000	The Singapore Para Rubber Estates, PLC ("SPRE") 10,439,352	Sungkai Holdings Limited ("Sungkai") 167,011
Holders									
REI	—	2,600,000	7,057,010	167,650	38,500	4,667,857	1,454,000	4,387,680	79,950
Beradin	1,902,290	—	726,365	64,970	8,934	—	200,000	420,000	6,079
Bertam	3,377,266	3,715,000	—	136,550	24,410	270,023	211,000	260,712	65,050
MPE(M)	23,533	—	71,953	—	—	—	—	10,000	4,035
MPE(UK)	—	—	—	—	—	—	—	—	—
Lendu	450,665	504,150	200,217	18,000	3,518	—	—	—	—
PSH	1,945,644	1,700,000	330,165	64,970	7,580	—	—	28,760	7,598
SPRE	1,871,490	207,000	2,511,560	64,970	8,122	—	490,000	—	4,299
Sungkai	11,289,545	411,350	281,299	194,700	8,936	211,738	41,346	346,336	—

Report of the directors

CONTINUED

Authority to allot shares

At the annual general meeting a general authority is being sought, under resolution 5, for the directors to allot shares up to a maximum nominal amount of £1,557,793, which is equal to the current unissued share capital. Your directors do not have any present intention of issuing any shares pursuant to this authority other than in respect of shares allotted to the holders of share options as and when they are exercised. It is also proposed, under resolution 6, to empower the directors to allot equity securities for cash pursuant to this general authority otherwise than in accordance with shareholders' statutory pre-emption rights either so as to deal with practical problems arising in connection with rights issues or otherwise up to an aggregate nominal amount of £242,111, representing 5% of the Company's issued share capital.

The authorities conferred by resolutions 5 and 6 will last for up to 15 months from the date of the annual general meeting.

Authority to make market purchases of shares

The directors propose that the authority for the Company to purchase its own shares on the London Stock Exchange should be renewed for a further year. The authority will give the directors flexibility to purchase the Company's shares as and when they consider it most appropriate, subject to the provisions of the London Stock Exchange's model code of dealing. The board will only exercise the power of purchase when satisfied that it is in the best interests of the Company so to do and all such purchases will be market purchases made through the London Stock Exchange. The directors would only consider making purchases if they believed that the earnings or net assets per share of the Company would be improved by such purchases. Any shares purchased by the Company will be cancelled and the number of shares in issue will accordingly be reduced.

Resolution 7 set out in the notice of the annual general meeting will accordingly be proposed to authorise the purchase of up to a maximum of 4,842,207 shares, on the London Stock Exchange, representing 10% of the issued equity share capital of the Company. The maximum price which may be paid for a share on any exercise of the authority will be restricted to 5% above the average of the middle-market quotations for such shares as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made.

The maximum number of shares and the price range are stated for the purpose of compliance with statutory and London Stock Exchange requirements in seeking this authority and should not be taken as an indication of the level of purchases, or the prices thereof, that the Company would intend to make.

Payments to creditors

It is the Company's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions. The Company's creditor days calculated as at 31 December 1997 amounted to 36.

Auditors

Deloitte & Touche have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

Approved by the board of directors
and signed on its behalf.

M. P. Evans (UK) Limited
Secretaries

3 Clanricarde Gardens
Tunbridge Wells, Kent TN1 1HQ

15 May 1998

Corporate governance and statement of directors' responsibilities

Corporate governance

During the year the Company complied with all of the applicable provisions of the recommendations of the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance.

The directors acknowledge their responsibilities for the Group's system of internal financial control. In fulfilling their responsibilities the board has reviewed the effectiveness of the system of internal financial control on the basis of the criteria set out in the "Guidance for Directors - Internal Control and Financial Reporting". It has considered the major business risks and the control environment. Important control procedures, in addition to the day-to-day supervision of the business, include visits to property, comparison of monthly management accounts with budgets, authorisation limits and internal audit of subsidiary undertakings. During the period under review the system of internal financial control as a whole was found to be appropriate and generally satisfactory. No weaknesses in internal financial control have been identified which have resulted in any material losses, contingencies or uncertainties which would require disclosure as recommended by the Guidance for Directors. On the basis that a system can provide only reasonable, but not absolute, assurance and that it relates only to the needs of the business at that time, the system as a whole was found, at the time of approving the financial statements, to be generally appropriate to the size of the business.

The auditors have confirmed that, in their opinion, with respect to the directors' statements on internal financial control and going concern herein, the directors have provided the disclosures required by the listing rules of the London Stock Exchange and such statements are not inconsistent with information of which they are aware from their audit work on the financial statements, and that the directors' other statements herein appropriately reflect the Company's compliance with the other aspects of the Cadbury Code specified for their review by listing rule 12.43(j). They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate-governance procedures or on the ability of the Company to continue in operational existence.

Statement of 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 of the Group as at the end of the financial year and of the profit or loss of the Group for that period. 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;
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Company will continue in business.

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going-concern basis in preparing the financial statements.

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

Report of the remuneration committee

The remuneration committee keeps under review the remuneration and terms of employment of the executive directors and to recommend such remuneration and terms, and changes therein, to the board. The committee comprises all of the non-executive directors, including the chairman. The Company has complied with section A of the best-practice provisions annexed to the listing rules of the London Stock Exchange.

Service contracts

During the year the executive directors voluntarily surrendered their three-year rolling contracts, without financial compensation. These were replaced by new contracts which continue until terminated by either party giving not less than one year's notice in writing but not, in any event, to extend beyond the directors' normal retirement dates. The non-executive directors do not have service contracts or provisions for predetermined compensation on termination.

Remuneration policy

There are no individual performance-related elements attaching to any director's remuneration and no bonuses were awarded to directors during the year.

In arriving at the remuneration payable by this Company, the committee has taken into account the amount payable by other companies in the M. P. Evans (UK) Limited agency and the time spent by the executives on this Company's business and has given proper consideration to the remuneration guidelines in section B of the best-practice provisions annexed to the listing rules of the London Stock Exchange. Full details of the directors' remuneration in respect of the year are shown in the table on page 15.

Executive share option scheme

The executive directors are members of an executive share option scheme which was established in 1989. Options over 55,000 shares which were granted on 27 April 1990 and 190,000 shares which were granted on 27 June 1990 remain outstanding and are normally exercisable at any time between the third and tenth anniversaries of the date of grant at 57p per share.

Set out below are the options held over shares of 10p each of the Company by the executive directors. No performance criteria are attached to these options and no options are held by the non-executive directors.

	Number of shares under option Balance at 1 January and 31 December 1997	Exercise price	Date of grant	Date from which normally first exercisable	Expiry date
P A Fletcher	55,000	57p	27 April 1990	27 April 1993	27 April 2000
	50,000	57p	27 June 1990	27 June 1993	27 June 2000
	105,000				
P E Hadsley-Chaplin	140,000	57p	27 June 1990	27 June 1993	27 June 2000

At 31 December 1997 the middle-market quotation for the shares, as derived from the London Stock Exchange Daily Official List, was 85.5p, as compared with the high and low quotations for the year of 116.5p and 84.5p respectively.

There have been no changes in the number of

Report of the remuneration committee

CONTINUED

options since the year end. No options lapsed during the year.

In addition, the executive directors participate in the share option scheme of Bertam Holdings PLC, a company in the M. P. Evans (UK) Limited agency.

Pensions

The executive directors are members of a defined-contribution pension scheme which provides benefits for them and the staff of M. P. Evans (UK) Limited. The benefits are pensions at retirement, pension to a spouse payable on death before or after retirement and life-assurance cover based on a multiple of salary. Each member contributes 5% of pensionable salary to the scheme, with companies within the M. P. Evans (UK) Limited agency paying their appropriate proportion of the balance. The scheme is designed to comply with relevant legislation and to provide a good standard of benefit. No element of a director's remuneration package, other than basic salary, is pensionable.

Non-executive directors

The fees of the non-executive directors are determined by the board in accordance with the articles of association.

Directors' remuneration

For the year ended 31 December 1997 the remuneration packages of directors whose duties were wholly or mainly discharged in the United Kingdom were as follows:-

Director	Salary and fees 1997 £	Pension costs 1997 £	Benefits in kind 1997 £	Total 1997 £	Total 1996 £
Executive directors					
P A Fletcher	**87,500**	**14,475**	**6,866**	**108,841**	96,314
Less: reimbursement from other companies for which he acts	**(39,900)**	**(6,600)**	—	**(46,500)**	(38,128)
	£47,600	**£7,875**	**£6,866**	**£62,341**	£58,186
P E Hadsley-Chaplin	**87,500**	**10,081**	**265**	**97,846**	86,755
Less: reimbursement from other companies for which he acts	**(70,000)**	**(8,065)**	—	**(78,065)**	(68,189)
	£17,500	**£2,016**	**£265**	**£19,781**	£18,566
P E Hadsley-Chaplin received benefits in kind amounting to £8,912 (1996 £8,770) from another company in the M. P. Evans (UK) Limited agency.					
Non-executive directors					
E Hadsley-Chaplin	**16,500**	—	—	**16,500**	15,000
E J Ells	**11,000**	—	—	**11,000**	10,000
K P Legg	**11,000**	—	—	**11,000**	10,000

Notes

1. No performance-related bonuses were awarded to the directors during the year.
2. The pension costs for each director set out above are the contributions made by the Company for pension arrangements.
3. No long-term incentives have been awarded to directors.
4. All non-executive directors' salaries were paid to third parties.

Report of the auditors

TO THE MEMBERS OF ROWE EVANS INVESTMENTS PLC

We have audited the financial statements on pages 17 to 32 which have been prepared under the accounting policies set out on page 22.

Respective responsibilities of directors and auditors

As described on page 13 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all of 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.

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 as at 31 December 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche.

DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
15 May 1998
Hill House
1 Little New Street
London, EC4A 3TR

Consolidated profit and loss account

FOR THE YEAR ENDED 31 DECEMBER 1997

	Note	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Turnover	1(g) and 2		**6,792**		7,533
Cost of sales			**(3,041)**		(3,594)
Estate profit	2		**3,751**		3,939
Administrative expenses			**(363)**		(371)
Exchange gains			**1,791**		—
Share of associated undertakings' profits	2		**2,846**		2,714
Operating profit			**8,025**		6,282
Exceptional items	4		**1,043**		4,471
Profit on ordinary activities before interest			**9,068**		10,753
Interest receivable and similar income	5	**311**		217	
Interest payable and similar charges	6	**(73)**		(33)	
			238		184
Profit on ordinary activities before taxation	7		**9,306**		10,937
Tax on profit on ordinary activities	8		**(2,279)**		(2,264)
Profit on ordinary activities after taxation			**7,027**		8,673
Equity minority interests			**(908)**		(374)
Profit on ordinary activities attributable to the members of Rowe Evans Investments PLC			**6,119**		8,299
Equity dividend proposed	10		**(2,058)**		(1,937)
Profit retained for the financial year	19		**4,061**		6,362
Earnings per 10p share	11		**12.64p**		17.17p

All operations are classed as continuing.

Statement of total recognised gains and losses

FOR THE YEAR ENDED 31 DECEMBER 1997

	1997 £'000	1996 £'000
Profit attributable to the members of the Company	**6,119**	8,299
Unrealised share of associated undertakings' reserves	**(5,116)**	808
Exchange differences on foreign-currency net investments	**(6,076)**	(1,019)
Total recognised gains and losses for the year	**(5,073)**	8,088

Reconciliation of movements in shareholders' funds

FOR THE YEAR ENDED 31 DECEMBER 1997

	1997 £'000	1996 £'000
Profit attributable to members of the Company	**6,119**	8,299
Equity dividend	**(2,058)**	(1,937)
	4,061	6,362
Equity shares issued	**—**	70
Other recognised gains and losses relating to the year	**(11,192)**	(211)
Net (reduction in)/addition to equity shareholders' funds	**(7,131)**	6,221
Opening equity shareholders' funds	**47,124**	40,903
Closing equity shareholders' funds	**39,993**	47,124

Consolidated balance sheet

AT 31 DECEMBER 1997

	Note	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Fixed assets					
Tangible assets	12	**9,885**		13,645	
Investments	13	**28,421**		33,738	
			38,306		47,383
Current assets					
Stocks	14	**100**		193	
Debtors	15	**1,547**		2,371	
Cash at bank and in hand		**5,384**		2,869	
		7,031		5,433	
Creditors: Amounts falling due within one year					
Bank overdrafts	16	**996**		982	
Trade creditors		**219**		278	
Amounts owed to associated undertakings		**9**		4	
Other creditors including taxation and social security	17	**335**		578	
Equity dividend proposed	10	**2,058**		1,937	
		3,617		3,779	
Net current assets			**3,414**		1,654
Total assets less current liabilities			**41,720**		49,037
Equity minority interests			**(1,727)**		(1,913)
			39,993		47,124
Capital and reserves					
Called-up share capital	18		**4,842**		4,842
Share premium account	19		**5,841**		5,808
Revaluation reserve	19		**6,451**		21,268
Profit and loss account	19		**22,859**		15,206
Total equity shareholders' funds			**39,993**		47,124

These financial statements were approved by the board of directors on 15 May 1998 and signed on its behalf.

P A Fletcher
P E Hadsley-Chaplin
Directors

Company balance sheet

AT 31 DECEMBER 1997

	Note	£'000	1997 £'000	£'000	1996 £'000
Fixed assets					
Tangible assets	12	**5**		10	
Investments	13	**13,112**		13,062	
			13,117		13,072
Current assets					
Debtors	15	**13,012**		12,528	
Cash at bank and in hand		**3,243**		1,456	
		16,255		13,984	
Creditors: Amounts falling due within one year					
Trade creditors		**36**		35	
Amounts owed to associated undertakings		**8**		3	
Other creditors including taxation and social security	17	**8,157**		6,682	
Equity dividend proposed	10	**2,058**		1,937	
		10,259		8,657	
Net current assets			**5,996**		5,327
Total assets less current liabilities			**19,113**		18,399
Capital and reserves					
Called-up share capital	18		**4,842**		4,842
Share premium account	19		**4,958**		4,958
Profit and loss account	19		**9,313**		8,599
Total equity shareholders' funds			**19,113**		18,399

These financial statements were approved by the board of directors on 15 May 1998 and signed on its behalf.

P A Fletcher

P E Hadsley-Chaplin

Directors

Consolidated cash-flow statement

FOR THE YEAR ENDED 31 DECEMBER 1997

	Note	1997 £'000	1996 £'000
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		**8,025**	6,282
Exchange differences		**(2,794)**	(237)
Loss/(gain) on sale of tangible fixed assets		**2**	(3)
Depreciation		**477**	519
Share of associated undertakings' profits		**(2,846)**	(2,714)
(Increase)/decrease in amounts owed by associated undertakings		**(2)**	17
Increase in amounts owed to associated undertakings		**5**	3
Decrease in stocks		**93**	52
Decrease in debtors		**146**	305
Decrease in creditors		**(103)**	(49)
Net cash inflow from operating activities		**3,003**	4,175
Returns on investments and servicing of finance	22	**1,573**	1,180
Taxation	22	**(392)**	(1,490)
Capital expenditure and financial investment	22	**1,043**	(1,617)
Equity dividend paid		**(1,937)**	(1,932)
Net cash flow before management of liquid resources and financing		**3,290**	316
Management of liquid resources			
Increase in short-term deposits		**(2,740)**	(668)
Financing			
Issue of shares		**—**	70
Increase/(decrease) in cash		**550**	(282)

Notes to the accounts

FOR THE YEAR ENDED 31 DECEMBER 1997

1 ACCOUNTING POLICIES

The particular accounting policies adopted by the directors are described below.

(a) Accounting convention

The financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain assets) and in accordance with applicable accounting standards.

(b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiary and associated undertakings. All subsidiary and associated undertakings prepare their financial statements to 31 December, except for Lendu Holdings PLC which prepares its financial statements to 30 June. These financial statements consolidate the results of Lendu Holdings PLC for the twelve-month period to 31 December 1997.

(c) Investments

(i) Undertakings over which the Group exerts significant influence via shareholdings and its membership on the board are treated as associated undertakings. Investments in associated undertakings are dealt with in the consolidated financial statements under the equity method of accounting. The consolidated profit and loss account includes the Group's share of the profit on ordinary activities before taxation and attributable taxation of the associated undertakings based on audited financial statements for the year ended 31 December 1997, except for Lendu Holdings PLC, for which the results for the six months ended 31 December 1997 are unaudited. In the consolidated balance sheet, the investments in the associated undertakings are shown at cost plus the Group's share of post-acquisition reserves.

(ii) Other investments are stated at cost less provision for permanent diminution in value.

(d) Investment income

Investment income is taken into account by reference to the date on which it is declared payable and is stated inclusive of applicable tax credits.

(e) Stocks

Stocks have been valued at the lower of cost and net realisable value. In the case of rubber stocks, cost represents the average cost of production, including appropriate overheads.

(f) Tangible fixed assets

(i) Indonesia

Leasehold land is held on 25 and 30-year renewable leases and is not depreciated. All costs of planting and upkeep of immature areas on that land and replanting are capitalised and written off in equal annual instalments at 5% per annum. Other assets are written off over their estimated useful lives at rates which vary between 3% and 50% per annum. Interest is capitalised on borrowings used to finance the development of immature areas.

(ii) United Kingdom

Motor vehicles are written off over their estimated useful lives at 25% per annum.

(g) Turnover

Turnover represents the invoiced value of crops sold during the year.

(h) Deferred taxation

Deferred taxation is provided on differences arising from the inclusion of income, expenditure and valuation surpluses in taxation computations in periods different from those in which they are included in the financial statements, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

(i) Foreign exchange

The assets and liabilities of foreign subsidiary undertakings and branches are translated into Sterling at the year-end rates of exchange. Results of foreign subsidiary undertakings, branches and associated undertakings are translated at average rates of exchange. Differences on exchange arising from the translation of the net investments in subsidiary and associated undertakings, together with differences between results translated at average rates and at year-end rates, are dealt with in reserves. All other differences are dealt with in the profit and loss account.

(j) Pension

The Group operates a defined-contribution pension scheme. The pension charge represents the contributions payable by the Group under the rules of the scheme.

Notes to the accounts

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2 TURNOVER, PROFIT AND NET ASSETS

Turnover amounting to £6,792,000 (1996 £7,533,000) and estate profit amounting to £3,751,000 (1996 £3,939,000) related to agricultural activities in Indonesia.

The Group's share of profits/(losses) before taxation, exceptional items and net assets of associated undertakings is analysed as follows:

	Agriculture			Property		
1997	Indonesia £'000	Malaysia £'000	Australia £'000	Malaysia £'000	UK £'000	Total £'000
Profits before taxation	**653**	**1,264**	**429**	**165**	**335**	**2,846**
Net assets	**7,384**	**14,686**	**2,159**	**903**	**3,289**	**28,421**
1996						
Profits/(losses) before taxation	1,191	1,068	(127)	272	310	2,714
Exceptional items		3,966	114	391	—	4,471
	1,191	5,034	(13)	663	310	7,185
Net assets	8,812	16,930	2,119	2,718	3,159	33,738

3 EMPLOYEES

Employee costs during year	**1997 £'000**	1996 £'000
Wages and salaries	**1,053**	1,114
Social security costs	**32**	37
Other pension costs	**38**	32
	1,123	1,183
Average number of persons employed	**Number**	Number
Estate manual	**1,059**	1,094
Estate staff	**34**	37
United Kingdom directors	**5**	5
	1,098	1,136

Details of directors' remuneration required by the Companies Act 1985 and those specified for audit by the London Stock Exchange are shown within the report of the remuneration committee on pages 14 and 15 and form part of these audited financial statements.

Notes to the accounts

CONTINUED

4 EXCEPTIONAL ITEMS

	1997 £'000	1996 £'000
Gain on sale of minority interest in subsidiary undertaking	**1,043**	—
Share of associated undertakings' exceptional items		
Gain on sale of tangible fixed assets	—	4,339
Gain on sale of fixed-asset investments	—	114
Surplus arising from compulsory acquisition of land	—	18
	1,043	4,471

In 1996 there was a Group tax liability of £225,000 in respect of the gain on sale of tangible fixed assets.

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	1997 £'000	1996 £'000
Interest receivable	**298**	202
Technical advisory fees	**13**	15
	311	217

6 INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £'000	1996 £'000
On bank overdraft	**73**	80
Amount of interest added to cost of plantation under development	—	(50)
	73	30
Other interest	—	3
	73	33

7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	1997 £'000	1996 £'000
Depreciation of tangible fixed assets	**477**	519
Auditors' remuneration – audit fees	**77**	67
– other services	**1**	1

Notes to the accounts

CONTINUED

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £'000	1996 £'000
United Kingdom corporation tax at 31.5% (1996 – 33.0%)	617	476
Double taxation relief	(609)	(476)
	8	—
Overseas taxation	1,605	1,047
Advance corporation tax	(12)	95
	1,601	1,142
Adjustment in respect of prior year	—	12
	1,601	1,154
Associated undertakings' taxation	678	1,110
	2,279	2,264

Unrelieved losses of £2,504,000 (1996 £2,504,000) remain available to offset future taxable profits of subsidiary undertakings.

The charge to taxation for 1996 did not bear a normal relationship to the profits owing to the low rates of taxation applicable to the share of profits of associated undertakings.

9 PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit includes a profit before dividends of £2,772,000 (1996 £1,890,000) in respect of the parent company.

10 EQUITY DIVIDEND PROPOSED

	1997 £'000	1996 £'000
Proposed dividend of 4.25p per 10p share (1996 – 4.00p)	2,058	1,937

Of this dividend 3.81p will be paid as a foreign income dividend (1996 – 2.00p). If confirmed at the annual general meeting, the dividend will be paid on or after 1 August 1998 to those shareholders on the register at the close of business on 22 May 1998.

11 EARNINGS PER SHARE

The calculation of earnings per 10p share is based on profits of £6,119,000 and on 48,422,073 shares which is the number of shares in issue throughout the year. The calculation of earnings per share in 1996 was based on profits of £8,299,000 and on 48,333,279 shares which was the average number of shares in issue during the year.

Notes to the accounts

CONTINUED

12 TANGIBLE FIXED ASSETS

The Group	Leasehold land in Indonesia - non-depreciable £'000	Leasehold land in Indonesia - depreciable £'000	Buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost					
At 1 January 1997	6,166	6,603	2,435	1,444	16,648
Exchange differences	—	(3,740)	(1,357)	(798)	(5,895)
	6,166	2,863	1,078	646	10,753
Additions	—	172	284	173	629
Disposals	—	(11)	(12)	(54)	(77)
At 31 December 1997	6,166	3,024	1,350	765	11,305
Accumulated depreciation					
At 1 January 1997	—	1,675	691	637	3,003
Exchange differences	—	(1,118)	(448)	(430)	(1,996)
	—	557	243	207	1,007
Charge for the year	—	207	112	158	477
Disposals	—	(5)	(7)	(52)	(64)
At 31 December 1997	—	759	348	313	1,420
Net book value					
At 31 December 1997	6,166	2,265	1,002	452	9,885
Net book value					
At 1 January 1997	6,166	4,928	1,744	807	13,645

Included in leasehold land in Indonesia is capitalised interest amounting to £2,824,000 (1996 £2,824,000).

The Company		Vehicles £'000
Cost	At 1 January and 31 December 1997	19
Accumulated depreciation	At 1 January 1997	9
	Charge for the year	5
	At 31 December 1997	14
Net book value	At 31 December 1997	5
	At 1 January 1997	10

Notes to the accounts

CONTINUED

13 INVESTMENTS HELD AS FIXED ASSETS

	The Group 1997 £'000	The Group 1996 £'000	The Company 1997 £'000	The Company 1996 £'000
Investments in subsidiary undertakings	—	—	**8,501**	8,501
Investments in associated undertakings	**28,421**	33,738	**4,611**	4,561
	28,421	33,738	**13,112**	13,062

Details of the subsidiary and associated undertakings are given on pages 31 and 32.

(a) Subsidiary undertakings
The Company

	£'000
At 1 January and 31 December 1997	**8,501**

(b) Associated undertakings

The Group	Shares at cost Listed £'000	Shares at cost Unlisted £'000	Share of post-acquisition reserves Listed £'000	Share of post-acquisition reserves Unlisted £'000	Total £'000
At 1 January 1997	**5,035**	**8,855**	**16,621**	**3,227**	**33,738**
Exchange differences	—	—	—	**(989)**	**(989)**
	5,035	**8,855**	**16,621**	**2,238**	**32,749**
Purchases	**50**	—	—	—	**50**
Share of reserves	—	—	**(3,425)**	**477**	**(2,948)**
Dividends received	—	—	**(634)**	**(796)**	**(1,430)**
At 31 December 1997	**5,085**	**8,855**	**12,562**	**1,919**	**28,421**

At valuation	1997 £'000	1996 £'000
Listed (market value)	**26,872**	35,309
Unlisted (directors' valuation)	**14,307**	14,308
	41,179	49,617

If the investments had been realised at the balance-sheet date at the above valuations, a charge to taxation of £2,663,000 (1996 £5,155,000) would have arisen.

The Company **At cost**	Listed £'000	Unlisted £'000	Total £'000
At 1 January 1997	**3,162**	**1,399**	**4,561**
Purchases	**50**	—	**50**
At 31 December 1997	**3,212**	**1,399**	**4,611**

At valuation	1997 £'000	1996 £'000
Listed (market value)	**26,872**	35,309
Unlisted (directors' valuation)	**4,849**	4,849
	31,721	40,158

If the investments had been realised at the balance-sheet date at the above valuations, a charge to taxation of £2,388,000 (1996 £5,151,000) would have arisen.

Notes to the accounts

CONTINUED

14 STOCKS

	The Group 1997 £'000	1996 £'000
Stocks of rubber crop	**13**	15
Estate stores	**79**	139
Nurseries	**8**	39
	100	193

15 DEBTORS

	The Group 1997 £'000	1996 £'000	The Company 1997 £'000	1996 £'000
Trade debtors	**330**	474	**—**	—
Amounts owed by subsidiary undertakings	**—**	—	**12,853**	11,781
Amounts owed by associated undertakings	**2**	—	**—**	—
Loans to Indonesian joint-venture partners	**996**	982	**—**	—
Other debtors	**12**	31	**4**	3
Prepayments and accrued income	**61**	9	**10**	7
Taxation	**146**	875	**145**	734
	1,547	2,371	**13,012**	12,528

16 BANK OVERDRAFTS

The Group United Kingdom bank overdrafts are secured against the Company's investments.

17 OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	The Group 1997 £'000	1996 £'000	The Company 1997 £'000	1996 £'000
Amounts owed to subsidiary undertakings	**—**	—	**8,140**	6,169
Other creditors	**48**	92	**17**	29
Taxation	**287**	486	**—**	484
	335	578	**8,157**	6,682

18 CALLED-UP SHARE CAPITAL

	Authorised Number	Allotted and fully paid Number	Authorised £'000	Allotted and fully paid £'000
Shares of 10p each				
At 1 January and 31 December 1997	**64,000,000**	**48,422,073**	**6,400**	**4,842**

Notes to the accounts

CONTINUED

19 RESERVES

The Group	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 1997	5,808	21,268	15,206	42,282
Exchange differences	—	(4)	(6,072)	(6,076)
Share of associated undertakings' reserves	33	(869)	(4,280)	(5,116)
Profit retained	—	—	4,061	4,061
Reclassification of reserves*	—	(13,944)	13,944	—
At 31 December 1997	5,841	6,451	22,859	35,151
The Company				
At 1 January 1997	4,958	—	8,599	13,557
Profit retained	—	—	714	714
At 31 December 1997	4,958	—	9,313	14,271

*Profits retained by associated undertakings have, in previous years, been transferred to revaluation reserve. These transfers have been reversed this year so that the revaluation reserve represents only unrealised surpluses arising from the revaluation of fixed assets and the profit and loss account represents distributable profits retained by Group undertakings, in both cases including the Group's share of the reserves of associated undertakings.

20 DEFERRED TAXATION

	1997 Unprovided £'000	1996 Unprovided £'000
Excess of capital allowances over depreciation	270	530

No deferred taxation is provided on earnings retained overseas, as it is considered impractical to estimate the amount of such taxes.

21 PENSION SCHEME

The Company, in conjunction with M. P. Evans (UK) Limited, operates a defined-contribution (money-purchase) scheme, the assets of which are held separately from those of the Group. The fund is under the control of trustees, who have invested it with a UK insurance company. The pension charge represents contributions to the fund payable by the Group under the rules of the scheme. The total charge for the year amounted to £25,000 (1996 £20,000).

Notes to the accounts

CONTINUED

22 ANALYSIS OF MOVEMENTS IN CASH FLOW

Returns on investments and servicing of finance	1997 £'000	1996 £'000
Interest and similar income received	**262**	217
Interest and similar charges paid	**(73)**	(33)
Dividends received from associated undertakings	**1,430**	1,039
Dividends paid to minority	**(46)**	—
Capital distribution paid to minorities	**—**	(43)
	1,573	1,180
Taxation		
UK corporation tax received/(paid) (including ACT)	**108**	(138)
Overseas tax paid	**(500)**	(1,352)
	(392)	(1,490)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(629)**	(1,626)
Sale of tangible fixed assets	**11**	27
Purchase of fixed-asset investments	**(50)**	(18)
Sale of minority interest in subsidiary undertaking	**1,711**	—
	1,043	(1,617)

23 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1997 £'000
Increase in cash in the year	**550**
Increase in liquid resources	**2,740**
	3,290
Exchange differences	**(789)**
Movements in net funds in the year	**2,501**
Net funds at 1 January 1997	**1,887**
Net funds at 31 December 1997	**4,388**

Analysis of movements of net funds	At 1 January 1997 £'000	Cash flow £'000	Exchange differences £'000	At 31 December 1997 £'000
Cash at bank and in hand	**2,869**	**3,290**	**(775)**	**5,384**
Overdraft	**(982)**	**—**	**(14)**	**(996)**
	1,887	**3,290**	**(789)**	**4,388**

Notes to the accounts

CONTINUED

24 GUARANTEES

The Company has given guarantees totalling £996.000 in respect of overdraft facilities granted to subsidiary undertakings incorporated in Great Britain. At 31 December 1997 the balance of these overdrafts stood at £996,000 (1996 £982,000).

25 RELATED PARTY TRANSACTIONS

The directors' participation in the executive share option scheme is disclosed on page 14. Apart from this, no director had an interest in any transaction with the Group at any time during the year.

During the year, the Group undertook the following transactions with related parties:-

	1997 £'000	1996 £'000
Fee for secretarial services paid to M. P. Evans (UK) Limited	118	118
In addition, the following transactions took place between the Group and its related parties in respect of equity shares:-		
Take-up of scrip dividend from Lendu Holdings PLC	50	18

SUBSIDIARY UNDERTAKINGS

Details of the principal subsidiary undertakings as at 31 December 1997 are as follows:-

Name of subsidiary	% of shares and voting rights held	Country of incorporation	Country of operation	Field of activity
P T Pangkatan Indonesia	80.00	Indonesia	Indonesia	Production of oil palm f.f.b. and rubber
Rembia (Indonesia) Limited	92.50	Great Britain	Great Britain	Holding company
P T Biliah Plantindo 80% subsidiary of Rembia (Indonesia) Limited	80.00	Indonesia	Indonesia	Production of oil palm f.f.b.
Rowe Evans (Indonesia) Limited	95.56	Great Britain	Great Britain	Holding company
P T Simpang Kiri Plantation Indonesia 80% subsidiary of Rowe Evans (Indonesia) Limited	80.00	Indonesia	Indonesia	Production of oil palm f.f.b.

The subsidiary undertakings incorporated in Great Britain are registered in England and Wales.
The shareholdings in the above companies represent ordinary shares.

Notes to the accounts

CONTINUED

ASSOCIATED UNDERTAKINGS

Details of the associated undertakings as at 31 December 1997 are as follows:-

	Issued, fully-paid share capital	% held	Country of incorporation	Country of operation	Field of activity
Listed					
Beradin Holdings PLC	£742,500	17.51	Great Britain	Malaysia	Investment holding company and production of oil palm f.f.b.
Bertam Holdings PLC	£2,110,954	33.43	Great Britain	Malaysia	Investment holding company, production of oil palm f.f.b. and rubber and property development in Malaysia
Lendu Holdings PLC	£664,437	35.13	Great Britain	Australia	Investment holding company. Irrigated and dryland cotton, cereal and beef-cattle production in Australia
Padang Senang Holdings PLC	£495,000	29.37	Great Britain	Malaysia	Investment holding company and production of oil palm f.f.b. and rubber
The Singapore Para Rubber Estates, PLC	£521,968	42.03	Great Britain	Malaysia	Investment holding company and production of oil palm f.f.b. and rubber
Unlisted					
P T Agro Muko	Rp56.55m	30.43	Indonesia	Indonesia	Production of palm oil, palm kernels and rubber
M. P. Evans (Malaysia) Sdn. Berhad	RM888,000	18.88	Malaysia	Malaysia	Investment holding company. Provision of agency and company secretarial services to plantation companies
P T Kerasaan Indonesia	Rp138m	32.00	Indonesia	Indonesia	Production of oil palm f.f.b.
M. P. Evans (UK) Limited	£100,000	38.50	Great Britain	Great Britain	Provision of company secretarial and share registration services
Sungkai Holdings Limited	£167,011	47.87	Great Britain	Great Britain and Australia	Investment and property holding company

The associated undertakings incorporated in Great Britain are registered in England and Wales. The shareholdings in the above companies represent ordinary shares.

All of the investments in associated undertakings are held directly by the Company, with the exception of M. P. Evans (Malaysia) Sdn. Berhad and P. T. Kerasaan Indonesia, which are held directly by M. P. Evans & Co. Limited and P. T. Agro Muko which is held by Rowe Evans (Bengkulu) Limited. Both M. P. Evans & Co. Limited and Rowe Evans (Bengkulu) Limited are wholly-owned subsidiary undertakings registered in England and Wales.

5-year summary

	1997	1996	1995	1994	1993
Crops	**Tonnes**	Tonnes	Tonnes	Tonnes	Tonnes
Oil palm fresh fruit bunches ("f.f.b.")	**122,797**	107,080	113,250	106,161	103,506
Rubber	**874**	1,041	1,138	1,091	1,181
Average sale prices					
Oil palm f.f.b. - Rupiah/tonne	**242,927**	218,650	229,407	172,545	133,675
Rubber - Rupiah/kg	**2,849**	3,220	3,364	2,226	1,663
Exchange rates					
£1 = Indonesian Rupiahs – average	**4,753**	3,579	3,555	3,363	3,134
– year-end	**9,010**	4,037	3,582	3,442	3,123
	£'000	£'000	£'000	£'000	£'000
Turnover – continuing activities	**6,792**	7,533	8,794	6,647	5,682
Profit on ordinary activities attributable to the members	**6,119**	8,299	4,846	3,963	2,089
Earnings per share	**12.64p**	17.17p	10.04p	8.30p	4.45p
	p	*p*	*p*	*p*	*p*
Equity dividend per share					
– foreign income dividend	**3.81**	2.00	4.00	2.75	—
– conventional	**0.44**	2.00	—	0.25	2.00
Total for the year – per share	**4.25**	4.00	4.00	3.00	2.00
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Equity shareholders' funds	**39,993**	47,124	40,903	38,303	35,779
Movement in net funds	**2,501**	228	586	1,598	(896)

Analysis of plantation areas

AT 31 DECEMBER 1997

Indonesian estates held by subsidiary undertakings of Rowe Evans Investments PLC ("REI")

	Pangkatan	Simpang Kiri	Bilah	Total
	Ha	Ha	Ha	Ha
Oil palm				
Mature	1,518	2,328	2,515	6,361
Immature	167	110	169	446
Total oil palm	**1,685**	**2,438**	**2,684**	**6,807**
Rubber				
Mature	646	—	—	646
Immature	214	—	—	214
Total rubber	**860**	**—**	**—**	**860**
Total planted	**2,545**	**2,438**	**2,684**	**7,667**
Unplanted				
Nurseries, nature reserves, building sites, roads, etc	41	216	277	534
Total plantation land held by subsidiary undertakings	**2,586**	**2,654**	**2,961**	**8,201**

Estates held by REI associated undertakings

	Beradin Holdings PLC	Bertam Holdings PLC	The Singapore Para Rubber Estates, PLC	Padang Senang Holdings PLC	P T Kerasaan Indonesia	P T Agro Muko	
	Beradin	Sungei Kruit Lendu Bertam	Perhentian Tinggi	Sungei Reyla	Kerasaan	Muko Muko	Total
	Malaysia	Malaysia	Malaysia	Malaysia	Indonesia	Indonesia	
	Ha	Ha	Ha	Ha	Ha	Ha	Ha
Oil palm							
Mature	847	727	700	361	1,739	7,608	11,982
Immature	224	270	71	145	583	1,605	2,898
Total oil palm	**1,071**	**997**	**771**	**506**	**2,322**	**9,213**	**14,880**
Rubber							
Mature	—	72	111	137	—	1,064	1,384
Immature	—	—	—	—	—	317	317
Total rubber	**—**	**72**	**111**	**137**	**—**	**1,381**	**1,701**
Total planted	**1,071**	**1,069**	**882**	**643**	**2,322**	**10,594**	**16,581**
Unplanted							
Nurseries, building sites, roads, etc	14	43	53	18	24	497	649
Reserve land	—	—	—	—	16	9,464	9,480
Total plantation land held by associated undertakings	**1,085**	**1,112**	**935**	**661**	**2,362**	**20,555**	**26,710**
Total held by REI subsidiary and associated undertakings							**34,911**

RoweEvans INVESTMENTS PLC

Notice of meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Rowe Evans Investments PLC will be held at the Tallow Chandlers' Hall, 4 Dowgate Hill, London EC4R 2SH on 12 June 1998 at 12.30 for the following purposes:–

		Resolution on form of proxy
As ordinary business		
1.	To approve and adopt the report of the directors and the audited financial statements for the year ended 31 December 1997.	No. 1
2.	To declare a dividend.	No. 2
3.	To re-elect Mr K P Legg a director.	No. 3
4.	To re-appoint Deloitte & Touche as auditors and to authorise the directors to determine their remuneration.	No. 4

As special business

To consider and, if thought fit, pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions:–

5. That the maximum nominal amount of relevant securities (within the meaning of section 80 of the Companies Act 1985) which the directors are authorised to allot pursuant to article 4(B) of the Company's articles of association shall be £1,557,793 provided that this authority shall expire at the conclusion of the next annual general meeting of the Company or on 12 September 1999 whichever shall be the earlier. No. 5

6. That the directors be empowered to allot equity securities (as defined in section 94(2) of the Companies Act 1985) pursuant to the authority conferred by resolution number 5 as if section 89(1) of the Companies Act 1985 did not apply to any such allotment provided that this power shall be limited to any allotment falling within the provisions of article 4(C)(a) of the Company's articles of association or any allotment up to an aggregate nominal amount of £242,111 falling within the provisions of article 4(C)(b) of the Company's articles of association. No. 6

7. That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) of shares of 10p each in the capital of the Company provided that:-
   (a) the maximum number of shares hereby authorised to be purchased is 4,842,207;
   (b) the minimum price which may be paid for each share is 10p;
   (c) the maximum price which may be paid for each share is an amount equal to 105% of the average of the middle-market quotations for such shares as derived from the Daily Official List of the London Stock Exchange Limited for the five business days immediately preceding the day of purchase; and
   (d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or on 12 September 1999 whichever shall be the earlier 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. No. 7

By order of the board
M. P. Evans (UK) Limited
Secretaries

Registered office:
3 Clanricarde Gardens
Tunbridge Wells, Kent TN1 1HQ
20 May 1998

Notice of meeting

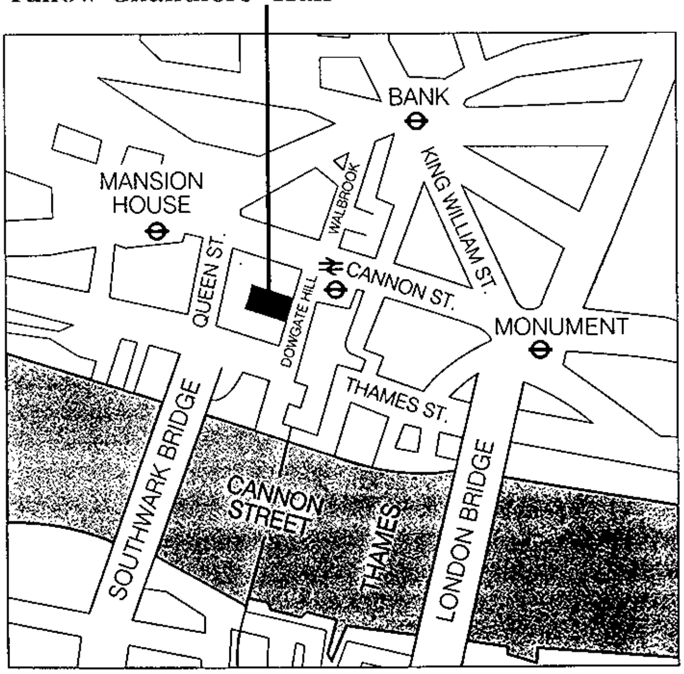
CONTINUED

Notes

1 A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend. A proxy need not also be a member of the Company, but, except in the case of a proxy for a corporate member, is not entitled to vote except on a poll. A two-way form of proxy is enclosed for this purpose. If you are unable to attend the meeting, please complete and return the enclosed form of proxy so as to reach the registered office of the Company as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting.

2 The register of directors' interests showing all transactions of each director and, where applicable, of his family in the share capital of the Company will be available for inspection at the registered office of the Company on any weekday, Saturdays and public holidays excepted, during normal business hours from the date of this notice until the annual general meeting and at the Tallow Chandlers' Hall for a period of fifteen minutes prior to the annual general meeting and during the meeting.

Tallow Chandlers' Hall



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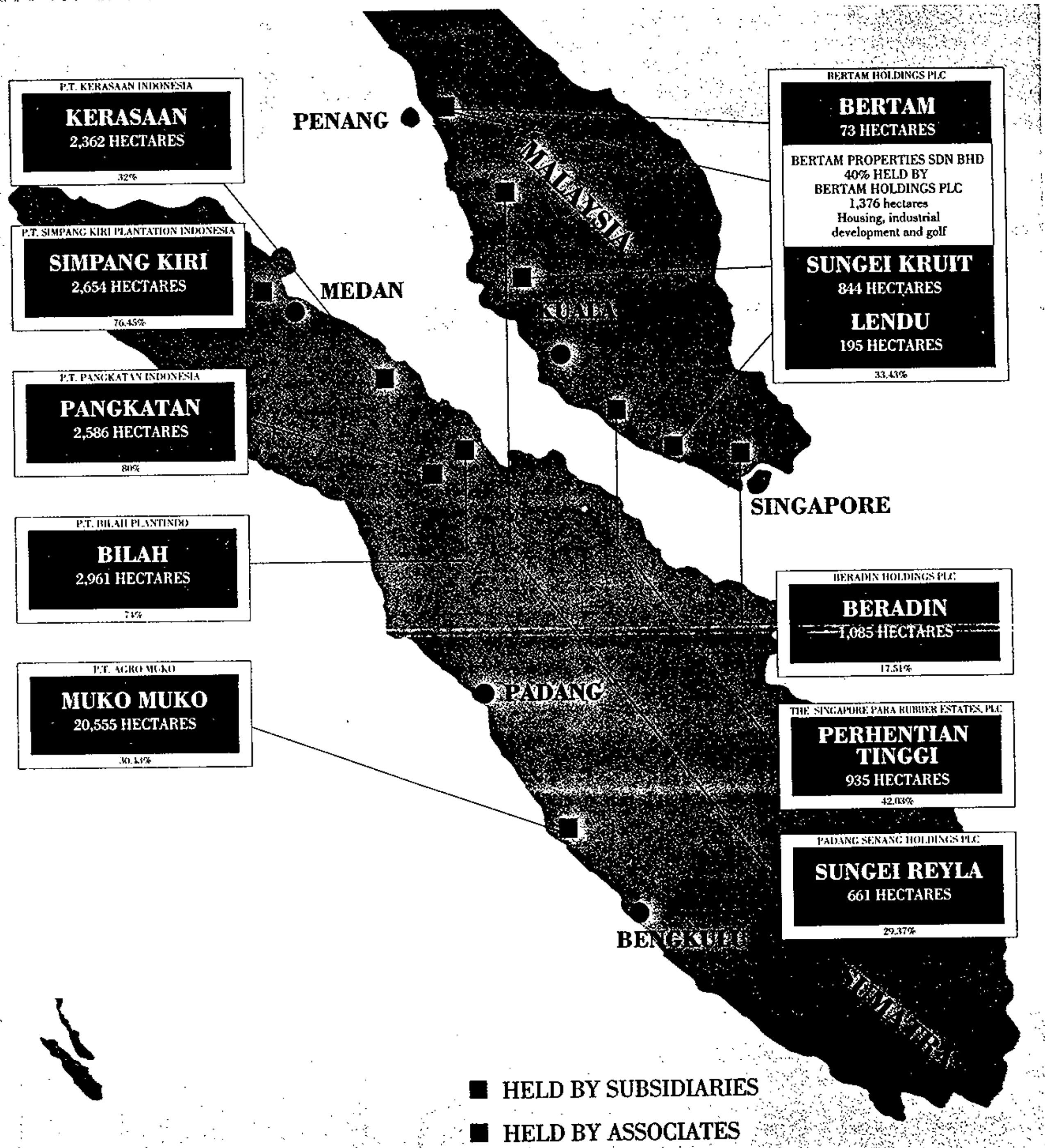
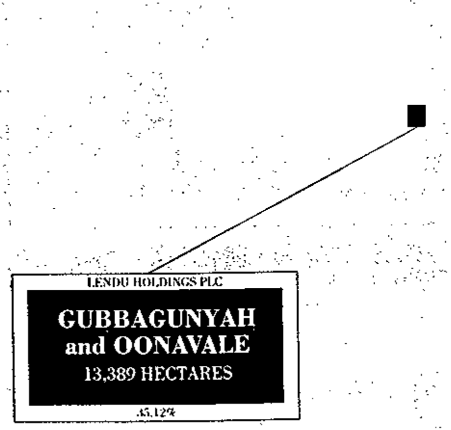
LOCATION OF THE GROUP'S ESTATES





SUMMARY AS AT 31 DECEMBER 1997

(EXCLUDING THE BERTAM PROPERTIES PROJECT AREA)

AUSTRALIA HA		INDONESIA HA	MALAYSIA HA	TOTAL S. E. ASIA HA
—	HELD BY SUBSIDIARIES	8,201	—	8,201
13,389	HELD BY ASSOCIATES	22,917	3,793	26,710
13,389		31,118	3,793	34,911