

Michael NIGHTINGALE



28/3

✓

Ack'd 14/3

10 DOWNING STREET

From the Private Secretary

14 March 1985

I enclose a further letter to the Prime Minister from the Chairman of the Anglo-Indonesian Corporation. I should be grateful for a draft reply.

I am copying this letter and enclosure to Peter Ricketts (Foreign and Commonwealth Office).

Charles Powell

Callum McCarthy Esq
Department of Trade and Industry

✓

PP00 R1413

THE ANGLO-INDONESIAN CORPORATION

PLC

Registered in England No. 108917

Registered Office:

81 CARTER LANE · LONDON · EC4V 5EP

TELEPHONE: 01-236 6135

CABLES: PAMANOEKAN LONDON EC4

TELEX: 297162

11th March 1985

Dear Prime Minister,

I am delighted to learn that your visit to Indonesia, postponed last September, is now likely to take place in April.

I am sending you copies of the letter that I sent you on 20th August and of your kind reply dated 7th September.

Since that exchange, we were able to meet Minister Sumarlin and Suhartoyo, Chairman of the Foreign Investment Board, when they came to London in October but the question of the allocation of the 19,000 hectares in Riau remains unresolved. We should therefore still be very grateful for any help that you can give.

This is particularly important at the present time since we are in the process of merging our own plantation interests in Sumatra with those of two other British companies to be held by a new company, Anglo-Eastern Plantations Plc, and we propose to introduce the shares of this company on the London Stock Exchange on 26th March.

Some 80 plantation companies were brought to the London Stock Exchange between 1900 and 1928 and this will, I believe, be the first new one since then. It will also provide one of the few vehicles to British investors who wish to invest solely in plantations in Indonesia.

The planting of the Tasik area to palm-oil which our consortium commenced in 1983 is going apace. By the end of this year nearly 5000 hectares (12,500 acres) will have been planted and this must be one of the fastest plantings of palm oil by a non-governmental concern in Indonesia for some time.

We do not know whether you will be visiting Sumatra, but if there was any opportunity for us to show you the Tasik plantation, I believe that you would be both interested in and proud of this British achievement. A visit by air from Medan could be fitted into half a day and would demonstrate how vital it is that we should secure the land in Riau at an early date to enable us to continue this good work.

Yours sincerely
Michael Nightingale

Chairman

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1



10 SEP 1984

10 DOWNING STREET

THE PRIME MINISTER

7 September 1984

Dear Mr. Nightingale,

Thank you for your letter of 20 August which you also copied to Geoffrey Howe about the Anglo-Indonesian Corporation's problems in Indonesia.

As you will know, I have decided with regret to postpone my visit to South-East Asia, which means that I shall not now have an opportunity in the immediate future to meet the Indonesian Ministers and officials dealing with agricultural and economic matters. But the Indonesian authorities are aware of the British Government's interest in the efforts you are making to obtain possession of the land at Bengkalis Baratlaut; and it was good of you to bring me up to date.

Since you wrote, our Embassy have reported that your Corporation's representative in Indonesia has made good progress in his contacts with officials there.

I very much hope that this progress will continue. I know that the Embassy remain ready to do all they can to help.

Yours sincerely

Raymond Shelton

Michael Nightingale, Esq., OBE.

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20th August 1984

Dear Prime Minister,

My colleagues and I were pleased to learn of your impending visit to Indonesia. Anglo-Indonesian was born out of a concession granted to British merchants by Stamford Raffles, when he was Governor of Jakarta (then Batavia) in 1812, and I suppose we can claim to be the oldest British group operating in Indonesia. As such we send you greetings and wish you a successful visit.

You may recollect that, during the State Visit of Suharto to London in November 1979, you kindly invited me to lunch at 10 Downing Street and gave me the opportunity to meet him. The President promised to restore 25,000 hectares of virgin land in Sumatra which had been unjustly removed from us.

This restoration was to be in two parts, 6000 hectares of the original Tasik concession and a further 19,000 hectares elsewhere. The detailed arrangements were confirmed in a protocol agreement signed in London on 6th June 1980 in the presence of Professor J B Sumarlin, a senior economic minister. This agreement stipulated that the 19,000 hectares would be made available at Bengkalis Baratlaut in the Province of Riau. The 6000 hectares of Tasik were handed over and by the end of this year about 7000 acres will have been planted to palm-oil, jointly by a consortium of Anglo-Indonesian and two other British plantation companies. I am sending you a copy of our latest Report and you will see photographs of the work in progress at Tasik on pages 3 and 5.

An area to provide the 19,000 hectares at Bengkalis Baratlaut has been surveyed for us by Huntings but we have so far failed to obtain it. The Governor of Riau has refused to see us and has referred us back to the Minister of Agriculture in Jakarta.

The Indonesian Ambassador in London arranged for me to see the Minister of Agriculture on 8th March and I went to Jakarta expressly for that purpose. In the event the Minister could not see me and I also failed to obtain a meeting with Minister Sumarlin. I am sending you a copy of a letter dated 10th March that I wrote to Sumarlin from Jakarta and to which I have so far received no response. I have also since been in touch with Suhartoyo, Chairman of the Foreign Investment Board, and whilst his letter of 15th May is more positive (copy enclosed) I do not believe that we will be granted the 19,000 hectares without a push from H.M.G.

I wrote on this subject to Geoffrey Howe on 1st May and he has put Alan Donald fully in the picture. We imagine that you will be meeting Sumarlin during your visit and would be grateful for any help that you can give.

*Yours sincerely -
Michael Nightingale
Chairman*

The Rt. Hon Margaret Thatcher, M.P.

~~GRASS?~~

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TELEX: 297162

29th March 1985

Dear Prime Minister,

I wrote to you on 11th March about your forthcoming visit to Indonesia. I mentioned that we then hoped to launch our new company Anglo-Eastern Plantations Plc on 26th March.

Owing to some of the complexities at the Indonesian end and partly because of the uncertainty over the allocation of the Riau land we have had to postpone the launch until 18th April. I thought you might find it useful to see a copy, in confidence, of the draft prospectus. There are, of course, a number of blanks that can not be filled until the last minute.

I do very much hope that you may be able to help resolve the impasse on the allocation of the 19000 hectares in the Province of Riau.

Yours sincerely

Michael Nightingale

Chairman

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1



ANGLO EASTERN PLANTATIONS PLC

Introduction by
N.M. Rothschild & Sons Limited



Copies of this document, which constitute the listing particulars relating to Anglo-Eastern required by The Stock Exchange (Listing) Regulations 1984, have been delivered to the Registrar of Companies for registration as required by those regulations.

The directors of Anglo-Eastern, whose names appear in this document, are the persons responsible for all the information contained in this document. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The directors accept responsibility accordingly.

ANGLO-EASTERN PLANTATIONS PLC

(Registered in England No. 1884630)

1.1, 1.3, 1.4

Introduction

arranged by

N. M. Rothschild & Sons Limited

pursuant to an offer for subscription

of ● units of ● ordinary shares of 25p each, ● warrants and
£ ● nominal of 12½ per cent. unsecured loan stock 1995/99 at a price of ●p per unit

The Council of The Stock Exchange has admitted to the Official List all the ordinary shares, warrants and the loan stock of Anglo-Eastern issued and now being issued.

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Part I

DEFINITIONS

The following definitions apply throughout this document:

| | |
|----------------------------------|---|
| "Anglo-Eastern" | Anglo-Eastern Plantations Plc. |
| "the group" | Anglo-Eastern and its subsidiaries. |
| "the developed estates" | the Blankahan, Sungei Musam and Rambung estates in the province of North Sumatra, Indonesia. |
| "the Tasik area" | the 6,000 hectare concession in the province of North Sumatra, Indonesia now being developed as an oil palm estate. |
| "the Riau area" | the prospective 19,000 hectare concession in the province of Riau (part of the island of Sumatra), Indonesia. |
| "the issue" | the proposed issue of ● units. |
| "Anglo-Indonesian" | The Anglo-Indonesian Corporation Plc. |
| "REA" | R.E.A. Holdings plc. |
| "P&G" | Plantation & General Investments PLC. |
| "IIT" | International Investment Trust Company of Jersey Limited, the parent company of REA. |
| "Canadianty" | P.T. Canadianty Corporation. |
| "Marison" | P. D. & I. Marison N.V. |
| "the Indonesian Tasik companies" | collectively P. T. Tasik Cempaka, P. T. Tasik Seroja, P. T. Tasik Harapan and P. T. Tasik Raja. |
| "Gadek Indonesia" | Gadek Indonesia Limited, a member of the group. |
| "Ampat Sumatra" | The Ampat (Sumatra) Rubber Estate, Limited, a member of the group. |
| "ordinary shares" | the ordinary shares of 25p each of Anglo-Eastern. |
| "warrants" | the warrants of Anglo-Eastern. |
| "loan stock" | the 12½ per cent. unsecured loan stock 1995/99 of Anglo-Eastern. |
| "unit" | ● ordinary shares, ● warrants and £ ● nominal of loan stock. |
| "the securities" | collectively the ordinary shares, the warrants and the loan stock. |

DIRECTORS AND ADVISERS

Directors

Michael David Nightingale, OBE (*Chairman*)
Wormshill Court, Sittingbourne, Kent.

1.6, 6.1(a)

Reginald Ralph Lawes
Cotfield House, Matford, Exeter, Devon.

Konrad Patrick Legg
81 Carter Lane, London EC4V 3EP.

Lionel Edgar Charles Letts
Maxwell Road, P.O. Box 3054, Singapore 9050.

Henry Jeremy Renton
26 Walpole Street, London SW1.

Richard Michael Robinow
The Old Rectory, 29 Martin Lane, London EC4R 0DS.

William Frank Vincent
Nimbus, 13 Coxheath Road, Church Crookham, Hampshire.

Secretaries and registered office

1.1, 6.2

R. E. A. Services Limited,
The Old Rectory, 29 Martin Lane, London EC4R 0DS

Issuing house

1.10

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

Stockbrokers

1.10

Hoare Govett Limited,
Heron House, 319/325 High Holborn, London WC1V 7PB

Solicitors to Anglo-Eastern

1.10

Ashurst, Morris, Crisp & Co.,
Broadgate House, 7 Eldon Street, London EC2M 7HD

Solicitors to the introduction

1.10

Linklaters & Paines,
Barrington House, 59/67 Gresham Street, London EC2V 7JA

Advisers on Indonesian law

1.10

Mochtar Karuwin & Komar,
Wisnar Kosgoro, 10th Floor, Jalan Thamrin 53, Jakarta, Indonesia

Auditors and reporting accountants

1.9

Arthur Andersen & Co., *Chartered Accountants*,
1 Surrey Street, London WC2R 2PS

Consulting agronomists

Harrisons Fleming Advisory Services Limited,
1 Great Tower Street, London EC3R 5AB

Technical consultants

Hunting Technical Services Limited,
Elstree Way, Borehamwood, Hertfordshire WD6 1SB

Bankers

1.10

Barclays Bank PLC,
114 Fenchurch Street, London EC3P 3HY

Registrars and transfer office
Hays Allan,
Woodland House, Collingwood Road, Witham, Essex CM8 2TS

2.16

Trustees of the loan stock
Eagle Star Trust Company Limited,
1 Threadneedle Street, London EC2R 8BE

8.11(a)

SHARE CAPITAL AND INDEBTEDNESS

Share capital

Authorised

£ ●

in ordinary shares of 25p each

*Issued and now
being issued
fully-paid*

£ ●

2.7

3.2

(i) the ordinary shares issued and now being issued rank in full for all dividends hereafter declared or paid on the ordinary shares of Anglo-Eastern.

[Loan stock]

[Warrants]

Indebtedness

At the close of business on 28th February, 1985 the companies which now constitute the group had short-term loans of £ ● , the loan stock and guarantees of £ ● . Save as aforesaid and apart from borrowings between the companies in the group at that date, neither Anglo-Eastern nor any of its subsidiaries had any loan capital outstanding or created but unissued, term loans (whether guaranteed, unguaranteed, secured or unsecured) or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills), or acceptance credits, hire purchase commitments, mortgages, charges, contingent liabilities or guarantees.

5.16

SUMMARY

The following information should be read in conjunction with the full text of this document.

Business

Anglo-Eastern was established to acquire from three listed UK companies, Anglo-Indonesian, P&G and REA, their entire estate interests in Sumatra. These interests comprise developed rubber and cocoa estates, an oil palm project in course of development and a prospective further oil palm development. 3.10
4.1

The acquisition has resulted in the creation of a new plantation group with majority interests in:

- ★ A balanced portfolio of estates planted to rubber, cocoa and oil palm.
- ★ A substantial current planting programme, principally in oil palm but also in rubber and cocoa, which will result in a planted area of 9,265 hectares, made up as to 64 per cent. of oil palm, 26 per cent. of rubber and 10 per cent. of cocoa.
- ★ The prospective allocation of a further 19,000 hectares that the Indonesian government has agreed to make available for planting.

Risk factors

Details of risk factors are set out below.

Rates of exchange

For the purposes of the accounting information in this document, the results and year end balances of overseas subsidiaries of Anglo-Eastern are translated at the rate of exchange prevailing at the end of each financial period. The rate of exchange on ● March, 1985 (being the latest practicable date prior to the posting of this document) was £1 = Rp●.

INTRODUCTION

Anglo-Eastern was incorporated in England on 8th February, 1985 and has acquired from Anglo-Indonesian, P&G and REA, those companies' interests in three developed estates, Blankahan, Rambung and Sungei Musam in the province of North Sumatra, together with their interests in the Tasik and Riau areas.

Of the developed estates, 2,344 hectares are planted with hevea rubber and 675 hectares with cocoa. In addition the developed estates include approximately 300 hectares of plantable reserve land which the directors intend should progressively be planted to rubber.

The Tasik area is a concession of 6,000 hectares in the province of North Sumatra which is being developed as an oil palm plantation. Some 2,700 hectares have been planted to date and it is envisaged that the balance of the usable area will be planted by the end of 1986. Thereafter it is hoped to develop a further area of 19,000 hectares in the adjoining Sumatran province of Riau. The Indonesian authorities agreed in 1980 that a suitable area would be made available but it has not yet been allocated.

The locations of the developed estates and of the Tasik area are shown on the map contained in Appendix II.

The amalgamation of the Sumatran estate interests of Anglo-Indonesian, P&G and REA has two principal objects; the creation of a plantation group with a balanced crop portfolio and a scale of operations capable of supporting an economic management unit; and the establishment of a group, with net assets of £● million, capable of raising external finance for the rapid clearing and planting of the Tasik area.

Following completion of the issue, Anglo-Indonesian and P&G together will own ● ordinary shares (● ordinary shares belonging to Anglo-Indonesian and ● ordinary shares belonging to P&G), representing ● per cent. of the issued ordinary share capital of Anglo-Eastern, and REA will own ● ordinary shares representing ● per cent. of the ordinary share capital of Anglo-Eastern. It is the intention of the boards of these companies to retain these interests and to work together to secure the success of Anglo-Eastern.

Following completion of the issue, the securities of Anglo-Eastern will be held as follows:

| | <i>Ordinary shares</i> | <i>Loan stock (£)</i> | <i>Warrants</i> |
|---|----------------------------|-------------------------------|-----------------|
| Anglo-Indonesian | ● | ● | ● |
| P&G | ● | ● | ● |
| REA | ● | ● | ● |
| Shareholders of Anglo-Indonesian, P&G, REA and IIT | ● | ● | ● |
| | ● | ● | ● |
| | ===== | ===== | ===== |

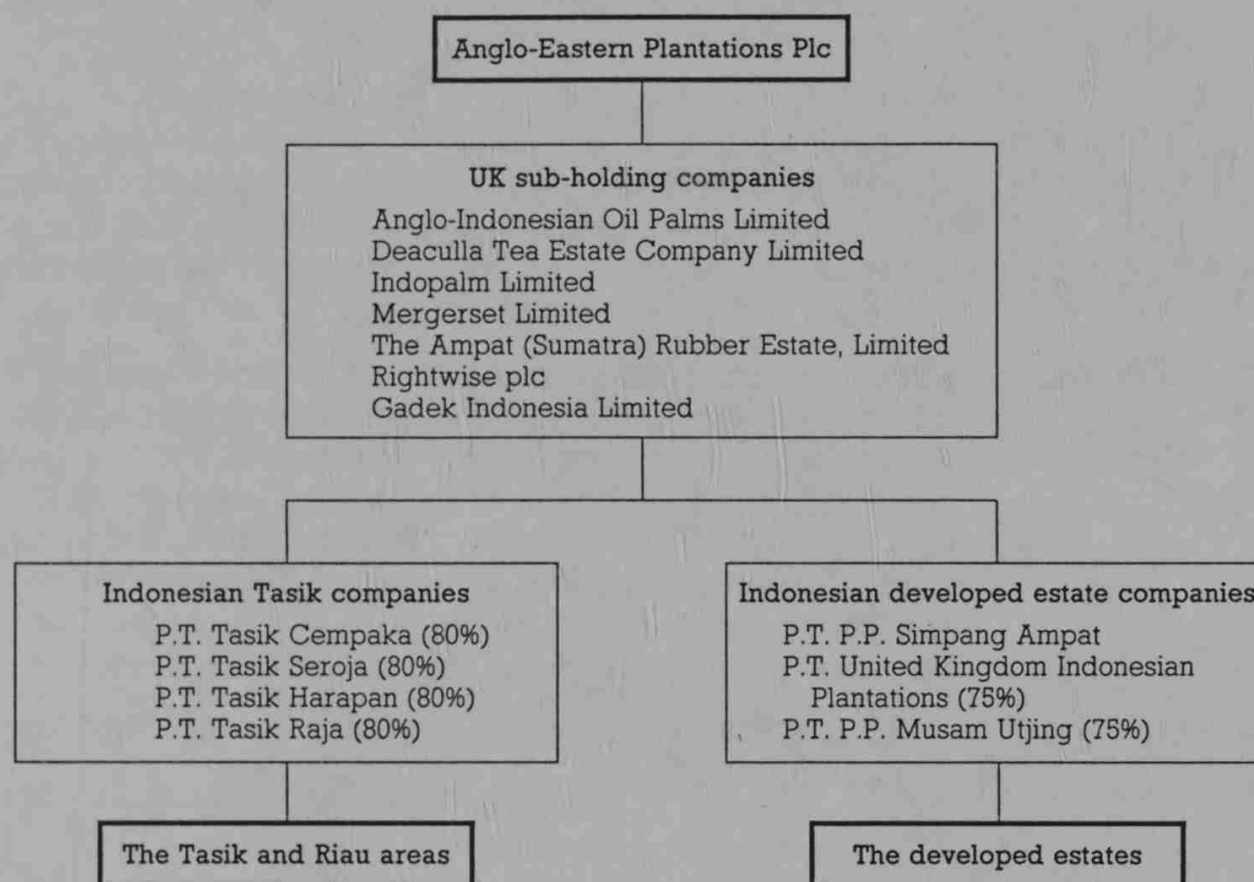
GROUP STRUCTURE

Each of the three developed estates is owned by a separate Indonesian company while the ownership of the Tasik area and rights to the Riau area are split between four Indonesian companies.

There are local minority shareholdings in each of the seven Indonesian companies except in P.T.P.P. Simpang Ampat which owns the Rambung estate. Marison has a 20 per cent. shareholding in each of the Indonesian Tasik companies and, together with another Indonesian small shareholder, owns 25 per cent. of P.T.P.P. Musam Utjing which owns the Sungei Musam estate. Canadianty holds 25 per cent. of P.T. United Kingdom Indonesian Plantations which owns the Blankahan estate. Both Marison and Canadianty are independent Indonesian companies which have been associated with Gadek Indonesia since 1975. Information concerning future increased Indonesian participation is set out under "Indonesian factors" below.

The Indonesian developed estate companies and Indonesian Tasik companies are direct subsidiaries of UK companies which in turn are wholly-owned subsidiaries of Anglo-Eastern. This large number of subsidiary companies in both the UK and Indonesia is purely historical and it will be the aim of Anglo-Eastern to simplify this structure as and when this is found to be practicable.

The present structure is summarised below and given in greater detail in Appendix I (all subsidiaries are wholly-owned except where otherwise indicated):



THE DEVELOPED ESTATES

History

The developed estates were all established at the beginning of this century and were developed as rubber estates under the ownership of European listed companies.

With the exception of a period during the 1930's when rubber prices fell to very low levels, the plantation sector in Indonesia generally enjoyed reasonable prosperity up to the second world war when the estates were seized under the Japanese occupation. The occupation was followed by the Indonesian struggle for independence and it was not until 1950 that

foreign owners were able to resume effective control of their estates. In the immediate post-independence period under President Sukarno, operating conditions were difficult and in 1964 all British-owned estates were taken over by the Indonesian authorities. Following the accession of President Suharto to the Indonesian presidency in 1968, a number of companies[, including those companies through which Anglo-Indonesian, P&G and REA subsequently came to own the developed estates,] were able to resume control of their former estate interests. Since then foreign investment in plantations has been welcomed by the Indonesian authorities and the sector has enjoyed a period of increasing prosperity.

Control of Rambung was returned to Ampat Sumatra in 1968, while Gadek Indonesia acquired control of Blankahan and Sungei Musam in 1975 and 1976 respectively. Since those dates major areas of all three estates have been replanted. Although the main focus of the replanting programmes has been rubber, on Blankahan and Sungei Musam significant areas of cocoa have also been established in recent years and on Rambung an initial 25 hectare block of cocoa has recently been planted.

Business

The developed estates are all situated within 100 kilometres of Medan in North Sumatra and comprise a total land area of 3,696 hectares. Two crops are grown, hevea rubber and Upper Amazon origin bulk cocoa.

4.4, 4.5

The estates can be classified as follows:

| | <i>Average age</i> | <i>Hectares</i> |
|-------------------------------|--------------------|-----------------|
| Mature rubber | 17.1 years | 1,711 |
| Mature cocoa | 7.4 years | 468 |
| Immature rubber | 3.1 years | 633 |
| Immature cocoa | 2.4 years | 207 |
| | | 3,019 |
| Nurseries | | 3 |
| Roads and buildings | | 69 |
| Plantable reserve (estimated) | | 300 |
| Other area | | 305 |
| | | 3,696 |

A substantial investment has been made in replanting and in the case of Sungei Musam in planting into former jungle reserve areas. In the last five years, 850 hectares on the developed estates have been planted or replanted. The capital expenditure incurred in respect of these estates in the last five years amounted to £1.5 million (including expenditure on buildings, plant and machinery).

It is the intention to continue new planting of the reserve areas with rubber with a view to cultivating the balance of the plantable reserve within the next three to four years. At the same time replanting of older areas will be continued; for the next few years such replanting will be predominantly with cocoa.

Crops harvested from the developed estates during each of the five years 1980 to 1984 were as follows:

| <i>Tonnes</i> | <i>1984</i> | <i>1983</i> | <i>1982</i> | <i>1981</i> | <i>1980</i> |
|---------------|-------------|-------------|-------------|-------------|-------------|
| Cocoa | 277 | 307 | 344 | 212 | 151 |
| Rubber | 2,110 | 2,098 | 2,155 | 2,052 | 2,010 |

Cocoa crops of the past two years have been depressed by unusually wet weather and in the case of Blankahan by a requirement for major thinning out in the older areas. The thinning out has only recently been put in hand.

All three of the developed estates are equipped with sheeting factories for the production of ribbed smoked sheet. Cocoa production is at present confined to Blankahan and Sungei Musam and each of these estates has its own cocoa fermentary and cocoa dryers.

Lower grades of rubber, which represent about 23 per cent. of the total rubber production, and a very small percentage of cocoa production (primarily consisting of fragmented beans), are sold locally to Medan produce dealers. The balance of the rubber and cocoa crops is exported and marketed on behalf of the developed estates by R.E.A. Marketing Limited, a wholly-owned subsidiary of REA.

THE TASIK AND RIAU AREAS

History

Anglo-Eastern's interests in the Tasik and Riau areas have their origins in an agreement concluded in 1971 under which the Indonesian government, in part consideration for the acquisition of Anglo-Indonesian's former Indonesian subsidiary, P. & T. Lands, P.T., agreed to make available to Anglo-Indonesian a concession of approximately 25,000 hectares. Following this agreement an area of such a size in North Sumatra, close to the border with Riau, was provisionally allocated to Anglo-Indonesian.

Having established a base camp on the provisional area (which was to become known as "the Tasik concession"), between 1973 and 1977 Anglo-Indonesian arranged for detailed agricultural assessments to be made, including a survey by Hunting Technical Services Limited, the results of which are summarised in Part II D. The conclusion of the assessments, and in particular of the survey, was that the area was well suited for planting with oil palm as well as certain other estate crops.

Over the same period Anglo-Indonesian held extensive discussions with various plantation and trading groups with a view to securing the financial support necessary for the establishment of a new Indonesian plantation venture. An important step forward was taken in 1978 with the formulation of proposals providing, in broad terms, for the provisional concession area to be divided between Anglo-Indonesian and other UK plantation companies and for each of those companies then to develop separately the area allocated to it.

Although the Indonesian authorities had indicated their approval in principle of these proposals, during October 1979 the government intimated that for domestic reasons it wished to re-allocate the provisional concession area. In November, however, President Suharto paid a state visit to London and, following a meeting between him and the chairman of Anglo-Indonesian at 10 Downing Street, it was agreed that 6,000 hectares of the Tasik concession should be restored to Anglo-Indonesian and a further 19,000 hectares made available in the adjoining province of Riau. These arrangements were reflected in a protocol signed on 6th June, 1980 and an investment permit was granted in August 1981 (see Part II F).

During the autumn of 1981 joint venture agreements were signed with Marison, as the local partner, and the Indonesian Tasik companies were incorporated. Towards the end of 1982 these companies took possession of the Tasik area and established nurseries.

Since 1982 discussions have been taking place with the Indonesian authorities regarding the allocation of the Riau area. Certain areas have recently been suggested and are being examined by the Indonesian Tasik companies at present.

The directors are confident that a suitable allocation of land in Riau will be obtained but the formalities may take some time. Accordingly the group's planting programmes and financing requirements are being projected by reference only to the Tasik area. When the Riau area is allocated, it will be viewed as a separate development for financing purposes.

The Tasik area

The Tasik area is to be developed entirely as an oil palm estate. The planting programme originally adopted was:

| | <i>Hectares</i> |
|------|-----------------|
| 1983 | 800 |
| 1984 | 2,000 |
| 1985 | 2,000 |
| 1986 | 1,100 |
| | <hr/> |
| | 5,900 |
| | <hr/> <hr/> |

The areas to be planted in 1983 and 1984 have been completed other than 80 hectares which have been carried forward to 1985. Provided that the programmes for 1985 and 1986 can be adhered to, all areas to be planted should be mature by 1990 and full production should be achieved by 1995.

Crops from the Tasik area are projected to commence in 1986 at an annual level equivalent to about 800 tonnes of palm oil and kernels and to rise to some 40,000 tonnes by 1995.

It is intended that, subject to the necessary Indonesian consents, a palm oil mill should be built in the Tasik area to process all oil palm fruit produced from the area into palm oil and kernels. Pending construction of such a mill, which will involve a capital investment of about US \$5.5 million at current prices, fruit production will be sold to established local mills, of which there are several.

Indonesian producers of palm oil are required to sell the major proportion of their production in the domestic market. The applicable proportion and the price receivable in respect of domestic sales are fixed from time to time by the Indonesian government. The export element of palm oil production and all palm kernel production can be sold freely on the world market but such sales are subject to export duties which again are fixed periodically by the Indonesian government. Further information as to conditions currently applicable in Indonesia is set out in Part II E below.

The group will make appropriate arrangements regarding the appointment of selling agents for its palm oil and kernel production following the completion of the proposed palm oil mill in the Tasik area.

Financial considerations

The acquisition and development costs in respect of the Tasik area^{4.15} incurred to 31st December, 1984 by the Indonesian Tasik companies, together with the further development costs projected to be incurred on the basis of current prices and the other assumptions stated in Part II E up to the completion of the development, are as set out below:

| | <i>Costs to 31st December, 1984 US\$'000</i> | <i>Projected further costs US\$'000</i> | <i>Total US\$'000</i> |
|--------------------------------------|--|---|---------------------------|
| Land, buildings, plant and machinery | 446 | 3,018 | 3,464 |
| Plantings | 2,249 | 7,299 | 9,548 |
| | <u>2,695</u> | <u>10,317</u> | <u>13,012</u> |

The financing by the Indonesian Tasik companies of the projected further costs referred to above is projected to be as follows:

| | <i>US\$'000</i> |
|--|-----------------|
| Share capital:— | |
| (a) to be subscribed by Marison | 650 |
| (b) to be subscribed by UK members of the group | 5,200 |
| Loan capital to be provided by UK members of the group | |
| Retained profits and depreciation | |
| | <u>10,317</u> |

Loan capital provided by UK members of the group will be denominated in US dollars and will carry interest at a commercial rate. It will be noted that the total further capital investment projected to be required from UK members of the group amounts to US\$ 10.3 million.

DIRECTORS, MANAGEMENT AND EMPLOYEES

Directors

The directors of Anglo-Eastern are as follows:

- Michael Nightingale aged 57, has been chairman of Anglo-Indonesian since 1971. He was previously a director of Charterhouse Japhet Limited and is currently Mayor of Maidstone and a chairman of the General Synod of the Church of England.
- Reginald Lawes aged 58, has been an executive director of Gadek Indonesia since 1975 and in charge of the group's Indonesian head office since its original establishment by Gadek Indonesia in 1977. He has been engaged in the management of rubber, cocoa and oil palm estates in south-east Asia for over thirty years. He is also a non-executive director of REA.
- Konrad Legg aged 40, has been chairman of P & G since 1978 and managing director of Anglo-Indonesian since 1982. He has been involved in the plantation business for many years and was previously chairman and managing director of Eastern Produce (Holdings) Limited and managing director of Warren Plantation Holdings Limited. He is currently also a director of Rembia Rubber plc, a company otherwise unconnected with Anglo-Eastern.
- Charles Letts aged 66, has been a director of Kuala Lumpur Kepong Berhad since 1971. He is resident in Singapore and is also a director of several other eastern plantation and trading companies.
- Jeremy Renton aged 55, was a partner in James Capel & Company from 1963 to 1984. He is now a director of Anthony Wieler & Co. Limited, investment managers. He has several other investment and charitable interests.
- Richard Robinow aged 39, has been a director of REA since 1978 and chairman since 1984. After an initial career in merchant banking he has been involved in the plantation business since 1974. He is also a director of IIT, Anglo-Indonesian, Sipef S.A. and Padang Senang Holdings plc.
- William Vincent aged 60, has been involved in the management of estates throughout south-east Asia since the second world war. He is also a director of Rowe Evans Investments PLC and The Singapore Para Rubber Estates PLC.

Management

The group's operations are administered from its Indonesian head office in Medan. The head office was originally established by Gadek Indonesia in 1977 and has been responsible for the management of Blankahan and Sungei Musam since then, the management of Rambung from 1981, and for the management of the Tasik area development since its inception in 1982.

The head office is under the direction of Mr. Lawes, Anglo-Eastern's resident director in Indonesia, assisted by three senior Indonesian executives and an ancillary staff of ● . [Possible further expatriate.] The

office is responsible for all functions normally performed by a plantation agency house, namely financial control, the purchasing of estate supplies and placing of contracts on behalf of the estates, the marketing of produce sold domestically, the shipping of export produce and the organisation of estate staff.

Each of the developed estates and the Tasik area is under the supervision of an estate manager and between one and three field, factory or office assistants who live on the estates and are responsible for their day to day operation. In the case of the Tasik area it is anticipated that, as the development proceeds, management staffing will be built up from the present level of three to an eventual complement of about fifteen.

Employees

In addition to management staff the developed estates employ a total of some 600 persons who are resident on the estates. The estates rely for certain functions, principally replanting and general upkeep, on contract labour which is hired on a day to day basis according to requirements.

In the case of the Tasik area clearing, planting and maintenance of immature areas up to maturity is being arranged on a contract basis with contractors providing their own labour. Accordingly the area is currently being operated with only a skeleton work force. A total labour complement of around 1,200 will however be required by the time that the area reaches full production. The development of the Tasik area and other surrounding developments are attracting a steady drift of settlers into the vicinity and it is anticipated that this will provide a sufficient pool from which to recruit the required work force.

INVESTMENT IN INDONESIA

General

Foreign investment in Indonesia is governed primarily by the Foreign Capital Investment law of 1967 as amended. This stipulates that, with the approval of the government, foreign companies may invest and operate in Indonesia for a period of 30 years. Since 1974, all foreign investments, other than investments in some specific areas totally for export, must be undertaken through joint ventures with Indonesian partners through the medium of an Indonesian incorporated company.

The body responsible for regulating foreign investment in Indonesia is the Investment Co-ordinating Board, the Badan Koordinasi Penanaman Modal ("BKPM").

Indonesia has adopted five year plans of which the first began in 1969 and the present is the fourth plan, Repelita IV, which is in respect of the years 1984-89. One of the main objectives of Repelita IV is to develop the agricultural sector of Indonesia's economy. Repelita IV is designed to encourage employment, and agriculture is still the single most important source of employment in Indonesia. Indonesia ranks second only to Malaysia in world rubber production and is also the world's second largest producer of palm oil.

Investment Permits

Central to foreign investment in Indonesia is the grant of an investment permit. Such a permit, currently known as a *surat persetujuan tetap* ("SPT"), is the acknowledgement of the President of the Republic of Indonesia's approval of a foreign investment proposal and constitutes a temporary operating licence for use by the joint venture company that it is proposed to establish. Only when that company has achieved commercial production will a permanent operating licence be issued.

Provided that the project undertaken by a joint venture company is developed in accordance with the conditions specified in the applicable SPT, the grant of a permanent operating licence follows in due course. An SPT contains detailed requirements as regards such matters as production and marketing programmes, utilisation of manpower, project location, investment programme, capitalisation, fiscal and other approved facilities, and stipulations as to the ownership and use of land. In addition an SPT enables a joint venture company to apply for the various licences and permits that it requires to commence operations and gives it the right to qualify for any guarantees (particularly in respect of foreign exchange) and tax incentives that it may have been granted.

The Indonesian government reserves the right to withdraw approval of a foreign investment project in certain eventualities, as for instance, in the case of a joint venture company undertaking a plantation project, failure to cultivate properly and in accordance with its project proposal the land allocated to it, or to comply with the regular reporting requirements of the Foreign Investment Law.

The investment permit contained in an SPT is for a duration of 30 years. The investor has the right to apply for an extension. Because the Foreign Investment Law has not yet been in existence for 30 years it is not yet known what bases extension applications will be considered.

Land rights

Indonesian land legislation does not incorporate a concept of freehold land rights in respect of natural resource investment including agricultural plantations. Instead the Basic Agrarian Law recognises several types of rights on land the relevant one in the case of Anglo-Eastern being an Hak Guna Usaha ("HGU"), being a right of exploitation. This is the right to use state-owned land for purposes of agriculture including plantations.

A Presidential Decree ("the Decree") dated 20th March, 1980 provides that in the case of any joint venture agricultural project involving foreign investors the title should be in the form of an HGU to be granted to the Indonesian partner in the project. The SPT will specifically provide for this. The Decree also provides that an HGU will only be granted for a period of 35 years but, upon application by the Indonesian joint venture partner, there is a possibility of extending this term to at the most 60 years. The ability to exploit the HGU for the full 35 year period or further extension would depend on an extension to the SPT having been previously granted.

Once the Indonesian joint venture partner has been granted an HGU, the terms of the SPT oblige it to grant to the joint venture company a right to exploit the land for the purposes of the project by way of a Sarah Pakai ("SP"). The concept of an SP dates back to the Decree and it is not yet clear whether the interest created by an SP can be registered or noted on the HGU from which it derives.

Local participation

Indonesian participation in joint ventures must, pursuant to the Five Year Plans, be increased with a view to over 50 per cent. of the joint venture being held by Indonesian nationals at the expiry of 10 years after commencement of commercial production.

Exchange control Although Indonesia has exchange control legislation there are virtually no foreign exchange controls at the moment and in practice any foreign investor may freely transfer funds to or from abroad. In addition under the foreign investment law, foreign investors and foreign investment law companies are granted guarantees by the Indonesian government, subject to procedural requirements necessary to perfect those guarantees, to remit foreign exchange outside of Indonesia in respect of equity capital withdrawn after the expiry of any tax incentives granted to the foreign investment law company, principal and interest on foreign loans, post-tax profits, proceeds from the sale of shares by the foreign investor to Indonesian nationals (whether before or after the expiry of tax incentives), compensation in the event of nationalisation and certain other matters. It should be noted that such guarantees are not themselves guarantees of the availability of foreign exchange at the time of any proposed remittance.

Taxation

Overseas investment insurance

THE GROUP'S INDONESIAN POSITION

Anglo-Eastern's loan investment in the developed estates and the full amount of costs to date of loan and equity investment in the Tasik area have been insured against expropriation, war damage and restrictions on remittances.

The maximum amounts insured in respect of Anglo-Eastern's investment made and to be made in Indonesia will be 90 per cent. of the following amounts:

| | £'000 |
|--------|-------|
| Equity | 5,528 |
| Loan | 2,919 |

These amounts are equivalent to the loan investment in the developed estates and the full amount of the estimated cost of the total investment to be made in loan and equity investment in Tasik. Further investment in Tasik will be covered (up to these amounts) as it is made. The benefit of the insurance policies in respect of the loan component of Indonesia investment has been assigned upon terms set out in the loan stock particulars described in Part II G for the benefit of the holders of the loan stock issued and to be issued by Anglo-Eastern.

However, it is neither practicable nor economic for Anglo-Eastern to insure the current equity value of the developed estates and the Tasik area and it should therefore be noted that the cover provided will be limited to 90 per cent. of the amounts referred to above.

The initial annual premium for the above amounts and commitment will be £91,000 and under current regulations cover is available for a maximum period of fifteen years.

PROFITS

The consolidated pro-forma profit and loss accounts of the businesses of the group for the five years ended 31st December, 1984, compiled under the historic cost convention and on the basis of the accounting policies stated in the accountants' report in Part II D, are set out below:

| | 1984 £'000 | 1983 £'000 | 1982 £'000 | 1981 £'000 | 1980 £'000 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Turnover | | 1,652 | 1,193 | 1,184 | 1,114 |
| Cost of sales | | (753) | (768) | (678) | (409) |
| Gross profit | | 899 | 425 | 506 | 705 |
| Other income and expenses | | (255) | (122) | (124) | (104) |
| Profit before taxation | | 644 | 303 | 382 | 601 |
| Taxation | | (196) | (90) | (94) | (96) |
| Profit after taxation | | 448 | 213 | 288 | 505 |
| Minority interest | | (65) | (14) | (36) | (92) |
| Extraordinary items | | — | — | — | — |
| Dividends | | — | — | — | — |
| Profit attributable to shareholders | | 383 | 199 | 252 | 413 |
| Pro-forma earnings per share | | | | | 5.6 |

As the Tasik area is still in course of development, the figures concerned relate entirely to the trading results of the developed estates.

The profit record of the group for the period has been affected by the following factors: 4.7

(a) *Commodity prices*

Rubber prices were stable for the first two years of the period, declined in 1982 and recovered strongly in 1983. Cocoa prices declined for the first three years but recovered in 1983 to 1979 levels. [1984 and 1985.] 7.1(a)

(b) *Maturity profile of the estates*

(i) Although a substantial investment has been made in replanting on the developed estates and a number of the replantings are now mature, most of the latter areas have only recently been brought to maturity and are therefore still building up to their peak yields. Rubber crops have been broadly stable throughout the period but cocoa crops have been depressed in 1984 and 1983 by unusually wet weather.

(ii) As a result of the substantial investment referred to in paragraph (i) above fixed infrastructure and administration costs during the past five years have represented a greater proportion of total costs on the developed estates than would be normal on a fully mature estate. As a result the impact on profits of downturns in produce prices has been particularly severe.

NET ASSETS

On the basis of the pro-forma consolidated historic cost balance sheet of the businesses of the group at 31st December, 1984 set out in the accountants' report in Part II C and the revaluation of the developed estates referred to in note ● of that report, the consolidated net tangible assets of the group attributable to ordinary shareholders following this offer for subscription may be derived on a pro-forma basis as follows:

| | £'000 | £'000 |
|--|-------|--------|
| Developed estates | | 10,183 |
| Investment in Tasik and Riau areas at cost at 31st December, 1984 (Note) | | 3,465 |
| Net current assets at 31st December, 1984 | | 820 |
| Estimated net proceeds of this offer for subscription | | ● |
| | | ● |
| Less: | | |
| Loan stock | 2,000 | |
| Minority interest | 2,416 | |
| | | 4,416 |
| | | ● |
| | | ● |

Note: [The directors consider that the value of the Tasik area is above cost. For the purposes of the exchange agreement a value of £● million].

REASONS FOR THE ISSUE

The directors believe that the development of the Tasik area represents an unusual and profitable opportunity. The principal reason for the issue is therefore to raise the finance required to complete the rapid clearing and planting of the Tasik area. 4.15

In addition the amalgamation of the plantation interests prior to the issue will facilitate economies of scale and enable Anglo-Eastern, as a substantial investor in the Indonesian plantation sector, to be well placed in negotiations with the relevant authorities regarding the development of the Riau area and any future further expansion.

RISK FACTORS

Prospective investors in Anglo-Eastern should recognise that the group's business by its nature carries a number of attendant risks which could affect future profits and cash flow. In the opinion of the directors of Anglo-Eastern the most significant of these are as follows: 7.1(b)

- ★ The profitability of Anglo-Eastern will be fundamentally dependent upon:—
 - (a) the world prices of rubber, palm oil and kernels, and cocoa; and
 - (b) Anglo-Eastern's capacity under Indonesian law to sell its produce at price levels comparable with such world prices.

- ★ The cash flow of Anglo-Eastern will be dependent upon its profitability and its capacity to remit its earnings to the UK. Since 1967 there has been no restriction on remittance of capital and dividends from Indonesia.
- ★ As in any agricultural venture, the crops are affected by pests, diseases and weather conditions. Over a long period output should be reasonably predictable but there can be large variations in individual years.
- ★ The whole of the group's assets and operations are in Indonesia, which has enjoyed relative political stability since 1968. However, prospective investors should note the expropriation by the government of Indonesia in 1964 of [certain] foreign estates and the subsequent restoration of some of these estates to their former owners in and after 1968.
- ★ There is provision for exclusion of minority participations in the Blankahan and Sungei Musam estates at ● values to be determined by the partners. In the case of the Sungei Musam estate this right of extension is exercisable at any time. With regard to the Tasik area such rights will only come into force in 1998.
- ★ It is expected that a large proportion of Anglo-Eastern's profits will eventually come from the Tasik area, only half of which has yet been planted.

PROSPECTS

An agronomic evaluation of the developed estates and of the Tasik area has been prepared by the company and reviewed by Harrisons Fleming Advisory Services Limited. It is not possible to make a reliable forecast for Anglo-Eastern even a relatively short time ahead given the potential variations in world commodity prices, climate, exchange rates and government regulations. As an illustration of the potential size and profitability of Anglo-Eastern, shown below are the turnover and pre-tax profits for the group extracted from the agronomic evaluation for 1989 and for 1994 assuming present costs and alternative commodity price assumptions.

7.1(b)

| | <i>At present</i> | | <i>At World Bank</i> | |
|-------------------|-------------------------|---------------|---------------------------------|---------------|
| | <i>commodity prices</i> | | <i>forecast commodity</i> | |
| | <i>1989</i> | <i>1994</i> | <i>prices in constant terms</i> | <i>1994</i> |
| | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> |
| Turnover | 9,707 | 14,937 | 10,093 | 15,576 |
| Profit before tax | 3,588 | 8,651 | 3,953 | 9,068 |

1989 is the first year when all of the Tasik area is in production. By 1994 the Tasik area is forecast to be at full production and cocoa and rubber crops will be nearing maximum forecast production.

Part II E sets out the projected planted area and crops together with a summary of the principal assumptions used in making those projections and in arriving at the indicated profits for 1989 and 1994 shown above.

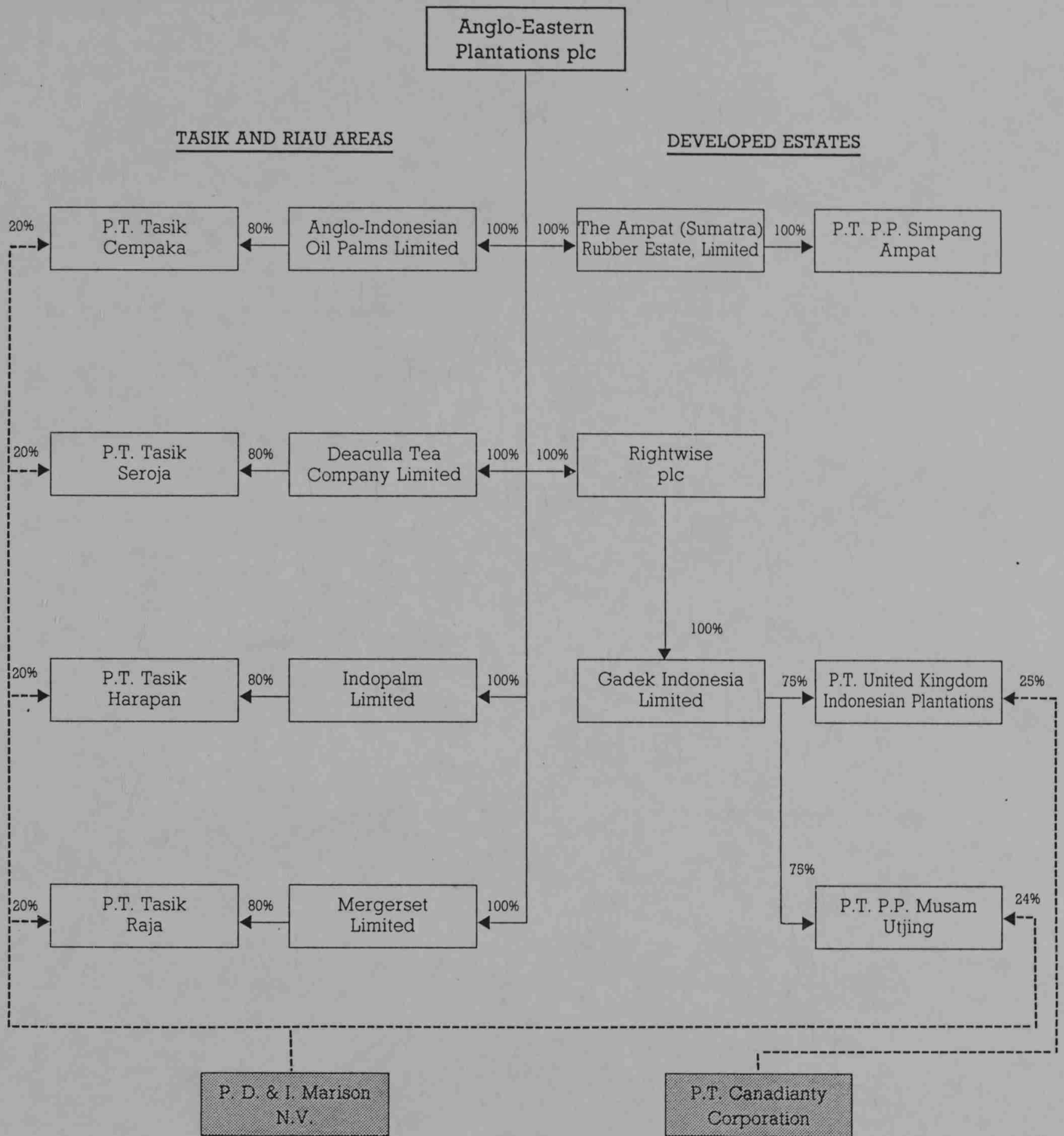
The directors of Anglo-Eastern stress that the illustrative profits above should on no account be taken as forecasts and should be read in conjunction with the principal assumptions and notes shown in Appendix V.

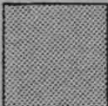
FUTURE OF THE GROUP

Plantation investment in the Far East has proved very rewarding in recent years. The directors believe that Anglo-Eastern represents a profitable and unusual investment opportunity for the following reasons:— 7.1(b)

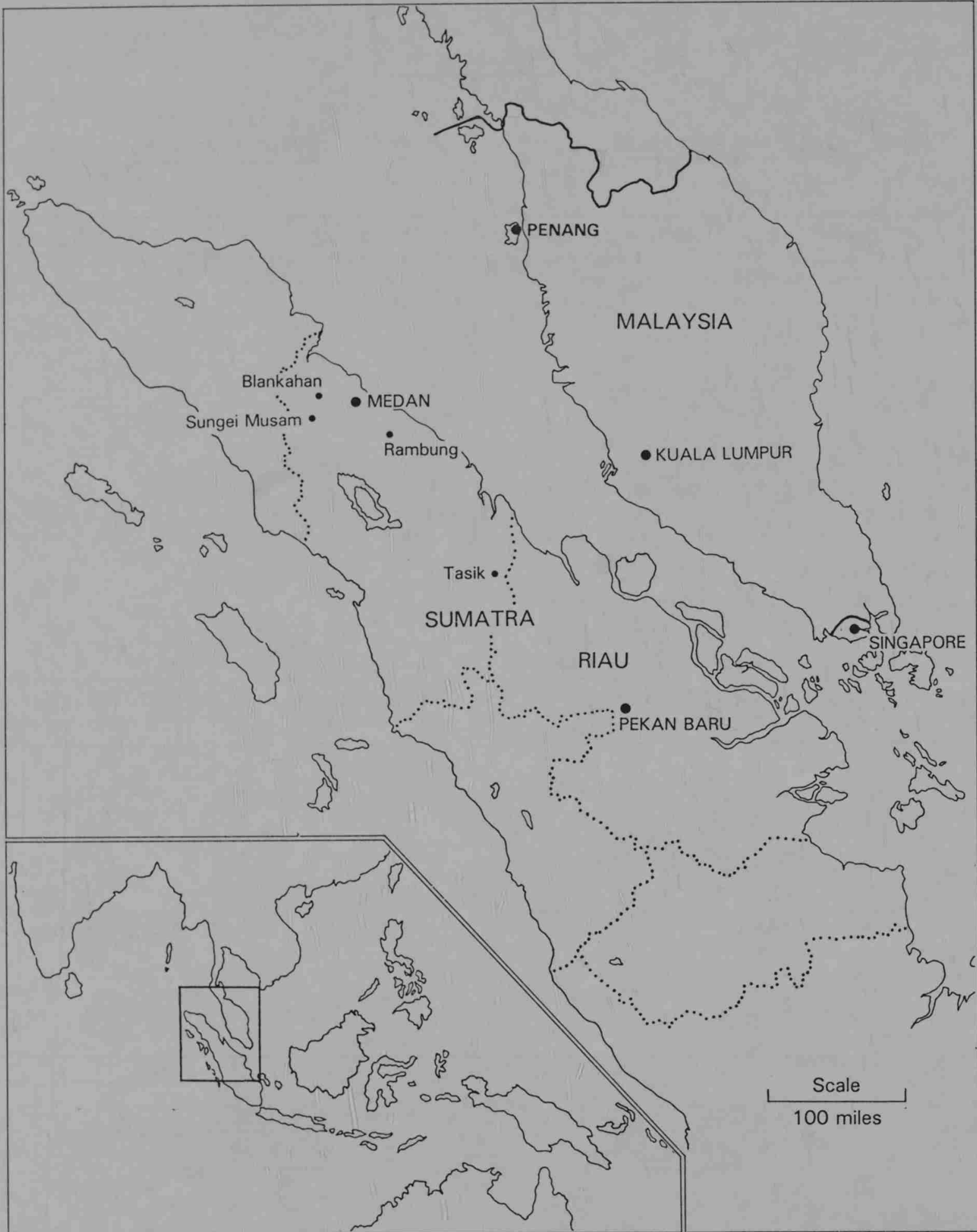
- ★ In addition to its mature rubber and cocoa plantations Anglo-Eastern has in the 6,000 hectare Tasik area a substantial oil palm planting development programme which is expected to produce a rapid increase in palm oil production over the next six years.
- ★ The outlook for palm oil is encouraging [in the medium term] and Anglo-Eastern has the prospect of major increases in earnings in the future.
- ★ Anglo-Eastern has the potential afforded by the rights to a further concession of 19,000 hectares which the Indonesian government agreed in 1980 to make available for planting but which has not yet been allocated.
- ★ Access by foreign investors to new large areas of land in south-east Asia is likely to become increasingly limited.

CORPORATE STRUCTURE



 — Local Indonesian partner.

B. LOCATION OF THE GROUP'S ESTATES



C. ACCOUNTANTS' REPORT

The Directors
Anglo-Eastern Plantations Plc
The Old Rectory
29 Martin Lane
London EC4R 0DS

The Directors
N. M. Rothschild & Sons Limited
New Court
St. Swithins lane
London EC4P 4DV

25th March, 1985

Gentlemen,

Anglo-Eastern Plantations Plc ("Anglo-Eastern") was incorporated on 8th February, 1985 and since incorporation has not traded, declared or paid dividends nor prepared any accounts. Anglo-Eastern has acquired primarily by way of share exchange and issue of loan stock certain companies engaged in plantation agriculture in North Sumatra. 5.3

The amounts shown in the accompanying financial information are those that would have been reported had the group (as shown in note 1) been in existence during the five year period ended 31st December, 1984. The financial information has been prepared on the bases described in the accounting policies section below and is based on the audited accounts of the group companies after making such adjustments as we considered necessary.

The ordinary shares and loan stock which has been issued by Anglo-Eastern to shareholders in respect of companies acquired has not been incorporated in the accompanying financial information. No adjustment has been made to the consolidated profit and loss accounts to include the interest cost relating to the loan stock or the income which may result from the interest arising from the proceeds from the issue. The acquisition by Anglo-Eastern of group companies in 1985 will be accounted for by the purchase method, whereby the consideration given and the net tangible assets acquired will be recorded at fair values and the difference, if any, will represent goodwill on capital reserve arising on acquisition. Future depreciation charges will be based on these fair values and any subsequent revaluations of estates.

No decision has been made by the directors of Anglo-Eastern as to the frequency of future revaluations of tangible fixed assets and as to the amortisation of any goodwill which may arise.

We were not the auditors of any group company for the periods ended 31st December, 1981 and 1980 and the accounts of the overseas companies continue to be examined by other auditors.

We have examined, in accordance with approved auditing standards, the historic cost consolidated balance sheet of the group, as modified to include revaluation of certain tangible fixed assets, at 31st December, 1984, 1983, 1982, 1981 and 1980 and the related consolidated profit and loss accounts and consolidated statements of source and application of funds for the five years ended 31st December, 1984.

In our opinion, the financial information shown on pages ● to ●, gives a true and fair view, on the bases set forth below, of the consolidated balance sheets of the group at 31st December, 1984, 1983, 1982, 1981 and 1980 and of the consolidated profit and loss accounts and source and application of funds for each of the five years ended on those dates on a consistent basis.

Accounting Policies

(a) Basis of accounting

The accompanying financial information has been prepared on the historic cost basis, modified to include the revaluation of developed estates. 5.15(a)

(b) Basis of consolidation

The group accounts consolidate the accounts of Anglo-Eastern and its subsidiaries on the basis that the Group relationship effectively existed throughout the five year period ended 31st December, 1984.

Significant transactions and balances within the group have been eliminated on consolidation.

(c) Tangible fixed assets

The developed estates, including the buildings and plant and equipment thereon, were independently professionally valued in 1984 by Mr. S. G. Mee (an independent valuer who was a licensed valuer in Malaysia and a senior planting adviser in both Malaysia and Indonesia) at open market value for existing use. For 1983 and prior years, the developed estates were valued by the directors of the relevant group companies at each year end on the same bases adopted by the independent professional valuer. The revaluation surplus arising represents the difference between current and prior year valuations adjusted for acquisition of fixed assets net of disposals during the year. (See note 7).

Estates under development are carried at historic cost plus capitalised development costs and are not depreciated.

The annual depreciation charge is based on the valuations at the end of that year and has been provided by equal instalments at rates which will reduce the assets to their disposal values at the end of their useful lives. The rates used are: estates 3.3 per cent.; building 5 per cent.; plant and machinery 5 per cent. to 20 per cent.

(d) Stock

Stock is stated at the lower of cost and net realisable value.

(e) Current asset investments

Current asset investments are stated at the lower of cost and market on an item by item basis.

(f) Foreign exchange

Normal trading transactions denominated in foreign currencies are recorded at the applicable rates of exchange as of the date of the transaction.

For consolidation purposes, the results and year end balances of overseas group companies are translated using the closing rate method in accordance with the provisions of SSAP 21. Exchange differences arising from translation are not charged (credited) to the consolidated profit and loss accounts. (See note 7). Translation losses (gains) arising in the period are as follows:

| | £'000 |
|------|-------|
| 1984 | (278) |
| 1983 | 253 |
| 1982 | (87) |
| 1981 | (199) |
| 1980 | 94 |

The rates of exchange to one pound sterling are as follows:

| | 1984 | 1983 | 1982 | 1981 | 1980 |
|----------------------|----------|----------|----------|----------|----------|
| Indonesian rupiah | 1,245.84 | 1,441.30 | 1,121.85 | 1,186.11 | 1,477.98 |
| United States dollar | 1.16 | 1.45 | 1.62 | 1.91 | 2.38 |

(g) Taxation

United Kingdom and foreign tax payable is provided on taxable profits at the current rate.

Deferred taxation is not provided for timing differences unless it is believed that they will reverse in the foreseeable future.

No deferred taxation has been provided in respect of the revaluation of the developed estates as there is no intention to dispose of these estates in the foreseeable future.

(h) Turnover

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

The following adjustments have been made in preparing the financial information:

During the period several group companies held investments in subsidiaries and related companies whose lines of business were dissimilar to that currently proposed for Anglo-Eastern. These holdings were disposed of in December 1983. The income derived from these investments during the period were not material and any gains on disposal have been eliminated from the consolidated profit and loss accounts.

(ii) Dividends

Dividends declared or paid during the five year period by group companies to shareholders outside the group have not been reflected in the consolidated profit and loss accounts since these dividends are not necessarily indicative of those which would have been declared or paid by Anglo-Eastern during the period. The total amount of dividends which have been eliminated are as follows:

| | £'000 |
|------|-------|
| 1984 | 764 |
| 1983 | 4,380 |
| 1982 | 104 |
| 1981 | 61 |
| 1980 | 110 |

The 1983 amount above includes a dividend arising from the gain on disposal of a fixed asset investment as described in (i) above.

It has not been considered appropriate to make any assumptions regarding the level of dividends, if any, that Anglo-Eastern would have declared or paid during the five year period.

(iii) Reallocation of profit and loss amounts

Income and expense items which relate to one period but have been recorded in another have been re-allocated to the appropriate period. These re-allocations comprise primarily taxation adjustments.

Profit and loss accounts

The consolidated profit and loss accounts for the five years ended 31st December, 1984 are set out below:

5.1.5.9

| | Notes | 1984 £'000 | 1983 £'000 | 1982 £'000 | 1981 £'000 | 1980 £'000 |
|---|-------|---------------|---------------|---------------|---------------|---------------|
| Turnover | 1 | 1,974 | 1,652 | 1,193 | 1,184 | 1,114 |
| Cost of sales | 10 | (972) | (798) | (698) | (613) | (374) |
| Gross profit | | 1,002 | 854 | 495 | 571 | 740 |
| Administrative expenses | 11 | (249) | (328) | (266) | (311) | (219) |
| Other income and expenses | 12 | 85 | 10 | 36 | 81 | 48 |
| Historic cost profit before taxation | | 838 | 536 | 265 | 341 | 569 |
| Taxation | 13 | (316) | (121) | (101) | (67) | (104) |
| Historic cost profit before minority interest | | 522 | 415 | 164 | 274 | 465 |
| Depreciation adjustment arising from revaluation of developed estates | 10 | (242) | (167) | (133) | (120) | (112) |
| Profit/(loss) before minority interest | | 280 | 248 | 31 | 154 | 353 |
| Minority interest | | 5 | (32) | 6 | (17) | (72) |
| Profit/(loss) attributable to shareholders | 7 | 285 | 216 | 37 | 137 | 281 |
| Historic cost profit attributable to shareholders | | 478 | 350 | 150 | 36 | 373 |

Balance sheets

The consolidated historic cost balance sheets, modified to include the revaluation of the developed estates, as at 31st December are as follows:

5.1

| | Notes | 1984 £'000 | 1983 £'000 | 1982 £'000 | 1981 £'000 | 1980 £'000 |
|--|-------|----------------------|---------------------|---------------------|---------------------|---------------------|
| Fixed assets | | | | | | |
| Tangible assets | 2 | 13,648 | 8,299 | 6,789 | 5,502 | 4,028 |
| Current assets | | | | | | |
| Stocks | 4 | 191 | 144 | 144 | 115 | 103 |
| Debtors | 5 | 4,684 | 3,572 | 1,703 | 4,373 | 2,064 |
| Investments | | — | — | — | — | 131 |
| Cash | | 407 | 266 | 59 | 199 | 180 |
| | | <u>5,282</u> | <u>3,982</u> | <u>1,906</u> | <u>4,687</u> | <u>2,478</u> |
| Creditors: Amounts falling due within one year | 6 | (4,462) | (2,224) | (1,599) | (4,378) | (2,136) |
| Net current assets | | <u>820</u> | <u>1,758</u> | <u>307</u> | <u>309</u> | <u>342</u> |
| Net assets | | <u>14,468</u> | <u>10,057</u> | <u>7,096</u> | <u>5,811</u> | <u>4,370</u> |
| Less: Minority interests | 3 | (2,416) | (1,317) | (980) | (810) | (670) |
| Net assets attributable to shareholders of Anglo-Eastern | 7 | <u><u>12,052</u></u> | <u><u>8,740</u></u> | <u><u>6,116</u></u> | <u><u>5,001</u></u> | <u><u>3,700</u></u> |

Consolidated statement of source and application of funds

The consolidated statement of source and application of funds for each of the five years ended 31st December are set out below:

5.12

| | 1984 £'000 | 1983 £'000 | 1982 £'000 | 1981 £'000 | 1980 £'000 |
|---|---------------------|-----------------------|-------------------|--------------------|---------------------|
| Source of funds | | | | | |
| Profit/(Loss) before minority interest | (39) | 52 | (86) | 74 | 285 |
| Adjustment for item not involving the movement of funds | | | | | |
| Depreciation | 641 | 441 | 344 | 279 | 225 |
| Funds from operations | <u>602</u> | <u>493</u> | <u>258</u> | <u>353</u> | <u>510</u> |
| Minority shareholders | 982 | — | — | — | — |
| Consortium companies' funding | 509 | 1,908 | — | — | — |
| Decrease/(Increase) in net current assets as shown below | 960 | (1,621) | 8 | (53) | (187) |
| | <u><u>3,053</u></u> | <u><u>780</u></u> | <u><u>266</u></u> | <u><u>300</u></u> | <u><u>323</u></u> |
| Application of funds | | | | | |
| Acquisition of fixed assets, net of disposals | <u>3,053</u> | <u>780</u> | <u>266</u> | <u>300</u> | <u>323</u> |
| Decrease/(Increase) in net current assets | | | | | |
| Stocks | (47) | — | (29) | (12) | 7 |
| Debtors | (1,112) | (1,869) | 2,220 | (2,309) | (102) |
| Investments | — | — | — | 131 | 50 |
| Creditors | 2,216 | 723 | (2,376) | 2,110 | (64) |
| | <u>1,057</u> | <u>(1,146)</u> | <u>(185)</u> | <u>(80)</u> | <u>(109)</u> |
| Decrease/(Increase) in net liquid funds | | | | | |
| Cash | (141) | (207) | 140 | (19) | (55) |
| Bank loans and overdrafts | 22 | (98) | 47 | 132 | 46 |
| | <u>(119)</u> | <u>(305)</u> | <u>187</u> | <u>113</u> | <u>(9)</u> |
| Exchange differences on translation of net current assets | 22 | (170) | 6 | (86) | (69) |
| | <u><u>960</u></u> | <u><u>(1,621)</u></u> | <u><u>8</u></u> | <u><u>(53)</u></u> | <u><u>(187)</u></u> |

Notes to the financial information

1. Formation of company and acquisition of group companies

The companies which Anglo-Eastern acquired were owned by Anglo-Indonesian Corporation Plc ("Anglo-Indonesian"), Plantation and General Investments PLC ("P&G") and R.E.A. Holdings plc ("REA") respectively who received Anglo-Eastern ordinary shares and loan stock and (as described in note 8) and cash as consideration for the sale of their interests in the group companies.

The financial information has been prepared on the assumption that Anglo-Eastern had, during the five year period, owned the following companies:

5.13, 5.15

| <i>Company</i> | <i>Percentage holding</i> |
|--|---------------------------|
| The Ampat (Sumatra) Rubber Estate, Limited | 100† |
| P.T.P.P. Simpang Ampat | 100* |
| Rightwise plc | 100† |
| Gadek Indonesia Limited | 100 |
| P.T.P.P. Musam Utjing | 75* |
| P.T. United Kingdom Indonesian Plantations | 75* |
| Anglo-Indonesian Oil Palms Limited | 100† |
| Deaculla Tea Estate Company Limited | 100† |
| Indopalm Limited | 100† |
| Mergerset Limited | 100 |
| The "Taskik" Companies: | |
| P.T. Tasik Cempaka | 80* |
| P.T. Tasik Seroja | 80* |
| P.T. Tasik Harapan | 80* |
| P.T. Tasik Raja | 80* |

All of the above are incorporated in the United Kingdom except those denoted * which are incorporated and operate in Indonesia. Those denoted † are proposed to be direct subsidiaries of Anglo-Eastern.

Significantly all of the group's turnover and results before taxation is attributable to its Indonesian operations where the group's operating assets are located. A small proportion of the group's turnover was sold in Indonesia. An analysis of the group's turnover by crop is set out below:

| | 1984 £'000 | 1983 £'000 | 1982 £'000 | 1981 £'000 | 1980 £'000 |
|--------|---------------|---------------|---------------|---------------|---------------|
| Rubber | 1,492 | 1,344 | 921 | 1,005 | 978 |
| Cocoa | 482 | 308 | 272 | 179 | 136 |
| | <u>1,974</u> | <u>1,652</u> | <u>1,193</u> | <u>1,184</u> | <u>1,114</u> |

The primary auditors of companies operating in Indonesia are local firms of accountants other than Arthur Andersen & Co.

2. Tangible fixed assets

(a) An analysis at 31st December, 1984 is set out below:

| | <i>Developed estates</i> £'000 | <i>Estates under development</i> £'000 | <i>Buildings</i> £'000 | <i>Plant and equipment</i> £'000 | <i>Total</i> £'000 |
|---|-----------------------------------|---|---------------------------|-------------------------------------|-----------------------|
| Historic cost as modified by the revaluation of developed estates | <u>9,429</u> | <u>3,465</u> | <u>453</u> | <u>301</u> | <u>13,648</u> |
| Historic cost | 5,085 | 3,465 | 349 | 401 | 5,835 |
| Cost | 5,085 | 3,465 | 349 | 401 | 5,835 |
| Accumulated depreciation | (316) | (—) | (68) | (186) | (570) |
| Net book value | <u>4,769</u> | <u>3,465</u> | <u>281</u> | <u>215</u> | <u>5,265</u> |

(b) Land rights

The Indonesian authorities have granted land exploitation rights (as further discussed in [Appendix] VI of the listing particulars dated 25th March, 1985) for the estates for certain periods with the possibility of extension. For some estates these rights are held directly by group companies and for the other estates the rights have been (or will be) surrendered to the companies by the local Indonesian minority shareholders.

(c) Payments for land rights

The following amounts are included in the estates under development balance shown above:

| | US \$'000 | Sterling equivalent £'000 |
|---|--------------|------------------------------|
| Payment due to Anglo-Indonesian, P&G and REA | 1,250 | 1,078 |
| Consideration to Indonesian minority shareholders | 650 | 560 |
| | <u>1,900</u> | <u>1,638</u> |

The US \$1,250,000 is payable by the Tasik companies in respect of land rights previously held by Anglo-Indonesian. US \$950,000 of this amount relates to the Riau area where the Indonesian government has yet to allocate the associated land rights. However, the directors are of the opinion that a suitable land right allocation will be obtained in the foreseeable future. If the land rights are duly allocated, Anglo-Eastern will issue further share capital as described in note 8.

The Indonesian minority shareholders in the Tasik companies have been allotted 10 per cent. of the share capital of the Tasik companies amounting to US \$650,000 in consideration for their surrendering of their right to exploit the land.

3. Minority interests

(a) Developed estates

The Indonesian minority shareholder in P.T. United Kingdom Indonesian Plantations has the right to increase his shareholdings from 25 to 51 per cent. This right expires in 1988. The agreement between the parties provides that shares will be sold at agreed market values. In the event of disagreement these market values will be determined by an independent arbitrator.

(b) Tasik companies

Included in other debtors are subscriptions receivable of US \$490,000 (sterling equivalent £422,000) from the Indonesian minority shareholders in the above companies in respect of capital which the Tasik companies are entitled to call in 1985. The directors are of the opinion that this amount will be received in 1985. The minority shareholders in the Tasik companies will have the right to increase their interests from 20 per cent. to 51 per cent. over a 10 year period commencing after the first year of commercial production. The shares will be valued and sold on the same basis as for the developed estates as described in 3(a) above.

4. Stocks

Stocks comprise primarily estate stores and produce stock where replacement value is not materially different from historic cost.

5. Debtors (all falling due within one year)

| | 1984 £'000 | 1983 £'000 | 1982 £'000 | 1981 £'000 | 1980 £'000 |
|---|---------------|---------------|---------------|---------------|---------------|
| Trade debtors | 142 | 201 | 81 | 95 | 58 |
| Due from Anglo-Indonesian, P&G and REA group companies | 3,886 | 3,056 | 1,380 | 3,374 | 1,587 |
| Other debtors | 572 | 136 | 226 | 882 | 393 |
| Prepayments and accrued income | 84 | 179 | 16 | 22 | 26 |
| | <u>4,684</u> | <u>3,572</u> | <u>1,703</u> | <u>4,373</u> | <u>2,064</u> |

6. Creditors: Amounts falling due within one year

| | 1984 £'000 | 1983 £'000 | 1982 £'000 | 1981 £'000 | 1980 £'000 |
|---|---------------|---------------|---------------|---------------|---------------|
| Bank loans and overdrafts | 161 | 139 | 237 | 190 | 58 |
| Trade creditors | 29 | 47 | 35 | 41 | 1 |
| Taxation | 358 | 198 | 131 | 87 | 169 |
| Due to Anglo-Indonesian, P&G and REA group companies | 3,504 | 1,465 | 802 | 2,867 | 1,480 |
| Other | 350 | 351 | 352 | 863 | 410 |
| Accruals | 60 | 24 | 42 | 330 | 18 |
| | <u>4,462</u> | <u>2,224</u> | <u>1,599</u> | <u>4,378</u> | <u>2,136</u> |
| Secured bank loans and overdrafts | — | — | 147 | 103 | 58 |

In conjunction with the acquisitions discussed in note 1, the amounts due to and from Anglo-Indonesian, P&G and REA by Anglo-Eastern will be settled in 1985.

7. Changes in net assets attributable to shareholders of Anglo-Eastern
[To follow]

8. Share capital and loan stock

Share capital and loan stock details are as follows:

(a) Authorised and issued share capital at 25th March, 1985

| | <i>Authorised</i> | | <i>Issued and fully paid</i> | |
|-----------------------------|-------------------|----------|------------------------------|-----------|
| | <i>Number</i> | <i>£</i> | <i>Number</i> | <i>£</i> |
| Ordinary shares of 25p each | ● | ● | 11,000,000 | 2,750,000 |

The shares issued were in part consideration for the companies acquired as discussed in note 1.

(b) Loan stock

£2,000,000 of 12½ per cent. secured loan stock 1995/99 has been issued of which £953,000 was subscribed for in cash and the remainder was issued as part consideration for the companies acquired as discussed in note 1.

(c) Proposed further issue of share capital and warrants
[To follow]

(d) Contingent issue of share capital

If the Riau land rights (see note 2) are duly allocated within 5 years, Anglo-Eastern has contracted to issue, as fully paid, further ordinary shares to Anglo-Indonesian, P&G and REA. The number of ordinary shares to be issued will be pro rata with the number of hectares duly allocated up to a maximum of 1,520,000 ordinary shares.

9. Capital commitments

| | 1984 £'000 | 1983 £'000 | 1982 £'000 | 1981 £'000 | 1980 £'000 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Contracted for | | | | | |
| Authorised by not contracted for | | | | | |

10. Cost of sales

Cost of sales includes costs attributable to production such as tapping, curing, field work, repairs and renewals expenses and depreciation.

The depreciation charges are as follows:

| | 1984 £'000 | 1983 £'000 | 1982 £'000 | 1981 £'000 | 1980 £'000 |
|---|---------------|---------------|---------------|---------------|---------------|
| Based on historic cost (included in cost of sales) | 80 | 78 | 94 | 79 | 45 |
| Adjustment arising from revaluation of developed estates | 242 | 167 | 133 | 120 | 112 |
| | <u>322</u> | <u>245</u> | <u>227</u> | <u>199</u> | <u>157</u> |

11. Administrative expenses

Administrative expenses include remuneration paid to individuals who were directors of group companies as follows:

| | £'000 |
|------|-------|
| 1984 | — |
| 1983 | 40 |
| 1982 | 35 |
| 1981 | 35 |
| 1980 | 30 |

12. Other income and (expenses)

| | 1984 £'000 | 1983 £'000 | 1982 £'000 | 1981 £'000 | 1980 £'000 |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Auditors' remuneration | (24) | (18) | (16) | (23) | (17) |
| Investment and other income | 139 | 70 | 85 | 121 | 73 |
| Interest payable | (30) | (42) | (33) | (17) | (8) |
| | <u>85</u> | <u>10</u> | <u>36</u> | <u>81</u> | <u>48</u> |

13. Taxation

The tax charge is based on the historic cost profit for the year and comprises:

| | 1984 £'000 | 1983 £'000 | 1982 £'000 | 1981 £'000 | 1980 £'000 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| United Kingdom corporation tax | 286 | 140 | 38 | 136 | 66 |
| Relief for double taxation | (286) | (140) | (38) | (133) | (56) |
| Foreign taxation | 269 | 150 | 106 | 59 | 74 |
| Other | 47 | (29) | (5) | 8 | 20 |
| | <u>316</u> | <u>121</u> | <u>101</u> | <u>67</u> | <u>104</u> |

The Tasik companies have been granted tax holidays in respect of Indonesian corporation tax (currently payable at rates of up to 35 per cent.) and withholding tax on dividends (currently payable at the rate of 10 per cent. on dividends to the United Kingdom) for a period of three years from the commencement of commercial production.

No taxation was provided in respect of the profits of one Indonesian group company by virtue of it having been granted a tax holiday which expired in 1982. In the absence of this tax holiday additional taxation would have been payable of £9,000 in 1982, £18,000 in 1981 and £84,000 in 1980.

Yours faithfully,

D. TECHNICAL REPORT ON THE TASIK AREA

The following reproduces a letter received from Hunting Technical Services Limited:

"Dear Sirs,

Agricultural potential of the Tasik area

In October 1973 we prepared a study (the "Study") of 26,000 ha. in the vicinity of Kota Pinang, from which 6,000 ha. representing the above area, were subsequently selected.

We have reviewed the contents and conclusions of the Study, so far as they relate to the Tasik area, and report that our analysis and conclusions, which are summarised below, remain valid.

Geographical position

The Tasik concession is situated approximately 105 km from the north coast of North Sumatra, some 375 km south-east of Medan. The northernmost point of the concession which lies on the Barumun River is situated some 6½ km south of the road from Kota Pinang to Langga Payung.

The concession is situated at the south-eastern end of the estates belt which runs along the north coast of North Sumatra. Estates which have been developed in the vicinity of Tasik are principally planted either to oil palm or rubber and include both mature estates such as Perlabian and Sungei Rumbiya, and immature estates such as the PTP III Aek Torop estate and PTP IV Torgamba estate, adjacent to Tasik currently being developed.

Topography and elevation

Topography in the Tasik concession is generally gently to moderately undulating, although slopes are nowhere likely to hinder the agricultural development.

Available contour maps and technical investigations undertaken indicate that the land within the project area ranges from 8 m above sea level to rather more than 100 m above sea level at a number of points.

In this kind of development there is always some land which is too steep or which forms waterways and is therefore unsuitable for planting. However the initial plantings of oil palms in the Tasik area show that the area of unsuitable land will not be significant.

Geology and geomorphology

The geological formations underlying the concession and the landforms which have developed thereon have been satisfactorily investigated. Soils are derived principally from deeply weathered white quartzites and sandstones and possess a large sand fraction in which clear quartz grains are very prominent.

Field study has confirmed that with the exception of limited areas of recent alluvium and colluvium along the river valleys, the soils fall within the category of latosol, principally comprising deep, well drained, friable, brownish yellow, sandy, clay loam. Such soils are physically excellent, with easily workable topsoils, a marked increase in clay content with depth, good water holding capacity and deep rooting, unimpeded by stones or laterite. Apart from the moderately erodable topsoil, soil structure is agriculturally suitable for plantation crops.

At the date of the Study the soils were covered over much of the concession area with dense primary and secondary forest, although most of this has now been cleared.

Although soil nutrient deficiency in the concession is considered to be a minor limitation for oil palm, rubber and tea, the nutrient status of the soils can be brought up to acceptable levels relatively easily and quickly by appropriate fertilizer applications.

Investigation of soils similar to those in the project area have been made at estates at Sungei Rumbiya and Perlabian. These estates provided an opportunity of examining the growth and yields of rubber and oil palm on soils similar to those in the project area.

Climate

Data on rainfall has been collected and analysed from five climate stations within a 50 km radius of the concession area, from Sungei Rumbiya and Perlabian estates and from the Tasik concession itself.

The area has a humid tropical climate with a mean annual rainfall of 2,500 mm reasonably well distributed throughout the year and no pronounced dry season.

August to January is the wetter half of the year with a peak at the inter-monsoon transition in between October and November. Rainfall decreases in late January but there is a secondary peak between March and May, again at the transitional period. Dry spells are most likely to occur in February and March and again in July, but are generally of short duration. This rainfall regime is very suitable for oil palm production.

The relative humidity is 100 per cent. between sunset and sunrise, and reaches a minimum value of approximately 50 per cent. on sunny days. Average duration of sunshine expressed as a percentage of maximum possible sunshine is estimated to be between 52 per cent. and 64 per cent. throughout the year. The mean annual temperature is around 28°C with a variation between the coolest and hottest month of less than 2°C.

Wind velocity and direction changes frequently but is generally of low velocity except occasionally in thunder storms. The oil palm has a reputation for being very good at withstanding severe winds. Casualties and hence mortality rate as a consequence of such storms are thus anticipated to be negligible.

Summary of agricultural potential

It is clear that the climate is very equable and this is favourable to estate management and factory efficiency with yield distributions of palm oil over the year estimated to show a satisfactory balance. The physical environment of the concession area appears well suited to the growth not only of oil palm, but also of rubber and other crops including possibly lowland tea and cocoa. The fact that estate oil palm and rubber has been growing successfully for the past 40 years in identical physical environments adjacent to the concession further suggests that these crops will have a high development potential within the project area.

Yours faithfully,
for Hunting Technical Services Limited

D. V. CHAMBERS,
Managing Director."

E. AGRONOMIC EVALUATION

Harrisons Fleming Advisory
Services Limited,
1 Great Tower Street,
London EC3R 5AB.

The Directors,
Anglo-Eastern Plantations Plc,
The Old Rectory,
29 Martin Lane,
London EC4R 0DS.

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

● March, 1985.

Dear Sirs,

Agronomic Evaluation

INTRODUCTION

We have prepared an agronomic evaluation of the estates of Anglo-Eastern. Set out below are the projected areas and crops of the group for the ten years 1985 to 1994. These projections, which have been used in calculating the illustrative profits in the section entitled Prospects above, have been prepared as a guide to potential performance on the bases of assumptions which are also set out below.

PROJECTED AREAS AND CROPS

Developed Estates

| Planted area (hectares) | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Mature rubber | 1,670 | 1,770 | 1,920 | 2,004 | 1,932 | 2,001 | 2,051 | 2,162 | 2,312 | 2,355 |
| Immature rubber | 680 | 730 | 730 | 610 | 610 | 460 | 385 | 235 | 85 | 42 |
| | 2,350 | 2,500 | 2,650 | 2,614 | 2,542 | 2,461 | 2,436 | 2,397 | 2,397 | 2,397 |
| Mature cocoa | 508 | 540 | 615 | 770 | 860 | 907 | 932 | 972 | 972 | 972 |
| Immature cocoa | 262 | 320 | 292 | 162 | 112 | 65 | 40 | — | — | — |
| | 770 | 860 | 907 | 932 | 972 | 972 | 972 | 972 | 972 | 972 |
| Total planted area | 3,120 | 3,360 | 3,557 | 3,546 | 3,514 | 3,433 | 3,408 | 3,369 | 3,369 | 3,369 |
| Crops (tonnes) | | | | | | | | | | |
| Rubber | 2,191 | 2,245 | 2,382 | 2,407 | 2,491 | 2,614 | 2,799 | 2,947 | 3,156 | 3,283 |
| Cocoa | 452 | 591 | 711 | 840 | 969 | 1,123 | 1,232 | 1,332 | 1,409 | 1,455 |

Tasik

| Planted area (hectares) | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|--------------------------|-------|-------|--------|--------|--------|---------|---------|---------|---------|---------|
| Mature oil palm | — | 800 | 2,720 | 4,800 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 |
| Immature oil palm | 4,800 | 5,100 | 3,180 | 1,100 | — | — | — | — | — | — |
| Total planted area | 4,800 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 | 5,900 |
| Crop (FFB) (tonnes '000) | — | 4,000 | 21,000 | 54,000 | 92,000 | 122,000 | 138,000 | 145,000 | 148,000 | 148,000 |

RISK FACTORS

Prospective investors in Anglo-Eastern should recognise that the group's business by its nature carries a number of attendant risks which could *inter alia* affect future crops. Their attention is drawn to the section entitled 'Risk Factors' above which sets out the risks which may, in the opinion of the directors, be most significant.

PRINCIPAL ASSUMPTIONS

Planting programmes

The Tables above show mature and immature areas by crop. In some sections over certain periods cocoa is to be planted under rubber and for the purposes of these projections such sections are included as both rubber and cocoa areas. These areas are based on the following planting programmes:

| (hectares) | 1985 | 1986 | 1987 | 1988 | 1989 |
|------------|-------|-------|------|------|------|
| Rubber | 75 | 150 | 150 | 85 | — |
| Cocoa | 155 | 90 | 47 | 25 | 40 |
| Oil palm | 2,080 | 1,100 | — | — | — |

Programmes of this size of rubber and cocoa have been completed successfully by the present management over the last eight years. Larger oil palm areas have been successfully established on neighbouring estates to Tasik. Planting methods are orthodox and well proven. Planting material for rubber and cocoa will be taken from recognised clones on the developed estates. Proven planting material appropriate to conditions at Tasik will continue to be purchased from the Marihat Research Station in North Sumatra.

Yield profiles

Rubber

Yields on existing and new plantings are based on past performance of existing clones on the estate together with performance indicators established in the industry and the local area. Tapping begins in the sixth year after the year of planting. Yields for new plantings on Rambung and Sungei Musam are assumed to reach a maximum 2,000 kg/ha in the fifteenth year after planting. No new rubber plantings are envisaged on Blankahan.

Cocoa

Yields are estimated on the same principles as for rubber. Harvesting commences in the third year after the year of planting and yields for new cocoa on Rambung and Blankahan should reach and remain at 1,700 kg/ha in the ninth year onwards. Yields on Sungei Musam which is not so suited to and will have a relatively smaller area of cocoa are expected to reach only 1,250 kg/ha.

Oil palm

Yields are based on obtainable results from well managed plantations in the district applying the best agronomic practices and operating their oil mills to attainable standards of efficiency. Harvesting commences in the third year following the year of planting. Yield of fresh fruit bunches is expected to rise to an average of 25 tonnes/ha from the eighth to the twenty-third year of planting, thereafter declining slowly. Oil extraction rates are expected to reach 23 per cent. from the sixth to eighteenth year and kernel recovery rates will be 5 per cent. from the start of production.

Inflation

The cost projections have been prepared at constant prices and selling prices in one case allow for expected change in real values (see below). It is considered a reasonable expectation that over time inflation in commodity prices will compensate for rises in costs.

Selling prices

Projections have been based on two alternative sets of assumptions about commodity prices; one using present prices, one using World Bank forecasts in constant dollars. The World Bank forecasts attempt to take account of known and expected changes in supply and expected changes in demand. Allowance is made in these projections for shipping, handling and duty and for the mix in quality grades. The World Bank price projections and early March 1985 prices used are:

| (U.S. cts/kg cif Europe) | 1985 | 1986-89 | 1990 | 1994 | Present |
|--------------------------|------|---------|------|------|---------|
| Rubber | 116 | 131 | 138 | 143 | 82 |
| Cocoa | 204 | 187 | 169 | 195 | 216 |
| Palm oil | 590 | 571 | 550 | 535 | 595 |

Palm oil mill

The projections exclude provision for the construction of a mill which it is assumed will be financed separately. In practice a 30 tonne FFB/hour mill would most likely be built in 1988/89 at a present cost of \$5.5 million. For the purpose of these projections it has been assumed that fresh fruit bunches will be sold to nearby mills at the present market price of Rp 68/kg, or where World Bank projections are used then at the present price adjusted in future years *pro rata* to the movements in palm oil prices forecast by the World Bank.

Operating costs

These cover maintenance of mature areas, harvesting, processing, sorting, packing, despatch and selling costs and estate and central overheads. The main elements of these costs are wages, fuel and fertilisers. In the case of the developed estates the cost projections are based on existing cost structures for each estate. Costs for Tasik are based on information provided by similar estates in North Sumatra. Overhead costs have been capitalised as field development costs in the proportion of immature to mature areas.

Field development costs

The methods used for estimating field development costs are as described for operating costs above.

Estate capital expenditure

In the case of the developed estates provision has been made for routine replacement of buildings, machinery and vehicles and the acquisition of additional items to meet increased production where necessary. Capital expenditure for Tasik represents the requirement for establishing a new estate of its size and includes the cost of 870 housing units built to established government standards, amenity buildings, vehicles, lighting and water supplies.

Interest

Interest on loan stock is assumed at 12.5 per cent. and on surplus cash 10 per cent.

Depreciation

Depreciation rates on new additions are calculated on a straight line basis on cost at:

| | % |
|--------------------|----|
| Mature plantations | 5 |
| Buildings | 5 |
| Machinery | 5 |
| Vehicles, Fittings | 20 |

Depreciation on existing assets is calculated at the above rates on current costs in 1984. The extra annual charge represented by the surplus of current over historic cost is about \$550,000.

Capitalised planting costs are not depreciated until the relevant area is in bearing.

Taxation

The corporation tax rate in Indonesia has been assumed to remain at 35 per cent. Since in established Indonesian operations there is a system of tax prepayment timing differences are not material. The Tasik project has been granted a tax holiday which frees it from any corporation tax until 1990. Indonesian withholding tax on dividends is assumed to continue at the current rate of 10 per cent.

Yours faithfully,

Harrisons Fleming Advisory Services Limited,
T. Fleming, Director.

F. LAND RIGHTS

Indonesian land legislation does not recognise the concept of freehold land rights in respect of natural resource investment including agricultural plantations. Instead the Basic Agrarian Law recognises several types of rights on land the relevant ones in the case of Anglo-Eastern being:—

- (a) an *hak guna usaha* ("HGU") being a right of exploitation. This is the right to use state-owned land for purposes of agriculture including plantations; and
- (b) an *hak guna bangunan*, being a right of building.

A Presidential Decree ("the Decree") dated 20th March, 1980 provided that in the case of any joint venture projects involving foreign investors the title should be in the form of an HGU to be granted to the Indonesian partner in the project. The Decree also provided that the HGU would be granted for a period of 35 years with the possibility of extension to become at the most 60 years pursuant to an application by the Indonesian joint venture partner but it may be withdrawn if the land is not properly maintained and managed.

The Indonesian joint venture partner is then [able] to surrender its right to exploit the land to the joint venture (in the case of the Tasik area the four Indonesian Tasik companies) in the form of a *serah pakai* ("SP").

The developed estates

The Sungei Musam and Rambung estates acquired HGUs prior to the new policy reflected in the Decree but the Blankahan estate is held pursuant to an HGU which although it pre-dates the Decree was granted pursuant to the policy which was subsequently reflected in the Decree.

The Sungei Musam estate is held pursuant to an HGU in the name of P.T.P.P. Musam Utjing which is for a period of ● years from ●, 1976 with a right of extension for a further ● years.

The Rambung estate is held pursuant to an HGU in the name of P.T.P.P. Simpang Ampat which is for a period of ● years from ●, 1977 with a right of extension for a further ● years.

The Blankahan estate is held pursuant to an HGU in the name of Canadianty which is for a period of ● years with a right of extension for a further ● years.

The Tasik area

The present position as regards the Tasik area is that an HGU has not yet been granted to Marison but the necessary procedures are in train. The right of the Indonesian Tasik companies to the Tasik area arises pursuant to a protocol ("the Protocol") dated 6th June, 1980 and made between the BKPM the UK companies then involved in the Tasik area and Marison. The Protocol settled certain then outstanding matters such as the location of the land, the amount of required Indonesian participation and acceptance that the HGU must be issued in the name of Marison. The approval of the President of Indonesia was granted on 20th July, 1981 and on 4th August, 1981 the present documents on which the joint venture is operating were issued by BKPM to each of the Indonesian Tasik companies. These were a *surat pemberitahuan persetujuan presiden* ("SPT") being an acknowledgment of the President's approval and incorporating [in this case] a temporary operating permit until the company obtains a ● being a permanent operating permit. This latter permit will not be granted until the plantation is operating commercially which is expected to be deemed to be 1986 or 1987. The SPPs contained detailed requirements as regards such matters as production and marketing programmes, utilisation of manpower, location of project and land requirement, project completion time schedule, project cost/investment programme, capitalisation, fiscal facility and other approved facilities, stipulation of ownership and use of HGU land based on the Decree, including an obligation on Marison to grant a SP to the Indonesian Tasik companies, the right to obtain a *hak guna bangunan* to build a palm oil mill and provisions as to the Government's right to terminate the joint venture in certain eventualities, as for instance the failure of the Indonesian Tasik companies to cultivate the land properly and certain other matters.

Since the grant of the SPPs the Indonesian Tasik companies have proceeded with the cultivation of the Tasik area with the consent of the holder of the existing HGU applicable to that area, a State owned plantation company named PTP III. In order for Marison to obtain an HGU in regard to the Tasik area the existing PTP III HGU has to be surrendered. This has required negotiation as to an appropriate payment of costs by the Indonesian Tasik companies to PTP III which has been successfully concluded. A surrender of the

existing HGU and the issue of the new HGU by the Department of Agraria requires the approval of the Ministry of Agriculture and the Ministry of Finance as the former manages PTP III and the latter owns it. The former has given its consent and the approval of the latter is subject to the settlement of a point as regards clarification that the new HGU will be issued to Marison pursuant to the Decree. Once this point has been settled a survey must be carried out by the Department of Agraria pursuant to which it can then issue the HGU to Marison and Marison can then issue a SP to each of the Indonesian Tasik companies.

The Riau area

The Protocol and a *surat persetujuan sementara* ("SPS") both dated 6th June, 1980 provided that an identified area of 19,000 hectares would be allocated in the Province of Riau. A SPS constitutes a temporary letter of approval by the BKPM.

It is not clear however that the proposed land in Riau is available and since 1980 negotiations have been carried on with [the Governor of Riau and other] Indonesian persons and bodies with a view to agreeing a specific allocation of the land. This is taking some time as there are various claims to the available suitable land. Once the land has been allocated the procedure for obtaining an HGU in the name of Marison and a SP surrendered by Marison to the Indonesian Tasik companies will be initiated.

G. PARTICULARS OF THE LOAN STOCK

8.2, 8.11(b)

PARTICULARS OF THE STOCK

(A) The trust deed

The 12½ per cent. unsecured loan stock 1995/99 (the "Stock") was created on ●, 1985 by a resolution of the board of directors of Anglo-Eastern and is constituted by a trust deed (the "trust deed") between (1) Anglo-Eastern and (2) Eagle Star Trust Company Limited (the "trustee") as trustee. The head office of the trustee is at 1 Threadneedle Street, London EC2R 8BE. The trust deed contains *inter alia* provisions to the following effect:—

8.1, 8.7(c)

8.6, 8.11(a)

1. Definitions

"amount" means in relation to money the amount thereof expressed in such denomination and currency as to constitute legal tender according to the law of England at the date for which the calculation is required.

"bank guarantee" means an unconditional covenant in favour of the trustee given by a bank being an authorised bank within the meaning ascribed to such term by the Banking Act 1979 to pay a specified sum to the trustee on demand.

"chargeable value" means in relation to each type of property forming part of the specific security the amount calculated in accordance with paragraph 4 (C) hereof.

"Further Stock" means any further loan stock of Anglo-Eastern which may be created and issued by Anglo-Eastern pursuant to the power reserved to Anglo-Eastern under paragraph 5 (A) hereof.

"group" means Anglo-Eastern and the subsidiaries.

"listed securities" means securities, not being qualifying gilts, admitted to listing on The Stock Exchange in London.

"monetary instrument" means a sterling denominated UK Treasury bill or certificate of deposit issued by an authorised bank in either case payable in sterling not more than twelve months from the date upon which the same first become part of the specific security.

"Original Stock" means the said £ ● 12½ per cent. loan stock 1995/99 or as the case may be the amount thereof for the time being issued and outstanding.

"qualifying gilt" means a sterling obligation of the UK Government listed on The Stock Exchange.

"qualifying loan" means a loan by Anglo-Eastern to an overseas subsidiary the interest of Anglo-Eastern in the benefit of the repayment of the loan being insured under a policy of insurance ("the policy") issued by the Export Credits Guarantee Department or other underwriting body approved by the trustee against expropriation, war damage and restrictions on remittances to an amount of not less than ● per cent. of the principal amount of such loan, the policy also being charged in favour of the trustee.

"relevant date" means the date of the transaction for the purpose of which the value or chargeable value is required.

"specific security" means the property (including money) from time to time charged in favour of or paid to the trustee by way of fixed and specific security.

"the Stock" means and includes the Original Stock and any Further Stock.

"the Stockholders" means the several persons for the time being registered as holders of the Stock.

"subsidiary" means a body corporate which for the time being is a subsidiary of Anglo-Eastern as that expression is defined in section 154 of the Companies Act 1948.

"overseas subsidiary" means a subsidiary all or a substantial part of the assets of which are located outside Europe.

"substituted security" means any security replacing all or part of the initial specific security.

"value" shall be determined as follows and shall have the following meanings:—

- (i) in relation to money or a bank guarantee it means the amount thereof or the sum specified as payable by the guarantor;
- (ii) in relation to listed securities and qualifying gilts it means the middle market quotation as shown in The Stock Exchange Daily Official List published on or within three days prior to the relevant date;
- (iii) in relation to monetary investments it means the average market value as certified by not less than two [discount houses] on or within three days prior to the relevant date;
- (iv) in relation to a qualifying loan it means

2. Interest

8.3

The Original Stock will carry interest at the rate of 12½ per cent. per annum (less income tax) on the principal amount for the time being outstanding payable in arrears in equal half-yearly instalments on [30th June] and [31st December] of each year up until 31st December, 1985. The first payment of interest will be made on [30th June], 1985 in respect of the period beginning with the date on which the Original Stock is issued fully paid.

3. Security

8.2

The Stock will initially be secured by a first fixed charge by Anglo-Eastern in favour of the trustee over certain qualifying loans and money deposited by Anglo-Eastern with the trustee namely

4. Substitution of security

(A) Anglo-Eastern may with the consent of the trustee withdraw all or part of the specific security upon Anglo-Eastern charging in favour of or, as the case may be, depositing with, the Trustee and to its satisfaction as substituted security

- (i) qualifying loans; and/or
- (ii) money; and/or
- (iii) monetary instruments; and/or
- (iv) qualifying gilts; and/or
- (v) bank guarantees; and/or
- (vi) listed securities and/or

any combination of the foregoing

(B) Before the trustee shall permit Anglo-Eastern to withdraw all or any part of the specific security under the preceding paragraph Anglo-Eastern shall give notice in writing to the trustee of the proposed withdrawal and show to the satisfaction of the trustee that the property proposed to be charged or deposited as substituted security is of a chargeable value at the relevant date which is equal to or greater than the chargeable value at the relevant date of the property proposed to be withdrawn.

(C) The chargeable value of each type of specific security shall be calculated as follows:—

- (i) the chargeable value of any qualifying loan shall be ● per cent. of the value of such qualifying loan
- (ii) the chargeable value of any qualifying gilts or listed securities shall be ● per cent. of the value of any such monetary instrument, qualifying gilt or listed securities
- (iii) the chargeable value of a bank guarantee, monetary instrument or money shall be ● per cent. of the value of such bank guarantee or money.

5. Issue of Further Stock

8.1

(A) Anglo-Eastern may create and issue Further Stock ranking *pari passu* in point of security with the Original Stock and carrying such rights and on such terms (without limitation) as the directors may determine including Further Stock carrying the same rights in all respects as the Original Stock and forming one class therewith, provided that no Further Stock may be issued unless the trustee is satisfied that immediately thereafter the specific security immediately following the issue of Further Stock would have a chargeable value of not less than ● per cent. times the nominal amount of the Original Stock and of all Further Stock outstanding together with any fixed or minimum premiums payable on final redemption.

(B) No Further Stock will be paid up in whole or in part via capitalisation of reserves or undistributed profits or be issued by way of collateral security.

6. Covenants and restrictions

(A) Anglo-Eastern covenants with the trustee to do or not to do all such things as are necessary to maintain the validity of the Export Credits Guarantee Department political risks insurance policy and such other policies of insurance as shall relate to qualifying loans forming part of the specific security and to pay punctually all premiums due on such policies.

(B) Except with the previous written consent of the trustee Anglo-Eastern shall not and shall procure that none of the Subsidiaries shall sell transfer loan or dispose of the whole or any part (being in the opinion of the trustee either alone or when aggregated with all other prior sales transfers loans or disposals which fall to be taken into account pursuant to this paragraph substantial in relation to the group taken as a whole) of the undertaking property or (except in the ordinary course of trading) assets of the group whether by a single transaction or by a number of transactions and whether related or not.

(C) The trustee may at any time without any consent or sanction of the Stockholders but only if and insofar as in the opinion of the trustee the interests of the Stockholders would not be materially prejudiced thereby:—

- (i) consent to any intended sale transfer loan or disposal on such terms and subject to such conditions as the trustee may in its discretion think fit; and
- (ii) determine that any sales transfers loans or disposals made or intended to be made shall not be taken into account for the purposes of paragraph (B) above;

(D) For the purposes of foregoing provisions of this clause none of the following shall be deemed to be a sale transfer loan or disposal:

- (i) the exchange of assets for assets of a similar nature and tenure and of approximately equal value;
- (ii) a disposal of immovable property or fixed assets if and to the extent that an aggregate amount equivalent to the net book value or, if greater, the proceeds of such disposal, has immediately prior to or within a period of 12 months (or such longer period as the trustee may agree) after such disposal been applied in the acquisition or construction of other such assets for use in a business of a member of the group similar to that in which the assets disposed of were employed;
- (iii) the payment of cash howsoever acquired (other than the proceeds of a disposal falling within sub-paragraph (ii) above or otherwise representing money arising from claims for loss of or damage to immovable property) by any member of the group as consideration or part consideration for the acquisition at arms length (whether by way of subscription purchase loan or otherwise) of any undertaking or business or part of any undertaking or business or any assets;
- (iv) the application of the proceeds of an issue of share or loan capital for the purposes for which such issue is intended;
- (v) the temporary application of funds not immediately required for purposes of the business of the group in the purchase of investments and subsequent resale thereof;
- (vi) the payment of cash howsoever acquired by way of loan so that the resulting loan becomes part of the specific security;
- (vii) the creation of any mortgage or charge so as to constitute specific security; and
- [(viii) the sale transfer loan or disposal of assets by any member of the group to any other member of group.]

(E) For the purposes of the foregoing:—

- (i) a disposal shall be deemed to include any act of expropriation, termination or cessation of a right as described in (ii) below, or other governmental action causing the benefit of an asset to cease to belong to a member of the group;
- (ii) in the case of assets relating to Indonesia, immovable property shall include a *hak guna usaha*, *hak guna bangunan*, or other right on land (and the term "tenure" shall be construed accordingly) and disposal in relation to such assets shall include any surrender or realisation of such right;
- (iii) cash arising from claims for loss or damage to immovable property shall be deemed to be immovable property.

[Consider effect of a subsidiary ceasing to be a member of the group.]

7. Borrowings

Anglo-Eastern shall procure that except with the previous sanction of an Extraordinary Resolution (as defined in the trust deed) of the Stockholders, the aggregate amount for the time being remaining undischarged of all moneys

borrowed (as defined in the trust deed) by the group and for the time being owing to persons outside the group shall not at any time exceed a sum equal to two and one half times the adjusted share capital and reserves (as defined in the trust deed).

8. Redemption and purchase

(A) All Stock not previously redeemed or purchased as herein provided will be redeemed at par on [●] 1999 together with accrued interest thereon up to and including such date. 8.5, 8.7(a)

(B) Any member of the group may at any time purchase any of the Stock through the market or by tender (in the latter case available to all Stockholders alike) at a maximum price not exceeding the average of the middle market quotations taken from The Stock Exchange Official List for the 10 business days before the purchase is made or in the case of a purchase through the market at the market price provided that it is not more than 5 per cent. above such average.

(C) Anglo-Eastern will be entitled on or at any time after ●, 19● having given not less than three nor more than four months previous notice in writing to redeem the whole or any part (to be selected by drawings or, at the option of Anglo-Eastern, *pro rata* to holdings as nearly as may be without involving fractions of one pound nominal of Stock) of the Stock then outstanding at par together with interest accrued up to and including the date of redemption. 8.3

(D) Any stockholder who is also registered as a holder of warrants shall be entitled to apply any stock held by him in exercise of the subscription rights in accordance with the provisions of the warrants from time to time.

(E) (i) On the [● 1995] and on every subsequent [●] up to and including 1997 so long as any of the Original Stock remains outstanding Anglo-Eastern shall redeem Original Stock (to be selected as in (C) above) to a nominal value of £[●] [such figure being 20 per cent. of the nominal value of the Original Stock.]

Provided always that (a) Anglo-Eastern may satisfy its obligations under this paragraph in respect of any date in whole or in part by surrendering to the trustee Original Stock purchased by it at any time previously pursuant to the power reserved to it hereunder and duly cancelled and such Stock so surrendered shall be accepted by the trustee in satisfaction *pro tanto* of Anglo-Eastern's obligation to redeem on that date and (b) any prior redemption under (C) above shall *pro tanto* satisfy Anglo-Eastern's obligation under this provision but only once.

(ii) If Anglo-Eastern in exercise of the power reserved to it hereunder shall prior to [● 1995] create and issue any Further Stock which is in all respects identical and forms a single issue with the Original Stock the nominal value of the Stock to be redeemed on each [● 199] shall on the occasion of each issue be increased by such a sum as shall bear to the sum of £[●] referred to above the proportion which the principal amount of such Further Stock bears to £[●] [being the nominal value of the Original Stock.]

(G) All stock purchased by any member of the group or redeemed shall be cancelled and shall not be available for reissue.

9. Modification of rights

Stockholders will have power by an extraordinary resolution (as defined in the trust deed) *inter alia* to sanction any modification application compromise or arrangement in respect of their rights against Anglo-Eastern and to assent to any modification of the conditions to which the Stock is subject. In addition the trustee may without the sanction of an extraordinary resolution of the Stockholders concur with Anglo-Eastern in making any modification to the trust deed or waive or authorise any breach or proposed breach by Anglo-Eastern of any covenants or provisions of the trust deed or determine that any act or omission of Anglo-Eastern which would otherwise constitute an event of default under the trust deed shall not do so but only if in the opinion of the trustee the interests of the Stockholders will not be materially prejudiced thereby.

10. Valuation

(A) The trustee shall have the right at any time to require a valuation of the whole (with such exception as the trustee may agree) of the specific security provided that such right may not be exercised more than once in any calendar year.

(B) In addition to the right conferred on the trustee in paragraph (A) above the trustee shall have the right to require a further valuation of the whole or any part of the specific security after any exercise by Anglo-Eastern of its right of withdrawal pursuant to paragraph 4 hereof.

(C) If upon any such valuation as is referred to in paragraph (A) and (B) above the aggregate chargeable value of the specific security shall be less than ● times the aggregate nominal value of the Stock then outstanding including any fixed or minimum premiums payable on final redemption such deficiency shall be made good by Anglo-Eastern within three months of the date thereof by Anglo-Eastern charging to or depositing with the trustee and to its satisfaction as part of the specific security property of a type referred to in paragraph 4(A) of a chargeable value of not less than the amount of the deficiency.

(D) For the purposes of a valuation pursuant to paragraph (A) above the chargeable value of a qualifying loan denominated in a currency other than sterling shall be calculated by reference to the exchange rate for that currency at the date on which such qualifying loan became part of the specific security but for the purposes of a valuation pursuant to paragraph (B) above the chargeable value of a qualifying loan denominated in a currency other than sterling shall be calculated for such qualifying loan by reference to the exchange rate as defined in the trust deed for such currency at or immediately prior to the date of the proposed withdrawal.

11. Transfer

The Stock will be registered and transferable in amounts and integral multiples of £1 nominal.

2.14
2.17

12. Indemnification and consents

The trust deed will contain provisions for the indemnification of the trustee and its relief from responsibility to the extent therein provided. Any consent which may be given by the trustee may be given under such terms and subject to such conditions (if any) as the trustee thinks fit.

13. Retirement and appointment of trustees

The trustee may retire at any time. The statutory power to appoint new trustees is vested in Anglo-Eastern but no trustee shall be appointed who shall not have been approved by an extraordinary resolution of the Stockholders.

8.11(b)

14. Listing

Anglo-Eastern shall use its best endeavours to obtain and, while any Stock remains outstanding, maintain a listing for the Stock on The Stock Exchange.

15. [Prescription]

[The trust deed does not expressly provide for prescription periods. Under the Limitation Acts rights to principal and interest in respect of the Stock lapse if the same are unclaimed for a period of 12 years from the due date].

8.7(c)

16. Yield

8.8

17. Net tangible assets and profits cover

8.9

H. PARTICULARS OF THE WARRANTS

1. Warrant rights

A warrant shall confer upon the registered holder for the time being the rights:

- (i) (hereinafter called the "subscription rights") to subscribe on 31st July (or, if later, the 30th day after the date on which copies of the audited accounts of Anglo-Eastern Plantations Plc ("the Company") for its then immediately preceding financial year are despatched to shareholders) in any of the years 198● to 199● inclusive (any such day hereinafter an "exercise date") £● for one ordinary share of 25p of the Company payable in full on subscription; or
- (ii) (hereinafter called the "conversion rights") to convert on an exercise date £ ● 18½ per cent. loan stock 1995/97 ("loan stock") registered in his name into one fully paid ordinary share of 25p of the Company.

The holder of a warrant may exercise the subscription rights or the conversion rights conferred thereby but he shall not be entitled to exercise both. Subject to the foregoing a holder of more than one warrant may exercise his subscription rights in respect of some of the warrants and his conversion rights in respect of others and on any exercise date all or some of the warrants may be exercised.

The subscription and conversion rights are hereinafter collectively called "the warrant rights" and are subject to adjustment as provided in paragraph 3(a) below.

2. Exercise of warrant rights

(a) In order to exercise the subscription rights a holder of warrants must lodge the warrant certificate or certificates (or such other evidence as the directors of the Company may reasonably require proving the title of the person exercising the subscription rights) at the office of the registrars of the Company within the period of 30 days preceding the relevant exercise date, having completed, in respect of the warrant certificates, the subscription notice thereon, or accompanied by such other notice in writing as may be approved by the directors specifying the number of warrants in respect of which the subscription rights are exercised, together with a remittance for the subscription monies due. Once lodged, exercise of subscription rights shall be irrevocable save with the consent of the directors. Subscription rights are subject to compliance with any statutory requirements from time to time.

(b) In order to exercise the conversion rights a holder of warrants must lodge the warrant certificate (or such other evidence as the directors of the Company may reasonably require proving the title of the person exercising the conversion rights) at the office of the registrars of the Company within the period of 30 days preceding the relevant exercise date, having completed the conversion notice thereon or accompanied by such other notice as may be approved by the directors specifying the number of warrants in respect of which conversion rights are exercised, together with the certificate(s) for the loan stock in respect of which the conversion notice is lodged (or such other evidence as the directors of the Company may reasonably require proving the title to that loan stock of the person exercising the conversion rights). Once lodged, exercise of conversion rights shall be irrevocable save with the consent of the directors. The conversion rights are subject to compliance with any statutory requirements from time to time. The lodging of a conversion notice or other notice aforesaid shall constitute an application in respect of each warrant exercised to subscribe £4 for the shares the object of the conversion rights in respect of each such warrant by utilisation of the proceeds of redemption of the accompanying loan stock.

(c) Shares issued pursuant to the exercise of warrant rights will be allotted fully paid up not later than 14 days after and with effect from the relevant exercise date and certificates in respect of such shares will be issued not later than 28 days after the relevant exercise date to the persons in whose names the warrants are registered at the date of such exercise or to such other persons as may be named in the form of nomination accompanying the warrant certificate.

(d) In the event of a holder of more than one warrant exercising the warrant rights conferred by some but not all of the warrants, the Company shall at the same time as the issue of certificates referred to in 2(c) above, issue a fresh warrant certificate in the name of the holder for any balance of the warrants comprised in those certificates remaining exercisable.

(e) In the event of a holder of warrants exercising conversion rights in respect of some but not all of the loan stock comprised in the loan stock certificates lodged pursuant to paragraph 2(b) above, the Company shall at the same time as referred to under 2(d)

above issue a certificate for the balance of any loan stock comprised in such certificates not converted on such exercise.

(f) Shares allotted pursuant to the exercise of warrant rights will not rank for any dividends or other distributions declared, made or paid in respect of a record date prior to the relevant exercise date but, subject thereto, will rank in full for all dividends and other distributions in respect of the then current financial year and as regards each class thereof *pari passu* in all other respects with the shares of the same class in issue at that date.

(g) Application will be made to the Council of The Stock Exchange for shares allotted pursuant to any exercise of warrant rights to be admitted to the Official List, and the Company will use all reasonable endeavours to obtain the grant thereof not later than 14 days after the relevant exercise date.

(h) So soon as at least 80 per cent. of the warrants have been exercised by holders or purchased by the Company, the Company may at any time thereafter give to the holders of the warrants not yet exercised not less than 30 days' notice of the fact that such percentage has been exercised and at the expiration of such notice (which shall be regarded as an exercise date) the holders of such warrants shall be entitled to exercise their warrant rights in accordance with the provisions of paragraph 2(a) or (b) above and failing such exercise the provisions of paragraph 2(i) below shall apply as if reference to the "final exercise date" therein shall be a reference to the exercise date referred to in this paragraph 2(h).

(i) Within 28 days following the final exercise date the Company shall appoint a trustee who shall, provided that in his opinion the net proceeds of such sale after deduction of all costs and expenses incurred by him will exceed the cost of such subscription, within 42 days following the said final exercise date exercise such subscription rights (but none of the conversion rights) as have not been exercised on the terms on which the same could have been exercised on the final exercise date and sell the shares acquired on such subscription. The trustee shall distribute pro rata the net proceeds less such costs and expenses to persons entitled thereto within 70 days of the final exercise date, provided that entitlements of under £2 shall be retained for the benefit of the Company and any such payments not encashed within 12 months will be forfeited for the benefit of the Company.

3. Adjustment of warrant rights

(a) If on a date or by reference to a record date on or before the final exercise date the Company shall:

(i) make any such capitalisation issue as is referred to in article 138 of the articles of association of the Company to members on the register on a date when there remains outstanding any of the warrants, the nominal amount of any share capital to be issued on a subsequent exercise of the warrant rights of one warrant shall be increased in like manner by shares of the class issued by way of the said capitalisation. If the Company shall sub-divide or consolidate any share capital of a class the object of the warrant rights, then the shares of that class the object of the warrant rights attaching to one warrant shall be adjusted in like manner;

(ii) make any offer or invitation of shares by way of rights to the holders of any class of share capital which is the object of warrant rights (the shares so offered being hereinafter referred to as "the new shares") then at the option of the Company:

(aa) EITHER the number of shares of that class the object of the warrant rights attaching to one warrant shall be increased by the application of the factor ("the relevant factor") calculated by the following formula:

$$F = 1 + \left(\frac{B}{N(A+B)} \right)$$

where F = the relevant factor, which shall be calculated to four places of decimals;

A = the price at which one new share shall be offered;

B = the average of the middle market quotations (based on The Stock Exchange Daily Official List) for the new shares nil paid during the period in which the new shares shall be dealt in nil paid;

N = the number of shares of the applicable class which shall entitle the holder to the offer of one new share;

(bb) OR the Company shall make a like offer or invitation at the same time to each holder as if all the shares the object of his subscription rights of a class in respect of which the rights issue is made had been exercisable and exercised on the day immediately preceding the record date for such rights issue on the terms (subject to any adjustment as provided in this sub-paragraph) on which the same could have been exercised on the last preceding exercise date.

(b) If, on a date (or by reference to a record date) on or before the final exercise date, the Company makes an offer or invitation (other than an offer referred to in sub-paragraph (a) above) to the holders of any class of the share capital of the Company which is the object of warrant rights, or any offer or invitation (not being an offer to which paragraph 6(h) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then holders of warrants as if their subscription rights had been exercisable and exercised on the day immediately preceding the record date of such offer or invitation on the terms (subject to any adjustment pursuant to sub-paragraph (a) above) on which the same could have been exercised on the last preceding exercise date.

(c) The auditors for the time being of the Company shall certify any adjustment made pursuant to sub-paragraph (a) and within 28 days thereof notice of such adjustment will be sent to holders of warrants.

4. Fractions of shares

Any fractions of shares resulting from the exercise of warrant rights will be aggregated and sold for the benefit of the Company.

5. Reminder notices

Not earlier than six weeks nor later than four weeks before each exercise date, the Company shall give notice to the holders of warrants reminding them of their warrant rights.

6. Other provisions

So long as any warrant rights remain exercisable:—

- (a) the Company shall not (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully-paid shares of the Company, or (ii) issue securities by way of capitalisation of profits or reserves except fully-paid shares of the Company issued to the holders of its ordinary shares, or (iii) make any such distribution or capitalisation as is referred to in (i) and (ii) if there are any arrears of dividends on shares of the Company carrying preferential rights to dividend, or (iv) on or by reference to a record date falling within a period of 30 days ending on any exercise date make any such issue as is referred to in paragraph 3(a) above or any such offer or invitation as is referred to in paragraph 3(b) above;
- (b) the Company shall not in any way modify the rights attached to its existing ordinary shares as a class, or create or issue any new class of equity share capital (within the meaning of section 154 of the Companies Act 1948), except for shares which carry as compared with the existing ordinary shares no more advantageous rights as regards voting, dividend or capital;
- (c) the Company shall not do any act or thing if as a result the Company would on any subsequent exercise of the warrant rights be obliged to issue shares at a discount to par;
- (d) the Company shall not (except pursuant to the provisions of section 45 of the Companies Act 1981 or with the sanction of an extraordinary resolution of the holders of the warrants) reduce its share capital or (except as authorised by section 56(2) of the Companies Act 1948 and section 53(3) of the Companies Act 1981) any share premium account or capital redemption reserve;
- (e) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the warrants) make any purchase of its own shares;
- (f) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all warrant rights remaining exercisable;
- (g) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the warrants) change its financial year end from ● except to a date falling within seven days before or after ● ;
- (h) if;
 - (i) while any of the warrant rights remain capable of exercise an offer is made to all holders of any class of share capital of the Company normally carrying the right to vote (or all such holders other than the offeror and/or any body corporate controlled by the offeror and/or any persons acting in concert with the offeror) to acquire the whole or any part of such issued share capital of the Company; and
 - (ii) the Company becomes aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons aforesaid;

unless a contemporaneous offer has been made to the holders of warrants (or all such persons other than the offeror and/or such companies or persons aforesaid) which in the opinion of the Company's financial advisers is fair and reasonable by

comparison with the terms of the said offer to the relevant class of shareholders of the Company, the Company shall give written notice to all holders of the warrants of such vesting within 14 days of its becoming so aware and each such holder shall be entitled within the period of 42 days from the date of such notice to exercise his warrant rights on the terms (subject to any adjustment pursuant to paragraph 3(a) above) on which the same could have been exercised on the exercise date last preceding the date of the said notice. The publication of a scheme of arrangement under the Companies Acts 1948 to 1983 providing for the acquisition by any person of the whole or any part of the equity share capital of the Company shall be deemed to be the making of an offer for the purposes of this sub-paragraph;

- (i) if an order is made or an effective resolution is passed for winding up the Company (except for the purposes of a reconstruction or amalgamation on terms sanctioned by an extraordinary resolution of the holders of the warrants) each holder of warrants shall be treated as if the subscription rights attaching to his warrants had been exercisable and had been exercised in full on the day immediately preceding the date of such order or resolution on the terms (subject to any adjustment pursuant to paragraph 3(a) above) on which the same could have been exercised on the last preceding exercise date and shall be entitled to receive a sum equal to the amount to which he would have become entitled in such winding up if he had been the holder of the shares the object of the subscription rights attaching to his warrants less the amount which would have been payable on exercise of those subscription rights in the manner aforesaid provided that such holder shall only be so treated if the former amount exceeds the latter amount; subject to the foregoing all warrant rights will lapse on commencement of a winding up of the Company;
- (j) the Company shall not offer, or grant, any options to subscribe for share capital or rights to convert securities into share capital of the Company except;
 - (i) rights of conversion attached to securities and options to which paragraphs 3(a)(ii)(bb) and 3(b) apply;
 - (ii) options to subscribe for or rights of conversion into shares of the Company at a price or effective price per share equivalent to at least 90 per cent. of the average of the middle market quotations ruling (based on The Stock Exchange Daily Official List) on each of the dealing days in the period of 14 days ended on the 14th day prior to the fixing of the terms of the grant of the option or the conversion rights;
 - (iii) options to subscribe for share capital given to employees (including executive directors) of the Company or its subsidiaries so long as the nominal amount of such share capital together with the nominal amount of any share capital over which such options have previously been granted but excluding options which have lapsed or have been exercised does not exceed in the aggregate 5 per cent. of the paid-up share capital of the Company in issue immediately prior to such grant; and
 - (iv) in the case of issues of securities for a consideration other than cash.

7. Modification of rights

All or any of the warrant rights attached to a warrant may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution of the holders of the warrants. All the provisions of the articles of association for the time being of the Company as to general meetings shall *mutatis mutandis* apply as though the warrants were a class of shares forming part of the capital of the Company but so that (a) the necessary quorum shall be the holders (present in person or by proxy) entitled to one-third of the outstanding warrants, (b) every holder of a warrant present in person at any such meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy shall be entitled on a poll to one vote for every warrant of which he is the holder, (c) any holder of a warrant present in person or by proxy may demand or join in demanding a poll, and (d) if at any adjourned meeting a quorum as above defined is not present, those holders of warrants who are then present in person or by proxy shall be a quorum.

8. Purchase

The Company and its subsidiaries shall have the right to purchase warrants in the market or by tender available to all holders of warrants alike at any price or by private treaty at a price not more than 10 per cent. in excess of the middle market quotation (based on The Stock Exchange Daily Official List) for the warrants on the previous dealing day. All warrants so purchased shall forthwith be cancelled and shall not be available for re-issue or re-sale.

9. Transfer

Each warrant will be registered and will be transferable in amounts and multiples of one warrant by instrument of transfer in any usual or common form, or in any other form which may be approved by the directors of the Company. The provisions of the articles of association for the time being of the Company relating to the registration and transfer of shares shall apply *mutatis mutandis* to warrants.

10. General

The Company will concurrently with the issue of the same to its ordinary shareholders send to each registered holder of a warrant (or in the case of joint holders to the first-named) a copy of each published annual report and accounts of the Company, together with all documents required by law to be annexed thereto, and a copy of every statement, notice or circular issued to ordinary shareholders.

For the purpose of these particulars, "extraordinary resolution" means a resolution proposed at a meeting of the holders of the warrants duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll.

I. GENERAL INFORMATION

1. Audited accounts

The first accounts for Anglo-Eastern will be made up to and as at 31st December, 1985 and will be audited by Arthur Andersen & Co., Chartered Accountants, of 1 Surrey Street, London WC2R 2PS. 1.9

2. Share and loan capital

(A) Anglo-Eastern was incorporated on the 8th February, 1985 under the Companies Acts 1948 to 1983, as a public limited company (registration number 1884630) under the name Circleglebe public limited company. On incorporation, Circleglebe had an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each of which two were in issue nil paid and which upon transfer by the subscribers to the Memorandum of Association to REA on 15th February were paid up by REA as to 25p each. On 1st March 1985, the name of Circleglebe was changed to Anglo-Eastern and on 11th March, 1985 a certificate was issued to Anglo-Eastern pursuant to Section 4 of the Companies Act 1980. 1.2, 1.4, 1.5

(B) Changes to the share and loan capital of Anglo-Eastern since the date of its incorporation were as follows:-- 3.7

(i) On 15th February, 1985, pursuant to authorities contained in the Articles of Association of Anglo-Eastern and a resolution of its Board of Directors, 49,998 ordinary shares of £1 each were allotted and issued for cash paid up as to 25p each to Anglo-Indonesian, P&G and REA as to 16,667, 16,667 and 16,664 ordinary shares respectively; 2.5, 2.7

(ii) On [25th] March, 1985, pursuant to resolutions of Anglo-Eastern: 2.5, 2.7

(a) the authorised share capital of Anglo-Eastern was increased to £ ● by the creation of ● ordinary shares of £1 each;

(b) each of the authorised and issued ordinary shares of Anglo-Eastern was sub-divided into 4 ordinary shares of 25p each; and

(c) the Directors were authorised pursuant to Section 14(1) of the Companies Act 1980, generally and unconditionally to allot relevant securities, as defined in Section 14(10) of the said Act up to an aggregate nominal amount of £ ●, such authority to expire on the 31st March, 1985 and were empowered pursuant to Section 18 of the said Act for the period expiring on the date referred to above to allot equity securities for cash (as defined in Section 17 of that Act) pursuant to the authority referred to above as if Section 17(1) of that Act did not apply.

(iii) On 26th March, 1985, pursuant to a resolution of the Board of Directors of Anglo-Eastern, the Board resolved to create the loan stock, which was constituted by a trust deed dated ● March, 1985 between Eagle Star Trust Company Limited and Anglo-Eastern; 2.5, 2.7

(iv) On 26th March, 1985, pursuant to the purchase agreement referred to at paragraph 8 (L) below, Anglo-Eastern allotted and issued, credited as fully paid, 3,590,000 ordinary shares to Anglo-Indonesian, 1,556,000 ordinary shares to P&G and 5,654,000 ordinary shares and £1,047,000 nominal of the loan stock to REA and issued for cash at par £665,000 nominal of the loan stock to Anglo-Indonesian and £288,000 nominal of the loan stock to P&G, and Anglo-Indonesian, P&G and REA paid up the outstanding unpaid balance on the 50,000 ordinary shares referred to at 2(A) above, sub-divided as referred to at 2(B) above; 2.5, 2.7

(v) On 26th March, 1985 pursuant to resolutions of Anglo-Eastern conditional on the ordinary shares, loan stock and warrants of Anglo-Eastern, issued and proposed to be issued, being admitted to the Official List of the Stock Exchange not later than ●, 1985: 2.5, 2.7

(a) the directors were generally authorised pursuant to Section 14 of the Companies Act 1980 to allot relevant securities (as defined in the said Section) limited to the amount of the unissued share capital of Anglo-Eastern, such authority expiring on ● 1990;

(b) the Directors were empowered pursuant to Section 18 of the said Act to allot equity securities for cash (as defined in Section 17 of that Act) pursuant to the authority referred to in (c) above as if Section 17(1) of that Act did not apply. This power expires on the date of Anglo-Eastern's annual general meeting to be held in the calendar year 1986 and is limited to: 2.18(a)

(i) allotments in connection with rights issues; and

(ii) the allotment (otherwise than in (i) above) of ● ordinary shares and ● warrants.

- (C) Following this offer for subscription, of the authorised share capital of Anglo-Eastern, 3.3(a)
 ● ordinary shares will be in issue fully paid, ● ordinary shares will be unissued but subject to the warrants and ● ordinary shares will be unissued which the directors of Anglo-Eastern are authorised and empowered (subject to (D) below) to allot in accordance with the authorities and powers specified in sub-paragraph (B) (v) above.
- (D) Following this offer for subscription, no material issue of ordinary shares in Anglo-Eastern (other than to shareholders pro rata to existing holdings or pursuant to the purchase agreement or exercise of the warrants) will be made within one year without prior approval of Anglo-Eastern in general meeting. 3.5
- (E) The ordinary shares, warrants and loan stock are issued in registered form. 2.17
- (F) Save as disclosed herein no capital of the group is under option, or agreed conditionally or unconditionally to be put under option. 3.12
- (G) On 26th March, 1985 Anglo-Indonesian subscribed in cash at par for 473,000 ordinary shares of £1 each of Anglo-Indonesian Oil Palms Limited and P&G subscribed in cash at par for 497,000 ordinary shares of £1 each of Deauville Tea Estate Company Limited.

3. Subsidiaries

Details of Anglo-Eastern's subsidiaries are given in the accountant's report. 3.10

4. Memorandum and articles of association 3.1

The memorandum of association of Anglo-Eastern provides that Anglo-Eastern's principal objects are to carry on the business of a holding company in all its branches and to acquire by purchase lease concession grant licence or otherwise deal in such business options rights privileges lands buildings leases underleases stocks shares debentures bonds obligations securities reversionary interests annuities policies of assurance and other property and rights and interest in property as Anglo-Eastern shall deem fit and generally to hold manage develop lease sell or dispose of the same and to vary any of the investments of Anglo-Eastern and to enter into assist or participate in financial commercial or mercantile industrial and any other transactions undertakings and business of every description. The objects of Anglo-Eastern are set out in full in clause 4 of the memorandum of association which is available for inspection at the address specified in paragraph 14 below.

The articles of association of Anglo-Eastern contain inter alia, provisions to the following effect:

(A) Voting 2.9

On a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote and, on a poll, every member shall have one vote for every share for which he is the holder, save that a member shall not be entitled to exercise such right to vote if he, or any person appearing to be interested in shares held by him, has been duly served with a notice under Section 74 of the Companies Act 1981 (requiring disclosure of interests in shares) and has failed to supply the company with the requisite information within 28 days.

(B) Variation of rights and alteration of capital 2.11

(i) If at any time the share capital of Anglo-Eastern is divided into different classes of shares, the rights attached to any class or any of such rights may, whether or not Anglo-Eastern is being wound-up, be modified, abrogated or varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of the Companies Act 1948 and of the articles of association relating to general meetings shall apply save that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question and at an adjourned meeting one person holding shares of the class in question or his proxy.

(ii) Anglo-Eastern may by ordinary resolution increase its share capital by such sum to be divided into shares of such amount as the resolution may determine, consolidate and divide all or any of its shares into shares of larger amount, sub-divide its shares or any of them into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person.

(iii) The company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any manner and with, and subject to, any incident authorised, and consent required, by law.

(C) *Transfer of shares*

The instrument of transfer of a share may be in any usual or common form or in any other form which the directors may approve, and shall be executed by or on behalf of the transferor and, if not fully paid, by or on behalf of the transferee. The directors may in their absolute discretion and without assigning any reason refuse to register any transfer of any share which is not fully paid or of any share, whether fully paid or not, in favour of four persons jointly. Subject as aforesaid, the articles of association contain no restrictions on the free transferability of fully paid ordinary shares.

(D) *Directors*

(i) Unless Anglo-Eastern in general meeting shall otherwise determine, the number of directors shall not be less than two.

(ii) Without prejudice to (iii) below, the remuneration of each director shall not exceed £3,500 per annum or such larger sum as Anglo-Eastern in general meeting shall from time to time determine. Such remuneration shall be deemed to accrue from day to day. The directors may also be paid all reasonable travelling, hotel and other expenses properly incurred by them in connection with the business of Anglo-Eastern.

(iii) A director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of Anglo-Eastern or otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the directors may determine.

(iv) The directors may exercise all the powers of Anglo-Eastern to give or award pensions or other allowances or benefits to any director or ex-director and their relatives and dependants and may establish maintain support subscribe to and contribute to all kinds of schemes for the benefit of such persons.

(v) The directors may from time to time appoint one or more of their body to hold any executive office on such terms as they think fit and, subject to the terms of any service contract and without prejudice to any claim for damages, the directors may revoke such appointment. A director so appointed shall not be subject to retirement by rotation or be taken into account in determining the rotation of directors but, without prejudice to any claim for damages, his appointment shall be automatically determined if he ceases from any cause to be a director.

(vi) Section 185 of the Companies Act 1948 relating to the appointment, retirement and re-election of directors who have reached the age of 70 years shall not apply to Anglo-Eastern. 6.9(d)

(vii) No director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with Anglo-Eastern subject to the provisions of Part IV of the Companies Act 1980 and save as therein provided no contract, arrangement, transaction or proposal entered into by or on behalf of Anglo-Eastern in which any director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to Anglo-Eastern for any profit realised thereby by reason of such director holding that office or of the fiduciary relationship thereby established but he shall declare the nature of his interest in accordance with Section 199 of the Companies Act 1948. Save as provided in the articles of association, a director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through Anglo-Eastern. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. 6.9(a)
6.9(b)

(viii) A director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with Anglo-Eastern or of any company in which Anglo-Eastern is interested including fixing or varying the terms of his appointment or the termination thereof. 6.9(b)

(ix) Subject to the provisions of the Companies Acts, Anglo-Eastern may by ordinary resolution suspend or relax the provisions described in sub-paragraphs (vii) and (viii) above to any extent or ratify any transaction not so authorised by reason of a contravention thereof.

(E) *Borrowing powers*

(i) Directors may exercise all the powers of Anglo-Eastern to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and, subject to the provisions of the statutes (as defined in the articles of 6.9(c)

association), to issue debentures and other securities, whether outright or as security for any debt, liability or obligation of Anglo-Eastern or of any third party.

(ii) The directors shall restrict the borrowings of Anglo-Eastern and exercise all voting and other rights and powers of control exercisable by Anglo-Eastern in relation to its subsidiaries first to secure (so far, as regards subsidiaries, as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed (as such expression is defined in the articles of association) by the group (as defined in the articles of association) and for the time being owing to persons outside the group shall not at any time without the previous sanction of an ordinary resolution of Anglo-Eastern exceed a sum equal to two and one half times the adjusted share capital and reserves (as defined in the articles of association).

(F) *Dividends and distribution of assets*

2.9

The ordinary shares of Anglo-Eastern shall be entitled to all dividends declared and paid according to the amounts paid up on the ordinary shares in respect whereof the dividend is paid and shall be entitled to any surplus on a return of assets in a winding-up.

(G) *Unclaimed dividends*

All dividends on the ordinary shares unclaimed for a period of 12 years after having been declared shall be forfeited and shall revert to Anglo-Eastern. 2.10

5. *Directors' and other interests*

(A) Following the issue the register of directors' interests maintained under the provisions of the Companies Act 1967 will show that Mr K. P. Legg by virtue of his ● per cent beneficial interest in ● Limited which has a ● per cent. beneficial interest in P&G will be interested in ● ordinary shares and £ ● nominal loan stock and ● warrants.

[Save as disclosed, none of the directors following the issue will have any interest in the share capital of Anglo-Eastern.]

(B) [None of the directors of Anglo-Eastern were interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the group and which were effected by any member of the group during the current or immediately preceding financial year or which were effected by any member of the group during an earlier financial year and which remain in any respect outstanding or unperformed]. 6.5

(C) The directors are not aware of any persons who, directly or indirectly, jointly or severally, could exercise control over Anglo-Eastern following the issue. The directors of Anglo-Eastern have been informed that in relation to Anglo-Eastern a concert party has been established between Anglo-Indonesian and P&G. 3.8

(D) Save as disclosed below, the directors are not aware of any shareholding which, following the issue, will represent 5 per cent or more of Anglo-Eastern's issued share capital. 3.9

Anglo-Indonesian

P&G

REA

[Pursuant to the the purchase agreement referred to at 8(L) below and subject to the allocation of part or all of the Riau area, each of Anglo-Indonesian, P&G and REA will be entitled to receive further ordinary shares of Anglo-Eastern, which depending on the size of Anglo-Eastern's issued share capital at such time may have the effect of increasing the above mentioned percentages.]

6. *Directors' service agreements*

(A) There are no existing or proposed service contracts between the directors and Anglo-Eastern or any of its subsidiaries other than contracts expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one year. 6.4

(B) The aggregate amount payable to the directors of Anglo-Eastern, payable by Anglo-Eastern or any of its subsidiaries under arrangements in force at the date hereof, is estimated to amount to £57,000 during the current year ending 31st December, 1985. 6.3(c)

7. [Offer for subscription arrangements]

[To be completed.]

2.18(h)

2.18(i)

8. Material contracts

3.16

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by Anglo-Eastern and its subsidiaries (prior to their acquisition by Anglo-Eastern pursuant to the purchase agreement) within the 2 years immediately preceding the date of these listing particulars and are, or may be, material:

- (A) dated 25th March, 1983 and 22nd April, 1983, being an agreement and exchange of letters supplemental thereto between (i) N. M. Rothschild & Sons Limited ("NMR") and (ii) Rightwise plc ("Rightwise"), whereby NMR agreed to purchase or procure purchasers, at a cash price of 169.25p per share, for all the ordinary shares allotted pursuant to offers, dated 12th April, 1983 and 27th April, 1983 by NMR on behalf of Rightwise for all the shares of Surmah Valley Tea Company Limited ("Surmah Valley") (then called The Surmah Valley Tea plc) in respect of which valid elections were made by accepting shareholders of Surmah Valley to receive the cash alternative provided in respect of the said offers;
- (B) dated 25th March, 1983 between (i) NMR and (ii) Rightwise, whereby NMR underwrote the subscription of the 507,261 ordinary shares of Rightwise offered for subscription at 150p per share by way of a rights issue by that company on 6th May, 1983 other than the 359,148 such shares in respect of which undertakings had been obtained from the prospective original provisional allottees thereof that they would accept the allotments provisionally made to them;
- (C) dated on and after 20th May, 1983, being contracts resulting from acceptances of the revised offers by NMR on behalf of Rightwise for all the shares of Surmah Valley contained in a letter of offer dated 27th April, 1983 and representing revisions of earlier offers by NMR on behalf of Rightwise for all such shares contained in a letter of offer dated 12th April, 1983;
- (D) dated 20th September, 1983 between (i) Noble Grossart Limited, (ii) Applied Botanics plc ("Applied Botanics") (then called The Sampang (Java) Rubber Plantations, plc) and (iii) Rightwise, whereby Rightwise irrevocably undertook to vote in favour of the resolutions to be proposed at the extraordinary general meeting of Applied Botanics convened for 12th October, 1983 and agreed to subscribe 7,747,474 out of the total of 14,557,578 ordinary shares of 2½p each of Applied Botanics proposed to be provisionally allotted to it pursuant to a rights issue and to renounce the balance of this provisional allotment and to deliver the same to Noble Grossart Limited and the latter undertook to procure the subscription of 5,107,578 of the shares comprised in that balance and to underwrite the subscription of the 9,044,948 ordinary shares of 2½p each comprising the remaining 1,702,526 shares proposed to be provisionally allotted to Rightwise and the 7,342,422 shares proposed to be provisionally allotted to shareholders of Applied Botanics other than Rightwise; as consideration wherefor Applied Botanics agreed to pay to Noble Grossart Limited an underwriting commission of 2⅜ per cent. (subject to adjustment in the event of any delay in the posting of provisional allotment letters pursuant to the said rights issue) on the amount of the subscription proceeds underwritten by it (out of which Noble Grossart Limited was to pay a sub-underwriting commission of 1⅝ per cent. subject to adjustment as aforesaid) and a commitment commission of 1 per cent. on the amount of the subscription proceeds to be procured to be subscribed by it (out of which Noble Grossart Limited was to pay a sub-commitment commission of ½ per cent.), out of which underwriting and commitment commissions Noble Grossart Limited was also to pay fees to Laurie Milbank & Co., brokers to the said rights issue;
- (E) dated 20th September, 1983 between (i) the existing shareholders of The New Ruaton Garden Company Limited ("New Ruaton"), and (ii) Applied Botanics, whereby Applied Botanics agreed, conditionally on the posting of provisional allotment letters pursuant to a proposed rights issue, to acquire the whole of the issued share capital of New Ruaton for a consideration to be satisfied by the issue, credited as fully paid, of 12,700,000 ordinary shares of 2½p each and 5,100,000 25 per cent. convertible cumulative redeemable preference shares of 2½p each of Applied Botanics;
- (F) dated 20th September, 1983 between (i) Rightwise and (ii) Applied Botanics, whereby Rightwise agreed conditionally to refinance existing loans to N.V. The Bantam & Preanger Rubber Company Limited ("B&P") from subsidiaries of Rightwise of US\$140,000 and to make available to B&P further loans of US\$235,000 to assist in

financing completion of the replanting of the Sampang Peundeuy estate, such loans to carry interest at 12 per cent. per annum and to be repaid out of B&P's cash flow when practicable having regard to the level of commodity prices and in any event by 31st December, 1991;

- (G) dated 13th October, 1983 between (i) the vendors of New Ruaton, (ii) New Ruaton and (iii) Applied Botanics, being a deed of indemnity whereby the said vendors indemnified Applied Botanics, New Ruaton and the then subsidiaries of New Ruaton ("the New Ruaton group") against any depletion of their assets by reason inter alia of the New Ruaton group becoming liable for certain unforeseen taxation;
- (H) dated 30th December, 1983, being a sale and purchase agreement between (i) REA (then called Crosby House Group plc) and (ii) Rightwise whereby REA acquired from Rightwise 12,600,000 ordinary shares of Applied Botanics, 1 ordinary share of Mergerset Limited, 97,874 ordinary shares of Shaw Wallace Bangladesh Limited and the whole of the issued share capital of each of Deundi Tea Company Limited, Noyapara Tea Company Limited, Surmah Valley and Indopalm Limited for an aggregate consideration of £7 million;
- (I) dated 30th December, 1983, being a sale and purchase agreement between (i) Gadek Indonesia and (ii) R.E.A. Marketing Limited ("REAM") whereby REAM acquired from Gadek Indonesia part of the latter's business comprising the provision of advisory and marketing services in connection with the cultivation, manufacture and sale of rubber, for a consideration equivalent to the book value of the business acquired less the book value of all liabilities of Gadek Indonesia in respect of the said business and other minor adjustments;
- (J) dated 19th November, 1984 between (i) REAM, (ii) B&P and (iii) Gadek Indonesia whereby B&P formally appointed REAM to provide various services previously undertaken by Gadek Indonesia, at a remuneration of Rpl.2 million per annum;
- (K) dated 19th November, 1984 between (i) Rightwise and (ii) B&P whereby Rightwise agreed conditionally to advance to B&P a loan of up to US\$600,000 subject to payment of interest thereon at the rate of 12 per cent. per annum and to repayment of the loan in full not later than 31st December, 1991;
- (L) dated 8th March, 1985 between Anglo-Eastern and Anglo-Indonesian, P&G and REA ("the exchange agreement"), whereby Anglo-Eastern agreed: 4.12, 4.14(a)
- (a) to purchase from Anglo-Indonesian, (i) the shares in Anglo-Indonesian's wholly owned United Kingdom subsidiary Anglo-Indonesian Oil Palms Limited and its one-third shareholding in Mergerset Limited; and (ii) the shares in its wholly owned United Kingdom subsidiary The Ampat (Sumatra) Rubber Estate, Limited in consideration of the issue by Anglo-Eastern, fully paid, of 3,590,000 ordinary shares;
 - (b) to purchase from P&G the shares in its wholly owned United Kingdom subsidiary, Deaculla Tea Estate Company Limited and its one-third shareholding in Mergerset Limited, in consideration of the issue by Anglo-Eastern, fully paid, of 1,556,000 ordinary shares;
 - (c) to purchase from REA, (i) the shares in its wholly owned United Kingdom subsidiary, Indopalm Limited, and its one-third shareholding in Mergerset Limited; and (ii) the shares in its wholly owned United Kingdom subsidiary, Rightwise, in consideration of the issue by Anglo-Eastern, fully paid, of 5,654,000 ordinary shares and £1,047,000 nominal of the loan stock;
 - (d) to issue up to a total of 1,520,000 additional ordinary shares to Anglo-Indonesian, P&G and REA credited as fully paid in the event of the Riau area being allocated within 5 years with a provision for a proportionate issue in the event of a partial allocation; and
 - (e) to the subscription by Anglo-Indonesian and P&G of cash at par for £665,000 nominal and £288,000 nominal respectively of the loan stock.

The agreement contains warranties and tax indemnities by each of Anglo-Indonesian, P&G and REA in favour of Anglo-Eastern covering the shares agreed to be sold by them under the agreement;

- (M) dated 8th March, 1985 between (i) Anglo-Eastern and (ii) R.E.A. Services Limited, whereby, subject to the exchange agreement becoming unconditional, R.E.A. Services Limited was appointed to act as secretaries of Anglo-Eastern and its UK subsidiaries for a period of twelve months and thereafter until termination of its appointment in such capacity by not less than six months' notice on either side for an annual fee of £50,000 (subject to review on 31st December, 1985 and thereafter annually);

(N) dated 8th March, 1985 between (i) Anglo-Eastern and (ii) R.E.A. Marketing Limited, whereby, subject to the exchange agreement becoming unconditional, R.E.A. Marketing Limited was appointed to act as the marketing agents of the new Anglo-Eastern group for a period of twelve months and thereafter until termination of its appointment in such capacity by not less than six months' notice on either side for a remuneration comprising a commission of 1 per cent. of the gross proceeds of cocoa sales and $\frac{1}{2}$ per cent. of the gross proceeds of rubber sales effected on behalf of the new Anglo-Eastern group;

(O) [Anglo-Eastern Loan Agreement]

(P) [Gadek Loan Agreement]

(Q) The agreements referred to in paragraph 8 above.

9. The following table indicates the number of employees of Anglo-Eastern and of each of its subsidiaries (prior to their acquisition by Anglo-Eastern) at the end of each of their last 3 financial years; 4.11

| Function | 1982 | 1983 | 1984 |
|-------------------|------|------|------|
| Head office | | | |
| Medan | | | |
| North Sumatra | 11 | 15 | 16 |
| Estate management | 84 | 82 | 76 |
| Estate workers | 546 | 549 | 545 |

10. Tax

(A) [The directors have been advised that Anglo-Eastern is and has since incorporation been a close company as defined in the Income and Corporation Taxes Act 1970 but may cease to be a close company following the allocation of ordinary shares pursuant to the issue.]

(B) No shortfall clearances under paragraph 18 of Schedule 16 to the Finance Act 1972 have been obtained for Anglo-Eastern or any of its subsidiaries. [Indemnities have been given jointly by Anglo-Indonesian, P&G and REA, under the offer for subscription agreement outlined in paragraph 7 above, in respect of possible shortfall apportionments of the income or capital transfer tax liabilities of Anglo-Eastern and any of its subsidiaries. 3.14
3.13

(C) Under current UK legislation, no withholding tax will be deducted from any dividend paid on the ordinary shares but a recipient of any such dividend who is resident in the UK for taxation purposes will be entitled to a tax credit in respect of the dividend currently of an amount equal to $\frac{3}{7}$ ths thereof, or, in appropriate cases, a cash refund in respect of such credit. A UK resident corporate shareholder will not be liable to UK corporation tax on any dividend received. In respect of the interest payable on the loan stock, Anglo-Eastern is required under the UK tax legislation to withhold tax on the gross amount of such interest at the rate of 30 per cent. The liability of a UK resident stockholder to pay additional tax will depend in the case of a corporate stockholder on the rate of corporation tax payable by such holder, and in the case of an individual will depend on his marginal rate of tax. 2.12(b)
2.13

Whether holders of shares or loan stock of Anglo-Eastern who are resident in countries other than the UK are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on the ordinary shares or repayment of the tax withheld at source on the loan stock depends in general upon the provisions of any double tax convention or agreement which exists between such countries and the UK.

Any person who is in doubt as to his taxation position should consult an appropriate professional adviser.

11. Working capital

The directors consider that, having regard to the net proceeds of the issue, the group has sufficient working capital for its present requirement. 2.19

12. General

(A) [No member of the group is engaged in any litigation or arbitration proceedings, and no litigation, arbitration or claim is known to the directors to be pending or threatened against any member of the group which may have, or has had during the 12 months prior to the date hereof, a significant effect on the group's financial position.] 3.15

(B) Save as disclosed in "Profits" or the "Accountants' Report" sections above, there has been no significant change in the financial or trading position of the subsidiaries of Anglo-Eastern since 31st December, 1984. 5.10

- (C) Arthur Andersen & Co. have given and have not withdrawn their written consent to the issue of this document with the inclusion therein of their report and the references thereto and to themselves in the form and context in which they appear. 1.8
- (D) Hunting Technical Services Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of its letter and the references thereto and to itself in the form and context in which they appear. 1.8
- (E) Harrisons Fleming Advisory Services Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of its letter and the references thereto and to itself in the form and context in which they appear. 1.8
- (F) Mr. S. G. Mee has given and has not withdrawn his written consent to the issue of this document with the inclusion therein of references to his name and his report in the form and context in which they appear.
- (G) The costs to be borne by Anglo-Eastern in connection with this issue (including listing fees) are approximately £ ● . 2.18(i)
- (H) Each of the ● units comprised in the issue consists of ● ordinary shares and £ ● nominal of the loan stock and ● warrants and each unit is being offered for sale at ●p per unit which, as regards the ordinary shares comprised in such unit, represents a premium of ●p over the nominal value of ●p of such ordinary shares. 22.18(d)
- (I) The net cash proceeds of the issue accruing to Anglo-Eastern are estimated to be £ ● million. 2.18(j)
- [(J) [Provisional allotment letters] were posted on the ● 1985 to those entitled under the issue and it is expected that dealings in the ordinary shares, warrants and the loan stock will commence on ● 1985.] 2.21(b)
- [(K) Arrangements have been made for the ordinary shares, warrants and loan stock comprised in this issue to be registered by Anglo-Eastern free of stamp duty in the names of the allottees, or the persons in whose favour provisional letters of allotment are duly renounced provided that, in cases of renunciation, provisional letters of allotment (duly completed in accordance with the instructions contained therein) are lodged for registration not later than 3 pm on ● 1985. Share, warrant and loan stock certificates will be posted not later than ● 1985.] 2.18(g)
8.7

[13. Basis of provisional allotment 2.18(e)

The units now being offered for subscription have been provisionally allotted to the shareholders of Anglo-Indonesian, P&G, REA and IIT and to the holders of warrants of REA on a basis calculated by reference to those companies' proportionate interests in Anglo-Eastern, adjusted to eliminate those companies' interests in each other.

14. Documents for inspection

The following documents or copies thereof may be inspected at The Old Rectory, 29 Martin Lane, London EC4R 0DS, during normal business hours on any week day, Saturdays excepted, following the date of publication of this document until 18th April, 1985; 3.17

- (a) The memorandum and articles of association of Anglo-Eastern;
- (b) The trust deed referred to at paragraph 2(b)(iii) above;
- (c) The audited accounts of the subsidiaries of Anglo-Eastern for the years ended [31st December, 1983 and 1984];
- (d) The consents referred to in paragraph 12 above;
- (e) The report of Arthur Andersen & Co. and a statement of adjustments made by them in arriving at the figures set out in their report;
- (f) Report on the "Agricultural Potential of the Kota Pinang Concession, North Sumatra" prepared by Hunting Technical Services Limited in September 1973;
- (g) The letter of Hunting Technical Services Limited reproduced in Part II D;
- (h) The letter of Harrisons Fleming Advisory Services Limited reproduced in Part II E;
- (i) The material contracts referred to in paragraph 8 above;
- (j) The valuations of Mr. S. G. Mee referred to in the accountants' report.]

Dated 26th March, 1985.



