



ANNUAL REPORT 2003  
*AEP*  
ANGLO-EASTERN.

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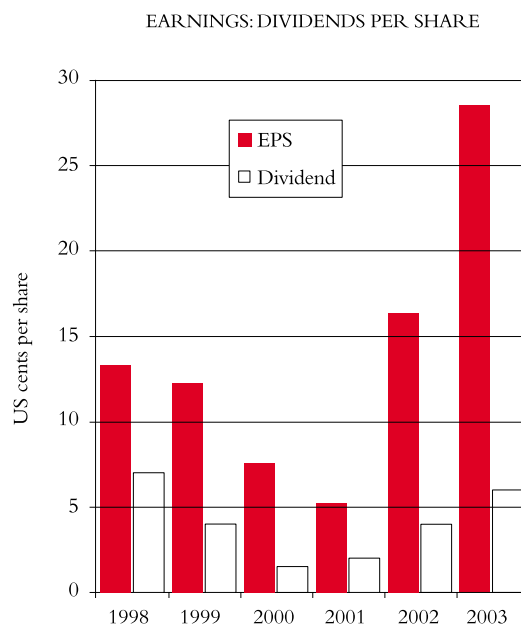
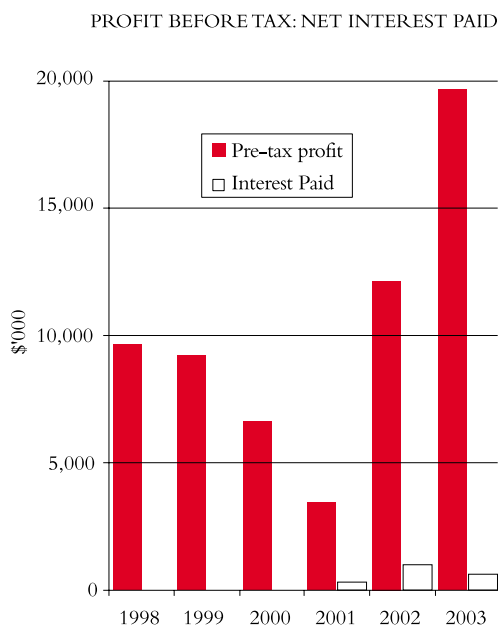
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Anglo-Eastern Plantations Plc, quoted on the London Stock Exchange, operates and is developing plantations in Indonesia and Malaysia, amounting to some 39,000 hectares producing palm oil, rubber and cocoa.

### FINANCIAL SUMMARY

	<b>2003</b>	<i>2002</i>	<b>2003</b>	<i>2002</i>
	<b>US\$000</b>	<i>US\$000</i>	<b>£000</b>	<i>£000</i>
Turnover	<b>48,519</b>	<i>31,139</i>	<b>29,495</b>	<i>20,622</i>
Profit before tax	<b>19,587</b>	<i>12,092</i>	<b>11,907</b>	<i>8,008</i>
Shareholders' funds (year end)	<b>89,162</b>	<i>81,133</i>	<b>49,812</b>	<i>50,393</i>
Earnings per share	<b>28.6cts</b>	<i>16.5cts</i>	<b>17.4p</b>	<i>10.9p</i>
Dividends per share	<b>6.0cts</b>	<i>4.0cts</i>	<b>3.27p</b>	<i>2.58p</i>



## CHAIRMAN'S STATEMENT

### Financial Review

Group profit before tax for 2003 was a record at US\$19.6 million on the back of record palm oil output and strong commodity prices throughout most of the year. The previous record profit was \$14.3 million reported for 1995.

Profit before tax for 2003 was a 62% increase over that of \$12.1 million for 2002. Earnings per share (EPS) increased by 73% from 16.5 cts to 28.6 cts. The greater improvement in EPS relative to pre-tax profit reflects a slightly lower rate of tax charge. This was caused in the main by improved results from the Malaysian operations where previous high local operating losses could not be offset against other taxable profits in the group.

The results would have been higher but for the weakness of the dollar in relation to the Indonesian rupiah, in which most of the costs and expenses of the group are incurred. The

strength of sterling also resulted in a smaller EPS increase of 60% in sterling terms.

The relative weakness of the dollar also had a small impact on the group's net asset value. In dollar terms, net asset value at the year end was 225 cts as compared to 207 cts at the beginning of the year. In sterling terms, net asset value decreased from 128p to 126p.

The strong profit translated into strong cash flow. Group cash balances increased from \$8.4 million to \$15.1 million, after capital expenditure of \$5.7 million and \$2.0 million of term loan servicing. The group's long term loans reduced from \$10.1 million to \$8.1 million. Accordingly, net debt of \$1.7 million was transformed into net cash of \$7.0 million.

### Commodity Prices

CPO prices, which were \$450/mt (cif Rotterdam) at the beginning of the year, weakened to \$415/mt by June. Prices



## CHAIRMAN'S STATEMENT

recovered in the second half and ended the year at \$450/mt. Reasons for the price movement are complicated but in this case a lower than expected US soya crop in 2003 appeared to be a major factor. The average CPO price for 2003 was \$441/mt compared to \$400/mt in the previous year.

Rubber prices reached a peak in 2003 which was the highest level for seven years. Our rubber production therefore made a small but useful profit contribution of \$1.1 million in 2003. Cocoa prices fell during 2003 from a 15 year high but still remain at historically high levels, enabling a profit contribution of \$0.2 million. Contribution from these commodities will lessen relative to oil palm in the future as the group increases its oil palm plantings.

### **Indonesia**

Fresh fruit bunch (FFB) crop output at the Tasik and Anak Tasik estates in 2003 was the second highest ever at 172,000 mt, compared to the peak of 175,000 mt recorded in 2000. While we cannot expect these levels to continue in the coming years, this is a most encouraging performance, particularly from Tasik which has a large proportion of plantings which are now 21 years old and theoretically past their prime.

FFB production from the smaller estates near Medan, in North Sumatra, amounted to 55,000 mt compared to 52,000 mt in the previous year. These properties, with favourable soils and climate, performed satisfactorily.

Production from the Bengkulu estates in southern Sumatra was 108,000 mt compared to 61,000 mt in 2002, largely on the back of increasing yields from the relatively young palms. During 2003, 270 ha came into production. The rate of new planting in Bengkulu increased to 1,700 ha in 2003 and we expect to maintain this rate in 2004. The

remaining balance of 3,000 ha of reserve land is expected to be fully planted by 2007. These properties are expected to increase their production in the coming years.

The group continues to buy in FFB for processing at our two oil mills. In 2003, the amount of bought in crop increased by 67% to 171,000 mt, making a useful contribution to group profits. The new mill on Puding Mas in Bengkulu contributed to most of this increase, operating, like Tasik, close to capacity throughout the year. The expansion of the Puding Mas mill from 40mt/hr to 60mt/hr is expected to be completed in the last quarter of 2004. Likewise, the new 20mt/hr mill at Blankahan near Medan in North Sumatra is also expected to be commissioned at the end of 2004.

I would like to take this opportunity to pay tribute to our estate and mill staff whose dedication and hard work have made this a most successful and satisfactory year. This is particularly so for those working on our newer properties in Bengkulu and Malaysia who have had to cope with unusually heavy monsoon rains which, while good for palms, were most trying for the estate infrastructure and crop transport.

In 2003, we began to achieve a long held aim to assist villages adjoining our properties in Bengkulu to establish their own 20 ha blocks of oil palm which contribute to village funds. After much negotiation by our management, I am pleased to report that we have now implemented 15 such schemes. I expect this to contribute to social stability in areas surrounding our estates there.

### **Malaysia**

As reported in our interim results, the Cenderung estates showed some improvement in the middle of the year. For the year, the

## CHAIRMAN'S STATEMENT



operation reported a small profit contribution of \$173,000, largely as a result of favourable commodity prices. Crops increased 10% to 38,000 mt for the year.

Crops up to September continued to be encouraging. However, production in the last quarter was adversely affected by unusually heavy monsoon rain. More effort will be expended to improve this property which has been disappointing for some time.

### **Group Development**

At the year end, we were half way to achieving our aim of enlarging our planted acreage to 50,000 ha. For some time, we have been seeking to take advantage of our stronger balance sheet to increase our planted area also by the acquisition of a medium sized planted estate.

In March 2004 we acquired the entire issued share capital of P T Bina Pitri Jaya, an Indonesian company whose principal asset is Bina Pitri estate, a planted oil palm estate of land title area of 4,329 ha. The land title runs to 2033 when, under current legislation, it can be renewed for a further 35 years.

The planted area is about 4,400 ha of which about 200 ha are planted in an extension area of 2,000 ha over which the temporary land rights have expired. Steps will be taken to obtain title over about 500 ha of this area.

The transaction requires the approval of the Indonesian Investment Co-ordination Board which has indicated its approval in principle.

The total consideration was US\$10 million, including US\$2.8 million of confirmed third party liabilities which require to be settled by the end of March 2004. Other than the estate, there were no significant assets in the company purchased. Financial data from the company was not comprehensive but sufficient for us to enter a contract; 5% of the consideration has

## CHAIRMAN'S STATEMENT

been deferred for three months against undisclosed liabilities. The consideration is payable in cash from the group's own resources. A local minority shareholder, of up to 20%, may be introduced later.

Bina Pitri is located in the province of Riau in central Sumatra, about 50 km from the provincial capital, Pekanbaru, and about 180 km to the south east of Anglo-Eastern's Tasik plantation. Riau has a large and well-developed plantation industry. The estate has no oil mill, but FFB will be sold to mills nearby. Terrain and rainfall are very suitable for oil palms.

Planted on average about 8 years ago, the estate is in need of rehabilitation, the cost of which is expected to require a further US\$1million. The initial annual crop of FFB is expected to be about 30,000 mt (less than 10% of the existing group's), but this should build up strongly over the next few years. Profit contribution in the first year is unlikely to be material.

Total planted area of the group following this acquisition will be 30,000 ha.

### **Directors and Management**

Dato Haron, who continues to manage our Malaysian operations, stepped down as a director in October 2003. I wish to record our appreciation for his contribution to us. I also welcome Mr Foo San Kan, who joined as an independent non-executive director in October. Mr Foo, who was the senior partner of Ernst & Young in Malaysia until 2002, brings wide experience of business in the region.

### **Outlook**

The group's FFB crops for the first two months of 2004 were on target and slightly ahead of the same period in 2003. About 940 ha of new plantings in Bengkulu are expected to be

brought into production during the year. CPO prices have been favourable and strengthened since the year end to \$540/mt. If this price level remains for the rest of the year, we can reasonably expect another successful and satisfactory year for 2004.

The rubber crop also started the year well and the price, while below the peak recorded in 2003, has been satisfactory. This crop can be expected again to make a useful contribution in the current year. The less important cocoa crop in the first two months has been rather disappointing.

### **Dividend**

On the strength of the results for 2003 and the prospects for 2004, the directors are proposing a 50% increase in dividend from 4.0 cts to 6.0 cts per share.

CHAN TIEK HUAT  
Chairman

24 March 2004

## LOCATIONS OF ESTATES





## ESTATE AREAS

	GROUP	MALAYSIA			INDONESIA				NORTH SUMATRA				BENGKULU			
		CENDERUNG hectares	TOTAL hectares	TASIK hectares	ANAK TASIK hectares	BLANKAHAN hectares	RAMBUNG hectares	SUNGEI MUSAM hectares	PUDING MAS hectares	ALNO hectares	SUMINDO hectares	AIR IKAN hectares				
<b>At 31 December 2003</b>																
<b>Oil Palm</b>																
Mature	19,910	3,267	16,643	6,020	766	919	30	1,125	3,463	4,149	171	0				
Immature																
Due to mature 2004	1,068	85	983	0	0	0	0	46	170	490	222	55				
Other	3,439	416	3,023	0	0	0	86	335	0	518	1,831	253				
Total	24,417	3,768	20,649	6,020	766	919	116	1,506	3,633	5,157	2,224	308				
<b>Rubber</b>																
Due for replanting to oil palm 2004	303	0	303	0	0	0	0	303	0	0	0	0				
Other	454	0	454	0	0	0	454	0	0	0	0	0				
Total	757	0	757	0	0	0	454	303	0	0	0	0				
<b>Cocoa</b>																
Mature - total	240	0	240	0	0	0	240	0	0	0	0	0				
Immature	17	0	17	0	0	0	17	0	0	0	0	0				
Total	257	0	257	0	0	0	257	0	0	0	0	0				
<b>Timber</b>																
Total planted area	48	48	0	0	0	0	0	0	0	0	0	0				
	25,479	3,816	21,663	6,020	766	919	827	1,809	3,633	5,157	2,224	308				
<b>Reserves</b>																
Due for planting to oil palm in 2004	1,626	0	1,626	0	0	0	0	0	0	309	1,317	0				
Other	4,795	1,766	3,029	0	0	0	0	0	364	0	0	2,665				
Unplantable	2,077	819	1,258	11	0	1	27	0	212	331	311	365				
Other - housing, roads, etc	705	17	688	65	31	36	22	115	114	222	65	18				
Total land titles	9,203	2,602	6,601	76	31	37	49	115	690	862	1,693	3,048				
	34,682	6,418	28,264	6,096	797	956	876	1,924	4,323	6,019	3,917	3,356				
Further title to be issued	5,397	0	5,397	0	0	0	0	0	0	0	5,397	0				
Total	40,079	6,418	33,661	6,096	797	956	876	1,924	4,323	6,019	9,314	3,356				

Note: The group has rights over a further 5,397 ha on Sumindo where the main application procedures have been completed.

## FINANCIAL RECORD

	2003 \$000	2002 \$000	2001 \$000	2000 \$000	1999 \$000
<b>Profit and Loss Account</b>					
Turnover	<b>48,519</b>	31,139	16,992	17,562	19,636
<b>Operating profit</b>	<b>19,994</b>	12,767	3,369	6,560	8,954
Net interest - (paid)/received	<b>(537)</b>	(895)	(320)	27	277
- capitalised	<b>130</b>	220	310	56	-
<b>Profit before tax</b>	<b>19,587</b>	12,092	3,359	6,643	9,231
Taxation	<b>(6,141)</b>	(4,367)	(1,638)	(3,147)	(3,399)
Minority interests	<b>(2,201)</b>	(1,250)	320	(522)	(984)
<b>Profit attributable to shareholders</b>	<b>11,245</b>	6,475	2,041	2,974	4,848
Dividends	<b>(2,375)</b>	(1,571)	(785)	(588)	(1,569)
<b>Retained profit</b>	<b>8,870</b>	4,904	1,256	2,386	3,279
<b>Balance Sheet</b>	<b>\$000</b>	\$000	\$000	\$000	\$000
Fixed assets	<b>105,096</b>	103,558	104,333	97,556	95,284
Cash net of short term borrowings	<b>13,067</b>	6,376	2,149	1,660	2,709
Long term loans	<b>(6,108)</b>	(8,085)	(6,460)	(1,412)	-
Other working capital and deferred tax	<b>(3,664)</b>	(3,339)	(1,594)	(2,910)	(4,344)
	<b>108,391</b>	98,510	98,428	94,894	93,649
Minority interests	<b>(19,229)</b>	(17,377)	(17,799)	(17,993)	(19,073)
<b>Net worth</b>	<b>89,162</b>	81,133	80,629	76,901	74,576
Share capital	<b>15,319</b>	15,171	15,171	15,171	15,171
Share premium and capital redemption account	<b>24,766</b>	24,657	24,657	24,657	24,657
Revaluation and exchange reserve	<b>5,375</b>	6,586	10,986	8,514	8,575
Profit and loss account	<b>43,702</b>	34,719	29,815	28,559	26,173
<b>Shareholders' funds</b>	<b>89,162</b>	81,133	80,629	76,901	74,576
Ordinary shares in issue ('000s)	<b>39,581</b>	39,227	39,227	39,227	39,227
Earnings per share (US cents)	<b>28.6cts</b>	16.5cts	5.2cts	7.6cts	12.3cts
Dividends per share (US cents)	<b>6.0cts</b>	4.0cts	2.0cts	1.50cts	4.00cts
Asset value per share (US cents)	<b>225cts</b>	207cts	206cts	196cts	190cts
Earnings per share (pence equivalent)	<b>17.4p</b>	10.9p	3.6p	5.0p	7.6p
Dividends per share (pence equivalent)	<b>3.27p</b>	2.58p	1.40p	1.04p	2.56p
Asset value per share (pence equivalent)	<b>126p</b>	128p	141p	132p	118p
Borrowings net of cash: shareholders' funds (%)	-	2%	5%	-	-

Relevant exchange rates shown on page 9.

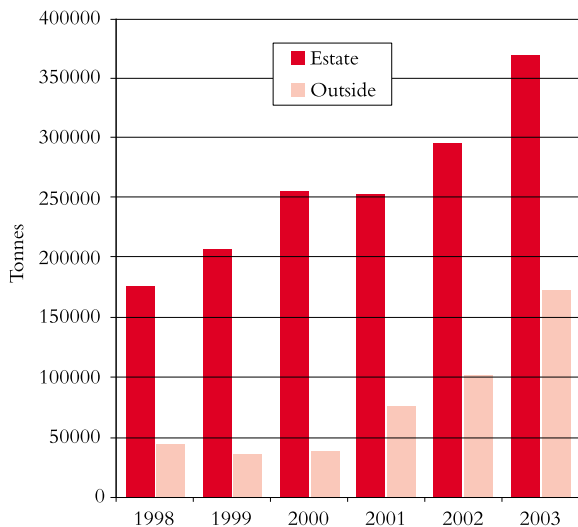
## ADDITIONAL INFORMATION

	2003 Tonnes	2002 Tonnes	2001 Tonnes	2000 Tonnes	1999 Tonnes
<b>Crops</b>					
FFB - all estates	<b>372,290</b>	294,062	252,632	253,094	206,725
- bought in or processed for third parties	<b>170,948</b>	101,906	74,789	38,730	36,730
Saleable Crude Palm Oil (CPO)	<b>94,523</b>	63,240	52,073	52,297	42,941
Rubber	<b>1,800</b>	1,491	1,376	1,253	1,595
Cocoa	<b>154</b>	178	120	131	182
<b>Sales</b>					
CPO - Tasik/Puding Mas	<b>91,238</b>	63,042	52,072	53,169	44,619
FFB - other estates	<b>52,574</b>	93,929	61,458	54,114	31,887
Rubber	<b>1,800</b>	1,508	1,351	1,251	1,595
Cocoa	<b>141</b>	170	127	134	175
<b>Average Sales Prices - Indonesia</b>	<b>Rp/kg</b>	Rp/kg	Rp/kg	Rp/kg	Rp/kg
CPO (after export tax)	<b>3,320</b>	3,113	2,271	2,026	2,295
Rubber	<b>8,451</b>	6,698	5,254	5,206	5,037
Cocoa	<b>14,544</b>	15,214	9,712	6,029	7,791
FFB	<b>719</b>	617	380	358	491
<b>Average Sales Prices - Malaysia</b>	<b>RM/mt</b>	RM/mt	RM/mt	RM/mt	RM/mt
FFB	<b>284</b>	242	152	158	243
<b>Exchange Rates - Year End</b>					
Rp : \$	<b>8,447</b>	8,940	10,400	9,595	7,100
\$ : £	<b>1.79</b>	1.61	1.46	1.49	1.61
RM: \$	<b>3.80</b>	3.80	3.80	3.80	3.80
<b>Exchange Rates - Average</b>					
Rp : \$	<b>8,563</b>	9,253	10,270	8,510	7,795
\$ : £	<b>1.65</b>	1.51	1.44	1.51	1.61
RM: \$	<b>3.80</b>	3.80	3.80	3.80	3.80

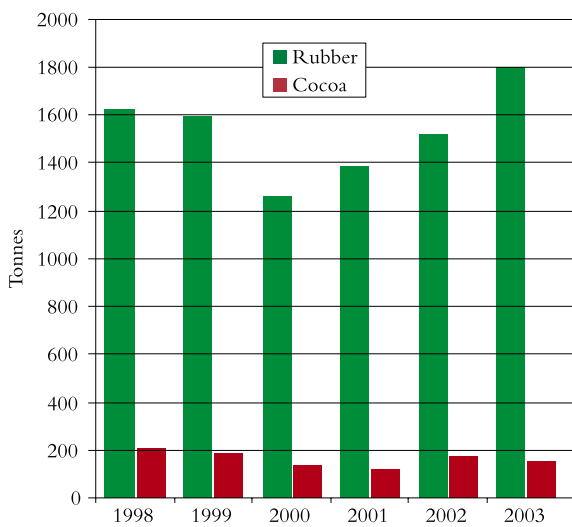


## ADDITIONAL INFORMATION

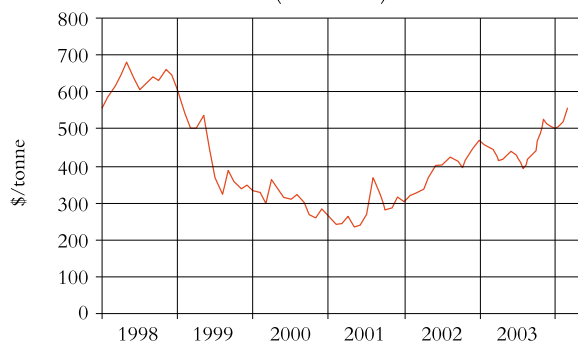
FFB PRODUCTION



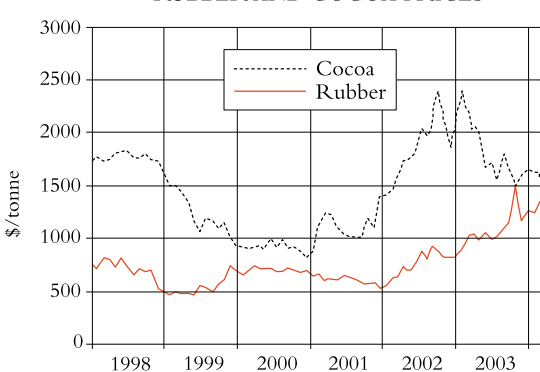
RUBBER AND COCOA PRODUCTION



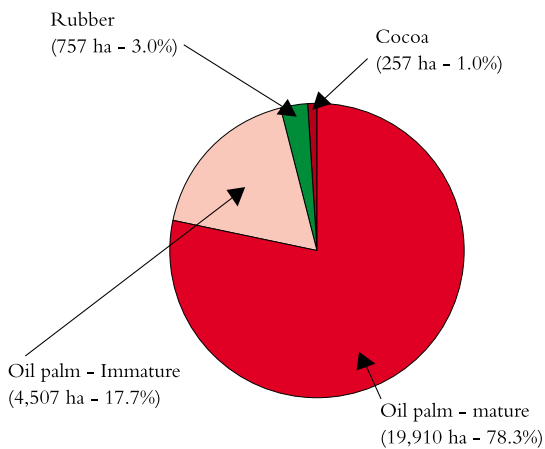
PALM OIL - PRICE \*  
(Rotterdam)



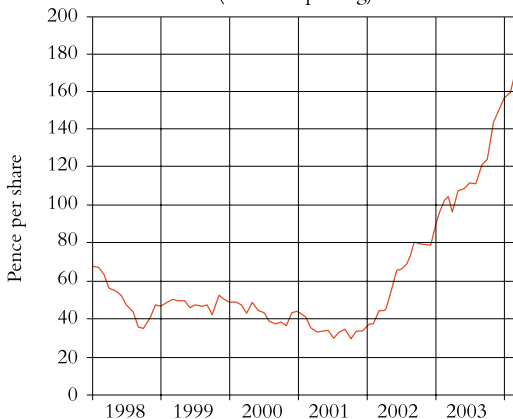
RUBBER AND COCOA PRICES \*



PLANTED AREAS - HECTARES



ANGLO-EASTERN SHARE PRICE  
(Month opening)



\* = Source: Thomson Financial Datastream

## DIRECTORS' REPORT

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 31 December 2003.

### Principal Activity

The company acts as a holding company and co-ordinates the businesses of its subsidiaries. At 31 December 2003 these comprised principally the cultivation of oil palm, rubber and cocoa in Indonesia and Malaysia.

The subsidiary undertakings principally affecting the profits or net assets of the group in the year are listed in note 26 to the financial statements.

### Results and Dividends

The audited financial statements for the year ended 31 December 2003 are set out on pages 19 to 38. The group profit for the year on ordinary activities before taxation was \$19,587,000 (2002 - \$12,092,000) and the profit attributable to ordinary shareholders was \$11,245,000 (2002 - \$6,475,000). No interim dividend was paid. The directors recommend a final dividend of 6.00 cts (2002 - 4.00 cts) to be paid on 8 June 2004 to shareholders on the register on 7 May 2004. Shareholders who elect to receive their dividend in sterling as described on page 13 will receive a dividend of 3.27p (2002 - 2.58p).

### Fixed Assets

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

### Directors

A full list of directors appears on page 14. Mr S K Foo was appointed on 1 October 2003

and offers himself for election at the forthcoming annual general meeting. Mr S T Wee did not seek re-election at the annual general meeting held on 11 June 2003, and Dato Haron resigned on 1 October 2003. All other directors served throughout the year. In accordance with the Articles of Association, Madam S K Lim and Mr S C Ho will retire by rotation and will offer themselves for re-election at the forthcoming annual general meeting.

### Directors' Interests

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

Directors' beneficial interests at 31 December	2003	2002
	Ordinary shares	Ordinary shares
R O B Barnes	63,000	3,602
T H Chan	71,400	345,500
Datuk Chin	-	-
S K Foo	-	-
S C Ho	300,000	340,000
S K Lim	20,917,914	20,917,914
P E O'Connor	250,000	300,000

Details of directors' share options are set out on page 17.

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

Between 31 December 2003 and the date of this report the interest of Mr T H Chan amounting to 71,400 shares was transferred for no consideration to Genton International Limited.

Other than as set out in note 18 to the financial statements no director had a material interest in any contract of the company subsisting during, or at the end of, the financial year.

## DIRECTORS' REPORT

### Substantial Share Interests

As at 24 March 2004 the following were the interests in excess of 3% of the issued ordinary share capital:

Name of holder	Number	Percentage held
Genton International Limited	20,247,814	51.16%
Alcatel Bell Pension Fund	5,940,000	15.00%
S N Roditi	2,116,900	5.35%

### Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. Resolution 6 at the forthcoming annual general meeting proposes that BDO Stoy Hayward LLP be re-appointed auditors to the group.

### Power to Issue Share Capital

At the annual general meeting held on 11 June 2003 shareholders authorised the board under the provisions of section 80 of the Companies Act 1985 to allot relevant securities within specified limits for a period of five years. Renewal of this authority on similar terms is being sought under Resolution 7 at the forthcoming annual general meeting. Such authority will be limited to 5% of the issued share capital.

A fresh authority is also being sought under the provisions of section 95 of the Companies Act 1985 to enable the board to make an issue to existing shareholders without being obliged to comply with certain technical requirements of the Companies Act, which create problems with regard to fraction entitlements and to overseas shareholders. In

addition the authority will give the board power to make issues of shares for cash to other than existing shareholders up to a maximum nominal amount of £494,757 representing 5% of the current issued share capital. The section 95 authority will last for up to 15 months from the date of the annual general meeting.

### Scrip Dividends

Resolution 8 to be proposed at the annual general meeting seeks renewal for a further five years of the authority under which the directors are able to offer shareholders a scrip dividend alternative. No scrip alternative is being offered in respect of the 2003 final dividend.

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

At 24 March 2004, the directors had remaining authority, under the shareholders' resolution of 11 June 2003, to make purchases of 3,927,492 of the company's ordinary shares. This authority expires on 26 May 2004.

The board will only make purchases if they believe the earnings or net assets per share of the company would be improved by such purchases. All such purchases will be market purchases made through the London Stock Exchange and will be subject to the Financial Services Authority model code of dealings.

Resolution 9 to be proposed at the forthcoming annual general meeting seeks renewed authority to purchase up to a maximum of 3,958,062 ordinary shares of 25p each on the London Stock Exchange, representing 10% of the company's issued ordinary share capital. The maximum price which may be paid for ordinary shares on any

## DIRECTORS' REPORT

exercise of the authority will be restricted to 5% above the average middle market quotations for such shares as derived from the London Stock Exchange Daily Official List for the 5 business days before the purchase is made.

Companies are now allowed to hold their own shares which have been purchased in this way in treasury rather than having to cancel them. The directors would, therefore, consider holding the company's own shares which have been purchased by the company as treasury shares, as this would give the company the flexibility of being able to sell such shares quickly and cost effectively where it considers it in the interests of shareholders to do so. Whilst any such shares are held in treasury, no dividends will be payable on them and they will not carry any voting rights.

At 24 March 2004 there were options to subscribe for 431,850 ordinary shares outstanding under the company's employee share schemes. If all the options were exercised, the resulting number of ordinary shares would represent (a) 1.1% of the enlarged issued ordinary share capital at that date; and (b) if the proposed authority to purchase shares were exercised in full, 1.2% of the enlarged issued ordinary share capital at that date (excluding any ordinary share capital which may be purchased and held in treasury).

### **Payment of Dividends**

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

The sterling equivalent dividend will be

paid at the exchange rate ruling at the date of the preliminary announcement of the company's results and in the case of the current year is recorded within the section "Results and Dividends" on page 11.

### **Supplier Payment Policy**

It is the group's policy to pay suppliers promptly in accordance with agreed terms of payment. Year end trade creditor days were approximately 30 (2002 – 30).

### **Liability Insurance for Company Officers**

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

### **Political and Charitable Donations**

None (2002: none).

### **Income and Corporation Taxes Act 1988**

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

By order of the board  
R O B Barnes  
Secretary

24 March 2004

## DIRECTORS' RESPONSIBILITIES

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

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

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

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

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

## DIRECTORS

**T H Chan** (Chairman and CEO, aged 64)  
Chartered Accountant; managing director of Metroplex Berhad, an investment holding company, listed on the Kuala Lumpur Stock Exchange, primarily engaged in property development, investment property, hotel ownership, building materials, leisure and gaming; founder and managing partner of a leading accounting firm in Malaysia for some 17 years.

**R O B Barnes** (Chief Financial Officer, aged 59)  
Chartered Accountant; director of The Chillington Corporation Plc from 1986 to 1989.

**Madam S K Lim** (Non-executive, aged 55)  
Executive chairman of Metroplex Berhad.

**Datuk H Chin Poy-Wu** (Independent non-executive, chairman of remuneration committee, aged 67)  
Chairman of Hap Sang Consolidated Bhd, director of Glenealy Plantations Berhad, Bhd and Sabah Forest Industries Sdn Bhd. Commissioner of Police - Kuala Lumpur, retired 1993.

**P E O'Connor** (Senior independent non-executive, aged 63)  
Chairman of City Merchants High Yield Trust Plc, and of Advance Developing Markets Plc; director of AMR Technologies Inc and of IMS Investment Manager Selection Limited; director of GT Management Plc 1975 to 1990 (in London and Hong Kong).

**S K Foo** (Independent non-executive, aged 55)  
Chartered accountant (England & Wales and Malaysia). 29 years with Ernst & Young, Malaysia; managing partner 1997-2002. Director of Salcon Bhd and of Symphony House Bhd listed on the Kuala Lumpur Stock Exchange and Kuala Lumpur MESDEQ Exchange respectively.

**S C Ho** (Independent non-executive, chairman of audit committee, aged 54)  
Director of MS Corporate Finance (Pte) Ltd, in Singapore.



## STATEMENT ON CORPORATE GOVERNANCE

In June 1998 the Stock Exchange published the Principles of Good Governance and Code of Best Practice (the "Combined Code"). During 2003 the company has complied with the majority of the requirements of that Combined Code.

Where the requirements were not met during 2003, particular comment is made in the statements below and in the Directors' Remuneration Report on page 16.

The Combined Code was further updated in July 2003 to apply for accounting periods commencing after 1 November 2003. The board has considered the resulting changes and will be implementing those changes during 2004 or, where relevant, will explain in the 2004 annual report its reasons for not doing so.

### **The Board**

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

Mr P E O'Connor has been senior non-executive director since January 1999.

Non-executives are not appointed for specified terms. There have been changes in non-executive directors at intervals in the past for a variety of reasons. While accepting the need to maintain the vitality of the board the directors do not intend to specify terms of office for non-executives. However, the board will review the position of each non-executive director at the time set for his normal two to three yearly reappointment under the Articles.

New directors have not received formal training on the occasion of their appointment to the board as all have previous experience of public company directorships and some of them have worked in financial or accounting services industries.

### **Remuneration**

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

### **Relations with Shareholders**

Company executives attempt to contact principal shareholders at least twice a year and at all times are pleased to speak to and meet any shareholder.

A member of the audit and remuneration committees will be available at the 2003 annual general meeting.

### **Accountability and Audit**

The responsibilities of the directors as regards the financial statements are set out on page 14. A statement of going concern is also on page 14.

The audit committee comprises Mr S C Ho, Mr P E O'Connor and Datuk H Chin Poy-Wu. The committee met prior to the completion of the 2003 accounts, and three times during 2003.

### **Internal Control**

The company has followed the Combined Code provisions and Turnbull Committee guidance on internal control since 1999. The board has overall responsibility for the group's internal control and risk management; the audit committee reviews and monitors specific risks and internal control procedures and reports to the board where appropriate. Executive staff and directors are responsible for implementation of control procedures and for identifying and managing business risks. The audit committee review is a continuous but sequential process and in any one year does not necessarily cover all risks which are significant to the group. The process aims to provide reasonable assurance against material misstatement or loss.

The board receives regular reports from executive management in Indonesia and Malaysia and focuses at each meeting on the principal continuing risks to which the group is exposed including but not limited to commodity price movements, exchange rate movements; political and social change and government legislation.

## DIRECTORS' REMUNERATION REPORT

This report by the remuneration committee has been approved by the board of directors for submission to shareholders for their approval at the forthcoming annual general meeting.

### **Membership**

The remuneration committee comprised throughout the year Mr S C Ho and Mr P E O'Connor and was chaired by Datuk H Chin Poy-Wu.

### **Policy**

The remuneration committee makes recommendations on senior management pay and conditions, after consultation with the chief executive, and recommends to the board the terms of executive directors.

Non-executive directors' remuneration is considered by the board as a whole.

The committee recommends remuneration terms by reference to individual performance, market conditions, the company's performance and the need to maintain an economic operation. The committee is also charged with overseeing the company's share option scheme.

### **Components**

#### *Base salary*

Base salaries are reviewed on an annual basis by the remuneration committee or when an individual changes responsibilities. Non-executive directors receive no benefits other than a fee.

#### *Bonus*

The group operates a bonus scheme for senior executives and managers which is generally determined by operating performance criteria. Annual bonuses for senior executives and managers are capped at 66% of base salary. Executive directors receive a bonus which has ranges from 0 to 25% in past years, at the discretion of the board.

#### *Share options*

Options are granted to senior executives and managers throughout the group. Policy is generally to phase the grant over three years. The total grant to each holder is determined by seniority and total market value at date of grant is limited to four times base salary. Exercise of options is only permitted three years after grant. There are no performance criteria for exercise.

#### *Pensions*

There is no company pension scheme for executive directors or senior executives and management. In the case of one executive director, Mr Barnes, the company makes contributions based on base salary only to a personal money purchase scheme. Senior executives who leave voluntarily after more than five years' service are entitled to a gratuity of one month's base salary for each year of service.

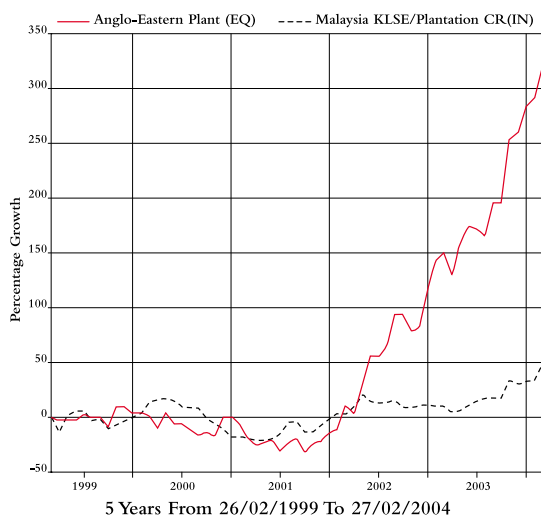
### **Service contracts**

Other than Mr Barnes, as a matter of policy no director has either a service contract or notice period. Mr Barnes has a contract which expires in May 2004; in the event that this contract is not renewed in certain circumstances Mr Barnes would be entitled to one year's termination payment. Notice periods for all other senior management are generally three months.

### **Performance graph**

The following graph shows the company's performance, measured by capital return, compared to the Kuala Lumpur Stock Exchange (KLSE) Plantation Index for the period 26 February 1999 to 27 February 2004. This is the only relevant index available in terms of sector but, any comparison should be qualified; many Malaysian plantation companies are diversified, as well as not holding as great a proportion of their assets in Indonesia as Anglo-Eastern.

## DIRECTORS' REMUNERATION REPORT



**Graph source: Lipper Hindsight**

In determining senior management compensation, the remuneration committee is influenced by the operating performance of the company and not directly by the share price.

### Directors' share options

Share options granted to the directors of the company under the company's 1994 Executive Share Option Scheme and Overseas Share Option Scheme and outstanding at 31 December 2003 were:

Name of Director	No of ordinary shares under option	Date of Grant	Exercise price	Exercise period
R O B Barnes	31,412	5.11.94	93.2p	5.11.97-4.11.04
	14,338	24.5.96	124p	24.5.99-23.5.06
	250,000	25.10.99	47p	25.10.02-24.10.09
<b>Part exercised June 03</b>				
<b>Outstanding at 31 Dec 03</b>				
	195,750			
T H Chan	40,800	25.10.99	47.0p	25.10.02-24.10.09
<b>Exercised Nov 03</b>				
	(40,800)			
	30,600	16.10.00	38.0p	16.10.03-15.10.10
<b>Exercised Nov 03</b>				
	(30,600)			
<b>Outstanding at 31 Dec 03</b>				
	30,600	30.04.02	44.7p	30.04.05-29.04.12

Profit at point of exercise of above options:

R O B Barnes \$102,000; T H Chan \$123,000

The market price of the shares at 31 December 2003 was 159.5p and the range during 2003 was 88.5p to 159.5p.

### Directors' remuneration

The remuneration of all directors who served during the year was:

Name of director	Fees \$000	Executive salary \$000	Bonus (re 2002) \$000	Benefits in kind \$000	Total 2003 \$000	Total 2002 \$000	Pension contribution 2003 \$000	Pension contribution 2002 \$000
<i>Executive:</i>								
T H Chan (Chairman and CEO)	-	80	-	-	<b>80</b>	60	-	-
R O B Barnes	-	149	28	9	<b>186</b>	149	27	22
Dato Haron (a)	10	27	4	11	<b>52</b>	52	-	-
<i>Non-executive:</i>								
S K Lim	13	-	-	-	<b>13</b>	12	-	-
Datuk H Chin	20	-	-	-	<b>20</b>	12	-	-
S K Foo (b)	3	-	-	-	<b>3</b>	-	-	-
S C Ho	20	-	-	-	<b>20</b>	12	-	-
P E O'Connor	20	-	-	-	<b>20</b>	12	-	-
S T Wee (c)	6	-	-	-	<b>6</b>	12	-	-
<b>2003</b>	<b>92</b>	<b>256</b>	<b>32</b>	<b>20</b>	<b>400</b>		<b>27</b>	
2002	72	223	12	14		321		22

(a) Resigned as a director 1 October 2003 (b) Appointed as a director 1 October 2003 (c) Resigned as a director 11 June 2003

*The disclosures on this page on share options and directors' remuneration have been audited, as required by Part 3 of Schedule 7A of the Companies Act 1985.*

## AUDITORS' REPORT

### **Independent auditors' report to the shareholders of Anglo-Eastern Plantations Plc**

We have audited the financial statements of Anglo-Eastern Plantations Plc for the year ended 31 December 2003 on pages 19 to 38 which have been prepared under the accounting policies set out on pages 23 and 24. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the parts of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the Corporate Governance Statement reflects the group's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Financial Summary, Chairman's Statement, Location of Estates, Estate Areas, Financial Record, Additional Information, Directors' Report, the unaudited parts of the Directors' Remuneration Report and the Statement on Corporate Governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances consistently applied and adequately disclosed.

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

### **Fundamental uncertainty**

In forming our opinion we have considered the adequacy of the disclosures made in note 25 to the financial statements concerning political change in Indonesia where most of the group's activities are based.

In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the company's affairs as at 31 December 2003 and of the group's profit for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

24 March 2004

BDO Stoy Hayward LLP  
Chartered Accountants and Registered Auditors  
8 Baker Street  
London W1U 3LL

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 US\$000	2002 US\$000
<b>Turnover</b> - continuing operations	2	<b>48,519</b>	31,139
Cost of sales		<u>(26,705)</u>	<u>(17,475)</u>
<b>Gross profit</b> - continuing operations		<b>21,814</b>	13,664
Administration and other expenses	3	<u>(1,820)</u>	<u>(897)</u>
<b>Operating profit</b> - continuing operations	4	<b>19,994</b>	12,767
Interest - receivable		<b>156</b>	50
- payable	5	<u>(563)</u>	<u>(725)</u>
<b>Profit on ordinary activities before taxation</b>	2	<b>19,587</b>	12,092
Tax on profit on ordinary activities	7	<u>(6,141)</u>	<u>(4,367)</u>
<b>Profit on ordinary activities after taxation</b>		<b>13,446</b>	7,725
Minority interests (all equity interests)	19	<u>(2,201)</u>	<u>(1,250)</u>
<b>Profit for the financial year</b>		<b>11,245</b>	6,475
Dividends proposed	8	<u>(2,375)</u>	<u>(1,571)</u>
<b>Retained profit for the year</b>	19	<u><b>8,870</b></u>	<u>4,904</u>
<b>Earnings per ordinary share (basic and diluted)</b>			
- basic	9	<b>28.6cts</b>	16.5cts
- diluted	9	<b>28.4cts</b>	16.4cts

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

# CONSOLIDATED AND COMPANY BALANCE SHEETS

31 DECEMBER 2003

	Notes	Consolidated		Company	
		2003 US\$000	2002 US\$000	2003 US\$000	2002 US\$000
<b>Fixed Assets</b>					
Tangible assets	10	105,096	103,558	-	-
Investments in subsidiary undertakings	26	-	-	46,992	45,425
		<u>105,096</u>	<u>103,558</u>	<u>46,992</u>	<u>45,425</u>
<b>Current Assets</b>					
Stocks	11	1,713	928	-	-
Debtors	12	2,736	2,001	53	31
Investments	13,24	313	234	313	234
Cash at bank and in hand	24	15,127	8,416	1,118	1,335
		<u>19,889</u>	<u>11,579</u>	<u>1,484</u>	<u>1,600</u>
<b>Current Liabilities</b>					
Creditors: falling due within one year					
Borrowings	15,24	(2,060)	(2,040)	-	-
Other creditors	14	(9,439)	(7,717)	(2,648)	(1,702)
		<u>(11,499)</u>	<u>(9,757)</u>	<u>(2,648)</u>	<u>(1,702)</u>
<b>Net current assets/(liabilities)</b>		<u>8,390</u>	<u>1,822</u>	<u>(1,164)</u>	<u>(102)</u>
<b>Total assets less current liabilities</b>		<u>113,486</u>	<u>105,380</u>	<u>45,828</u>	<u>45,323</u>
<b>Non-current Assets/Liabilities</b>					
(Creditors)/assets: due after more than one year					
Borrowings	15,24	(6,108)	(8,085)	-	-
Deferred taxation	16	1,013	1,215	-	-
<b>Net assets</b>		<u>108,391</u>	<u>98,510</u>	<u>45,828</u>	<u>45,323</u>
<b>Capital and Reserves</b>					
Called-up share capital	17	15,319	15,171	15,319	15,171
Share premium account	19	23,679	23,570	23,679	23,570
Share capital redemption reserve	19	1,087	1,087	1,087	1,087
Revaluation and exchange reserve	19	5,375	6,586	3,872	3,872
Profit and loss account	19	43,702	34,719	1,871	1,623
<b>Shareholders' funds - all equity interests</b>		<u>89,162</u>	<u>81,133</u>	<u>45,828</u>	<u>45,323</u>
<b>Minority interests - all equity interests</b>	19,27	<u>19,229</u>	<u>17,377</u>	-	-
<b>Total capital employed</b>		<u>108,391</u>	<u>98,510</u>	<u>45,828</u>	<u>45,323</u>

The financial statements were approved by the board of directors on 24 March 2004 and were signed on its behalf by R O B Barnes.

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

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

FOR THE YEAR ENDED 31 DECEMBER 2003

	<b>Consolidated</b>		Company	
	<b>2003</b> US\$000	<i>2002</i> US\$000	<b>2003</b> US\$000	<i>2002</i> US\$000
<b>Statement of Total Recognised Gains and Losses</b>				
Profit for the financial year	<b>11,245</b>	<i>6,475</i>	<b>2,623</b>	<i>3,147</i>
Surplus on deemed disposal of interest in subsidiary (note 26)	<b>113</b>	-	-	-
Unrealised (deficit) on revaluation of the estates	<b>(5,126)</b>	<i>(15,375)</i>	-	-
Profit on exchange translation	<b>3,915</b>	<i>10,975</i>	-	-
Total recognised gains relating to the year	<b>10,147</b>	<i>2,075</i>	<b>2,263</b>	<i>3,147</i>
<b>Reconciliation of Movement in Shareholders' Funds</b>				
Total recognised gains	<b>10,147</b>	<i>2,075</i>	<b>2,263</b>	<i>3,147</i>
Share capital subscription	<b>257</b>	-	<b>257</b>	-
Dividends	<b>(2,375)</b>	<i>(1,571)</i>	<b>(2,375)</b>	<i>(1,571)</i>
Net increase in shareholders' funds	<b>8,029</b>	<i>504</i>	<b>505</b>	<i>1,576</i>
Beginning of year	<b>81,133</b>	<i>80,629</i>	<b>45,323</b>	<i>43,747</i>
End of year	<b>89,162</b>	<i>81,133</i>	<b>45,828</b>	<i>45,323</i>
<b>Historical Cost Profits and Losses</b>				
Reported profit on ordinary activities before taxation	<b>19,587</b>	<i>12,092</i>	<b>2,649</b>	<i>3,172</i>
Difference between historical cost depreciation charge and the actual depreciation charge for the year	<b>(742)</b>	<i>(692)</i>	-	-
Historical cost profit on ordinary activities before taxation	<b>18,845</b>	<i>11,400</i>	<b>2,649</b>	<i>3,172</i>
Historical cost retained profit for the year	<b>8,128</b>	<i>4,212</i>	<b>248</b>	<i>1,576</i>

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

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003	2002	2003	2002
		US\$000	US\$000	US\$000	US\$000
<b>Net cash inflow from operating activities</b>	22		<b>22,142</b>		13,691
<b>Returns on Investments and Servicing of Finance</b>					
Interest received		156		50	
Interest paid		(693)		(942)	
Interest element of finance lease payment		-		(3)	
Dividends paid to minority shareholders		(620)		(263)	
			<b>(1,157)</b>		(1,158)
<b>Taxation</b>					
Foreign tax paid			<b>(5,364)</b>		(2,424)
<b>Capital Expenditure</b>					
Payments to acquire tangible fixed assets		(5,715)		(6,136)	
Payments to acquire land		(40)		(620)	
Proceeds from sale of tangible fixed assets		116		34	
			<b>(5,639)</b>		(6,722)
<b>Equity Dividends Paid</b>					
Parent company			<b>(1,571)</b>		(785)
Cash inflow before financing			<b>8,411</b>		2,602
<b>Financing</b>					
Drawdown of long term loan		257		-	
(Repayment)/drawdown of long term loan		(2,023)		3,663	
Finance lease drawdown/(repayments)		47		(29)	
			<b>(1,719)</b>		3,634
<b>Increase in cash in year</b>	23		<b>6,692</b>		6,236

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



## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting Policies

The principal accounting policies are summarised below. Except as noted below they have all been applied consistently throughout the year and the preceding year.

#### *Basis of accounting*

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

#### *Basis of consolidation*

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

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset as described below.

Estates are shown at valuations, which are calculated internally every year and reviewed by an external valuer every five years. Estates are valued at the lower of replacement cost and recoverable amount, which is the higher of value in use and net realisable value. Value in use is calculated as the present value of the local currency cash flows of each estate over the next twenty years, including replanting where required.

Any surplus or deficit on revaluation is transferred to the revaluation and exchange reserve, except that a deficit which is in excess of any previously recognised surplus relating to the same property is charged to the profit and loss account. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation and exchange reserve is transferred to the profit and loss account as a movement on reserves.

The Tasik oil mill is included at cost less depreciation.

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

#### *Fixed asset investments*

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

#### *Leasing*

Assets financed by leasing agreements which give rights approximating to ownership (finance leases) are capitalised at amounts equal to the original cost of the asset to the lessors and depreciation is provided on the asset over the shorter of the lease term or its useful economic life on the basis of group depreciation policy. The capital elements of future obligations under finance leases are included as liabilities in the balance sheet and the current year's interest element is charged to the profit and loss account to produce a constant rate of charge on the balance of capital repayments outstanding. There are no operating leases.

#### *Stocks*

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

#### *Current asset investments*

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

#### *Foreign currency*

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

In the group financial statements the results and year end balances of foreign group companies are translated using the average and closing rates respectively which are shown on page 9. Exchange rate adjustments arising from translation are transferred direct to the revaluation and exchange reserves.

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

#### *Turnover*

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting Policies - continued

#### *Overhead capitalisation*

Directly attributable overheads are capitalised in respect of immature areas.

#### *Interest capitalisation*

Interest on loans directly related to field development is capitalised in the proportion that the opening immature area bears to the total planted area of the relevant estate. Interest on loans related to construction in progress (such as an oil mill) is capitalised up to the commissioning of that asset.

#### *Pensions*

The group operates a number of defined benefit pension schemes in respect of its Indonesian operations. The pension costs of these schemes charged to the profit and loss accounts comprise the annual payments to the schemes together with any provision required for any shortfall in funding as disclosed by annual valuations of the schemes as advised by the schemes' actuaries.

This policy is not in accordance with SSAP24 'Accounting for Pension Costs', but any differences are not material.

#### *Taxation*

UK and foreign corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

#### *Deferred tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

#### *Liquid resources*

For the purposes of the cash flow statement liquid resources are defined as current asset investments and short term deposits.

### 2 Segment Information

	Net assets		Turnover		Profit/(loss) before taxation	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<i>By activity:</i>						
Oil palm	94,654	91,271	46,503	29,768	20,464	12,852
Rubber	2,193	1,632	1,777	1,092	1,195	629
Cocoa	772	700	239	279	155	183
Administration and other expenses	-	-	-	-	(1,820)	(897)
Interest	-	-	-	-	(407)	(675)
Unallocated assets	10,772	4,907	-	-	-	-
	<b>108,391</b>	<b>98,510</b>	<b>48,519</b>	<b>31,139</b>	<b>19,587</b>	<b>12,092</b>
<i>By geographic origin:</i>						
Indonesia	90,734	80,555	45,702	29,132	20,407	12,970
Malaysia	17,600	17,498	2,817	2,007	47	(269)
UK	57	457	-	-	(867)	(609)
	<b>108,391</b>	<b>98,510</b>	<b>48,519</b>	<b>31,139</b>	<b>19,587</b>	<b>12,092</b>
<i>By location of customer:</i>						
Indonesia			45,702	29,132		
Malaysia			2,817	2,007		
			<b>48,519</b>	<b>31,139</b>		

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Administration and Other Expenses

	2003 \$000	2002 \$000
Administrative expenses	(2,203)	(1,751)
Other operating income	1	63
Income from current asset investments	16	-
Profit/(loss) on disposal of fixed assets	25	(5)
Movement in market value of current asset investments	79	(32)
Exchange profit	262	828
	<b>(1,820)</b>	<b>(897)</b>

### 4 Operating Profit

	2003 \$000	2002 \$000
Operating profit is stated after charging		
Depreciation (including \$3,000 (2002 - \$16,000) in respect of leased assets)	2,493	2,411
Auditors' remuneration - audit	78	67
- other advisory services - company only	4	11
	<b>4</b>	<b>11</b>

### 5 Interest Payable

	2003 \$000	2002 \$000
Payable on loans repayable within five years:		
Development loans - (note 15)	683	667
Overdraft - (note 15)	10	17
Other (including \$ nil (2002 - \$3,000) in respect of finance leases)	-	261
Interest capitalised on loans related to field development and construction in progress	(130)	(220)
	<b>563</b>	<b>725</b>

### 6 Employees' and Directors' Remuneration

	2003 number	2002 number
Average numbers employed (primarily overseas) during the year - full time	2,949	2,927
- casual	2,877	2,974
	<b>2003 \$000</b>	<b>2002 \$000</b>
Staff costs (primarily overseas):		
Wages and salaries	5,674	4,495
Social security costs	162	136
Retirement benefit costs	231	195
	<b>6,067</b>	<b>4,826</b>

The company has contributed \$38,000 (2002 - \$31,000) to directors' and employees' money purchase pension plans administered by UK insurance companies. Only one director is a member of such plans and no other director has a pension entitlement. The remaining amount of \$193,000 (2002 - \$164,000) for retirement benefit costs charged to profit and loss account relates to schemes described in note 21.

The information required by the Company Act and the listing rules of the Financial Services Authority is contained in the Directors' Remuneration Report on pages 16 to 17 of which the information on page 17 has been audited.

	2003 \$000	2002 \$000
Directors emoluments	400	321
Pension contributions	27	22
Gains at point of exercise of share options	225	-
	<b>652</b>	<b>343</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 7 Taxation

The tax charge comprises:

	2003 \$000	2002 \$000
Foreign corporation tax - current year	5,552	4,170
Foreign withholding tax on remittances	321	372
Deferred tax adjustment - current year	268	(175)
	<b>6,141</b>	<b>4,367</b>

The corporation tax rates in Indonesia and Malaysia, the group's countries of operation, are close to the 30% standard rate of corporation tax in the UK but the charge for the year differs from the standard UK rate of corporation tax for the reasons below.

	2003 \$000	2002 \$000
Profit on ordinary activities before tax	19,587	12,092
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 30% (2002 - 30%)	5,876	3,628
Effects of:		
Rate adjustment relating to overseas profits	(10)	(13)
Group accounting adjustments not subject to tax	(132)	73
Expenses not allowable for tax	28	63
Timing differences	56	64
Losses not offsetable against fellow subsidiary profits	33	402
Utilisation of tax losses brought forward	(299)	(47)
Current tax charge for period	<b>5,552</b>	<b>4,170</b>

### 8 Dividends

	2003 \$000	2002 \$000
Final proposed - 6.00 cts per ordinary share (2002 - 4.00 cts)	2,375	1,571

### 9 Earnings per Ordinary Share

Basic net earnings per ordinary share have been calculated on the profit attributable to ordinary shareholders being \$11,245,000 (2002: - \$6,475,000) divided by 39,378,899 (2002 - 39,226,922) ordinary shares, being the weighted average number of ordinary shares in issue during the year. The equivalent figure for diluted net earnings per share is 39,581,527 (2002 - 39,440,025) which includes the effect of share options granted to directors and employees.

### 10 Tangible Fixed Assets

	Estates \$000	Oil mills \$000	Total \$000
Cost or valuation			
Beginning of year	97,401	7,609	105,010
Revaluations and exchange translations	(4,194)	443	(3,751)
Additions	5,238	647	5,885
Disposals	(39)	(96)	(135)
End of year	<b>98,406</b>	<b>8,603</b>	<b>107,009</b>
Depreciation			
Beginning of year	-	(1,452)	(1,452)
Revaluations and exchange translations	2,077	(89)	1,988
Charge for the year	(2,077)	(416)	(2,493)
Disposals	-	44	44
End of year	-	<b>(1,913)</b>	<b>(1,913)</b>
Net book value			
Beginning of year	97,401	6,157	103,558
End of year	<b>98,406</b>	<b>6,690</b>	<b>105,096</b>

Net book value of estates includes \$75,000 (2002 - \$48,000) in respect of assets held under finance leases.

## NOTES TO THE FINANCIAL STATEMENTS

### 10 Tangible Fixed Assets - continued

The directors valued the estates at 31 December 2003 and 2002 at the higher of net realisable value and value in use. The Indonesian estates have been included at value in use, which in the opinion of the directors are probably slightly above market values at the date of this report. The impairment loss, if any, has not been accounted for as the directors believe that valuations of the Indonesian estates on the basis of their value to the company as a going concern best reflect their worth as opposed to general market values, which are impacted by current conditions in Indonesia and current palm oil prices and are in any event difficult to determine. The Malaysian estates were professionally valued by Messrs Khong & Jafaar in December 2001 on an open market existing use basis and are included at this valuation plus subsequent additions at cost less depreciation.

Tangible fixed assets include \$130,000 (2002: \$220,000) of interest and \$1,187,000 (2002: \$1,589,000) of overheads capitalised during the year in respect of expenditure on estates under development during 2003.

Original cost and depreciation at historical rates of exchange of tangible fixed assets at 31 December 2003 were:

	Estates \$000	Oil mill \$000	Total \$000
Original cost	123,095	15,455	138,550
Cumulative depreciation based on original cost	(22,544)	(6,241)	(28,785)
	<b>100,551</b>	<b>9,214</b>	<b>109,765</b>

The Indonesian authorities have granted certain land exploitation rights and operating permits for the estates. In the case of estates in North Sumatra these rights and permits expire between 2023 and 2028 with rights of renewal thereafter for a period of 35 years. In the case of estates in Bengkulu outstanding land titles were issued in 2002 and the titles expire between 2028 and 2032 with rights of renewal thereafter for two consecutive periods of 25 and 35 years respectively. Renewal is subject to compliance with the laws and regulations of Indonesia. As described in note 1 the values in use of the Indonesian estates are depreciated over a period of fifty years since the directors expect the renewals will take place.

The land title of the estate in Malaysia is a long lease expiring in 2084.

### 11 Stocks

These are estate and mill stores of \$708,000 (2001 - \$718,000), and produce stocks of \$1,005,000 (2002 - \$210,000), stated at the lower of cost and net realisable value. Replacement value is not materially different.

### 12 Debtors

	2003 \$000	2002 \$000
<b>Consolidated balance sheet</b>		
Due within one year		
Trade debtors	793	657
Other debtors	432	344
Taxation	203	250
Prepayments and accrued income	237	193
Due after more than one year		
Minority shareholders (note 27)	1,071	557
	<b>2,736</b>	<b>2,001</b>
	<b>2003</b>	<b>2002</b>
	<b>\$000</b>	<b>\$000</b>
<b>Company balance sheet</b>		
Due within one year		
Other debtors	5	4
Prepayments and accrued income	48	27
	<b>53</b>	<b>31</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 13 Investments

These represent short term investments listed on the Kuala Lumpur Stock Exchange and are shown at market value, being lower than cost of \$591,000 (2002 - \$591,000).

### 14 Creditors: Amounts Falling Due Within One Year

	2003 \$000	2002 \$000
<b>Consolidated balance sheet</b>		
Trade creditors	606	666
Overseas taxation	3,513	3,051
Other creditors	1,387	1,401
Accruals	1,558	1,028
Proposed dividend	2,375	1,571
	<b>9,439</b>	<b>7,717</b>
	2003 \$000	2002 \$000
<b>Company balance sheet</b>		
Other creditors	10	11
Proposed dividend	2,375	1,571
Accruals	263	120
	<b>2,648</b>	<b>1,702</b>

### 15 Borrowings

#### Consolidated balance sheet

	2003		2002	
	under one year	more than one year	under one year	more than one year
Bank overdraft (a)	19	-	-	-
Finance lease obligations (b)	18	49	20	-
Long term development loan (c)	1,600	4,800	1,600	6,400
Long term development loan (d)	423	1,259	420	1,685
	<b>2,060</b>	<b>6,108</b>	<b>2,040</b>	<b>8,085</b>
Amounts repayable after more than one year, as follows:				
in more than one year but not more than two years		5,238		2,021
in more than two years but not more than five years		870		6,064
more than five years		-		-
		<b>6,108</b>		<b>8,085</b>

(a) The bank overdraft is secured by a fixed and floating charge over the land titles and assets of the company's Malaysian operating subsidiary, Anglo-Eastern Plantations (M) Sdn Bhd ("AEP Malaysia") as well as over the company's shareholding in AEP Malaysia. The company has guaranteed the overdraft. Interest is at 2% above Malaysian Bank Lending Rate or about 8.2% (2002: 8.4%).

(b) Finance lease obligations relate to vehicles and machinery, on which the obligations are secured, in the Malaysian subsidiaries (2002 - Indonesia). Interest is effectively at 4.6%. Payments complete by the end of 2007.

(c) The long term development loan, which is part of a facility of \$8,000,000, is made to and secured by a fixed and floating charge on the land titles and other assets of PT Mitra Puding Mas and PT Alno Agro Utama. The company has guaranteed the loan. From November 2003 interest is at 3% (previously 1%) under the US dollar Indonesian prime rate or about 7.3% through 2003 (2002: 8.3%). The loan is repayable in eight quarterly instalments of \$400,000 from January 2003 to September 2004, and four quarterly instalments of \$1,200,000 from January 2004 to September 2005.

(d) The long term development loan is made to AEP Malaysia on the same security and interest terms described for the overdraft in note 15(a) above. The loan is repayable in equal monthly instalments amounting to \$421,000 per annum over five years from January 2003.

## NOTES TO THE FINANCIAL STATEMENTS

### 16 Deferred Taxation

#### Consolidated balance sheet

	2003 \$000	2002 \$000
Beginning of year asset	1,215	890
(Charge)/credit to profit and loss account during year	(268)	175
Exchange adjustment	66	150
End of year asset	<u>1,013</u>	<u>1,215</u>

Deferred tax asset at end of year comprises:

	2003 \$000	2002 \$000
Unutilised tax losses	803	1,069
Other timing differences	210	146
	<u>1,013</u>	<u>1,215</u>

	2003 \$000	2002 \$000
Potential tax payable if revalued assets realised for their carrying value	<u>13,742</u>	<u>14,835</u>

	Company		Consolidated	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Unutilised tax losses for which no deferred tax asset created	<u>433</u>	<u>504</u>	<u>12,718</u>	<u>12,702</u>

### 17 Share Capital

	Authorised Number	Issued and fully paid Number	Authorised \$000	Issued and fully paid \$000	Authorised £000	Issued and fully paid £000
Ordinary shares of 25p each						
Beginning of year	60,000,000	39,226,922	23,865	15,171	15,000	9,808
Share options exercised	-	353,700	-	148	-	87
End of year	<u>60,000,000</u>	<u>39,580,622</u>	<u>23,865</u>	<u>15,319</u>	<u>15,000</u>	<u>9,895</u>

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

Date of grant	Price per share	Period of option	Number of options			Number of shares subject to option		
			1 Jan 03	Granted/ (Lapsed/ Exercised)	31 Dec 03	1 Jan 03	Granted/ (Lapsed/ Exercised)	31 Dec 03
5.11.94	93.2p	5.11.97 - 4.11.04	1	0	1	31,412	0	31,412
3.11.95	115.8p	3.11.98 - 2.11.05	1	0	1	8,000	0	8,000
24.5.96	124.0p	24.5.99 - 23.5.06	1	0	1	14,338	0	14,338
25.10.99	47.0p	25.10.02 - 24.10.09	22	(20)	2	409,600	(256,400)	153,200
16.10.00	38.0p	16.10.03 - 15.10.10	25	(16)	9	164,900	(143,300)	21,600
16.04.02	44.7p	30.04.05 - 29.04.12	28	(5)	23	196,500	(36,000)	160,500
21.05.03	108.5p	21.05.06 - 29.05.13	0	10	10	0	42,800	42,800
			<u>78</u>	<u>(31)</u>	<u>47</u>	<u>824,750</u>	<u>(392,900)</u>	<u>431,850</u>

Options granted to directors, included above, are shown on page 17.

### 18 Ultimate Controlling Shareholder

At 31 December 2003 Genton International Limited, a company registered in Hong Kong, held 20,176,414 (2002 - 20,176,414) shares of the company representing 51.0% (2002 - 51.4%) of the issued share capital of the company. Madam S K Lim, a director of the company has advised the company that she is the controlling shareholder of Genton International Limited.

During the year a subsidiary of the company rented office space at \$20,000 p.a. from, and for a fee of \$9,000 p.a. manages a small plantation owned by, companies controlled by Madam S K Lim. These contracts are on an arm's length basis.

## NOTES TO THE FINANCIAL STATEMENTS

### 19 Reserves and Minority Interests

#### (a) Consolidated balance sheet

	Share premium account \$000	Share capital redemption \$000	Revaluation and exchange reserve \$000	Profit and loss account \$000	Minority interests \$000
Beginning of year	23,570	1,087	6,586	34,719	17,377
Share options exercised	109	-	-	-	-
Revaluation	-	-	(5,126)	-	(937)
Exchange translation	-	-	3,915	-	853
Retained profit for year	-	-	-	8,870	2,201
Surplus on deemed disposal of interest in subsidiary (note 26)	-	-	-	113	-
Minority dividends	-	-	-	-	(698)
Increase in interest in subsidiary	-	-	-	-	433
End of year	<b>23,679</b>	<b>1,087</b>	<b>5,375</b>	<b>43,702</b>	<b>19,229</b>

As significantly all foreign exchange translation is attributable to fixed assets, foreign exchange translation effects have been included in the revaluation and exchange reserve. This reserve includes cumulative revaluation reserve of \$71,132,000 (credit), the reserve of \$3,449,000 (credit) referred to in note 19(b) below and exchange translation loss of \$69,206,000 (debit). No deferred tax has been provided by the group in respect of the revaluation and exchange reserve since.

#### (b) Company balance sheet

	Share premium account \$000	Share capital redemption \$000	Revaluation and exchange reserve \$000	Profit and loss account (distributable) \$000
Beginning of year	23,570	1,087	3,872	1,623
Share options exercised	109	-	-	-
Profit for the financial year	-	-	-	2,623
Proposed dividend	-	-	-	(2,375)
Retained profit for year	-	-	-	248
End of year	<b>23,679</b>	<b>1,087</b>	<b>3,872</b>	<b>1,871</b>

As permitted by section 230 of the Companies Act 1985, a separate profit and loss account dealing with the results of the company has not been presented. The profit before tax of the company for the year was \$2,799,000 (2002 - \$3,252,000). Of the revaluation and exchange reserve, \$3,449,000 is available to meet any reduction in dollar terms of investments in and loans to subsidiaries caused by adverse exchange rate movements on the underlying assets.

### 20 Guarantees and Other Financial Commitments

	2003 \$000	2002 \$000
<b>Consolidated</b>		
Capital commitments at 31 December		
Contracted for but not provided for - normal operations	363	477
- oil mills	1,987	-
Authorised but not contracted for - normal operations	3,545	1,350
- oil mills	2,895	-

#### Contingent liabilities

A subsidiary is claiming restitution of 236ha of unplanted land in Indonesia. The subsidiary in question has a valid HGU land title covering the relevant area and has won its case in the local and Appeal courts but the plaintiff has appealed to the Supreme Court. While the company is reasonably confident of winning this case it is not confident of regaining physical possession and has made a provision of \$45,000, equivalent to the value of the land, in the profit and loss account.

#### Company

The company has provided a guarantee for loans and overdrafts to subsidiaries totalling \$8,101,000 (2002 - \$10,105,000), as set out in note 15.

The company had no capital commitments at 31 December 2003 (2002 - nil).



## NOTES TO THE FINANCIAL STATEMENTS

### 21 Retirement Benefits

The group maintains a defined benefit funded pension scheme for labour in Indonesia. The scheme is valued by an actuary at the end of each financial year. The major assumptions used by the actuary were:

	2003	2002	2001
Inflation	<b>10%</b>	10%	10%
Rate of increase in wages	<b>10%</b>	10%	10%
Discount rate	<b>12%</b>	12%	12%

The fair values of assets in the scheme were:

	2003	2002	2001
	\$000	\$000	\$000
Cash (expected long term rate of return: 12%)	<b>503</b>	397	287

The following amounts were measured in accordance with the requirements of FRS 17 - Retirement Benefits.

	2003	Movement in year	2002	Movement in year	2001
	\$000	\$000	\$000	\$000	\$000
Fair value of scheme assets	<b>503</b>	106	397	110	287
Actuarial value of scheme liabilities	<b>(556)</b>	(83)	(473)	(110)	(363)
Deficit in scheme provided within accruals (note 14)	<b>(53)</b>	23	(76)	-	(76)

The group also operates a non-contributory non-funded retirement plan for staff in Indonesia. Retirement benefits are paid to employees in a single lump sum at the time of retirement. Retirement benefit is accrued by the group based on individual employees' service up to the end of the financial year.

	2003	2002	2001
	\$000	\$000	\$000
Amount included in accruals (note 14)	<b>321</b>	227	147

Since deficits have been provided in full within the group financial statements the group net assets and results would be unaffected if the schemes were combined within the financial statements in accordance with FRS 17 - Retirement Benefits.

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

	2003	2002
	\$000	\$000
Operating profit	<b>19,994</b>	12,767
Depreciation and amortisation	<b>2,493</b>	2,411
(Profit)/loss on sale of fixed assets	<b>(25)</b>	5
Movement in market value of investments	<b>(79)</b>	32
Increase in stocks	<b>(785)</b>	(328)
Increase in debtors	<b>(268)</b>	(263)
Increase/(decrease) in creditors	<b>378</b>	(815)
Foreign exchange	<b>434</b>	(118)
Net cash inflow from ordinary activities	<b>22,142</b>	13,691

### 23 Reconciliation of Net Cash Flows to Movement in Net Debt

	2003	2002
	\$000	\$000
Increase in cash in year	<b>6,692</b>	6,236
Cash outflow/(inflow) from decrease/(increase) in long term loans	<b>2,023</b>	(3,663)
Cash (inflow)/outflow from (increase)/decrease in finance leases	<b>(47)</b>	29
Change in net debt resulting from cash flows	<b>8,668</b>	2,602
Change in market value of current asset investments	<b>79</b>	(32)
Movement in net debt in year	<b>8,747</b>	2,570
Net (debt) at start of year (note 24)	<b>(1,475)</b>	(4,045)
Net funds/(debt) at end of year (note 24)	<b>7,272</b>	(1,475)

## NOTES TO THE FINANCIAL STATEMENTS

### 24 Analysis of Net Debt

	<i>At 31 Dec</i> 2002 \$000	<b>Flows</b> \$000	<b>Reclas-</b> <b>sification</b> \$000	<b>Change in</b> <b>market</b> <b>value</b> \$000	<b>At 31 Dec</b> 2003 \$000
Cash at bank and in hand	8,416	6,711	-	-	15,127
Overdraft	-	(19)	-	-	(19)
Net cash	<u>8,416</u>	<u>6,692</u>	-	-	<u>15,108</u>
Loans due within 1 year	(2,020)	2,023	(2,026)	-	(2,023)
Finance leases due within 1 year	(20)	2	-	-	(18)
Borrowings due in more than 1 year	(8,085)	-	2,026	-	(6,059)
Finance leases due in more than 1 year	-	(49)	-	-	(49)
Current asset investments	234	-	-	79	313
Net (debt)/funds	<u>(1,475)</u>	<u>8,668</u>	-	<u>79</u>	<u>7,272</u>

### 25 Disclosure of Financial Instruments and Other Risks

#### *General*

The group's financial instruments at present comprise cash and liquid resources, some short term creditors, together with normal trade debtors and creditors, and long term loans in Indonesia and Malaysia. The main risks which arise from these financial instruments relate to liquidity, interest rates and exchange rates.

#### *Liquidity risk*

At 31 December 2003 the group had the following loans and facilities.

	<b>Borrowings</b> \$000	<b>Facilities</b> \$000	<b>Repayable</b>
Malaysia: ringgit denominated			
- overdraft	19	790	on demand
- long term loan	1,682	1,682	2004 – 2007 (note 15)
Indonesia: US dollar denominated			
- long term loan	6,400	6,400	2004 – 2005 (note 15)

The total long term loan facilities of \$8,082,000 are repayable as follows:

<b>2004</b> <b>\$000</b>	<b>2005</b> <b>\$000</b>	<b>2006</b> <b>\$000</b>	<b>2007</b> <b>\$000</b>
2,023	5,221	421	417

#### *Interest rate risk*

The loans listed above are all at variable rates of interest as described in note 15.

The group's financial liabilities comprise long term loans as set out above, as well as short term creditors, and a potential short term overdraft facility.

The group's financial assets comprise short term debtors, residual short term portfolio investments, cash at bank and long term debtors. All surplus cash is in bank deposits at variable short term rates of interest. Long term debtors comprise dollar denominated amounts due from minority shareholders, as described in note 27, on which amounts interest is due at 6% (fixed) but not accrued in the group accounts; these debtors are expected to be settled in about five years.

The interest rate profiles of the group's financial liabilities at 31 December 2003 and 2002 were:

<b>Currency</b>	<b>Total</b>	<b>Fixed rate financial</b> <b>liabilities</b>	<b>Variable rate</b> <b>financial</b> <b>liabilities</b>	<b>Financial liabilities</b> <b>on which no interest</b> <b>is paid</b>
<b>2003</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Sterling	(122)	-	-	(122)
US dollar	(10,177)	-	(6,400)	(3,777)
Rupiah	(5,329)	-	-	(5,329)
Ringgit	(1,979)	-	(1,768)	(211)
Total	<u>(17,607)</u>	<u>-</u>	<u>(8,168)</u>	<u>(9,439)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 25 Disclosure of Financial Instruments and Other Risks

*Interest rate risk – continued*

	Total \$000	Fixed rate financial assets/(liabilities) \$000	Variable rate financial assets/(liabilities) \$000	Financial assets/ (liabilities) on which no interest is paid \$000
2002				
<i>Sterling</i>	(131)	-	-	(131)
<i>US dollar</i>	(10,631)	-	(8,020)	(2,611)
<i>Rupiah</i>	(4,836)	-	-	(4,836)
<i>Ringgit</i>	(2,244)	-	(2,105)	(139)
<i>Total</i>	<u>(17,842)</u>	<u>-</u>	<u>(10,125)</u>	<u>(7,717)</u>

	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate	Weighted average period on which rate is fixed Years	Weighted average period until maturity Years
All currencies - 2003	%	-	<1
	<u>-</u>	<u>-</u>	<u>&lt;1</u>

#### *Foreign currency risk*

All the group's operations are overseas. The group is therefore exposed to currency movements on its net investment overseas.

The effects of devaluation in local currencies on the group's operations are as follows:

Since selling prices of the group's produce are linked directly to the US dollar, a depreciation of local currencies against the US dollar would increase the profit of the Malaysian and Indonesian subsidiaries in terms of local currencies and by a lesser amount in US dollars. However, this benefit is partly offset over time by consequent inflation in local costs. Cost of development in dollar terms also reduces.

Value of plantations in Indonesia are included in the group's financial statements based on estimated future cash flows in rupiah. The net effect of depreciation of the rupiah is to increase values in rupiah terms and to a lesser extent in US dollars. Plantations in Malaysia have been included in the group's financial statements at ringgit market valuation determined by a professional valuer. In the cases of both Indonesian and Malaysia, exchange losses on translation of plantation values into US dollars are offset against revaluation surpluses.

The group retains little of its cash balances in local currencies. The exchange profits or losses arising in overseas subsidiaries holding foreign currency balances are also credited or charged in the group profit and loss account.

The group's subsidiaries which are borrowing US dollars, as shown under "Liquidity risk" above, could face significant exchange losses, which would be charged in the group profit and loss account. This risk is mitigated in part by the dollar denomination of the group's income, and by any dollar liquid assets.

Exchange losses on long term dollar intercompany debt are charged against the revaluation surpluses referred to above and do not affect the group's profit.

Gains and losses arising from structural currency exposures are taken to the revaluation and exchange reserve and are therefore recognised in the Statement of Total Recognised Gains and Losses.

The table below shows the net monetary assets and liabilities of the group at 31 December 2003 and 2002 that were not denominated in the operating (or "functional") currency of the operating unit involved.

Functional currency of group operation	Net foreign currency assets/(liabilities)			
	US dollar \$000	Ringgit \$000	Sterling \$000	Total \$000
2003				
Indonesian rupiah	2,988	-	-	2,988
US dollar	-	338	38	376
<i>Total</i>	<u>2,988</u>	<u>338</u>	<u>38</u>	<u>3,364</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 25 Disclosure of Financial Instruments and Other Risks

*Foreign currency risk - continued*

2002	\$000	\$000	\$000	\$000
Indonesian rupiah	(2,996)	-	-	(2,996)
US dollar	-	244	(69)	175
<b>Total</b>	<u>(2,996)</u>	<u>244</u>	<u>(69)</u>	<u>(2,821)</u>

*Fair values of financial assets and financial liabilities*

There is no material difference between the book values and fair values of the group's financial assets and liabilities as at 31 December 2003.

*Gains and losses on hedges*

The group enters into no hedging transactions and normally does not contract to sell produce more than one month ahead.

*Other risks*

Indonesia went through a period of major political change in 1998/2000. Further changes could affect exchange and interest rates and social stability. Indonesian government policy towards foreign investment and the plantation industry may also change, affecting the group's future profits and cash flow. The net assets of the group in Indonesia subject to this risk are set out in note 2.

### 26 Investments in Subsidiary Undertakings - Company

	<b>Investments in subsidiary undertaking \$000</b>	<b>Loans to subsidiary undertakings \$000</b>	<b>Total \$000</b>
At beginning of year	1,599	43,826	45,425
Conversion to redeemable preference shares	6,146	(6,146)	-
Other movements in year	-	1,567	1,567
At end of year	<u>7,745</u>	<u>39,247</u>	<u>46,992</u>

Loans to and from subsidiary companies do not have fixed repayment terms. They are effectively long term in nature and therefore classified with investments in subsidiaries.

	Percentage holding of ordinary shares
<b>Principal United Kingdom sub-holding company</b>	
Anglo-Indonesian Oil Palms Limited	100
<b>UK management company</b>	
Indopalm Services Limited	100
<b>Malaysian operating companies</b>	
Anglo-Eastern Plantations (M) Sdn Bhd	55
Anglo-Eastern Plantations Management Sdn Bhd	100
<b>Indonesian operating companies</b>	
PT Alno Agro Utama	90
PT Anak Tasik	100
PT Mitra Puding Mas	90
PT Musam Utjing	75
PT Simpang Ampat	100
PT Tasik Raja	80
PT United Kingdom Indonesia Plantations	75

During the year the minority shareholder in PT Alno Agro Utama increased its interest from 6% to 10% by subscribing to a new issue of shares at a small premium to the values at which the assets of that subsidiary were held in the group financial statements at 31 December 2002. This gave rise to the surplus on deemed disposal referred to in note 19.

## NOTES TO THE FINANCIAL STATEMENTS

### **26 Investments in Subsidiary Undertakings - Company**

The principal United Kingdom sub-holding company and UK management company are registered in England and Wales and are direct subsidiaries of the company. Details of United Kingdom subsidiaries which are not significant have been omitted. The Malaysian operating companies are incorporated in Malaysia and are direct subsidiaries of the company. The Indonesian operating companies are incorporated in Indonesia and are direct subsidiaries of the principal sub-holding company. The principal activity of the operating companies is plantation agriculture.

The company's entire interest in Anglo-Eastern Plantations (M) Sdn Bhd has been secured against the loans to that subsidiary as set out in note 15.

### **27 Minority Interests**

The minority shareholders in PT Mitra Puding Mas and PT Alno Agro Utama have acquired their interests on deferred terms. The resulting debts together with accrued interest will be settled from dividends arising from these projects.

### **28 Post Balance Sheet Event**

On 15 March 2004 the company and Anglo-Indonesian Oil Palms Ltd completed a contract to acquire 10% and 90% respectively of the entire share capital of P T Bina Pitri Jaya, a company incorporated in Indonesia, whose principal asset is a planted oil palm estate of land title area of 4,329ha. The land title was issued in 2003 and expires in 2033 with right of renewal for a period of 35 years.

Total consideration was \$10,000,000 including \$2,800,000 of liabilities, the bulk of which require settlement by 31 March 2004. Other than the estate there were no other significant assets acquired. The consideration is being paid from the group's own cash balances.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT (£ STERLING)

FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes (References in US Dollars)	2003 £000	2002 £000
<b>Turnover</b> - continuing operations	2	<b>29,495</b>	20,622
Cost of sales		<b>(16,234)</b>	<u>(11,573)</u>
<b>Gross profit</b> - continuing operations		<b>13,261</b>	9,049
Administration and other expenses	3	<b>(1,107)</b>	<u>(594)</u>
<b>Operating profit</b> - continuing operations	4	<b>12,154</b>	8,455
Interest - receivable		<b>95</b>	33
- payable	5	<b>(342)</b>	<u>(480)</u>
<b>Profit on ordinary activities before taxation</b>	2	<b>11,907</b>	8,008
Tax on profit on ordinary activities	7	<b>(3,733)</b>	<u>(2,892)</u>
<b>Profit on ordinary activities after taxation</b>		<b>8,174</b>	5,116
Minority interests (all equity interests)	19	<b>(1,338)</b>	<u>(828)</u>
<b>Profit for the financial year</b>		<b>6,836</b>	4,288
Dividends proposed	8	<b>(1,444)</b>	<u>(1,040)</u>
<b>Retained profit for the year</b>	19	<b>5,392</b>	<u>3,248</u>
<b>Earnings per ordinary share (basic and diluted)</b>			
- basic	9	<b>17.4p</b>	10.9p
- diluted	9	<b>17.3p</b>	10.9p

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

# CONSOLIDATED AND COMPANY BALANCE SHEETS (£ STERLING)

31 DECEMBER 2003

	Notes (References in US dollars)	Consolidated		Company	
		2003 £000	2002 £000	2003 £000	2002 £000
<b>Fixed Assets</b>					
Tangible assets	10	58,712	64,322	-	-
Investments in subsidiary undertakings	26	-	-	26,253	28,214
		<u>58,712</u>	<u>64,322</u>	<u>26,253</u>	<u>28,214</u>
<b>Current Assets</b>					
Stocks	11	958	576	-	-
Debtors	12	1,528	1,243	30	20
Investments	13,24	175	145	175	145
Cash at bank and in hand	24	8,450	5,227	624	829
		<u>11,111</u>	<u>7,191</u>	<u>829</u>	<u>994</u>
<b>Current Liabilities</b>					
Creditors: falling due within one year					
Borrowings	15,24	(1,150)	(1,267)	-	-
Other creditors	14	(5,273)	(4,793)	(1,396)	(1,057)
		<u>(6,423)</u>	<u>(6,060)</u>	<u>(1,396)</u>	<u>(1,057)</u>
<b>Net current assets/(liabilities)</b>		<u>4,688</u>	<u>1,131</u>	<u>(567)</u>	<u>(63)</u>
<b>Total assets less current liabilities</b>		<b>63,400</b>	<b>65,453</b>	<b>25,686</b>	<b>28,151</b>
<b>Non-current Assets/Liabilities</b>					
(Creditors)/assets: due after more than one year					
Borrowings	15,24	(3,412)	(5,022)	-	-
Deferred taxation	16	566	755	-	-
<b>Net assets</b>		<u>60,554</u>	<u>61,186</u>	<u>25,686</u>	<u>28,151</u>
<b>Capital and Reserves</b>					
Called-up share capital	17	9,895	9,808	9,895	9,808
Share premium account	19	15,395	15,329	15,395	15,329
Share capital redemption reserve	19	663	663	663	663
Revaluation and exchange reserve	19	(556)	3,028	(1,396)	1,342
Profit and loss account	19	24,415	21,565	1,129	1,009
<b>Shareholders' funds - all equity interests</b>		<u>49,812</u>	<u>50,393</u>	<u>25,686</u>	<u>28,151</u>
<b>Minority interests - all equity interests</b>	19,27	<b>10,742</b>	<b>10,793</b>	-	-
<b>Total capital employed</b>		<u>60,554</u>	<u>61,186</u>	<u>25,686</u>	<u>28,151</u>

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

## CONSOLIDATED CASH FLOW STATEMENT (£ STERLING)

FOR THE YEAR ENDED 31 DECEMBER 2003

		2003		2002	
	Notes (References in US dollars)	£000	£000	£000	£000
<b>Net cash inflow from operating activities</b>	22		<b>12,604</b>		8,670
<b>Returns on Investments and Servicing of Finance</b>					
Interest received		95		33	
Interest paid		(421)		(624)	
Interest element of finance lease payment		-		(2)	
Dividends paid to minority shareholders		(377)		(174)	
			<b>(703)</b>		(767)
<b>Taxation</b>					
Foreign tax paid			<b>(3,261)</b>		(1,605)
<b>Capital Expenditure</b>					
Payments to acquire tangible fixed assets		(3,474)		(4,064)	
Payments to acquire land		(24)		(411)	
Proceeds from sale of tangible fixed assets		70		23	
			<b>(3,428)</b>		(4,452)
<b>Equity Dividends Paid</b>					
Parent company			<b>(955)</b>		(520)
Cash inflow before financing			<b>4,257</b>		1,326
<b>Financing</b>					
Drawdown of long term loan		156		-	
(Repayment)/drawdown of long term loan		(1,230)		2,427	
Finance lease drawdown/(repayment)		29		(19)	
			<b>(1,045)</b>		2,408
<b>Increase in cash in year</b>	23		<b>3,212</b>		3,734

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



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the nineteenth Annual General Meeting of Anglo-Eastern Plantations Plc will be held at the offices of Lovells, Atlantic House, Holborn Viaduct, London EC1A 2FG on 27 May 2004 at 11.30 am for the following purposes:

### As Ordinary Business

- 1 To receive and consider the company's annual report for the year ended 31 December 2003.
- 2 To declare a dividend.
- 3 To approve the directors' remuneration report for the year ended 31 December 2003.
- 4 To elect Mr Foo San Kan as a director.
- 5 To re-elect the following directors.
  - a) Madam S K Lim
  - b) Mr Ho Soo Ching
- 6 To re-appoint BDO Stoy Hayward LLP as auditors and to authorise the directors to fix their remuneration.

### As Special Business

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

That

- (a) the directors be generally and unconditionally authorised pursuant to and in accordance with section 80 of the Companies Act 1985 ("the Act") to exercise for the period ending on 26 May 2009 all the powers of the company to allot relevant securities up to an aggregate nominal amount equal to the company's authorised but unissued share capital at the date of this resolution;
- (b) during the period expiring on the date of the next Annual General Meeting or on 26 August 2005 (whichever shall be earlier) the directors be empowered to allot equity securities for cash pursuant to the authority conferred under paragraph (a) above or by way of sale of treasury shares (within the meaning of section 162A of the Act)
  - (i) in connection with a rights issue; and
  - (ii) up to an aggregate nominal amount of £494,757 otherwise than in connection with a rights issue

as if section 89 (1) of the Act did not apply to any such allotment;

- (c) by such authority and power the directors may during such periods make offers or agreements which would or might require the making of allotments after the expiry of such period; and
- (d) for the purposes of this resolution:
  - (i) "rights issue" means an offer of equity securities open for acceptance for a period fixed by the directors to holders of equity securities (other than the company) on the register on a fixed record date in proportion to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory);
  - (ii) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the company, the nominal amount of such shares which may be allotted pursuant to such rights; and
  - (iii) words and expressions defined in or for the purposes of part IV of the Act shall bear the same meanings herein.

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

That the directors be and they are hereby authorised

- (i) to exercise the powers contained in the Articles of Association of the company so that, to the extent determined by the directors, the holders of ordinary shares (other than the company) be permitted to elect to receive new ordinary shares in the capital of the company, credited as fully paid, instead of all or part of any interim or final

## NOTICE OF MEETING

- dividend or dividends which may be declared or paid at any time or times prior to 26 May 2009; and
- (ii) to capitalise the appropriate nominal amount of additional ordinary shares, falling to be allotted pursuant to elections made as aforesaid, out of the amount standing to the credit of any reserves of the company, to apply such sum in paying up such ordinary shares and pursuant to section 80 of the Act to allot such ordinary shares up to a maximum nominal value of an aggregate nominal amount equal to the company's authorised but unissued share capital at the date of this resolution to members of the company validly making such elections at any time or times prior to 26 May 2009 as if sub-section (1) of section 89 of the said Act did not apply thereto and so that this authority shall be without prejudice and additional to the authority conferred by resolution no 6.

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

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

- (a) the maximum number of ordinary shares hereby authorised to be purchased is 3,958,062 (representing 10% of the issued ordinary share capital);
- (b) the minimum price which may be paid for each ordinary share is 25p;
- (c) the maximum price which may be paid for each ordinary share is an amount equal to 105% of the average of the middle market quotations for such share as derived from the Daily Official List of the London Stock Exchange Limited for the five business days immediately preceding the date of purchase; and
- (d) the authority hereby conferred shall expire on 26 August 2005 or, if earlier, at the conclusion of the next Annual General Meeting of the company save that the company may before the expiry of this authority make a contract of purchase which will or may be executed wholly or partly after such expiry and may make a purchase of shares pursuant to any such contract.

24 March 2004

By order of the board  
R O B BARNES  
Secretary

A member of the company entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company. The instrument appointing a proxy must be deposited at the office of the registrars not less than forty-eight hours before the time appointed for holding the meeting (or any adjournment thereof).

Pursuant to regulation 34 of the Uncertified Securities Regulations 1995, the company has specified that only those shareholders on the register of members of the company at 11.30 am on 25 May 2004 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after 11.30 am on 25 May 2004 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

The register of directors' interests, showing any transactions of directors and of their families in the securities of the company, will be available for inspection at the registered office of the company during usual business hours from the date of this notice until the date of the Annual General Meeting and on that day until the conclusion of the meeting. No directors have service agreements exceeding one year's duration.

## COMPANY ADDRESSES

### **Malaysian Office**

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### **Indonesian Office**

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North Sumatra  
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Fax: 62 (0)61 4520029

### **Secretary and Registered Office (Number 1884630)**

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## COMPANY WEBSITE

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## COMPANY ADVISERS

### **Auditors**

BDO Stoy Hayward LLP  
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### **Principal Bankers**

National Westminster Bank Plc  
15 Bishopsgate  
London EC2P 2AP

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Wisma HSBC  
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Medan 20152  
North Sumatra

Malayan Banking Corporation Bhd  
Menara Promenade  
100 Jalan Tun Razak  
50050 Kuala Lumpur

### **Registrars**

Capita Registrars  
The Registry  
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Kent BR3 4TU

### **Solicitors**

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