



## 2014 Annual Report

**Anglo-Eastern Plantations Plc**



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## About Anglo-Eastern Plantations

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Anglo-Eastern Plantations Plc (“AEP”) and its subsidiaries (the “Group”) are a major producer of palm oil and rubber with plantations across Indonesia and Malaysia, amounting to some 127,800ha.



- AEP has a Premium Listing on the London Stock Exchange. The Company was formed and floated in 1985.
- Primary activities are the crop production and processing of palm oil and some rubber through operations in Indonesia and Malaysia.
- The Group is committed to responsible development and management of its plantations and facilities for the benefit of the environment and society in which it operates.

# About Anglo-Eastern Plantations

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## **Oil Palm Plantations**

The Group has developed 46,800ha of mature oil palm at 14 plantations across Indonesia and Malaysia.



## **Oil Palm Development**

An Oil Palm tree will usually take 3 years from planting to harvest of first crop and will reach full production after 5 years. The Group has approximately 15,300ha of recently planted immature plantations of which 3,403ha were planted in 2014, including replanting of 1,019ha.



## **Palm Oil Production**

The Group operates 5 palm oil mills in Indonesia, including a mill at Northern Sumatera incorporating advanced waste management treatment for biomass disposal and biogas emission capture. The biogas and biomass plant was completed and fully commissioned in 2014. In addition, a new mill in Central Kalimantan is nearing completion and is expected to be operational in the second quarter of 2015.



## **Third Party Palm Oil Processing**

During 2014 the Group purchased approximately 626,200mt of fresh fruit bunches from third party producers for processing through our own mills.



## **Rubber Plantations**

The Group has 678ha of established rubber plantations which, in 2014, produced 1,136mt of raw latex and rubber lumps.

# Financial Highlights

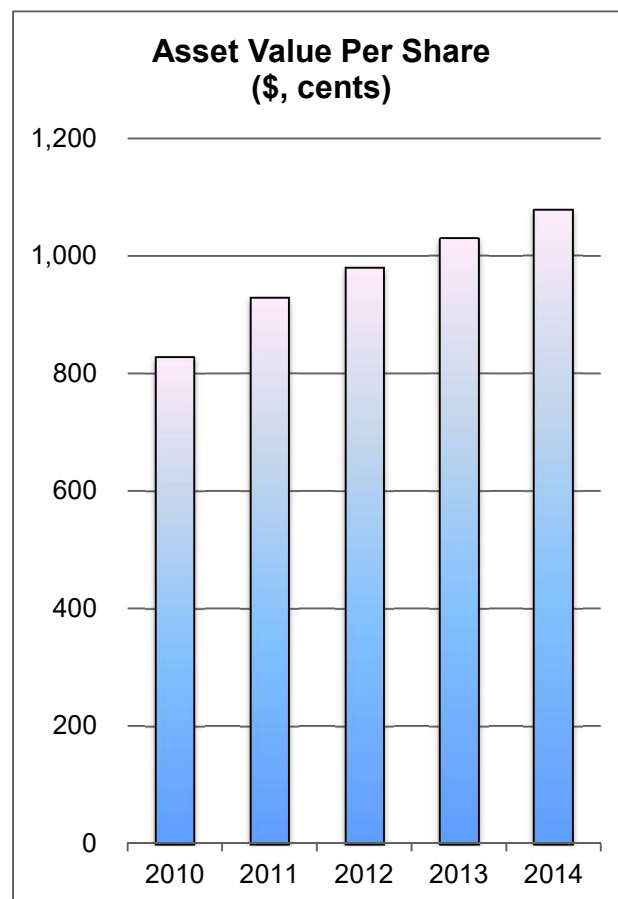
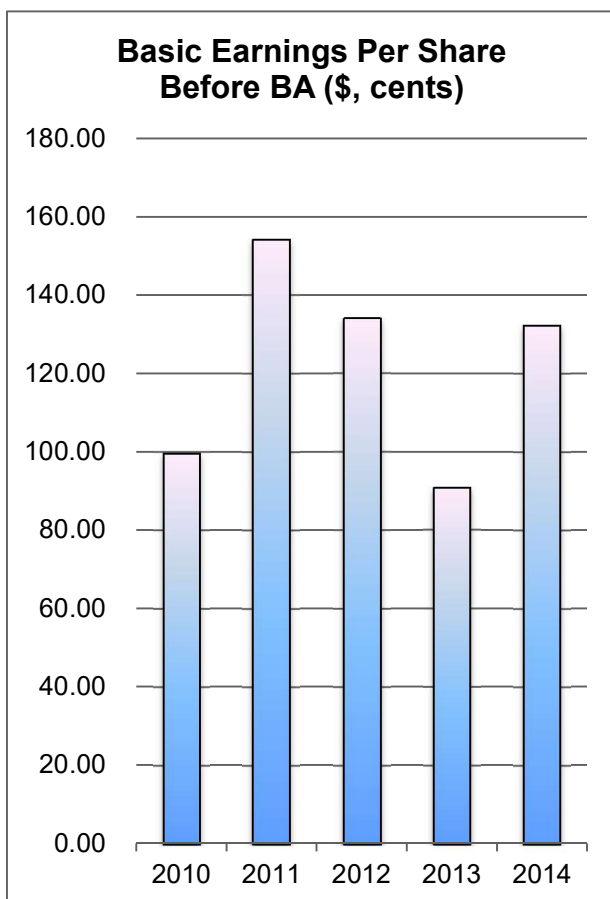
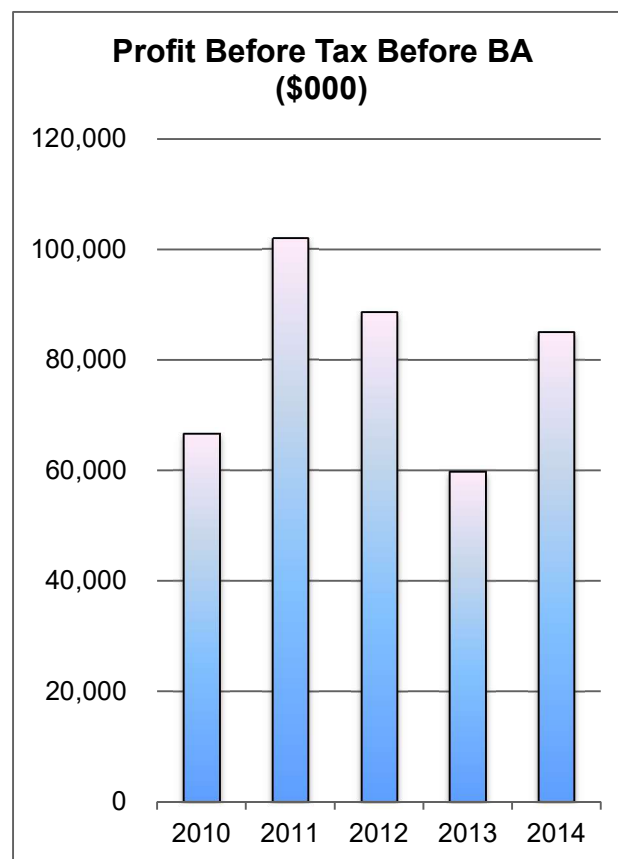
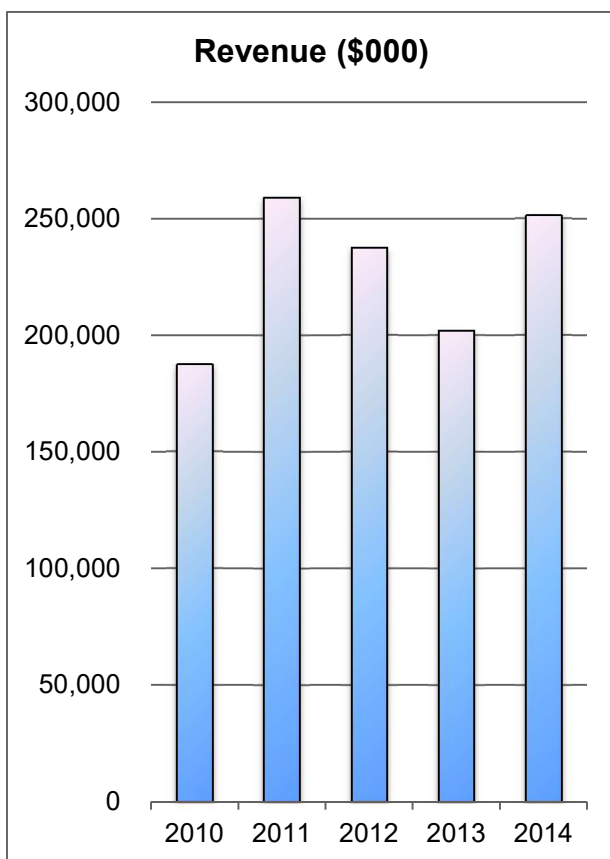
	2014 \$m	2013 \$m
Revenue	251.3	201.9
Profit before tax		
- before biological asset ("BA") adjustment	85.0	59.7
- after biological asset adjustment	51.2	153.4
EPS before BA adjustment	132.26cts	90.70cts
EPS after BA adjustment	77.61cts	235.95cts
Dividend (pence)	3.0p	3.0p
Dividend (cents)	4.5*cts	5.0cts

Note: \* Based on exchange rate at 24 April 2015 of \$1.5165/£

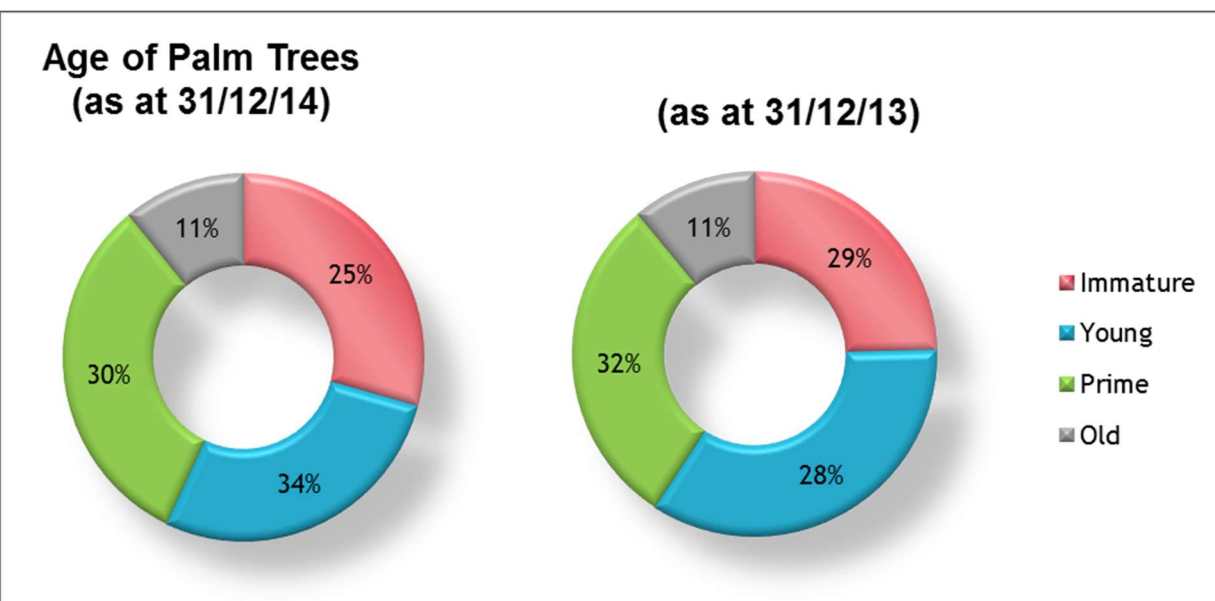
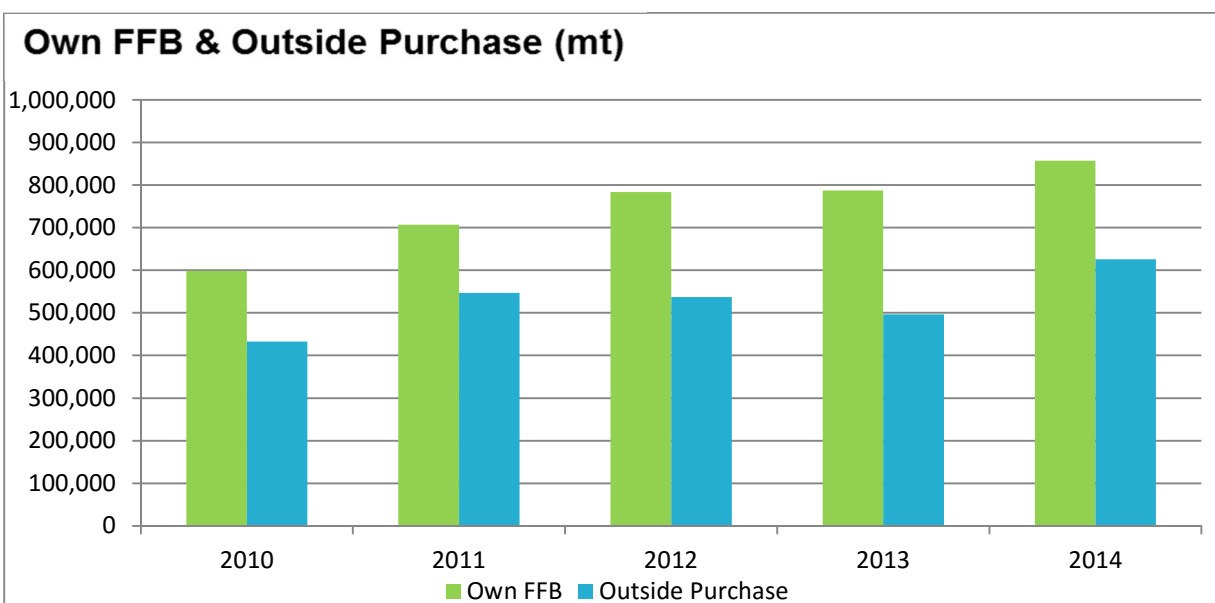
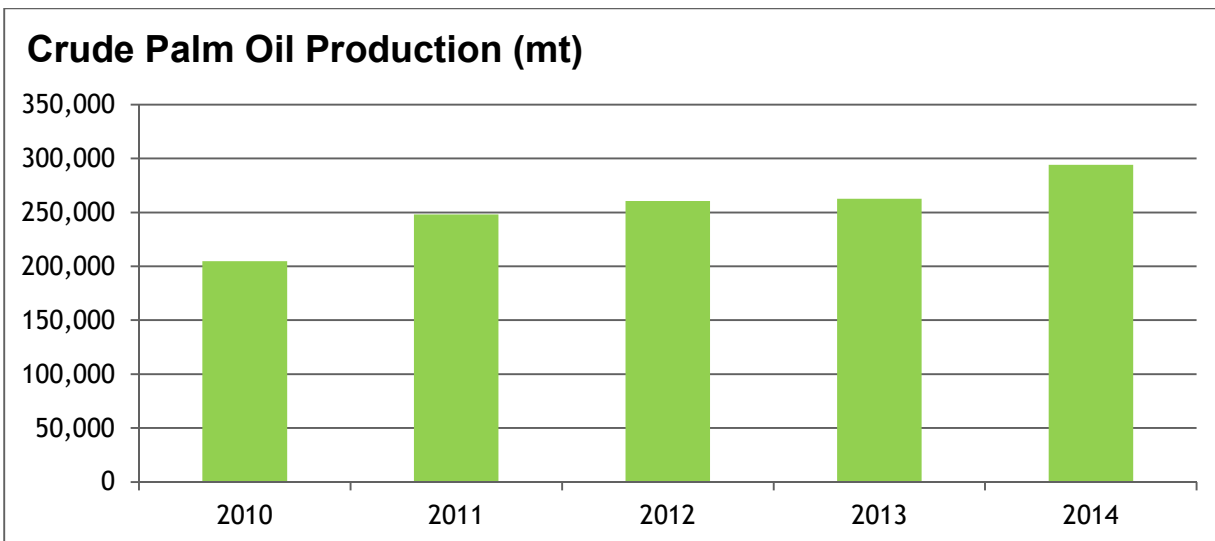
## Anglo-Eastern Plantations Plc



# Financial Highlights



# Key Information



# Shareholder Information

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## Market capitalisation

The market capitalisation of Anglo-Eastern Plantations Plc at 31 December 2014 was £222 million, the ordinary share price at close of business on 1 April 2015 was 595 pence giving a market capitalisation of £236 million.

## Website

[www.angloeastern.co.uk](http://www.angloeastern.co.uk) contains various details and information on the Company and its operations, together with all the key historical financial and regulatory information on the Company. The website is updated on a continuing basis for all Company announcements and other relevant developments, including share price movements.

## Investor relations

Investors requiring further information on the Company are invited to contact:

Dato' John Lim Ewe Chuan  
Executive Director, Corporate Finance and Corporate Affairs  
Anglo-Eastern Plantations Plc  
Quadrant House, 6<sup>th</sup> Floor  
4 Thomas More Square  
London E1W 1YW  
United Kingdom

Tel: 44 (0) 20 7216 4621

Fax: 44 (0) 20 7767 2602

## Registrar

Administrative queries about holdings of AEP can be directed to the Company's registrar:

Capita Registrars Ltd  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire, HD8 0GA  
United Kingdom

Tel: 0871 664 0300 (UK)

Tel: 44 (0) 20 8639 3399 (international)

Shareholders can view and update their account details via the Capita website, details of which can be found at [www.capitaregistrars.com](http://www.capitaregistrars.com).

## Annual General Meeting

The 30th Annual General Meeting of the Company will be held at the offices of UHY Hacker Young LLP, Quadrant House, 4 Thomas More Square, London E1W 1YW on 29 June 2015. Notice of the meeting is set out at the end of this Annual Report and pages 91 to 94.

## Amalgamation of accounts

Shareholders receiving multiple copies of Company mailings as a result of a number of accounts being maintained in their name are invited to write to the Company's registrar at the above address to request that their accounts be amalgamated.



# Shareholder Information

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## **Payment of dividends**

The Group's reporting currency is US Dollar. While the dividend is declared in Pounds Sterling, shareholders can choose to receive dividends in US Dollar. 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 Dollar.

The US Dollar equivalent dividend will be paid at the exchange rate ruling at the date of closure of the register.

## **Electronic communications**

Capita Registrars offer AEP shareholders the opportunity to manage their shareholding through the Capita Share Portal.

Registration is free and can be used to manage shareholdings quickly and securely. To register for this service go to [www.capitaregistrars.com/shareholder](http://www.capitaregistrars.com/shareholder) and follow the instructions.

## Chairman's Statement

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The Group is pleased to report an improved performance in 2014 on the back of higher production of Fresh Fruit Bunch ("FFB"), increased purchase of external crops by the mills and better operating margins. The performance was exceptional considering the Indonesian Rupiah depreciated by 2% against the US Dollar during the year, on top of 26% depreciation in 2013.

Despite the encouraging performance, challenging times are ahead for the Group and the palm oil industry. While India's imports of edible oil rose for the third year in a row, the import of palm oil fell for the first time in four years as Indian refiners bought more soy and sunflowers oil. Increased planting acreage complemented by good weather led to a bumper harvest of soybean and record supply of cooking oil globally. Even with weaker currencies, exports of Crude Palm Oil ("CPO") from Indonesia and Malaysia to India and China, the two largest consumers, were lower as the CPO discount to soya oil narrowed to around \$100/mt compared to a 10-year average discount of \$160/mt. Consumers tend to switch their imports to soya and other soft oils when the CPO discount to soya oil is lower. China also cut back on shipment of CPO amidst a slower economy and tightening of lending for commodity financing.

In 2014 CPO price declined to a 5-year low, the lowest since 2009. The price weakened as experts downgraded the probability of El Nino weather phenomenon which would have reduced the FFB production and palm oil inventories. The recent sharp decline in crude oil prices is also expected to reduce the CPO's competitiveness as a source of energy.

The Group's revenue was \$251.3 million, compared to \$201.9 million achieved in 2013, an increase of 24% which was due largely to the increase in FFB production and purchase of third party crops for the mills. The average CPO price in 2014 was \$815/mt, 5% lower than the figure of \$857/mt in 2013, but ended the year even lower at \$700/mt.

FFB production for 2014 was 857,400mt, 9% higher than the previous year (2013: 787,500mt) in line with 11% increase in matured trees. Yields remained below expectation due primarily to the lagged effect from dry weather in first three months of the year, followed by wide spread flooding in North Sumatera towards the end of the year and higher proportion of young palms. FFB bought-in from surrounding smallholders in 2014 was 626,200mt (2013: 496,600mt), 26% higher, as the Group offered competitive prices for the external crops. The Group's mills processed 12% more FFB, and increased CPO production to 294,200mt (2013: 262,600mt). The oil extraction rate reduced slightly due to the slightly inferior external crop.

The Group operating profit for 2014, before the biological asset ("BA") adjustment was \$78.8 million, 32% higher on \$59.6 million achieved in 2013. Earnings per share, before BA adjustment increased to 132.26cts, compared to 90.70cts in 2013. The Group operating profit for 2014 after a downward BA adjustment of \$33.7 million was \$45.1 million as compared to 2013 of \$153.3 million after an upward BA adjustment of \$93.7 million. The post BA adjusted earnings per share were 77.61cts compared to 235.95cts for the previous year. The lower biological value was due to the weakening of Rupiah against US Dollar and also was due to a higher discount rate applied in the determination of biological assets from 15.8% to 16.4%.

As at 31 December 2014, the Group had cash and cash equivalents of \$125.9 million and borrowings of \$34.9 million, resulting in a net cash position of \$91.0 million, compared to \$63.7 million at 31 December 2013.

In spite of the challenging market conditions the Board has continued to invest in the development of new assets. The Group planted 3,403ha of oil palms in 2014 of which 1,019ha comprised of replanting. This was less than planned, due primarily to delays in finalising agreement with villagers for land compensation payments in Bengkulu, Bangka and Kalimantan.

The mill construction in Central Kalimantan is progressing well. The mill, ancillary buildings, roads and locally fabricated mechanical works are about 80% completed while the imported processing equipment for the mill is being delivered in stages for installation in first quarter of 2015. This mill, with an initial capacity of 45mt/hr, is expected to be operational in second quarter of 2015. As previously reported the construction of another mill in North Sumatera is deferred while the Board considers further the relative cost advantages of two selected possible sites.

## Chairman's Statement

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AEP embraces the Group's responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of wider society. In meeting the Group's Corporate Social Responsibility ("CSR") obligations it is cognisant of the contribution and welfare of its employees while continuing to contribute to improve the well-being of the community.

The construction of the \$5 million biogas and biomass plant for one of the mills in North Sumatera has been completed and is in operation. The plant besides producing dried long fibres from empty fruit bunches for export, is also producing biogas which reduces the mill dependence on electricity produced from fossil fuels. There is a significant reduction in the emission of greenhouse gas which was discharged from effluent treatment in the anaerobic lagoons. We anticipate that the biogas plant with a one megawatt generator will generate excess electricity power of about 3.6 million kw per annum of which the plant plans to sell to the Indonesian National Electricity Company. The successful implementation and running of this project will pave the way for further similar undertaking in the Group's other palm oil mills. Although the biogas and biomass project is not a requirement of Indonesian Sustainable Palm Oil ("ISPO"), it is nevertheless environmentally friendly and is expected to provide a return on investment of about 6 years.

The Group has registered all its Indonesian operating subsidiaries for the ISPO certification. In January 2014, three subsidiaries were ISPO certified while another is awaiting certification approval after completion of all requirement. Seven subsidiaries are at various stages of certification audit. It was reported in October 2014 that of the 880 companies applying for ISPO certification, only 63 companies have so far been certified due mainly to a shortage of certification auditors. The Chairman of ISPO announced in December 2014 that the deadline for registration of all palm oil companies for ISPO certification has been extended by another 18 months. The ISPO certification of the Group estates and mills will continue in 2015.

The majority of our employees working at the Group's plantations and mills, together with their families and dependents, are housed in self-contained communities constructed by the Group. Employees and their dependents are provided with free housing, clean water and electricity. Within these communities we also build and maintain places of worship, schools and sports facilities. In 2014, the Group spent \$234,475 to build additional facilities and maintain these amenities and will continue to incur community development expenditure in 2015.

The Group also recognises its obligations to the wider farming communities in which it operates. The Indonesian authorities have established that not less than 20% of the new planted areas acquired from 2007 onwards are to be reserved for the benefit of smallholder cooperatives, known as Plasma scheme, and the Group is integrating such smallholder developments alongside its estates. The Group has to-date planted 734ha for Plasma and this number is expected to increase in the coming years. This will help maintain and improve the Group's relationship with the local communities. In order to aid the development of Plasma scheme, a subsidiary provided a corporate guarantee to a local bank in excess of \$18 million to cover loans raised by the cooperative.

The Board supported Kebun Kas Desa (village's scheme) development programme to supplement the livelihood of the villages. The Group provides technical and management expertise to villagers and has to-date financed, developed and managed 22 smallholder village schemes across four companies.

The Board is mindful that given the anticipated further capital commitments the level of dividend needs to be balanced against the planned expenditure. The Board is also mindful of shareholders' sentiment and therefore declared a final dividend of 3.0p per share in respect of the year to 31 December 2014 (2013: 3.0p). Subject to approval by shareholders at the Annual General Meeting, the final dividend will be paid on 10 July 2015 to those shareholders on the register on 12 June 2015.

The Board views the prospects for 2015 with cautious optimism. It was reported that the import for oils and fats has been growing at an average of 2.2 million mt per annum over the last 3 years. The continuing rise in income levels and population growth in China, India and Indonesia would be expected to drive the consumption of CPO and likely lead to a gradual recovery in CPO prices. The possibility of price recovery over the next few months is limited due to an ample supply of vegetable oils coming onto the market. Weaker currencies in Malaysia and Indonesia which makes CPO cheaper may perhaps stimulate the purchase by foreign refiners.

## Chairman's Statement

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The Group expects to face tougher challenges with steeper rise in operating costs in 2015 due to rising fertiliser prices, higher wage inflation and removal of government fuel subsidies in Indonesia.

I wish to highlight the introduction of the new law on Plantation by the Indonesian Government in October 2014 as detailed on page 20 of the Strategic Report. The new law inter alia mandated the Government to prioritize domestic investments in the plantation business development and restricts foreign investments in the same sector based on types of plantation crops, business scale and conditions of a particular region; and possibly in the future, may set a cap on foreign investments.

On behalf of the Board of Directors, I would like to convey our sincere thanks to our management and all employees of the Group for their dedication, loyalty, resourcefulness, commitment and contribution to the success of the Group.

I would also like to take this opportunity to thank shareholders, business associates, government authorities and all other stakeholders for their continued confidence, understanding and support for the Group.

Madam Lim Siew Kim  
Chairman

29 April 2015

# Strategic Report

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## Business Model

The Group will continue to focus on its strength and expertise which are planting more oil palms which includes replanting old palms with low yield, replace old rubber trees with palm trees and building more mills to process the FFB. The Group has over the years created value to shareholders through expansion in a responsible way. We have in the last few years bought and invested in new tracts of land and portions remain to be planted. Good land at reasonable price has become more scarce. The Indonesian government has in 2014 moved to introduce a law to cap the size of new plantations owned by foreign companies. The Group remains committed to use its available resources to develop the land bank in Indonesia as regulatory constraints permit.

The Group's objectives are to provide appropriate returns to investors in the long term from operation as well as expansion of the Group's business, to foster economic progress in the localities of the Group's activities and to develop the Group's operations in accordance with the best corporate social responsibility and sustainability standards.

We believe that sustainable success for the Group is best achieved by acting in the long-term interests of our shareholders, our partners and society.

## Our Strategy

The Group's objectives are to provide an appropriate level of returns to the investors and to enhance shareholders' value. Profitability however is very much dependent on the CPO price which is volatile and determined by supply and demand. In the short term, CPO price remains under pressure due to the abundance of vegetable oil and the falling crude oil prices which undermine the potential of CPO as a source for biodiesel. However the Group believes in the long-term viability of palm oil which remains a cheap and the most productive source of vegetable oil in a growing population.

The Group's strategies therefore focus on maximising yield per hectare above 22mt/ha, mill production efficiency of 110%, minimising production costs below \$300/mt and streamlining estate management. For the year under review, the Group achieved a yield of 19.1mt/ha, 115% mill efficiency and production cost of \$247/mt. This compared to 2013 yield of 19.5mt/ha, 102% mill efficiency and production cost of \$276/mt. Despite stiff competition for external crops from surrounding millers, the Group is committed to purchase more external crops from third parties at competitive, yet fair prices, to maximise the efficiency of the mills. With higher throughput, the mills achieved economy of scales in production. A mill achieves 100% mill efficiency when it operates 16 hours a day for 300 days per annum.

In line with the commitment to reduce its carbon foot prints, the Group plans to construct in stages biogas plants at all its mills to tap the methane gas to generate electrical power and at the same time reduces the consumption of fossil fuel. It plans to reduce greenhouse gas emissions per metric ton of CPO produced in the next two to three years.

The Group will continue to follow-up and offer competitive and fair compensation to villagers so that land can be cleared and planted.

## Financial Review

The financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU") and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

For the year ended 31 December 2014, revenue for the Group was \$251.3 million, 24% higher than \$201.9 million reported in 2013 due primarily to the increase in FFB production and higher purchase of third party crops for the mills.

Group operating profit for 2014 before biological asset adjustment was \$78.8 million, 32% more than \$59.6 million in 2013.

# Strategic Report

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FFB production for 2014 was 857,400mt, 9% higher than the 787,500mt produced in 2013. The yield remains below expectation due primarily to the lagged effect from dry weather in first three months of the year in North Sumatera and parts of Peninsular Malaysia, followed by wide spread flooding in North Sumatera at the end of the year and a higher proportion of young palms. FFB bought-in from local smallholders for 2014 was 626,200mt (2013: 496,600mt), 26% higher compared to 2013. The supply of third party crops was visibly lower in the third quarter of 2014 due to a low crop cycle and impact of dry weather. The drought induced tree stress resulted in late ripening of the fruits. During the year, FFB processed by the Group's mills was 1.38 million mt, 12% higher than last year of 1.23 million mt and CPO production was 12% higher at 294,200mt, compared to 262,600mt in 2013.

Profit before tax and after BA adjustment for the Group was \$51.2 million, 67% lower compared to \$153.4 million in 2013. The BA adjustment was a debit of \$33.7 million, compared to a credit of \$93.7 million in 2013. The CPO price for 2014 was very volatile. It ended the year at \$700/mt lower than the 10-year average CPO price at \$750/mt for the first time. As a result the directors have benchmarked the 10-year average CPO price assumptions against market expectations and have adopted the CPO price of \$700/mt used in last year's computation of biological assets to represent a more sustainable CPO price over the long term and have maintained the price for the current year. This is supported by the World Bank Commodities Price Forecast for palm oil for 2015 at \$700/mt. The lower biological value was due to the weakening of Rupiah against US Dollar and also was due to a higher discount rate applied in the determination of biological assets from 15.8% to 16.4%. The higher discount rate is a reflection of the increased sovereign risks in Indonesia.

The average CPO price for 2014 was \$815/mt, 5% lower than 2013 of \$857/mt.

Earnings per share before BA adjustment increased by 46% to 132.26cts compared to 90.70cts in 2013. Earnings per share after BA adjustment fell from 235.95cts to 77.61cts.

The Group's balance sheet remains strong notwithstanding an unrealised exchange loss on translation of foreign subsidiaries of \$12.0 million compensated by a land revaluation gain of \$0.3 million net of deferred tax. As at 31 December 2014, the Group had cash and cash equivalents of \$125.9 million and borrowings of \$34.9 million, giving it a net cash position of \$91.0 million, compared to \$63.7 million in 2013. Net Group's borrowings in the year reduced to \$34.9 million (2013: \$35.0 million). For these reasons, the Group adopts a going concern basis of accounting and believe the Group will continue operation and meet its liabilities for the foreseeable future.

## Business Review

### Indonesia

FFB production in North Sumatera, which aggregates the estates of Tasik, Anak Tasik, Labuhan Bilik, Blankahan, Rambung, Sg Musam and Cahaya Pelita ("CPA"), produced 342,900mt in 2014 (2013: 339,100mt), 1% higher than 2013. In November and December 2014, CPA experienced heavy rainfall that inundated over 2,000ha of the plantation. About 1,400mm of rain fell over 22 days resulting in a flash flood that reached up to 1.5 metre high. The evacuation of FFB was not possible until the flood receded. A larger budget will be allocated to build canals and water gates as part of its flood mitigation program at CPA.

*Ganoderma fungus* which attacks the root system of palm oil was discovered in 8.7% of Anak Tasik plantation covering 766ha. Since it was first detected in 2007, it has caused the removal of 7,500 palms. Good sanitation and high standards of agronomic practices remain the main priority to avoid spreading of the infection. We are currently conducting trials using probiotic microorganism to improve the soil condition. Insect damage by *Oryctes beetle* and *termites* resulting in significant loss of newly planted palm continued to affect trees in Labuhan Bilik and to a smaller extent in Blankahan. A combination of treatment with pheromone-trap and insecticide were used to control the insect population. 270ha of rubber trees in Rambung were also infected by *White root disease* which were treated with Anvil fungicide and the situation has since improved. A replanting programme covering over 1,019ha in Tasik was completed in November 2014. Replanting was necessary due to declining yield as workers find it difficult to harvest the palm trees which were about 30 years old as they have reached an average height of 16 to 18 metres tall.

# Strategic Report

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FFB production in Bengkulu and South Sumatera, which aggregates the estates of Puding Mas, Alno, KKST, ELAP and RAA produced 304,200mt (2013: 277,800mt), 9% higher than 2013. With fair weather in Bengkulu, about 40km of roads were resurfaced with tar while another 680km of roads were graded and compacted with either gravel or laterite soil to improve transport of FFB. As most of the estates are situated close to forest reserves, wild boars and herds of elephants continued to damage palm trees. Deep trenches and fencing provide temporary relief. The protracted negotiation with the villagers over land compensation will have an effect on the future planting in Bengkulu and South Sumatera.

FFB production in the Riau region, comprising Bina Pitri estates, produced 116,700mt in 2014 (2013: 116,200mt), marginally higher than 2013. On the other hand, CPO production improved by 13% due to the higher purchase of FFB from smallholders despite the competitiveness for external crops from millers. Our mill offered higher prices for external crops raising the mill utilization rate at the expense of a lower operating margin.

FFB production in Kalimantan which comprises of the Sawit Graha Manunggal estates produced 65,700mt in 2014 (2013: 25,400mt) mainly from newly matured oil palm area of 4,651ha. FFB yield has surpassed expectation despite the sandy soil condition. FFB yield from trees planted in 2010 averaged 8 to 11mt/ha. The low rainfall over a four month period in the third and beginning of fourth quarter of 2014 is likely to affect the FFB production in 2015.

Overall bought-in crops for Indonesian operations were 26% higher at 626,200mt for the year 2014 (2013: 496,600mt). The average oil extraction rate from our mills was 21.3% in 2014 (2013: 21.4%). The extraction rate was lower due to the lower quality of external crops.

## *Malaysia*

FFB production in 2014 was 3% lower at 28,000mt, compared to 29,000mt in 2013. The Malaysian operations faced difficulty in recruiting foreign workers hampering harvesting and estate work. In December 2014, the harvest was interrupted for two weeks as the estates were inaccessible due to flooding and landslide brought about by the incessant year end monsoon rain and seasonal high tide. The Malaysian plantations had \$0.9 million pre-tax loss in 2014 while it broke even in 2013.

## **Commodity Prices**

The CPO CIF Rotterdam price started the year at \$890/mt (2013: \$835/mt) and reached a peak of \$993/mt in March 2014 before retreating to lower levels for the rest of the year. It ended the year at \$700/mt (2013: \$905/mt), averaging \$815/mt for the year (2013: \$857/mt).

The soft demand for palm oil due to the abundance of soya and sunflower oil is likely to curb a quick recovery of the CPO price. The sudden drop in crude oil prices in the last quarter of 2014 did not help to boost the competitiveness of CPO as a source of biodiesel. Perhaps the continuing rise in income levels and population growth in China, India and Indonesia may drive the consumption of CPO and would likely lead to a gradual recovery in CPO prices. The price differential between CPO and soya oil which has narrowed would remain a concern as a smaller spread could prompt CPO buyers to switch to rival soya oil. The successful efforts of Indonesia and Malaysia to introduce mandatory blending of biodiesel for industrial and commercial purposes likewise could provide some price support.

Rubber prices averaged \$1,605/mt for 2014 (2013: \$2,361/mt). Our small area of 668ha of mature rubber contributed a revenue of \$1.8 million in 2014 (2013: \$2.5 million).

# Strategic Report

CPO CIF Rotterdam (from year 2005 to 2015)



## Corporate Development

In 2014, the Group opened up new land and planted 2,384ha of oil palm mainly in Kalimantan, boosting planted area including Plasma by 4% to 63,500ha (2013: 61,100ha). In the same period, 13ha of matured planting was cleared to make way for effluent treatment plant and nurseries. This excludes the replanting of 1,019ha of oil palm in North Sumatera. New plantings remain behind schedule due to delays in finalising settlement of land compensation with villagers in Bengkulu, Bangka and Kalimantan. The villagers seek compensation beyond what the Group considered fair and reasonable resulting in protracted negotiations.

The mill construction in Central Kalimantan is progressing on schedule. This mill with an initial capacity of 45mt/hr is expected to be operational in the second quarter of 2015.

The biogas and biomass plant completed at a cost of \$5 million is in operation. The power produced from the biogas plant is utilized in the biomass plant to produce dried long fibres for export. There are plans to sell the surplus power amounting to 3.6 million kw per year to the Indonesian National Electricity Company.

The successful implementation and running of this project will pave the way for further similar undertakings for the rest of the Group's mills.



# Strategic Report

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Biogas generated from palm oil mill effluent in anaerobic lagoons



Biomass plant producing dried long fibre



## Corporate Social Responsibility

Corporate Social Responsibility (“CSR”) is an integral part of corporate self-regulation incorporated into our business model. Our Group embraces responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. In engaging the social dimension of CSR, the Group’s business has taken cognizance of the contribution and further enrichment of its employees while continuing to make contributions to improve the well-being of the surrounding community.

# Strategic Report

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The majority of employees and their dependents in the plantations and mills are housed in self-contained communities built by the Group. The employees and their dependents are provided with free housing, clean water and electricity. The Group also builds, provides and repairs places of worship for workers of different religious faiths as well as schools and sports facilities in these communities. In 2014, the Group spent \$234,475 to build additional facilities and to maintain these amenities. This includes construction of a new school and kindergarten, renovation of 13 existing schools and procurement of four new school buses. It will continue to incur community development expenditure in 2015.

Housing for mill and estate workers



Fun game on employees' Family Day



# Strategic Report

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Staff and selected employees are given the opportunity to be trained and to attend seminars to enhance their working skills and capacity. The Group provides free education for all employees' children in the local plantations and communities where they work. In 2014, scholarships amounting to \$27,316 were provided to children in surrounding villages and selected employees' children to further their tertiary education in collaboration with a university in Bengkulu. In addition the Group provides funding to construct educational facilities such as laboratories, libraries, and computers. The salaries of teachers in the estates and the cost of school buses to transport employees' children to the schools are provided by the Group. Over the years a total of 33 schools have been built with 116 teachers currently employed within our Group estates. In 2014, the Group spent some \$778,053 on running the schools.

The Group continues to provide free comprehensive health care for all its workers as we believe that every employee and their dependents should have easy access to health services. We have established 21 clinics operated by qualified doctors, nurses and hospital assistants in the estates. Related healthcare expenses for 2014 were \$694,771.

A strong commitment to CSR has a positive impact on employees' attitudes and boosts employee recruitment. The Group realizes that employees are valuable assets in order to run an efficient, effective, profitable and sustainable business and operations.

The Group also recognises its obligations to the wider farming communities in which it operates. The Indonesian authorities have established that not less than 20% of the new planted areas acquired from 2007 onwards are to be reserved for the benefit of smallholder scheme cooperatives, known as Plasma scheme, and the Group is integrating such smallholder developments alongside its estates. In order to aid the development of Plasma scheme, a subsidiary provided a corporate guarantee to a local bank in excess of \$18 million to cover loans raised by the cooperatives.

The Board supported Kas Desa smallholder village development programme to supplement the livelihood of the villages. The Group has to-date financed, developed and managed 22 smallholder village schemes across four companies.

In addition to education and healthcare which includes the construction of schools, provision of scholarships, books, the Group also develops infrastructure such as construction and repair of 18 bridges and 170km of roads. The Group also provides aid to villagers such as fruit seedlings, fish fries, cattle and ducks to start community sustaining programs.

## **Indonesian Sustainable Palm Oil**

The ISPO certification is legally mandatory for all plantations in Indonesia. In March 2012, ISPO, which is fundamentally aligned to RSPO (Roundtable on Sustainable Palm Oil) principles, has become the mandatory standard for Indonesian planters.

A Steering Committee was established to work out a roadmap to support the ISPO implementation at mills and estates. Workshops and training sessions on occupational safety and healthcare were carried out to inculcate a safety culture in workplaces at the estates and mills in North Sumatera, Riau and Bengkulu. During the year the Group continued to upgrade its agricultural chemical stores and diesel fuel storage tanks in various plantations and mills to meet safety and environmental standards. Standard operating procedures were refined and documented based on sustainable oil palm best practices. The Group also conducts internal audits using an audit checklist adopted from the above practices to determine the level of compliance. The Group worked closely with appointed certification consultants in the implementation of ISPO standard. In January 2014, three subsidiaries were ISPO certified while another is awaiting certification approval after completion of all requirements. Another seven subsidiaries are at various stages of certification audit.

# Strategic Report

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## Care For The Environment and Sustainable Practices

As a Group, we highlight the importance of creating awareness and implementation of good environmental management practices throughout the organisation. The Group has been consistently practising good agricultural practices such as zero burning, integrated pest management, land terracing and recycling of biomass. Where the land is undulating, we build terraces for planting which helps to prevent landslides and provide better accessibility for employees.

Effluent discharged from some mills is initially treated in lagoons before being applied to trenches located between rows of palm trees. Once the effluent dries up, it becomes organic fertilizer for the oil palm and reduces the application and buying of inorganic fertilizers. In some estates, empty bunches are applied to land where it biodegrades to fertilizers.

The Group's first biogas and biomass project in North Sumatera which was completed in the year will enhance the waste management treatment in the mill and at the same time mitigate greenhouse biogas emissions. Under this project, the methane gas will be trapped and will be used to generate and supply power to its biomass plant without dependency on fossil fuel. Further similar undertakings for the Group's mills are planned and shall be implemented in stages.

The Group is committed to implementing good agricultural practices as spelled out in its standard operating procedures for the planting of oil palm. Integrated Pest Management has been adopted to control pests and to improve biological balance.

Barn Owls were introduced to control rats. Beneficial plants of *Turnera* sp, *Cassia cobannesis* and *Antigonon leptosus* were planted to attract predator insects of caterpillar pests. Weeds are controlled selectively by using more environmental friendly herbicide such as Glyphosate.

The usage of Paraquat herbicide and chemicals has been reduced and minimized to control weeds and vermins. The sprayers are also trained in safety and spraying techniques. The chemicals are kept in designated storage and examined at regular intervals. Employees who handled the use of chemicals undergo medical examination. Natural vegetation on uncultivable land such as deep peat, very steep areas and riparian zones along watercourses are maintained to preserve biodiversity and wildlife corridors.

Two mills in the Bengkulu region have been installed with Extended Aeration to enhance treatment of the mill effluents by mechanical aeration at a cost of about \$500,000.

All our mills utilize the waste mesocarp fibre from the oil palm fruits as fuel to generate steam from boilers to eventually produce power from steam turbines. The power generated drives all of the processing equipment in mills and estate housing. This helps to reduce reliance on fossil fuel such as diesel in our milling operations.

The Group continues to comply and preserve the High Conservative Value ("HCV") areas recognised by the Department of Forestry.

## Principal risks and uncertainties

The Group's business involves risks and uncertainties of which the Directors currently consider the following to be material. There are or may be other risks and uncertainties faced by the Group that the Directors currently deem immaterial, or of which they are unaware, that may have a material adverse impact on the Group. The Board carries out a robust assessment of the principal risks facing the Group on an annual basis.

# Strategic Report

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## *Country*

The Group's operations are located substantially in Indonesia and therefore significantly rely on economic and political stability in Indonesia. The country has recently benefited from a period of relative political stability, steady economic growth and stable financial system. The election of the new President in July 2014 was relatively peaceful despite attempts by the opposition to challenge the results. The new government has introduced highly unpopular measures to rein in the country fiscal deficits. The Board is not aware of any attempt by the new government to impose exchange controls that would restrict the transfer of profits from Indonesia to the UK. The Board perceives that the Group will be able to continue to extract profits from its subsidiaries in Indonesia for the foreseeable future.

The Group acquires the land exploitation rights ("HGU") after paying land acquisition and HGU processing costs. These costs are capitalized as land asset costs since the asset characteristics fulfill the recognition criteria. The Group holds its land under 25 or 35 year renewable leases which the Directors believe will be renewed when due by complying with existing law and regulations. Any changes in law and regulations relating to land tenure could have negative impact on the Group's activities.

The Indonesian Government passed a Law No. 39 on Plantation, in October 2014 which specifies that plantation business development shall be prioritized to domestic investments and the amount of foreign direct investments shall be limited with regard to national interest and it also provides that restrictions on foreign investment shall be based on types of plantation crops, business scale and conditions of a particular region and these shall be regulated by Government regulations. Since the introduction of the new law, there is no indication so far by the Indonesian Government as to how the new law maybe applied to oil palm plantations and the criteria for which the factors stated above will be applied in regard to any restriction of foreign investment. Until the said Government regulations are introduced, the impact of this new law cannot be assessed fully at this juncture.

## *Exchange Rates*

CPO is a US Dollar denominated commodity and a significant proportion of revenue costs in Indonesia (such as fertiliser and fuel) and development costs (such as heavy machinery and mills equipment) are imported and are US Dollar related. Adverse movements of Rupiah against US Dollar can have a negative effect on the operating costs. The Rupiah has depreciated by 2% against US Dollar in 2014, on top of 26% depreciation in 2013. The Board has taken the view that these risks are inherent in the business and feels that adopting hedging mechanisms to counter the negative effects of foreign exchange volatility are both difficult to achieve and would not be cost effective.

## *Weather and natural disasters*

Oil palms rely on regular sunshine and rainfall but these weather patterns can vary and extremes such as unusual dry periods or, conversely, heavy rainfall leading to flooding in some locations do occur. Dry periods, in particular, will affect yields in the short and medium terms but any deficits caused tend to be made up at a later date. North Sumatera experience low rainfall for the first three months of 2014 while Central Kalimantan had 4 months of low rainfall in the third and fourth quarter of 2014 which will have impact on the FFB production in 2015. High levels of rainfall can disrupt estate operations and result in harvesting delays with loss of oil palm fruits or deterioration in fruit quality. Any delay in collection of harvested FFB during the rainy season could also raise the level of free fatty acid ("FFA") in the CPO. CPO with higher level of FFA is normally sold at a discount to market prices. The high rainfall of 1,400mm over 22 days experienced by the plantations in CPA in November and further floods in December 2014 damaged the roads resulting in difficulty in transportation of FFB to the mills. Where appropriate, bunding is built around flood prone areas and canals/drainage constructed and adapted either to evacuate surplus water or to maintain water levels in areas quick to dry out. Where practical, natural disasters are covered by insurance policy. Low level of sunshine could result in delay in formation of FFB resulting in potential loss of revenue. The geographical spread of the plantations should nevertheless mitigate the risks of weather related events.

# Strategic Report

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## *Cultivation risks*

As in any plantations business, there are risks that crops from the Group's estate operations may be affected by pests and diseases like ganoderma fungus and white rot. Crop damages by oryctes beetles, nettie caterpillar, termites, vermins, elephants and wild boars are common. Agricultural best practice and husbandry can to some extent mitigate these risks but they cannot be entirely eliminated.

## *Other operational factors*

The Group's plantation productivity is dependent upon necessary inputs, including, in particular fertiliser, spare-parts, chemicals and fuel. Whilst the Directors have no reason to anticipate shortages of such inputs, Group's operations could be materially disrupted should such shortages occur over an extended period. Increase in prices would significantly increase production costs. With the removal of fuel subsidy by the new Indonesian government in January 2015, diesel will be priced in accordance to global oil prices. When global oil prices rise, it will put pressure on production inputs which includes the transportation of FFB.

The Group has bulk storage facilities located within its mills which are adequate to meet the Group's requirements for CPO storage. Nevertheless, delays in collection of CPO sold could result in CPO production exceeding the available CPO storage capacity. This would likely force a temporary halt in FFB processing resulting in loss of crop.

The Group maintains insurance to cover those risks against which the Directors consider it economical to insure. Certain risks (including the risk of crop loss through fire, earthquake, flood and other perils potentially affecting the planted areas on the Group's estates) if materializes could dent the potential revenues, for which insurance cover is either not available or would in the opinion of the Directors be disproportionately expensive, are not insured. These risks are mitigated by the geographical spread of the plantations and to the extent feasible by management practices but an occurrence of an adverse uninsured event could result in the Group sustaining material losses.

There have been substantial increases in governmental directed minimum wage levels in Indonesia. The Group pays not less than the minimum wage and the increase will result in a significant rise in Group's employment costs. The regional hikes in minimum wages for 2015 ranges from 8.9% in South Sumatera to 27.4% in Bangka. Higher wages will erode the profitability as it forms a substantial part of the production costs.

## *Produce prices*

The profitability and cash flow of the plantation operations depend upon world prices of CPO and upon the Group's ability to sell CPO at price levels comparable with world prices.

CPO is a primary commodity and is affected by the world economy, levels of inflation, availability of alternative soft oils such as soya and sunflower oils. CPO price also moves in tandem with crude oil prices which determines the competitiveness of CPO as a source of biodiesel. This may lead to significant price swings although, the Directors believe that such swings should be moderated by continuous demand in economies like China, India and Indonesia.

Indonesia followed Malaysia to slash the CPO export tax to 0% from October 2014 and will result in cheaper CPO to foreign refiners. Larger export would lead to lower inventory of CPO which augurs well for produce price.

## *Expansion*

The Group is planning to plant more oil palm. In areas where the Group holds the land rights (or Izin lokasi), the settlers and land owners are compensated before land is cleared for planting. The Group compensates the settlers and land owners in a transparent and fair way. The negotiation for compensation can, however, involve a considerable number of local individuals with similar ownership claims and this can cause difficulties in reaching agreement with all affected parties. Such difficulties have in the past caused delays to the planting programmes. It is rather difficult to foresee with reliable accuracy what area will be available for planting out of the total area covered by land rights. Much depends upon the success of negotiations with settlers and land owners and satisfactory resolution of land title issue. The Group has to-date mixed success in managing such periodic delays and disruptions especially in South Sumatera, Bengkulu, Bangka and Kalimantan.

# Strategic Report

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The Directors believe that when the land becomes available for planting, the development programmes can be funded from available Group cash resources and future operational cash flows, supplemented with external debt funding. Should, however, land or cash availability fall short of expectations and the Group is unable to secure alternative land or funding, the Group's continued growth may be delayed or curtailed.

## *Environmental and governance practices*

The Group's management and Directors take seriously their environmental and social responsibilities. The ISPO which fundamentally aligns with RSPO principles became the mandatory standard for all Indonesian planters in March 2012. The key RSPO principles are set out on page 40 in the "Statement on Corporate Governance".

The estates in North Sumatera are long established. Management follows industry best-practice guidelines and abides by Indonesian law with regard to such matters as application of fertilisers, health and safety. The Group uses empty fruit bunches for mulching in the estates which is a form of fertiliser and reduces the consumption of inorganic fertilisers. The liquid effluent from the mills after treatment is applied to trenches in the estates as a form of fertiliser. The biogas and biomass plant in North Sumatera will enhance the waste management treatment of that mill and at the same time mitigate emissions of biogas. The mill is also expected to generate economic returns by the sale of dried long fibres which is processed from empty fruits bunches. It also plans to sell excess electricity to the government's state electricity grid. The successful implementation and running of this project will pave the way for further similar undertakings for the rest of the Group's mills.

The Group has had an environmental impact assessment undertaken by an independent consultant for its new project in Kalimantan.

The Group recognises that its plantations hire large numbers of people and have significant economic importance for local communities in the areas of the Group's operations. Any major disputes with employees could disrupt operations. This imposes social and governance obligations which bring with them risks that any failure by the Group to meet the standards expected of it may result in reputational and financial damage. The Group seeks to mitigate such risks by establishing standard procedures which is fair to ensure that it meets its obligations, monitoring performance against those standards and investigating thoroughly and taking action to prevent recurrence in respect of any failures identified. The Group undertakes periodic reviews of its management performance in relation to various matters and this review pays particular attention to the manner in which the Group has discharged its corporate social responsibilities including setting up of Plasma schemes for its new plantations.

## *Social, community and human rights issues*

Any material breakdown in relations between the Group and the host population in the vicinity of the operations could disrupt the Group's operations. The Group therefore endeavours to mitigate this risk by liaising regularly with representatives of surrounding villages and by seeking to improve local living standards through mutually beneficial economic and social interaction with the local villages. In particular, the Group, when possible, gives priority to applications for employment from members of the local population and supports specific initiatives to encourage local farmers and tradesmen to act as suppliers to the Group, its employees and their dependents. The Group spends considerable sums of money constructing new roads and bridges and maintaining existing roads used by villagers and the Group for the transportation of FFB. The Group also provides technical and management expertise to villagers to develop oil palm plots or Kebun Kas Desa (village's scheme) surrounding the operating estates. The returns from these plots are used to improve villages' community welfare. The Group also provides corporate guarantee to cooperatives who borrow from local bank to finance the development of the Plasma scheme mandated by the government. The loan is primarily secured by a charge over the Plasma land owned by the cooperatives.

# Strategic Report

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## Gender diversity

The AEP Plc Board is composed of three men and one woman with extensive knowledge in their respective fields of experience. The Board has taken note of the recent legislative initiatives with regard to the representation of women on the boards of Directors of listed companies and will make every effort to conform to its composition based on legislative requirement.

Group Headcount	2014 average employed during the year		
	Women	Men	Total
Board	2	11	13
Senior Management (GM and Above)	-	11	11
Managers & Executives	23	363	386
Full Time	168	4,944	5,112
Part-time Field Workers	3,005	6,682	9,687
Total	3,198	12,011	15,209
%	21%	79%	100%

Group Headcount	2013 average employed during the year		
	Women	Men	Total
Board	2	9	11
Senior Management (GM and Above)	1	13	14
Managers & Executives	32	360	392
Full Time	152	4,878	5,030
Part-time Field Workers	2,968	7,854	10,822
Total	3,155	13,114	16,269
%	19%	81%	100%

Although the Group provides equal opportunities for female workers in the plantations, the male workers make up a majority of the field workers due to the nature of work and the remote location of plantations from the towns and cities. Nevertheless the percentage of women workforce within the Group increased from 19% in 2013 to 21% in 2014.

## Employees

In 2014, the number of full time workforce averaged 5,522 (2013: 5,447) while the part-time labour averaged 9,687 (2013: 10,822).

The Group has formal processes for recruitment particularly key managerial positions, where psychometric testing is conducted to support the selection and hiring decisions. Exit interviews are also conducted with departing employees to ensure that management can address any significant issues.



# Strategic Report

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The Group has a programme for recruiting graduates from Indonesian universities to join existing employees selected on regular basis to training programmes organised by the Group's training centre that provides grounding and refresher courses in technical aspects of oil palm estate and mill management. The training centre also conducts regular programmes for all levels of employees to raise the competency and quality of employees in general. These programmes are often supplemented by external management development courses including attending industry conferences for technical updates. A wide variety of topics is covered including work ethics, motivation, self-improvement, company values, health and safety.

A large workforce and their families are housed in the Group's housing across the Group's plantations. The Group further provides at its own cost water and electricity and a host of other amenities including places of worship, schools and clinics. On top of competitive salaries and bonuses, extensive benefits and privileges help the Group to retain and motivate its employees.

The Group promotes a policy for creation of equal and ethnically diverse employment opportunities including with respect to gender.

The Group has in place key performance linked indicators to determine increment and bonus entitlements for its employees.

The Group promotes and encourages employee involvement in every aspect wherever practical as it recognises employees as a valuable asset and is one of the key contributions to the Group's success. The employees contribute their ideas, feedback and voice out their concerns through formal and informal meetings, discussions and annual performance appraisal. In addition, various work related and personal training programmes are carried out annually for employees to promote employee engagement and interaction.

Although the Group does not have a specific policy on employment of disabled persons, it however employs disabled persons as part of its workforce. The Group welcomes disabled persons joining the Group based on their suitability.

## Outlook

FFB production for three months to March 2015 was 5% lower against the same period in 2014. Although the weather has been relatively wet so far this year, it is too early to forecast whether the production will be better for the rest of the year.

The CIF (Cost, Insurance, Freight) Rotterdam CPO price opened the year 2015 at \$703/mt and prices are expected to be in the range of \$600/mt to \$800/mt for the first half of 2015.

It was reported that the US Dollar appreciated by approximately 2% (2013: +26%) against the Indonesian Rupiah in 2014 as foreign funds pulled out from Indonesia's equity and bonds markets and fund managers repositioned their riskier asset classes in emerging economies. Rupiah weakened further about 5% against US Dollar in early 2015. The Rupiah may be subjected to some degree of volatility until reforms undertaken by new government raise potential growth in Indonesia. Some fund managers see a depreciating Rupiah not an indication of crisis but should be seen as a welcome development for improving export competitiveness. A weaker Rupiah makes palm oil cheaper and may stimulate purchases by foreign refiners.

# Strategic Report

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The continuing rise in income levels and population growth in China, India and Indonesia would be expected to drive the consumption of CPO and likely lead to a gradual recovery in CPO prices. The price differential between CPO and soya oil which has narrowed from a 10-year discount average of \$160/mt to around \$100/mt would remain a concern as a smaller spread could prompt CPO buyers to switch to rival soya oil. However the Indonesian and Malaysian government efforts to rein in fiscal deficits by successfully introducing mandatory blending of biodiesel up to 10% effective for industrial and commercial purposes could provide some price support.

The rising material costs and wages in Indonesia are expected to increase the overall production cost in 2015. Indonesia's minimum wage has increased at an average rate of between 8% and 15% per annum over the last few years. The Indonesian government recently announced regional hikes in 2015 minimum wage ranging from 8.9% in South Sumatera to 27.4% in Bangka. These wage hikes will raise overall estate costs and erode profit margins. A depreciating Rupiah would also mean that imports of fertilisers and equipment for the mills and estates will be more costly.

Nevertheless barring any unforeseen circumstances, the Group is confident that CPO demand will be sustainable in the long term on the backdrop of global economic recovery and we can expect a satisfactory profit level and cash flow for 2015.

On behalf of the Board

Dato' John Lim Ewe Chuan  
Executive Director, Corporate Finance and Corporate Affairs

29 April 2015

# Financial Record

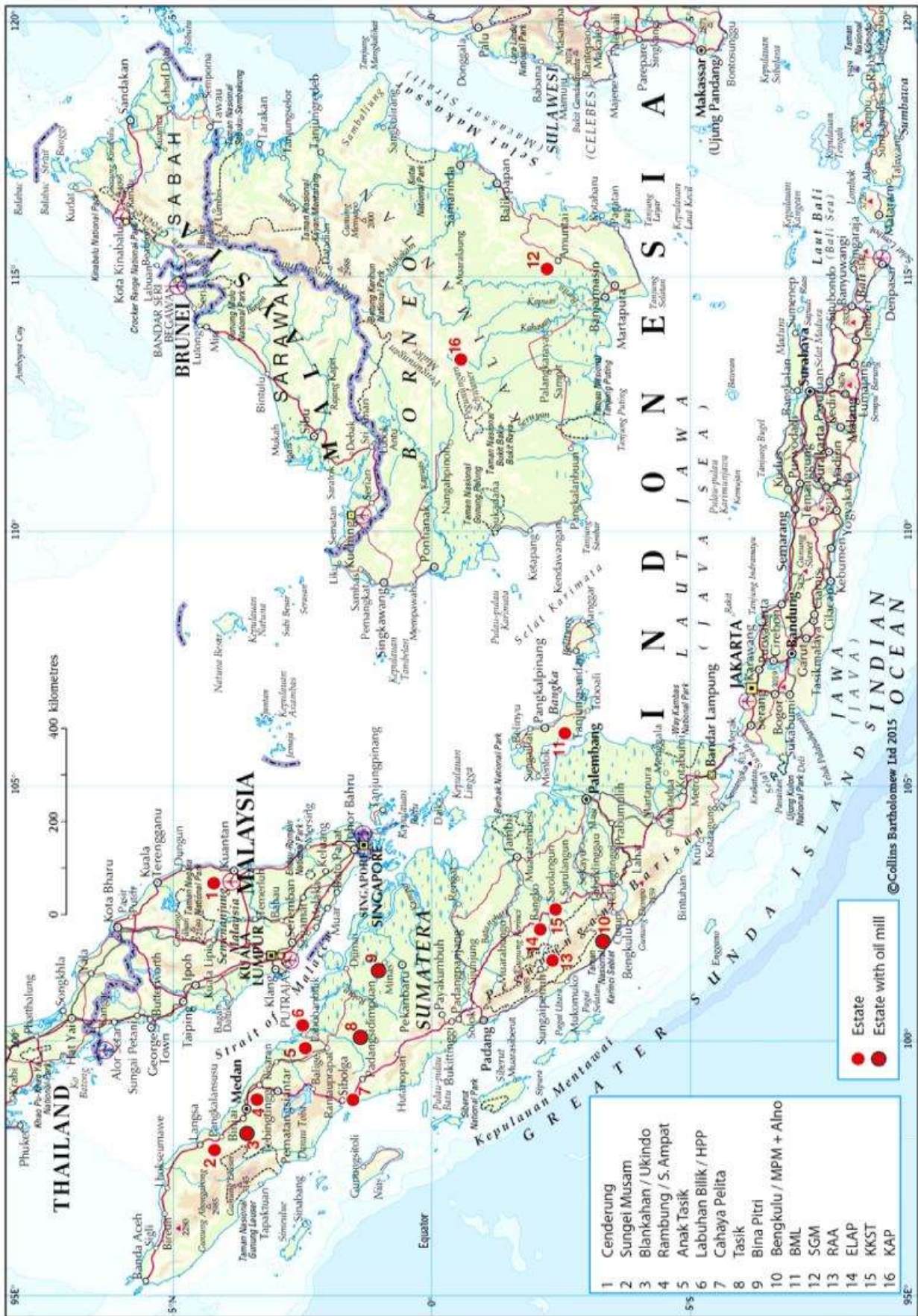
	2014	2013	(Restated) 2012	(Restated) 2011	(Restated) 2010
	\$000	\$000	\$000	\$000	\$000
<b>Income statement</b>					
Revenue	251,258	201,917	237,352	259,037	187,233
Trading profit before BA	78,845	59,619	85,396	98,518	64,937
Profit attributable to shareholders after BA	30,762	93,521	47,331	73,681	106,434
Dividend proposed for year	(1,854)	(1,969)	(1,784)	(2,372)	(1,977)
<b>Financial position</b>					
	\$000	\$000	\$000	\$000	\$000
Non-current assets & long term receivables	481,761	484,826	424,889	413,801	405,019
Cash net of short term borrowings	125,624	98,654	116,198	84,017	55,221
Long term loans	(34,625)	(34,937)	(25,026)	(58)	(6,438)
Other working capital	(10,343)	765	(7,460)	(14,076)	(5,087)
Deferred tax	(44,368)	(55,298)	(37,236)	(43,098)	(50,982)
	518,049	494,010	471,365	440,586	397,733
Non-controlling interest	(90,813)	(85,964)	(83,043)	(73,533)	(70,553)
<b>Net worth</b>	<b>427,236</b>	<b>408,046</b>	<b>388,322</b>	<b>367,053</b>	<b>327,180</b>
Share capital	15,504	15,504	15,504	15,504	15,504
Treasury shares	(1,171)	(1,171)	(1,171)	(1,507)	(1,507)
Share premium and capital redemption account	25,022	25,022	25,022	25,022	25,022
Revaluation and exchange reserve	(133,474)	(124,340)	(52,039)	(27,880)	3,996
Profit and loss account	521,355	493,031	401,006	355,914	284,165
<b>Equity attributable to shareholders' funds</b>	<b>427,236</b>	<b>408,046</b>	<b>388,322</b>	<b>367,053</b>	<b>327,180</b>
Ordinary shares in issue ('000s)	39,976	39,976	39,976	39,976	39,976
Earnings per share before BA adj. (US cents)	132.26cts	90.70cts	133.99cts	154.15cts	99.59cts
Earnings per share after BA adj. (US cents)	77.61cts	235.95cts	119.41cts	186.35cts	269.19cts
Dividend per share for year (US cents)	4.5*cts	5.0cts	4.5cts	6.0cts	5.0cts
Asset value per share (US cents)	1,078cts	1,029cts	980cts	928cts	827cts
Earnings per share before BA adj (pence equivalent)	80.2p	58.0p	84.5p	95.5p	64.4p
Dividend per share for year (pence)	3.0p	3.0p	2.9p	3.7p	3.1p
Asset value per share (pence equivalent)	691p	622p	603p	597p	529p
Exchange rates – year end					
Rp : \$	12,385	12,170	9,638	9,068	9,010
\$ : £	1.56	1.66	1.63	1.55	1.57
RM: \$	3.50	3.28	3.06	3.17	3.08
Exchange rates – average					
Rp : \$	11,861	10,445	9,363	8,763	9,080
\$ : £	1.65	1.56	1.59	1.61	1.55
RM: \$	3.27	3.15	3.09	3.06	3.22

Note: \* Based on exchange rate at 24 April 2015 of \$1.5165/£

## Estates Areas

	GROUP TOTAL	MALAYSIA	INDONESIA TOTAL	NORTH SUMATERA	BENGKULU	SOUTH SUMATERA	RIAU	BANGKA	KALIMANTAN
<b>Mills</b>									
Number of mills	5	-	5	2	2	-	1	-	-
<b>Combined Mills Capacities</b>									
	250 mt/h	-	250 mt/h	100 mt/h	105 mt/h	-	45 mt/h	-	-
<b>Planted as at 31 Dec 2014</b>									
<b>Oil Palm</b>									
Mature	46,774	3,380	43,394	15,994	16,483	1,393	4,873	-	4,651
Immature	15,284	316	14,968	2,566	444	4,579	-	449	6,930
<b>Total Oil Palm</b>	<b>62,058</b>	<b>3,696</b>	<b>58,362</b>	<b>18,560</b>	<b>16,927</b>	<b>5,972</b>	<b>4,873</b>	<b>449</b>	<b>11,581</b>
<b>Rubber</b>									
Mature	688	-	688	688	-	-	-	-	-
Immature	10	-	10	10	-	-	-	-	-
<b>Total Rubber</b>	<b>678</b>	<b>-</b>	<b>678</b>	<b>678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plasma Mature</b>	685	-	685	-	-	-	-	-	685
<b>Plasma Immature</b>	49	-	49	-	-	41	-	-	8
<b>Total Plasma</b>	<b>734</b>	<b>-</b>	<b>734</b>	<b>-</b>	<b>-</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>693</b>
<b>Total Planted area</b>	<b>63,470</b>	<b>3,696</b>	<b>59,774</b>	<b>19,238</b>	<b>16,927</b>	<b>6,013</b>	<b>4,873</b>	<b>449</b>	<b>12,274</b>
<b>Reserves</b>									
Plantable	49,364	1,364	48,000	69	115	27,958	-	3,576	16,282
Unplantable	12,280	1,236	11,044	1,354	815	3,059	84	4,203	1,529
Other	2,680	72	2,608	1,062	688	270	75	26	507
<b>Total Reserves</b>	<b>64,324</b>	<b>2,672</b>	<b>61,652</b>	<b>2,485</b>	<b>1,596</b>	<b>31,287</b>	<b>159</b>	<b>7,805</b>	<b>18,316</b>
<b>Total Land as at 31 Dec 2014</b>	<b>127,794</b>	<b>6,368</b>	<b>121,426</b>	<b>21,723</b>	<b>18,525</b>	<b>37,300</b>	<b>5,032</b>	<b>8,254</b>	<b>30,592</b>

# Location of Estates



# Directors' Report

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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 2014.

## Accountability and audit

The Group is committed to ensure that the quality of its financial reporting is of a high standard. The Board continually reviews its internal controls and risk management systems to ensure the Group's affairs and the Group's financial reporting comply with the applicable accounting standards as well as good corporate governance. The main features of the Group's internal controls and risk management systems are further disclosed on page 43.

The Board considers the annual report and accounts including the strategic report when taken as a whole, is fair, balanced and understandable as it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

## Results and dividends

The audited financial statements for the year ended 31 December 2014 are set out on pages 55 to 90. The Group's profit for the year on ordinary activities before taxation was \$51,236,000 (2013: \$153,401,000) and the profit attributable to ordinary shareholders was \$30,762,000 (2013: \$93,521,000). No interim dividend was paid. The Directors recommend a final dividend of 3.0p (2013: 3.0p) to be paid to shareholders on 10 July 2015. Shareholders may elect to receive their dividend in US Dollar as described on page 34.

## Research and Development

The Group relies on third parties to conduct research and development of new diseases resistant and higher yield oil palm seeds.

## Valuation

In 2014, the Group's biological assets were valued by qualified valuers based on discounted cash flow. The assumptions used in the discounted cash flow are described in greater detail in note 10.

Except for 6 companies where the land was valued in 2013, the remaining land for 11 companies located across North Sumatera, Bengkulu, South Sumatera and Kalimantan was valued by qualified valuers in 2014 to provide indicative fair values and support the valuation for the estate lands of the 6 companies. The Directors revalued the estate land not covered by the valuation exercise based on the regional appreciation rate quantified by the qualified valuers. Land is valued on a rotational basis and all land is valued by qualified valuers every two years.

## Political donations

The Group made no political donations during the year.

## Carbon Reporting

The Group reported its greenhouse gas emissions ("GHG") as provided under GHG Regulations (Directors' Reports) 2013 for the first time in 2013. The emissions sources included in this report were fuel and electricity consumption at the mills, palm oil mill effluent ("POME") treatment, nitrogen emissions from mineral fertiliser use, company owned vehicle use, third party vehicle fuel use and electricity consumption in employee housing. Omitted from the report were emissions associated with land conversion and oil palm planting as suitable data were not available within the time frame. As these emissions are likely to be significant, the Group in 2014 commissioned the appropriate specialist to estimate the overall emissions using land conversion and planting records held in the Group database for reporting periods of 2014 and 2013.

## Directors' Report

The carbon footprint report provides assessment of the GHG emissions associated with the Group's agricultural activities. The report identifies and quantifies GHG emissions in the production of CPO at the Group's mills and related estate supply base and planting activities. The Board believes that this report will help the Group plans and facilitate designs and implementation of effective strategies for reducing the Group's GHG emissions in future as well as providing a benchmark to monitor reduction of similar gas. We understand the urgent need for the industry to identify and respond to reducing the environmental risk and impact by developing appropriate sustainable practices. We remain committed to monitoring, targeting and reducing all our environmental impact across the Group.

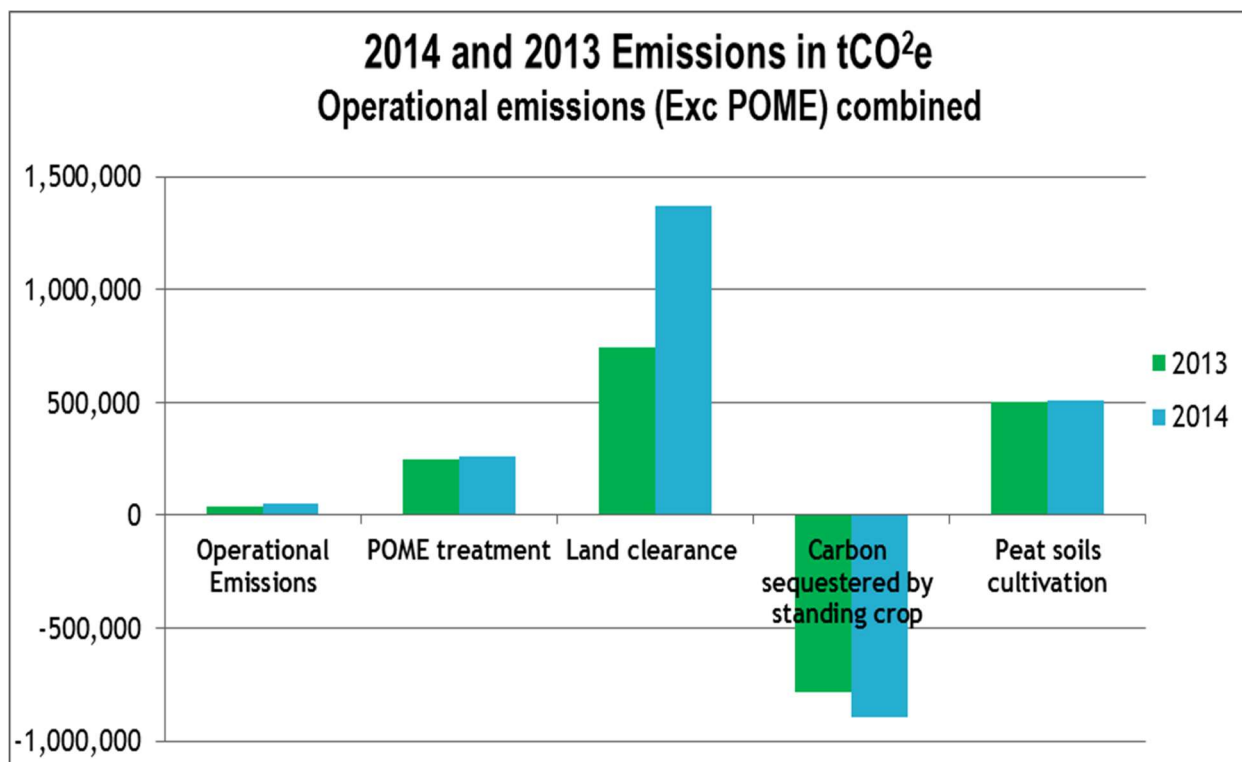
This assessment has been carried out in accordance with the World Business Council for Sustainable Development and World Resources Institute's (WBCSD/WRI) Greenhouse Gas Protocol; a Corporate Accounting and Reporting Standard, together with the latest emission factors from recognised public sources including, but not limited to, Defra, the International Energy Agency, the US Energy Information Association, the US Environmental Protection Agency and the Intergovernmental panel on Climate Change. The values for the amount of carbon sequestered by the oil palm have been taken from the OPRODSIM and OPCABSIM average growth models provided in the PalmGHG Tool. GHG emissions have been reported by the three WBCSD/WRI scopes. The detailed methodology in calculation the GHG emissions under the three scopes can be viewed at [www.ghgprotocol.org](http://www.ghgprotocol.org).

The gross overall emissions computed by the outsourced agent were 1,291,241 tCO<sub>2</sub>e for 2014 compared to 755,105 tCO<sub>2</sub>e for 2013.

The overall emissions have increased by 536,136 tCO<sub>2</sub>e, or 71%, from 755,105 tCO<sub>2</sub>e during the 2013 to 2014 assessment period. This increase was mainly due to an increase in emissions associated with land use, specifically land clearance.

Emissions source	2014 Emissions in tCO <sub>2</sub> e		2013 Emissions in tCO <sub>2</sub> e	
POME treatment	260,325		246,945	
Fertiliser application	20,530		18,813	
Premises energy consumption	13,163		13,612	
Company owned vehicles	5,827		5,565	
Third party vehicle use	7,104		3,294	
Employee housing	2,570		946	
<b>Total operational emissions</b>	<b>309,519</b>		<b>289,175</b>	
	<i>Own crop</i>	<i>Out-grower crop</i>	<i>Own crop</i>	<i>Out-grower crop</i>
Land clearance	749,023	620,094	444,364	301,011
Carbon sequestered by standing crop	-489,272	-405,054	-467,055	-316,382
Peat soils cultivation	486,506	20,425	486,506	17,486
<b>Total land use emissions</b>	<b>981,722</b>		<b>465,930</b>	
<b>Overall emissions</b>	<b>1,291,241</b>		<b>755,105</b>	

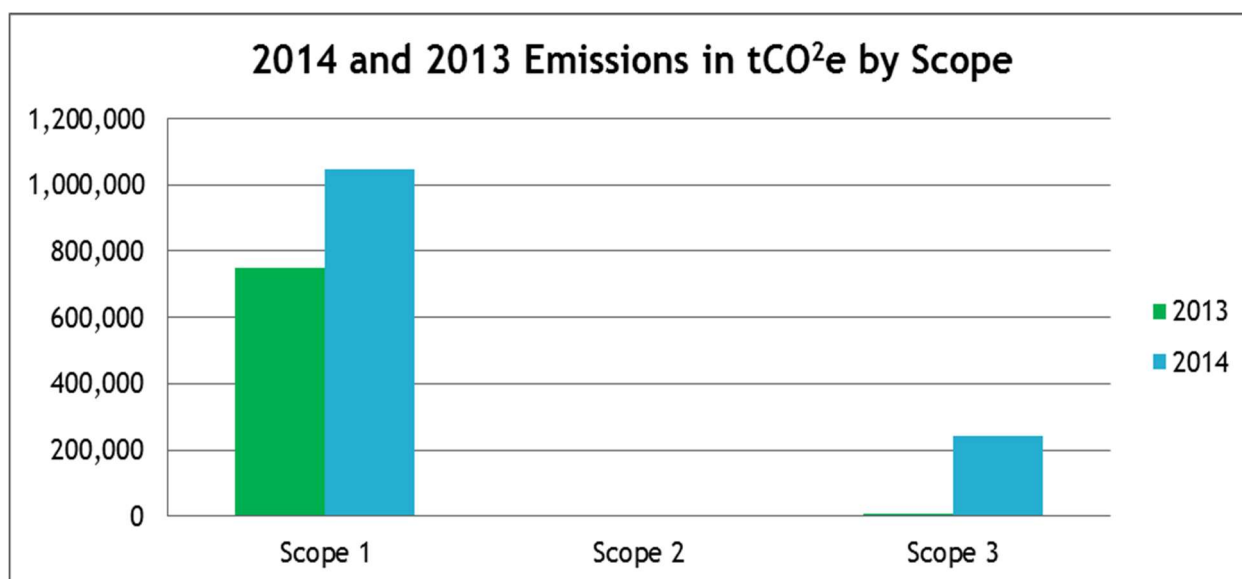
## Directors' Report



The following chart display 2013 and 2014 overall emissions by scope.

Scope 1 are direct GHG emissions from sources owned and controlled by the Company which cover emissions associated with own crop land clearance, natural gas combustion and company owned vehicles. This made up majority of the GHG emissions. This has increased significantly between 2013 and 2014 reporting periods due to increase in land clearance emissions. Scope 2 accounts for GHG emissions of purchased electricity, heat and steam generated off-site. Scope 3 includes all other indirect emissions such as out-grower crop, waste disposal, business travel and staff commuting. This has increased in 2014 due to emissions associated with out-growers crop and clearance.

Comparison of GHG emissions per production metrics:





# Directors' Report

Operational emissions reporting metric	2014 in tCO <sub>2</sub> e	2013 in tCO <sub>2</sub> e
GHG per tonne of CPO production	1.05	1.1
GHG per tonne of FFB production	0.361	0.367
GHG per tonne of FFB processed	0.223	0.235
GHG per hectare of planted area	4.93	4.95

## Principal risks

Information on financial instruments risks is set out in note 23 to the consolidated financial statements and information on other risks is set out in Strategic Report.

## Biological assets, property, plant and equipment

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

## Directors

Madam Lim Siew Kim and Mr. Nik Din Bin Nik Sulaiman will be submitting themselves for re-appointment at the forthcoming annual general meeting.

Brief profiles of all Directors are set out on page 36 of this Annual Report.

## Substantial share interests

As at 31 March 2015 and 31 December 2014, the following interests had been notified to the Company, being interests in excess of 3% of the issued ordinary share capital of the Company:

Name of holder	As at 31.3.2015		As at 31.12.2014	
	Number	Percentage of voting rights held	Number	Percentage of voting rights held
Genton International Limited	20,247,814	51.08%	20,247,814	51.08%
Alcatel Bell Pension Fund	6,830,000	17.23%	6,830,000	17.23%
S N Roditi	1,366,900	3.45%	1,366,900	3.45%
KBC Securities	1,063,962	2.68%	1,203,885	3.04%

## Share capital, restrictions on transfer of shares, arrangements affected by change of control and other additional information

The Company has one class of share capital, ordinary shares. All the shares rank *pari passu*. The articles of association of the Company contain provisions governing the transfer of shares, voting rights, the appointment and replacement of Directors and amendments to the articles of association. This accords with usual English company law provisions. There are no special control rights in relation to the Company's shares. There are no significant agreements to which the Company is a party which take effect, alter or terminate in the event of a change of control of the Company. There are no agreements providing for compensation for Directors or employees on change of control.

# Directors' Report

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## **Auditors**

All of the current Directors have taken all the steps to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of the information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP has expressed its willingness to continue in office and a resolution to re-appoint them will be proposed as Resolution 7 at the forthcoming annual general meeting.

## **Authority to allot shares**

At the annual general meeting held on 2 June 2014 shareholders authorised the Board under the provisions of section 551 of the Companies Act 2006 to allot relevant securities within specified limits for a period of five years. Renewal of this authority is being sought under Resolution 8 at the forthcoming annual general meeting.

The aggregate nominal value which can be allotted under the authority set out in paragraph (i) of the resolution is limited to £3,303,031 (representing 13,212,124 ordinary shares of 25p each) which is approximately one third of the issued ordinary capital of the Company as at 29 April 2015 (being the latest practicable date before publication of this notice). In accordance with guidance issued by The Investment Association, the authority in paragraph (ii) of the resolution will authorise the Directors to allot shares, or to grant rights to subscribe for or convert any security into shares, only in connection with a fully pre-emptive rights issue, up to a further nominal value of £3,303,031 (representing 13,212,124 ordinary shares). This amount (together with the authority provided under paragraph (a) of the resolution) represents approximately two thirds of the Company's issued ordinary share capital (excluding treasury shares) as at 29 April 2015. This authority will expire at the conclusion of the next annual general meeting of the Company. The Directors have no present intention of issuing new shares, or of granting rights to subscribe for or to convert any security into shares.

## **Disapplication of pre-emption rights**

A fresh authority is also being sought under the provisions of sections 570 and 573 of the Companies Act 2006 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 fractional entitlements and overseas shareholders. In addition, the authority will empower the Board to make issues of shares for cash to persons other than existing shareholders up to a maximum aggregate nominal amount of £495,454 representing 5% of the current issued share capital. The authority will be expiring at the forthcoming annual general meeting or on 30 June 2015, whichever is earlier. Renewal of this authority on similar terms is being sought under Resolution 9 at the forthcoming annual general meeting.

## **Acquisition of the Company's own shares and authority to purchase own shares**

At 29 April 2015, the Directors had remaining authority under the shareholders' resolution of 2 June 2014, to make purchases of 3,997,627 of the Company's ordinary shares. This authority expires on 30 June 2015. 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. Companies can 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 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.

## Directors' Report

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Resolution 10 to be proposed at the forthcoming annual general meeting seeks renewed authority to purchase up to a maximum of 3,963,637 ordinary shares of 25p each on the London Stock Exchange, representing 10% of the Company's issued ordinary share capital. The minimum price which may be paid for an ordinary share is 25p. The maximum price which may be paid for an ordinary share on any exercise of the authority will be restricted to the highest of (i) an amount equal to 5% above the average middle market quotations for such shares as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made and (ii) the higher of price of the last independent trade and the highest current independent bid on the London Stock Exchange. The maximum number of shares and the price range are stated for the purpose of compliance with statutory requirements in seeking this authority and should not be taken as an indication of the level of purchases, or the prices thereof, that the Company would intend to make.

### **Dividends**

The Board is mindful that the Group's development programme will require a considerable capital commitment. In this respect, the dividend level needs to be balanced against the planned capital expenditure in view of weaker CPO prices. The Board is also mindful of shareholders' sentiment and declared a final dividend of 3.0p in respect of 2014 (2013: 3.0p). Subject to shareholder approval at the AGM, the final dividend will be paid on 10 July 2015 to those shareholders on the register on 12 June 2015. Shareholders choosing to receive their dividend in US Dollar will do so at the rate ruling on 12 June 2015, when the register closes. Based on the exchange rate at 24 April 2015 of \$1.5165/£, the proposed dividend would be equivalent to 4.5cts, compared to 5.0cts declared in respect of 2013.

### **Liability insurance for Company officers**

As permitted by the Companies Act the Company has maintained insurance cover for the Directors against liabilities in relation to the Company.

On behalf of the Board

Dato' John Lim Ewe Chuan  
Executive Director, Corporate Finance and Corporate Affairs

29 April 2015

# Directors' Responsibilities

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The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and have elected to prepare the Company financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare a Strategic report, a Director's report and Director's remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

## Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Directors' responsibilities pursuant to DTR4

All of the Directors listed on page 36 confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The annual report includes a fair review of the development and performance of the business and the financial position of the Group and the parent Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Dato' John Lim Ewe Chuan  
Executive Director, Corporate Finance and Corporate Affairs

29 April 2015

## Directors

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### **Madam Lim Siew Kim**

(Non-Executive Chairman, age 66)

Non-Executive Director since 29 November 1993 and appointed as Non-Executive Chairman on 31 January 2011.

### **Dato' John Lim Ewe Chuan**

(Executive Director, Corporate Finance and Corporate Affairs, member of Nomination and Corporate Governance Committee, Audit and Remuneration Committee, age 65)

Appointed 26 April 2008. On 1 September 2010 appointed as Executive Director. Prior to 1 September 2010, Dato' John Lim was the Senior Independent Non-Executive Director.

Chartered Certified Accountant; partner with UHY Hacker Young LLP, London, since 1998; previously he had a professional accounting career in Singapore and the UK.

### **Nik Din Bin Nik Sulaiman**

(Senior Independent Non-Executive Director, Chairman of Audit Committee and Chairman of Nomination & Corporate Governance Committee and member of Remuneration Committee, age 67)

Appointed 1 April 2009.

Independent Non-Executive Director of MTD Capital Berhad, MTD ACPI Engineering Berhad, Reach Energy Berhad and APFT Berhad, of which the latter three are listed on Bursa Malaysia.

Before retirement, he was the Finance Director in Sime Darby Berhad, a plantation conglomerate in Malaysia.

### **Jonathan Law Ngee Song**

(Independent Non-Executive Director, Chairman of Remuneration Committee, member of Audit Committee and member of Nomination & Corporate Governance Committee, age 49)

Appointed 4 July 2013.

He was admitted as an Advocate and Solicitor, to the High Court of Malaya in 1991.

Following his graduation from Australia National University in 1989 with a Bachelor of Commerce and Bachelor of Laws, he practised as a legal assistant in Allen & Gledhill (1991 to 1995) and was promoted to a partner (1995 to 1996). In 1996 he joined the Malaysian law firm Messrs Nik Saghir & Ismail as a partner of the firm.

Independent Non-Executive Director of Karex Berhad and Evergreen Fibreboard Berhad, public listed companies in Malaysia. Appointed Independent Non-Executive Chairman of Evergreen Fibreboard Berhad on 22 February 2010. He is also the Chairman of Audit Committee and Remuneration Committee and a member of Nomination Committee of Evergreen Fibreboard Berhad.

# Statement on Corporate Governance

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## **Application of the UK Corporate Governance Code**

AEP is committed to business integrity, appropriately high ethical standards and professionalism in all its activities and operations. This includes a commitment to high standards in corporate governance relating in particular to appropriate systems and controls adopted at a senior level of management of the Group and operation of the Board. The bench-mark standards in this regard are set out in the UK Corporate Governance Code ('the Code'), as most recently revised in October 2014 which forms part of the Listing Rules of the London Stock Exchange. The Code is available from the Financial Reporting Council's ("FRC") website at [www.frc.org.uk](http://www.frc.org.uk). Where provisions of the Code were not met during 2014, particular comment is made in the statements below and in the Directors' remuneration report on pages 44 to 48.

## **UK Listing Rules**

The UK Listing Rules require a premium listed issuer with a controlling shareholder to have in place a relationship agreement with the controlling shareholder by 16 November 2014. The mandatory requirements for the relationship agreement are intended to prevent controlling shareholders from exercising their influence in a way that is improper or unfair to minority shareholders. The requirements are not intended to prevent a controlling shareholder from engaging fairly with an issuer or legitimately disagreeing with the issuer and neither are they intended to prevent shareholders from holding board positions. AEP Plc has identified all controlling shareholders and regarded its major shareholder, Genton International Limited ("Genton") as the only controlling shareholder. In this respect, the Company entered into a relationship agreement with Genton on 14 November 2014. The agreement is available for inspection by the shareholders upon request from the Company Secretary. AEP Plc has complied with the independence provisions included in the agreement and that, so far as it is aware, those independence provisions have been complied with by Genton.

## **The Board**

AEP is led by a strong and experienced Board of Directors (see biographical details set out on page 36). During 2014 the Board comprised the Non-Executive Chairman, one Executive Director and two further Non-Executive Directors, both of whom are considered by the Board to be Independent.

Dato' John Lim was appointed as Executive Director, Corporate Finance and Corporate Affairs on 1 September 2010. Prior to 1 September 2010, Dato' John Lim was the Senior Independent Non-Executive Director.

Madam Lim Siew Kim was appointed as Non-Executive Chairman on 31 January 2011. Neither external search consultancy nor open advertising was used for the appointment. The Nomination and Corporate Governance Committee is of the view that Madam Lim, who owns 52% of the Company's shares and was the Chairman of the Company from 1993 to 1998 with her experience in plantation is an appropriate candidate for the position. The other members of the Board are satisfied that through the specific powers reserved for the Board, and given the presence of the Independent Non-Executive Directors, there is a reasonable balance of influence.

In compliance with the Code, Madam Lim who has been a Non-Executive Director for more than 9 years will submit herself for re-election every year.

## **Independence of the Non-Executive Directors**

The Board has evaluated the independence of each of its Non-Executive Directors. Following this assessment, the Board has determined that, throughout the reporting period, both of its Independent Non-Executive Directors, who were appointed for specified terms of office, were independent, base above all on their objectivity and integrity. The terms and conditions relating to the appointment of the Non-Executive Directors are available from the Company Secretary.

# Statement on Corporate Governance

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In arriving at its conclusion, the Board considered the factors set out in the Combined Code including, inter alia, whether any of the Non-Executive Directors:

- has been an employee of the Group within the last five years;
- has, or had within the last three years, a material business relationship with the Group;
- receives remuneration from the Group other than a Director's fee;
- has close family ties with any of the Group's advisors, Directors or senior employees;
- holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
- has served more than nine years on the Board; or
- represents a significant shareholder

The Combined Code acknowledges that a Director may be regarded as independent notwithstanding the existence of any of the above factors.

The Independent Non-Executive Directors have a wide range of business interests beyond their position with the Company and the rest of the Board agree unanimously that they have shown themselves to be fully independent.

## Senior Independent Non-Executive Director

Mr. Nik Din Bin Nik Sulaiman, who has been with the Board for about 5 years acted in the capacity of Senior Independent Non-Executive Director throughout the year.

## Operation of the Board

A schedule of duties and decisions reserved for the Board and management respectively has been adopted. The Audit, Remuneration and Nomination & Corporate Governance Committees have written terms of reference which are available for inspection upon request from the Company Secretary.

Unless warranted by unusual matters, the Board normally meets two to three times each year. Otherwise all other matters are dealt with by written resolution and telephone conference. During 2014, there were two meetings, attended by all the Directors. Agenda and minutes of previous meetings were circulated prior to meetings.

The Independent Non-Executive Directors met on their own during 2014. The Chairman met all the Non-Executive Directors informally, in the absence of the Executive Director, thrice in 2014 to finalize the relationship agreement with major shareholder, revised key performance criteria to determine the bonus policy for operational employees and reviewed certain aspects of the internal audit reports. The meetings were open and constructive. Telephone discussions between the Chairman and Non-Executive Directors also took place outside these meetings.

The Board is supplied with relevant, timely and accurate information for review prior to each meeting to enable them to discharge their duties. The Audit Committee is responsible for the integrity of the financial information and this is achieved by interacting with the management and with the internal auditors. The Board has identified and formally adopted a schedule of key matters that are reserved for its decision, including the annual fiscal and capital budgets, interim, preliminary and final results announcements, final dividends, the appointment of Directors and the Company Secretary, circulars to shareholders, Group treasury policies and acquisitions. Certain other matters are delegated to Board committees, the details of which are set out below.

During 2014, the Board followed the Group results and the development of the activities of the various subsidiaries by means of reports prepared by the management in Malaysia and Indonesia. It received further reports and minutes of Executive Committee meetings in Indonesia chaired by a senior manager from Malaysia. The objectives of the Executive Committee is to resolve operational issues and to drive the performance budget set at the beginning of every year by the Board. The other members of the Executive Committee is made up of senior members of the management team based in Indonesia which amongst others includes the Chief Executive Officer, the Chief Operating Officers, and the Finance Director.

# Statement on Corporate Governance

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Each Board member has access to the impartial advice and services of the Company Secretary, who is responsible to the Board for ensuring that appropriate procedures are followed. Where necessary the Board members may seek independent advice including legal counsel at the Company's expense. The Company maintained Directors' and officers' liability insurance throughout 2014.

Non-Executive Directors are appointed for two year terms renewable on recommendation of the Board. To maintain the vitality of the Board, the Directors specify fixed terms of office for Non-Executives. However, the Board will review the position of each Director for the normal three yearly re-election under the Articles.

Dato' John Lim, the only Executive Director on Board sits on the Audit, Remuneration and Nomination Committees for 2014. The UK Corporate Governance Code 2014 provides for smaller companies like AEP to have two independent Non-Executive Directors in the Audit and Remuneration Committees and a majority independent Non-Executive Directors in the Nomination Committee. The Code does not expressly provide for the exclusion of the Executive Director in the Audit and Remuneration Committees. In practice companies would normally exclude the Executive Director from membership so as not to taint the independence of both the Audit and Remuneration Committees. However the Board felt strongly that given the small composition of the various Committees, they would benefit from Dato' John Lim's wealth of commercial and audit experience. It was also felt that Dato' John Lim being the only Director based in London could only adequately represent the Company in any shareholders and investor relation if he sits in the three Committees. The Board also believes that the Non-Executive Directors, being professionals in their own areas of expertise would maintain their impartiality and independence by their majority presence in all three Committees.

In 2014 the Board conducted a review of its performance by discussion. It concluded the Mr. Jonathan Law has rapidly familiarised himself with the oil palm business and issues facing the industry and the Group. His legal knowledge complemented the skills of the rest of the directors. No other major issues arose from this review.

Following a review of the internal control and risks management in March 2015 and in the absence of any reported failing and weaknesses when the Board considered significant, it concluded that these remain effective and sufficient for their purpose.

## **Nomination Committee**

The Nomination and Corporate Governance Committee currently comprises Mr. Nik Din Bin Nik Sulaiman (Chairman), Dato' John Lim and Mr. Jonathan Law Ngee Song. The committee had two meetings during 2014, attended by all members.

The policy on gender diversity is described in page 23 of the Strategic Report.

During the year, the Nomination Committee reviewed and deliberated on the Statement of Corporate Governance for inclusion in the Annual Report. It also met to discuss and approve the extension of contract of one Director. At the same time it affirmed the additional benefits extended to the Non-Executive Chairman to cover a car and driver from a subsidiary car/driver pool. During the year it also recommended the promotion of a joint Chief Operating Officer to Chief Executive Officer to replace the outgoing incumbent in the Indonesian operations.

## **Relations with shareholders**

The Executive Director contacted certain principal shareholders during the year and at all times are pleased to speak to and meet any shareholder. Given the dispersion of Directors and shareholders it is not possible for every Director to meet shareholders in the presence of management. A member of the Audit, Nomination and Remuneration Committees will be available at the 2015 AGM. It is the intention of the Board that the Company would engage with identifiable shareholders who have voted against Company's resolutions in the past.



# Statement on Corporate Governance

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The annual report, interim report and interim management statements are intended to keep the shareholders informed as to the progress in the operational and financial performance of the Group. The Company maintains a corporate website at <http://www.angloeastern.co.uk>. This website has detailed information on various aspects of the Group's operations. The website is updated regularly and includes information on the Company's share price and the price of crude palm oil.

The Company's results and other news releases issued via the London Stock Exchange's Regulatory News Service are published on the "Investors" section of the website and together with other relevant documentation concerning the Company, are available for downloading.

## **Environmental and corporate responsibility**

In 2004 a group of growers, processors, retailers and wildlife and conservation groups founded the "Roundtable for Sustainable Palm Oil", known as RSPO, to codify and promote best practices in the industry. The Group's management and Directors take a serious view of their environmental and social responsibilities and are fully committed to the principles developed by RSPO. These principles cover eight headings as follows:

- Transparency
- Compliance with local laws and regulations
- Commitment to long term economic and financial viability
- Use of appropriate best practices by growers and millers
- Environmental responsibility and conservation of natural resources and biodiversity
- Responsible consideration of individuals and communities affected by growers and mills
- Responsible development of new plantings
- Commitment to continuous improvement in key areas of activity.

Within these headings are 40 detailed principles. Among the most important are:

- Not to remove primary forest
- Not to use fire for clearing areas designated for new or replanting
- To follow accepted soil and water conservation practices
- To use agrochemicals in ways that do not endanger health or the environment and to promote non-chemical methods of pest management
- To leave wild areas for wildlife corridors, water catchment and riparian protection
- Provide full treatment of mill effluent water
- Ensure the wishes of local communities and individuals are taken account of, and
- To pay to individuals with residual rights over land only freely agreed compensation, in addition to following government land regulations.

AEP seeks to comply with these principles in all areas of its activities.

Nik Din Bin Nik Sulaiman  
Chairman, Nomination and Corporate Governance Committee

29 April 2015

# Audit Committee Report

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## Audit Committee

The Audit Committee comprises Mr. Nik Din Bin Nik Sulaiman (Chairman), Dato' John Lim and Mr. Jonathan Law Ngee Song.

Mr. Nik Din Bin Nik Sulaiman is a Fellow member of the Association of Chartered Certified Accountants (FCCA) and a member of the Malaysian Institute of Accountants (MIA), CA(M). He has extensive experience in accounting, auditing and finance. He attended three seminars organised by Malaysian Institute of Accountants and the Malaysian Stock Exchange in 2014. The seminars covered topics such as management anti-fraud programmes and control; Detecting, preventing and reporting on financial irregularities and fraud and Corporate risk management workshop.

Dato' John Lim attended two related seminars at UHY conferences on update of accounting standards.

Jonathan Law attended two seminars relating to the roles of Nomination Committee and Company's Chairman organised by the Malaysia Stock Exchange in 2014.

## Overview

The Audit Committee met prior to the completion of the 2014 accounts and seven times during 2014 with full attendance.

During the year, the Committee reviewed the Restatement of Prior Year Announcement, 2013 Annual Report, Interim Results, 1<sup>st</sup> Quarter and 3<sup>rd</sup> Quarter Interim Management Statement, dividend rate, risks management, audit tender exercise and the internal audit reports.

The Committee met with the external auditors twice in 2014 to discuss the audit findings as well as the planning for the 2014 audit.

In the planning report to the Committee, BDO has identified the key audit risks areas as valuation of biological assets, valuation of land and revenue recognition. The Committee reviewed the relevance of key assumptions used in the determination of biological assets previously applied in accordance with the recommendation of the external UK valuer and taking into account the company's discussions with the FRC. The CPO price for 2014 was very volatile. It ended the year at \$700/mt lower than the 10-year average CPO price at \$750/mt for the first time. As a result the directors have benchmarked the 10-year average CPO price assumptions against market expectations and have adopted the CPO price of \$700/mt used in last year's computation of biological assets to represent a more sustainable CPO price over the long term and have maintained the price for the current year. This is supported by the World Bank Commodities Price Forecast for palm oil for 2015 at \$700/mt. All other key assumptions were retained other than the discount rate which was increased to 16.4% from 15.8% to reflect the increase in sovereign risks in Indonesia.

Except for 6 companies where the land was valued in 2013, the remaining land for 11 companies located across North Sumatera, Bengkulu, South Sumatera and Kalimantan was valued by qualified valuers in 2014 to provide indicative fair values and support the valuation for the estate lands of the 6 companies. The Directors revalued the estate land not covered by the valuation exercise based on the regional appreciation rate quantified by the qualified valuers. Land is valued on a rotational basis and all land is valued by qualified valuers every two years.

The Committee also reviewed the policy on revenue recognition and believe that revenue is recognized when significant risks and rewards of ownership of the FFB and CPO have been transferred to the buyers have been observed.

# Audit Committee Report

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The Audit Committee also reviewed the internal audit reports and a Committee member met with the Internal Auditor on one occasion to discuss the audit findings. No major fraud and theft were discovered. Most of the weaknesses were operational in nature and suggested improvement in internal controls were implemented. The Audit Committee further met and discussed the appointment of a new Internal Auditor after the resignation of the Group Internal Auditor.

The Committee had extensive discussions on the impact arising from the amendment of IAS41, requiring bearer plants to be treated as property, plant and equipment to be valued at historical costs less depreciation or deemed costs at last valuation. The directors are in the process of quantifying the impact that would have on the Group net assets with the adoption of the amended IAS 41. FFB not due for harvest is currently measured as part of the BA valuation.

The Board receives reports from executive management in Indonesia and Malaysia and focuses principally on reviewing reports from management and considers whether significant risks in the Group are identified, evaluated, managed and whether significant weaknesses are promptly remedied including, but not limited to, commodity price movements, exchange rate movements, political and social change and government legislation.

A member of the Audit Committee also met up with the senior management during the year in Medan to discuss various financial and operational issues.

The Audit Committee recommended to the Board of the Company that it should seek the approval of the Company's shareholders for the reappointment of the Company's current auditors. The UK Competition Commission recommends that audits be put to tender at least in every 10 years. The Committee in September 2014 invited 6 audit firms to quote for the audit for the year ended 31 December 2014. The Committee received 3 quotes from the 6 audit firms and recommended to retain BDO. This is arrived after considering the potential threat of familiarity reducing independence does not exist. No audit individual has exceeded the required rotation periods set out by the Auditing and Ethical Standards. BDO also advised that the non-audit services in relation to responding to FRC queries for year ended 31 December 2012 was from the firm's accounting and reporting advisory team and its role was restricted to advisory capacity and all judgements and policy decisions were made by management. The recommendation also reflected an assessment of the qualifications, expertise, resources and independence of the auditors based upon reports produced by the auditors, the Committee's own dealings with the auditors and feedback from management.

During the year the Committee carried out an assessment of the effectiveness of the external audit process. The assessment was led by the Chairman of the Audit Committee, assisted by the Senior General Manager and the Group Accountant and focused on certain criteria which the Committee considered to be important factors in demonstrating an effective audit process. These factors included the quality of audit staff, the planning and execution of the audit and the role of management in the audit process. Following this assessment, the Committee concluded that the external audit process remained effective and that it provides an appropriate independent challenge of the senior management of the Group.

## Responsibility

Audit Committee is responsible for:

- Monitoring the integrity of the financial statements and reviewing formal announcements of financial performance and significant reporting issues and judgements that such statements and announcements contain;
- Reviewing the effectiveness of the internal control functions (including the internal financial controls and the internal audit function);
- Making recommendations to the Board in relation to the appointment, reappointment and removal of the external auditors, their remuneration and terms of engagement; and
- Reviewing and monitoring the independence of the external auditors and the effectiveness of the audit process.

# Audit Committee Report

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The Committee also monitors the engagement of the auditors to perform non-audit work. The Committee considered that the nature and scope of, and remuneration payable in respect of, these engagements were such that the independence and objectivity of the auditors was not impaired.

The members of the Committee discharge their responsibilities by informal discussions between themselves, by meeting with the external auditors, the internal auditors and management and by consideration of reports by management and by holding at least one formal meeting in each year.

## **Internal control**

The Company has followed the Code provisions and Turnbull Committee guidance on internal control since 1999. The Board has overall responsibility for the Group's systems of internal control and risk management and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. 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 Group has internal auditors who visit operating sites in Indonesia and Malaysia regularly and provide summarized internal audit report to the Audit Committee on a regular basis. The internal audit team provides objective assurance as to the effectiveness of the Group's systems of internal control and risk management of the Group's operating management to the Committee. The internal audit 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 but cannot eliminate the risk of loss.

# Directors' Remuneration Report

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I am pleased to report on the activities of the Remuneration Committee for the year ended 31 December 2014. It sets out the remuneration policy and remuneration details for the Executive and Non-executive directors of the Group. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013.

The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the annual report on remuneration that are subject to audit are indicated in that report. Other sections of the Remuneration Report are not subject to audit.

The Executive Director's compensation is not linked to the profitability of the Group. It is linked to his role in respect of activities relating to corporate finance and corporate affairs, including liaising with the Company's advisers and regulators and interaction with shareholders.

The Executive Director salary was increased by 20% from £75,000 to £90,000 when his contract was renewed for another two years in August 2014 in line with greater responsibilities and inflationary cost. The remuneration policy includes a capped basic salary at £90,000 per annum for the next two years.

The operating units in Indonesia and Malaysia however have in place variable compensation policy that rewards senior executives and employees with bonuses ranging from 2 to 5 months' pay based on individual's and operating units' performance. The key criteria used in the determination of the variable compensation policy for bonus was revised in May 2014 following discussion and consultation with the Company's Chairman

The Remuneration policy detailed below will take effect from 1 January 2015, subject to the approval of shareholders at the Company's forthcoming AGM. The Director's remuneration report was last approved at Company's AGM on 2 June 2014. In the meeting, the shareholders voted in the following manner:

	% For	% Against	% Withheld/Abstain
To approve Directors' Remuneration Report	99.68%	0.03%	0.29%
To approve Directors' Remuneration Policy	98.88%	1.12%	-

The Committee would welcome your support for our Remuneration Report.

## Remuneration Committee

The Remuneration Committee comprises of Mr. Jonathan Law Ngee Song (Chairman), Mr. Nik Din Bin Nik Sulaiman and Dato' John Lim.

The Committee had two meetings during 2014, attended by all members.

Besides formal meetings, it also has informal discussions and consultation with the Company's Chairman in relation to the key criteria used to determine the variable bonuses for operational staff in Indonesia. The changes are reflected in the following section on Bonus components. During the year the Remuneration Committee reviewed the annual increment and bonus entitlement of senior management in Indonesia and made the necessary recommendation to the Board. The Committee also deliberated on the 2013 Remuneration Report and recommended to the Board for acceptance. It also recommended to extend the contract of the Executive Director for two years with a 20% increase in salary.

## Policy

The Remuneration Committee makes recommendations on senior management pay and conditions, after consultation with the Chairman, and recommends to the Board the terms for the Executive Director. It periodically assesses the remuneration of the Non-Executive Directors and submits proposal to the Board.

# Directors' Remuneration Report

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In determining the remuneration policy of senior management, the Committee takes into account the need to attract, retain and motivate employees. It also make external comparison with the current market trends and practices of equivalent roles taking into account the size, business complexity and relative performance.

Non-Executive Directors' remuneration is considered by the Board and consist exclusively of a fixed payment.

When determining Executive Director's remuneration, the Committee reviews the pay policy and levels for executives below the board, as well as pay and conditions of employees throughout the Group. Other factors considered are individual performance, market conditions, the Company's performance, pay and employment conditions of its other employees in the organisation and the need to maintain an economic operation. This policy continue to be consistently applied.

## Components

### *Base salary*

Base salaries of senior management are reviewed on an annual basis by the Remuneration Committee or when an individual changes his responsibilities. Non-Executive Directors receive no benefit other than a fee.

### *Bonus*

The Group operates a bonus scheme for senior executives and managers of operating units, which is determined by weighted performance criteria including crop production, external crop purchase, increased in planted area, efficiency of mill performance and overall profitability. There is no bonus scheme for the Executive Director.

### *Share options*

The UK and overseas executive share option schemes of the Company are administered and supervised by a committee consisting, in the majority, of Non-Executive Directors. These schemes are limited over their 10 year life to issuing no more than 10% of the issued ordinary share capital of the Company from time to time. They provide for options to be granted over treasury shares as well as over new shares. To avoid dilution, the Board intends generally to follow the treasury share route.

Individual grants vest over 3 years. The total grant to each holder is determined by seniority and total market value at date of grant is normally limited to 2 times base salary. Exercise of options is only permitted 3 years after grant, provided that the holder remains an employee of the Group throughout the period. There are no other performance criteria for exercise of options granted so far.

### *Pensions*

The operating units in Indonesia participate in mandatory pension schemes for their local executives and management. There is no company-sponsored scheme for senior executives outside of Indonesia.

## Remuneration Policy Table For Executive Director

The table below summarises the key aspects of the Group's Remuneration Policy for Executive Director effective 1 January 2015.

Type	Purpose	Maximum payment
Base salary – fixed pay	To contain fixed costs	Capped at £90,000. The cap is reviewed periodically. The policy permits the cap to be changed if this is deemed necessary to meet business, legislative or regulatory requirements.

There is no bonus, fringe benefits and employee share option scheme for the Executive Director.

# Directors' Remuneration Report

## Executive Director's Remuneration Over 6 Years

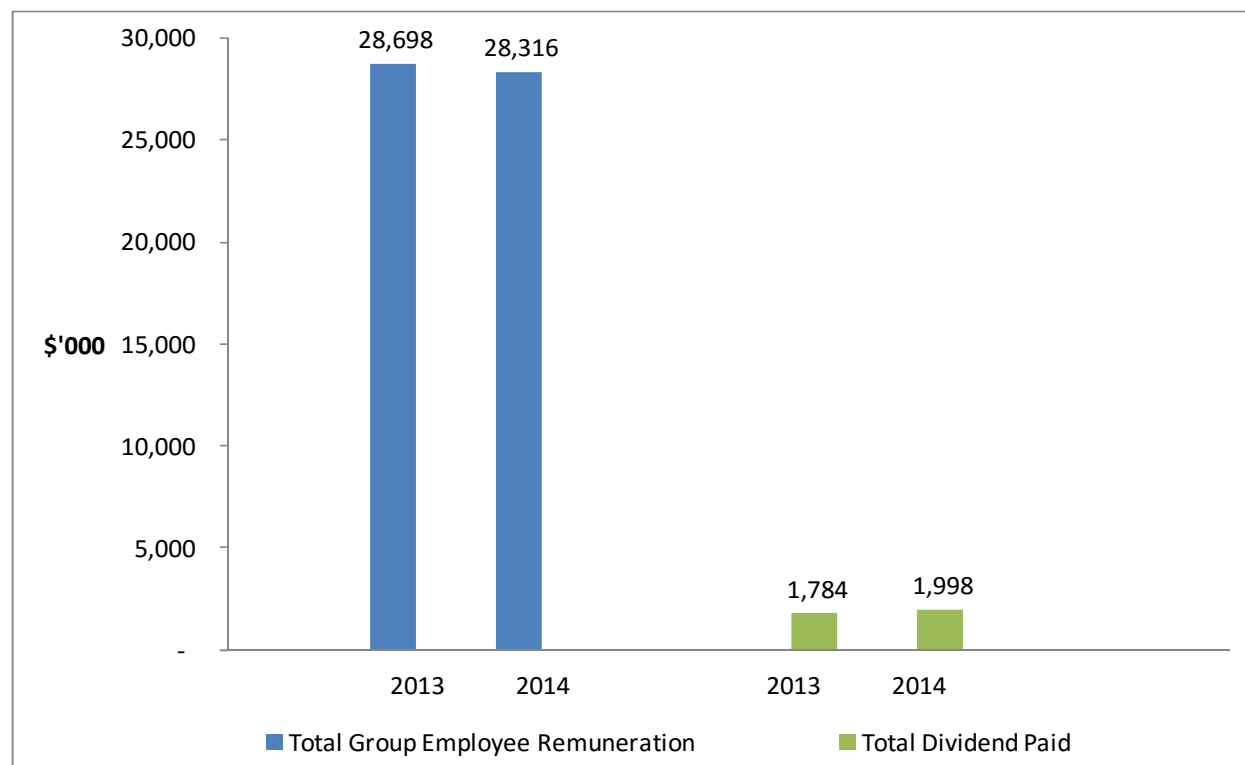
Year ended 31 Dec	Salary	Benefits	Pension	Bonus	Total
2014	\$133,000	-	-	-	\$133,000
2013	\$117,000	-	-	-	\$117,000
2012	\$105,000	-	-	-	\$105,000
2011	\$83,000	-	-	-	\$83,000
2010	\$114,000	-	-	-	\$114,000
2009	\$137,000	-	-	-	\$137,000

## Percentage change of remuneration

The following table shows a comparison of percentage change in salaries of the Executive Director, senior management in Indonesia and total wages and salaries between 2013 and 2014.

	2014	2013	Change
Percentage change in Executive Director's salary			
Salary	\$132,800	\$117,000	+13.5%
Percentage change in selected Group senior management salaries			
Salaries	\$1,697,903	\$2,068,247	-17.9%
Percentage change in total wages and salaries			
Total wages and salaries	\$26,724,916	\$27,421,596	-2.5%

## Relative importance of spend on pay



# Directors' Remuneration Report

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## Service contracts

All Directors, Executive and Non-Executive, have formal appointment letters. The Executive and Non-Executives are appointed normally on two year terms with notice periods of one month to two months. The service contracts are kept at the registered office and may be inspected by shareholders on request. Notice periods for all other senior management are generally two months. Therefore any remuneration payment for loss of office will be capped at a maximum of two months.

At 31 December 2014, the unexpired term of the retiring Directors are:

Madam Lim Siew Kim	Expiry 31 January 2015
Mr. Nik Din Bin Nik Sulaiman	Expiry 31 March 2015

## Performance Graph

The performance graph is set out on page 4 and shows the Company's share price performance compared to FTSE 100 index for the period of 2009 to 2014 (last 6 years) to indicate the volatility and trend of the market generally. Our share price performance consistently outperformed the FTSE 100 index throughout these periods. 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' interests (audited)

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:

	2014	2013
	Ordinary shares	Ordinary shares
Madam Lim Siew Kim	20,551,914	20,521,314
Dato' John Lim Ewe Chuan	-	-
Nik Din Bin Nik Sulaiman	-	-
Jonathan Law Ngee Song	-	-

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

There have been no changes in the interests of the Directors in the securities of the Company between 31 December 2014 and the date of this report. Other than Madam Lim, none of the Directors had any interest in the securities of the Company between the date of their appointments and the date of this report. There is no requirement for Directors to hold shares in the Company. Other than as set out in notes 6 and 20 to the consolidated 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' Remuneration Report

## Directors' remuneration (audited)

The following part provides details of the remuneration of all the Directors for the year ended 31 December 2014. The numerical components of these disclosures have been audited in accordance with Section 421 of the UK Companies Act 2006.

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

Audited information	Total 2014 Fees \$000	Total 2013 Fees \$000
Name of Director		
Executive:		
Dato'John Lim Ewe Chuan <sup>(1)</sup>	133	117
Non-Executive:		
Lim Siew Kim <sup>(2)</sup>	61	61
Nik Din Bin Nik Sulaiman <sup>(3)</sup>	27	28
Drs. Kanaka Puradiredja <sup>(4)</sup>	-	16
Jonathan Law Ngee Song <sup>(5)</sup>	27	14
Total	248	236

Directors' remuneration comprise of directors fees only.

Unaudited information

Notes:

<sup>(1)</sup> Appointed as Executive Director on 1 September 2010. Previously was the Senior Independent Non-Executive Director.

<sup>(2)</sup> Appointed on 29 November 1993 and appointed as Non-Executive Chairman on 31 January 2011.

<sup>(3)</sup> Appointed on 1 April 2009.

<sup>(4)</sup> Appointed on 1 August 2009 and resigned on 31 July 2013.

<sup>(5)</sup> Appointed on 4 July 2013.

Jonathan Law Ngee Song  
Chairman, Remuneration Committee

29 April 2015

# Auditors' Report

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO-EASTERN PLANTATIONS PLC

We have audited the financial statements of Anglo-Eastern Plantations Plc for the year ended 31 December 2014 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position and Company balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### *Opinion on financial statements*

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### *Purpose of report*

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### *Respective responsibilities of directors and auditors*

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### *Scope of the audit of the financial statements*

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

# Auditors' Report

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO-EASTERN PLANTATIONS PLC (continued)

### *Our application of materiality*

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be US\$2.50 million (2013: US\$2.00 million), which approximates to 1% of revenues. We consider revenue to be a key indicator of the Group's financial performance and therefore an appropriate basis for materiality. We agreed with the Audit Committee that we would report to the Committee all individual audit differences identified during the course of our audit in excess of US\$50,000 (2013: US\$40,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### *An overview of the scope of our audit*

The Group financial statements are a consolidation of twenty six companies made up of the parent company, four management companies, four dormant companies and seventeen trading companies operating fourteen mature plantations and three immature plantations. Sixteen of the plantations are located in Indonesia and one in Malaysia. The head office and main accounting location is located in Kuala Lumpur, Malaysia, at a separate location from the plantations. Our Group audit scope focused on the group's principal operating companies and based on our assessment we identified five operating plantation companies which, in our view, required an audit of their complete financial information due to their size and twelve required audit procedures on specific areas due to their risk characteristics. This, together with additional procedures performed at Group level, which included the audit of biological assets and leasehold land, gave us the evidence we needed to form our opinion on the Group financial statements as a whole. These seventeen trading companies account for 95% of the Group's net assets, 100% of the Group's revenue and 97% of the Group's profit before tax.

Audits of the subsidiary companies were performed at materiality levels which were lower than Group materiality and determined by us to be appropriate to the relative size of the company concerned. The audits of each of the operating companies were performed largely in Malaysia and Indonesia, as well as the audit of corporate accounting function in Malaysia. All audits were conducted by BDO network firms with teams drawn from the UK, Malaysia and Indonesia. As part of our audit strategy, the Senior Statutory Auditor and other senior members of the team between them visit Malaysia and Indonesia each year. The component auditors visit the plantation estates on a rotational basis so that the plantation estates are visited at least once every three years. The component auditors visited fifteen out of the seventeen plantation estates in the current year.

The remaining components of the Group include non-significant holding companies and these components were principally subject to analytical review procedures.

# Auditors' Report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO-EASTERN PLANTATIONS PLC (continued)

### *Our assessment of risks of material misstatement*

In preparing the financial statements, the Directors have made a number of subjective judgements around significant accounting estimates which involved making assumptions regarding uncertain future events. The assessed risks of material misstatement that had the greatest impact on the audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team and component auditors are described below.

These risks were discussed with the Audit Committee and are included within their report on those matters they considered to be significant issues in relation to the financial statements set out on page 41.

<b>Risk of material misstatement</b>	<b>Our response to the risks identified</b>
<b>Revenue recognition</b>	
Substantially all revenue is derived from the sales of crude palm oil, palm kernel and rubber slab, the revenue from which is recognised when the goods are delivered or allocated to a purchaser subsequent to payment as detailed in note 1. We considered there to be a risk of material misstatement around the timing of revenue recognised.	We tested, on a sample basis, that sale invoices were raised on the delivery date based on the goods dispatched note. We also identified revenue from sales of crude palm oil, palm kernel and rubber slab at the end of the current year and the beginning of the new financial year and tested a sample to ensure that revenue had been recognised in the correct period.
<b>Valuation of biological assets</b>	
Biological assets are held at fair value less costs to sell determined on the basis of the net present value of cash flows arising in the production of fresh fruit bunches (FFB). Management exercise significant judgement in determining the underlying assumptions used in the calculation of fair value. These assumptions include the crude palm oil price (CPO), discount rate, FFB production, estate yield, overhead cost and notional rent. We identified this as a risk due to the inherent uncertainty around the future estimates.	The directors engaged an independent valuer to perform the valuation exercise. We assessed the capabilities, objectivity and competence of the independent valuer and considered them to be satisfactory. We also challenged the assumptions in the input data made by management and the valuer through discussions, comparisons to industry peers and independent external data sources and where available to agreement with supporting documentation and historical trends.

# Auditors' Report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO-EASTERN PLANTATIONS PLC (continued)

Risk of material misstatement	Our response to the risks identified
<b>Valuation of estate land</b>	
<p>Estate land is carried at fair value, based on periodic valuations on an open market basis by a professionally qualified valuer. The directors obtain a professional valuation on land on a rotational basis and all land has been professionally valued over the current and previous financial year end. We identified the valuation of estate land as a risk due to the subjective judgements involved in the estimation and the volatility of land market price within Indonesia.</p>	<p>In the prior year the directors engaged an independent valuer to perform a market-based valuation on the land within four operating plantation companies giving geographical coverage over North Sumatra, Bengkulu and Riau. The directors then increased this selection to cover land in both Malaysia and Kalimantan. In the current year the directors engaged an independent valuer to perform a market-based valuation on all land that was not independently valued in the prior year. The directors performed their own valuation on the rest of the land by considering the movements on the valued land from last year and applying the same movements to the rest of the land on a regional basis. We assessed the capabilities, objectivity and competence of the independent valuer and considered them to be satisfactory. We challenged the assumptions in the input data from the valuer and also assessed the reasonableness of the movements in the valuation of land on an estate by estate basis in light of movements in plantation land area and market valuation trends based on publicly available information.</p>

# Auditors' Report

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO-EASTERN PLANTATIONS PLC (continued)

*Opinion on other matters prescribed by the Companies Act 2006*

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

*Matters on which we are required to report by exception*

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- certain disclosures of directors' remuneration specified by law are not made.

*Our duty to read other information in the annual report*

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 35, in relation to going concern;
- the part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report arising from our review.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

# Auditors' Report

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO-EASTERN PLANTATIONS PLC (continued)

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Anna Draper  
Senior Statutory Auditor  
For and on behalf of BDO LLP, Statutory Auditor  
Chartered Accountants  
London  
United Kingdom  
29 April 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated Income Statement

For the year ended 31 December 2014

Continuing operations	Note	2014			2013		
		Result before BA adjustment	BA adjustment	Total	Result before BA adjustment	BA adjustment	Total
		\$000	\$000	\$000	\$000	\$000	\$000
Revenue	2	251,258	-	251,258	201,917	-	201,917
Cost of sales		(164,666)	-	(164,666)	(133,400)	-	(133,400)
Gross profit		86,592	-	86,592	68,517	-	68,517
Biological asset revaluation movement		-	(33,718)	(33,718)	-	93,661	93,661
Administration expenses		(7,747)	-	(7,747)	(8,898)	-	(8,898)
Operating profit		78,845	(33,718)	45,127	59,619	93,661	153,280
Exchange gains / (losses)		852	-	852	(2,781)	-	(2,781)
Finance income	3	7,276	-	7,276	4,676	-	4,676
Finance expense	3	(2,019)	-	(2,019)	(1,774)	-	(1,774)
<b>Profit before tax</b>	4	<b>84,954</b>	<b>(33,718)</b>	<b>51,236</b>	59,740	93,661	153,401
Tax expense	7	(20,967)	8,429	(12,538)	(16,178)	(23,415)	(39,593)
<b>Profit for the year</b>		<b>63,987</b>	<b>(25,289)</b>	<b>38,698</b>	43,562	70,246	113,808
Attributable to:							
- Owners of the parent		52,422	(21,660)	30,762	35,950	57,571	93,521
- Non-controlling interests		11,565	(3,629)	7,936	7,612	12,675	20,287
		63,987	(25,289)	38,698	43,562	70,246	113,808
<b>Earnings per share for profit attributable to the owners of the parent during the year</b>							
- basic	8			77.61cts			235.95cts
- diluted	8			77.53cts			235.67cts

Earnings per share before BA adjustment are shown in note 8.

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



# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 \$000	2013 \$000
<b>Profit for the year</b>	<b>38,698</b>	113,808
Other comprehensive income:		
<i>Items may be reclassified to profit or loss:</i>		
Loss on exchange translation of foreign operations	(12,019)	(112,824)
<b>Net other comprehensive expense may be reclassified to profit or loss</b>	<b>(12,019)</b>	(112,824)
<i>Items not to be reclassified to profit or loss:</i>		
Unrealised gain on revaluation of the estates	386	31,807
Deferred tax on revaluation of assets	(96)	(7,951)
Remeasurement of retirement benefits plan	(680)	278
Deferred tax on retirement benefits	170	(71)
<b>Net other comprehensive (expense) / income not being reclassified to profit or loss</b>	<b>(220)</b>	24,063
<b>Total other comprehensive expenses for the year, net of tax</b>	<b>(12,239)</b>	(88,761)
<b>Total comprehensive income for the year</b>	<b>26,459</b>	25,047
Attributable to:		
- Owners of the parent	21,188	21,508
- Non-controlling interests	5,271	3,539
	<b>26,459</b>	25,047

The accompanying notes are an integral part of this consolidated statement of comprehensive income and expense.

# Consolidated Statement of Financial Position

As at 31 December 2014

	Note	2014 \$000	2013 \$000
<b>Non-current assets</b>			
Biological assets	10	251,374	265,835
Property, plant and equipment	10	227,380	213,342
Receivables	11	3,007	5,649
		<b>481,761</b>	<b>484,826</b>
<b>Current assets</b>			
Inventories	12	7,846	8,448
Tax receivables		9,231	8,464
Trade and other receivables	13	8,807	7,271
Cash and cash equivalents		125,937	98,738
		<b>151,821</b>	<b>122,921</b>
<b>Current liabilities</b>			
Loans and borrowings	14	(313)	(84)
Trade and other payables	15	(21,010)	(15,331)
Tax liabilities		(10,752)	(4,988)
Dividend payables		(20)	-
		<b>(32,095)</b>	<b>(20,403)</b>
Net current assets		<b>119,726</b>	<b>102,518</b>
<b>Non-current liabilities</b>			
Loans and borrowings	14	(34,625)	(34,937)
Deferred tax liabilities	16	(44,368)	(55,298)
Retirement benefits - net liabilities	17	(4,445)	(3,099)
		<b>(83,438)</b>	<b>(93,334)</b>
<b>Net assets</b>		<b>518,049</b>	<b>494,010</b>
<b>Issued capital and reserves attributable to owners of the parent</b>			
Share capital	18	15,504	15,504
Treasury shares	18	(1,171)	(1,171)
Share premium		23,935	23,935
Capital redemption reserve		1,087	1,087
Revaluation reserves		57,029	56,767
Exchange reserves		(190,503)	(181,107)
Retained earnings		521,355	493,031
		<b>427,236</b>	<b>408,046</b>
Non-controlling interests		<b>90,813</b>	<b>85,964</b>
<b>Total equity</b>		<b>518,049</b>	<b>494,010</b>

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2015 and were signed on its behalf by

Dato' John Lim Ewe Chuan  
Executive Director, Corporate Finance and Corporate Affairs

The accompanying notes are an integral part of this consolidated statement of financial position.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital \$000	Treasury shares \$000	Share premium \$000	Capital redemption reserve \$000	Revaluation reserve \$000	Foreign exchange reserve \$000	Retained earnings \$000	Total \$000	Non- controlling interests \$000	Total equity \$000
Balance at 31 December 2012 after restatement	15,504	(1,171)	23,935	1,087	36,799	(88,838)	401,006	388,322	83,043	471,365
<b>Items of other comprehensive income</b>										
-Unrealised gain on revaluation of estates, net of tax	-	-	-	-	20,062	-	-	20,062	3,794	23,856
-Disposal of land	-	-	-	-	(94)	-	94	-	-	-
-Remeasurement of retirement benefit plan, net of tax	-	-	-	-	-	-	194	194	13	207
-Loss on exchange translation of foreign operations	-	-	-	-	-	(92,269)	-	(92,269)	(20,555)	(112,824)
Total other comprehensive income / (expenses)	-	-	-	-	19,968	(92,269)	288	(72,013)	(16,748)	(88,761)
Profit for the year	-	-	-	-	-	-	93,521	93,521	20,287	113,808
Total comprehensive income and expenses for the year	-	-	-	-	19,968	(92,269)	93,809	21,508	3,539	25,047
Dividends paid	-	-	-	-	-	-	(1,784)	(1,784)	(618)	(2,402)
<b>Balance at 31 December 2013</b>	<b>15,504</b>	<b>(1,171)</b>	<b>23,935</b>	<b>1,087</b>	<b>56,767</b>	<b>(181,107)</b>	<b>493,031</b>	<b>408,046</b>	<b>85,964</b>	<b>494,010</b>
<b>Items of other comprehensive income</b>										
-Unrealised gain on revaluation of estates, net of tax	-	-	-	-	262	-	-	262	28	290
-Remeasurement of retirement benefit plan, net of tax	-	-	-	-	-	-	(440)	(440)	(70)	(510)
-Loss on exchange translation of foreign operations	-	-	-	-	-	(9,396)	-	(9,396)	(2,623)	(12,019)
Total other comprehensive income / (expenses)	-	-	-	-	262	(9,396)	(440)	(9,574)	(2,665)	(12,239)
Profit for the year	-	-	-	-	-	-	30,762	30,762	7,936	38,698
Total comprehensive income and expenses for the year	-	-	-	-	262	(9,396)	30,322	21,188	5,271	26,459
Dividends paid	-	-	-	-	-	-	(1,998)	(1,998)	(422)	(2,420)
<b>Balance at 31 December 2014</b>	<b>15,504</b>	<b>(1,171)</b>	<b>23,935</b>	<b>1,087</b>	<b>57,029</b>	<b>(190,503)</b>	<b>521,355</b>	<b>427,236</b>	<b>90,813</b>	<b>518,049</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 \$000	2013 \$000
<b>Cash flows from operating activities</b>		
Profit before tax	51,236	153,401
Adjustments for:		
BA adjustment	33,718	(93,661)
Loss / (Profit) on disposal of tangible fixed assets	36	(319)
Depreciation	6,833	6,406
Retirement benefit provisions	951	1,325
Net finance income	(5,257)	(2,902)
Unrealised (gain) / loss in foreign exchange	(852)	2,781
Property, plant and equipment written off	135	97
Operating cash flow before changes in working capital	86,800	67,128
Decrease / (Increase) in inventories	451	(3,591)
Decrease in non-current, trade and other receivables	664	2,456
Increase in trade and other payables	5,929	2,400
Cash inflow from operations	93,844	68,393
Interest paid	(2,019)	(1,774)
Retirement benefit paid	(61)	(244)
Overseas tax paid	(17,756)	(23,981)
Net cash flow from operations	74,008	42,394
<b>Investing activities</b>		
Property, plant and equipment		
- purchase	(49,754)	(49,938)
- sale	156	641
Interest received	7,276	4,676
Net cash used in investing activities	(42,322)	(44,621)

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 \$000	2013 \$000
<b>Financing activities</b>		
Dividends paid by Company	(1,998)	(1,784)
Drawdown of long term loans	-	10,000
Finance lease repayment	(20)	(30)
Dividends paid to minority shareholders	(402)	(618)
Repayment of existing long term loans	(63)	-
Net cash (used in) / from financing activities	(2,483)	7,568
Increase in cash and cash equivalents	29,203	5,341
<b>Cash and cash equivalents</b>		
At beginning of year	98,738	116,250
Foreign exchange	(2,004)	(22,853)
At end of year	125,937	98,738
Comprising:		
Cash at end of year	125,937	98,738

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

# Notes to the Consolidated Financial Statements

## 1 Accounting policies

Anglo-Eastern Plantations Plc (“AEP”) is a company incorporated in the United Kingdom under the Companies Act 2006 and is listed on the London Stock Exchange. The registered office of AEP is located at Quadrant House, 6<sup>th</sup> Floor, 4 Thomas More Square, London E1W 1YW, United Kingdom. The principal activity of the Group is plantation agriculture.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, except as detailed in the following paragraph.

### *Basis of preparation*

The financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (“IASB”) as adopted by the European Union (“EU”) and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS as adopted by the EU.

### *Changes in accounting standards*

- a) The following new standards, interpretations and amendments are effective for the first time in these financial statements but does not have a material effect on the Group's financial statements:
- IFRS 10 Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2014)
  - IFRS 11 Joint Arrangements (effective for accounting periods beginning on or after 1 January 2014)
  - IFRS 12 Disclosures of Interest in Other Entities (effective for accounting periods beginning on or after 1 January 2014)
  - IAS 27 Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2014)
  - IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2014)
  - IAS 32 Amendments - Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2014)
  - IAS 36 Amendments - Recoverable Amounts Disclosures for Non-financial Assets (effective for accounting periods beginning on or after 1 January 2014)
  - IFRIC 21 Levies (effective for accounting periods beginning on or after 1 January 2014)
- b) New standards, interpretations and amendments not yet effective.

The following new standards, interpretations and amendments are effective for periods beginning after 1 January 2015 and have not been applied in these financial statements:

- IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018)\*
- IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2017)\*
- IAS 16 Amendments - Property, Plant and Equipment (effective for accounting periods beginning on or after 1 January 2016)\*
- IAS 19 Amendments - Defined Benefit Plans: Employee Contributions (effective for accounting periods beginning on or after 1 July 2014)
- IAS 41 Amendments - Agriculture (effective for accounting periods beginning on or after 1 January 2016)\*

\*These standards and interpretations are not endorsed by the EU at present.

None of the above new standards, interpretations and amendments are expected to have a material effect on the Group's future financial statements except for IAS 16 and IAS 41. The amendments to IAS 16 and IAS 41 change the accounting requirements for biological assets that meet the definition of bearer plants. Biological assets that meet the definition of bearer plants are required to account for as bearer plants in accordance with IAS 16 using either cost model or revaluation model. The produce growing on bearer plants will remain within the scope of IAS 41 measured at fair value less costs to sell.

The biological assets of the Group fall within the definition of bearer plants. The directors are in the process of quantifying the impact that would have on the Group net assets with the adoption of the amended IAS 16 and IAS 41.

### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

### *Business combinations*

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. Acquisitions of entities that comprise principally land with no active plantation business do not represent business combinations, in such cases, the amount paid for each acquisition is allocated between the identifiable assets/liabilities at the acquisition date.

### *Foreign currency*

The individual financial statements of each subsidiary are presented in the currency of the country in which it operates (its functional currency) with the exception of the Company and its UK subsidiaries which are presented in US Dollar. The presentation currency for the consolidated financial statements is also US Dollar, chosen because, as internationally traded commodities, the price of the bulk of the Group's products are ultimately link to the US Dollar.

# Notes to the Consolidated Financial Statements

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## 1 Accounting policies - continued

### *Foreign currency - continued*

On consolidation, the results of overseas operations are translated into US Dollar at average exchange rates for the year unless exchange rates fluctuate significantly in which case the actual rate is used. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on re-translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve"). Exchange differences recognised in the income statement of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the presentational currency of the Group or of the overseas operation concerned.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to date of disposal are transferred to the income statement as part of the profit or loss on disposal.

All other exchange profits or losses are credited or charged to the income statement.

### *Revenue recognition*

Revenue includes

- amounts receivable for produce provided in the normal course of business, net of sales related taxes and levies, including export taxes;
- amounts received for sales of palm kernel shell, rubber wood and other income of an operating nature.

Sales of CPO, palm kernel and rubber slab are recognised when goods are delivered or allocated to a purchaser. Delivery or allocation does not take place until contracts are paid for. Sales of latex are recognised on signing of sales contract, this being the point at which the significant risks and rewards of ownership are passed over to the buyer. Other income mainly consists of amounts received from sales of nut shell, which is recognised when the goods are delivered.

### *Share based payments*

Share options are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. This fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Provided that all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

### *Capitalisation on development activities*

#### *Interest capitalisation*

Interest on third party 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. These interest rates are booked at the rate prevailing at the time.

### *Plantation development*

Plantation development comprises cost of planting and development on oil palm and other plantation crops. Costs of new planting and development of plantation crops are capitalised from the stage of land clearing up to the stage of maturity or subject to certificate of Land Exploitation Rights (HGU) being obtained, whichever is earlier. The costs of immature plantations consist mainly of the accumulated cost of land clearing, planting, fertilising and maintaining the plantation, borrowing costs and other indirect overhead costs up to the time the trees are harvestable and to the extent appropriate.

### *Tax*

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 substantively enacted by the balance sheet date.

The directors consider that the carrying amount of tax receivables approximates its fair value.

### *Dividends*

Equity dividends are recognised when they become legally payable. The Company pays only one dividend each year as a final dividend which becomes legally payable when approved by the shareholders at the next following annual general meeting.

# Notes to the Consolidated Financial Statements

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## 1 Accounting policies - continued

### *Fair value measurement*

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - unobservable inputs for the asset or liability.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the following assets at fair value:

- Biological assets (note 10)
- Revalued land - Property, plant and equipment (note 10)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

### *Property, plant and equipment*

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. After initial recognition, all items of property, plant and equipment except land and construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The Indonesian authorities have granted certain land exploitation rights and operating permits for the estates. The land rights are usually renewed without significant cost subject to compliance with the laws and regulations of Indonesia. Therefore, the Group has classified the land rights as leasehold land and accounted for as an indefinite finance lease. Estate land is subsequently carried at fair value, based on periodic valuations on an open market basis by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in income statement. On the disposal of a revalued estate, any related balance remaining in the revaluation reserve is transferred to retained earnings as a movement in reserves.

Construction in progress is stated at cost. The accumulated costs will be reclassified to the appropriate class of assets when construction is completed and the asset is ready for its intended use. Construction in progress is also not depreciated until such time when the asset is available for use.

Buildings and oil mills are depreciated using the straight-line method. All other property, plant and equipment items are depreciated using the double-declining-balance method. The yearly rates of depreciation are as follows:

- Buildings - 5% to 10% per annum
- Oil Mill - 5% per annum
- Estate plant, equipment & vehicle - 12.5% to 50% per annum
- Office plant, equipment & vehicle - 25% to 50% per annum

### *Biological assets*

Biological assets comprise oil palm trees and nurseries. The biological process commences with the initial preparation of land and planting of seedlings and ceases with the delivery of crop in the form of fresh fruit bunches ("FFB") to the manufacturing process in which crude palm oil and palm kernel are extracted from the FFB.

Biological assets are carried at fair value less costs to sell determined on the basis of the net present value of cash flows arising in producing FFB. No account is taken in the valuation of future replanting. Biological assets are valued at each accounting date based upon a valuation of the planted areas using a discounted cash flow method by reference to the FFB expected to be harvested over the full remaining productive life of the trees up to 20 years. Areas are included in the valuation once they are planted. However oil palm which are not yet mature at the accounting date, and hence are not producing FFB, are valued on a similar basis but with the discounted value of the estimated cost to complete planting and to maintain the assets to maturity being deducted from the discounted FFB value. Movement in valuation surplus of biological assets is charged or credited to the income statement for the relevant period (BA adjustment).



# Notes to the Consolidated Financial Statements

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## 1 Accounting policies - continued

### *Leased assets*

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 in accordance with Group depreciation policy for those held at cost. Land rights are held at fair value and revalued at the balance sheet date. 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 income statement to produce a constant rate of charge on the balance of capital repayments outstanding. There are no operating leases.

### *Impairment*

Impairment tests on tangible assets are undertaken annually on 31 December. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use or fair value, less costs to sell), the asset is written down accordingly. Impairment charges are included in the administrative expenses in the income statement, except to the extent they reverse gains previously recognised in the statement of recognised income and expense.

### *Inventories*

FFB harvested from the biological assets are stated at fair value less costs to sell at the point of harvest. The fair value gain arising on the initial recognition of harvested produce is the result of the FFB weight produced multiplied by the FFB price adjusted for transportation costs to sell. There is an active market for FFB and the price is based on statistics provided by the government for each region.

The gain/(loss) arising on the initial recognition at the point of harvest is recognised in the income statement within the biological asset revaluation. The FFB is transferred to the mill, processed into CPO and sold within 24 hours so the write off of the FFB is netted off against the initial recognition within the biological asset revaluation.

All other inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. In the case of processed produce for sale which comprises palm oil and kernel, cost represents the monthly weighted-average cost of production, and appropriate production overheads. Estate and mill consumables are valued on a weighted average cost basis.

### *Financial assets*

All the Group's receivables and loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised at fair value at inception and subsequently at amortised cost. No impairment provisions have been considered necessary.

Cash and cash equivalents consist of cash in hand and short term deposits at banks with an original maturity of not exceeding three months. Bank overdrafts are shown within loans and borrowings under current liabilities on the balance sheet.

There are no assets in hedging relationships and no financial assets or liabilities available for sale.

### *Financial liabilities*

All the Group's financial liabilities are non-derivative financial liabilities.

Bank borrowings and long term development loans are initially recognised at fair value and subsequently at amortised cost, which is the total of proceeds received net of issue costs. Finance charges are accounted for on an accruals basis and charged in the income statement, unless capitalised according to the policy as set out under Interest capitalisation above.

Trade and other payables are shown at fair value at recognition and subsequently at amortised cost.

### *Deferred tax*

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base except for differences in the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit.

The Group recognises deferred tax liabilities arising from taxable temporary differences on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is possible that taxable profit will be available against which the difference can be utilised.

Deferred tax is recognised on temporary differences arising on property revaluation surpluses.

Deferred tax is determined using the tax rates that are enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, such as revaluations, in which case the deferred tax is also dealt with in equity; in this case assets and liabilities are offset.

# Notes to the Consolidated Financial Statements

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## 1 Accounting policies - continued

### *Retirement benefits*

#### Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated income statement in the year to which they relate.

#### Defined benefit schemes

The Group operates a number of defined benefit schemes in respect of its Indonesian operations. These schemes' surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- Unrecognised past service costs; less
- The effect of minimum funding requirements agreed with scheme trustees.

Remeasurements of the net defined obligation are recognised directly within equity. The remeasurements include:

- Actuarial gains and losses;
- Return on plan assets (interest exclusive);
- Any asset ceiling effects (interest inclusive).

Service costs are recognised in comprehensive income, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense / (income) is recognised in comprehensive income, and is calculated by applying the discount rate used to measure the defined benefit obligation / (asset) at the beginning of the annual period to the balance of the net defined benefit obligation / (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in comprehensive income.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

### *Treasury shares*

Consideration paid or received for the purchase or sale of the Company's own shares for holding in treasury is recognised directly in equity, where the cost is presented as the treasury share reserve. Any excess of the consideration received on the sale of treasury shares over the weighted average cost of shares sold, is taken to the share premium account.

Any shares held in treasury are treated as cancelled for the purpose of calculating earnings per share.

### *Financial guarantee contracts*

Where the Company enters into financial guarantee contracts and guarantees the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time that it becomes probable that the Company will be required to make a payment under the guarantee.

### *Critical accounting estimates and judgements*

The preparation of the Group financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported assets and liabilities and reported revenue and expenses. Actual results could differ from those estimates and accordingly they are reviewed on an on-going basis. The main areas in which estimates are used are: fair value of biological assets, property, plant and equipment, deferred tax and retirement benefits.

Revisions to accounting estimates are recognised in the period in which the estimate is revised or the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Assumptions regarding the valuation of biological assets, property, plant and equipment are set out in note 10. Assumptions regarding the valuation of agricultural produce at the point of harvest less costs to sell are set out in the inventories accounting policy. The Group's policy with regard to impairment of such assets is set out above.

Details on deferred tax are given in note 16 and retirement benefits in note 17.

# Notes to the Consolidated Financial Statements

## 2 Revenue

	2014 \$000	2013 \$000
Sales of produce:		
- CPO	247,868	198,803
- Rubber	1,836	2,497
Other income	1,554	617
	<u>251,258</u>	<u>201,917</u>

## 3 Finance income and expense

	2014 \$000	2013 \$000
<u>Finance income</u>		
Interest receivable on:		
Credit bank balances and time deposits	7,276	4,676
<u>Finance expense</u>		
Interest payable on:		
Development loans - (note 14)	(2,019)	(1,774)
Net finance income recognised in income statement	<u>5,257</u>	<u>2,902</u>

## 4 Profit before tax

	2014 \$000	2013 \$000
Profit before tax is stated after charging		
Depreciation (note 10)	6,833	6,406
Exchange (gains) / losses	(852)	2,781
Operating lease expense		
- Property	574	521
Professional fees	441	1,015
Staff costs (note 6)	28,316	28,698
Remuneration received by the group's auditor or associates of the group's auditor:		
Audit of parent company	6	6
Audit of consolidated financial statement	166	155
Total audit services	<u>172</u>	<u>161</u>
Audit of overseas subsidiaries		
- Malaysia	22	23
- Indonesia	75	71
Total audit services	<u>97</u>	<u>94</u>
Fees payable to the group's auditor for other services	-	170
Total auditors' remuneration	<u>269</u>	<u>425</u>

## 5 Segment information

### *Measurement of operating segment profit or loss, assets and liabilities*

The Group evaluates segmental performance on the basis of profit or loss from operations calculated in accordance with IFRS but excluding non-recurring losses, such as share based payments.

Inter-segment transactions are made based on terms mutually agreed by the parties to maximise the utilisation of Group's resources at a rate acceptable to local tax authorities. This policy was applied consistently throughout the current and prior period.

The Group's assets are allocated to segments based on geographical location.

# Notes to the Consolidated Financial Statements

## 5 Segment information - continued

	North Sumatera \$000	Bengkulu \$000	South Sumatera \$000	Riau \$000	Bangka \$000	Kalimantan \$000	Total Indonesia \$000	Malaysia \$000	UK \$000	Total \$000
<b>2014</b>										
Total sales revenue (all external)										
- CPO	95,299	95,886	102	44,912	-	7,416	243,615	4,253	-	247,868
- Rubber	1,836	-	-	-	-	-	1,836	-	-	1,836
Other income	813	697	3	37	-	2	1,552	2	-	1,554
<b>Total revenue</b>	<b>97,948</b>	<b>96,583</b>	<b>105</b>	<b>44,949</b>	<b>-</b>	<b>7,418</b>	<b>247,003</b>	<b>4,255</b>	<b>-</b>	<b>251,258</b>
Profit/(loss) before tax	36,631	30,795	(552)	19,477	(57)	(1,226)	85,068	255	(369)	84,954
BA movement										(33,718)
<b>Profit for the year before tax per consolidated income statement</b>										<b>51,236</b>
Depreciation	(2,385)	(2,228)	(411)	(572)	(33)	(958)	(6,587)	(246)	-	(6,833)
Inter-segment transactions	3,446	(2,331)	(257)	(671)	-	(1,443)	(1,256)	962	294	-
Income tax	(8,731)	(5,775)	1,968	(4,589)	171	4,268	(12,688)	437	(287)	(12,538)
<b>Total Assets</b>	<b>202,284</b>	<b>153,418</b>	<b>58,008</b>	<b>84,263</b>	<b>13,078</b>	<b>92,854</b>	<b>603,905</b>	<b>25,398</b>	<b>4,279</b>	<b>633,582</b>
Non-Current Assets	149,187	121,171	56,539	39,756	12,845	82,236	461,734	18,834	1,193	481,761
Non-Current Assets - Additions	10,214	4,845	5,492	1,224	930	26,932	49,637	117	-	49,754
<b>2013</b>										
Total sales revenue (all external)										
- CPO	90,764	63,019	18	38,166	-	2,516	194,483	4,318	2	198,803
- Rubber	2,497	-	-	-	-	-	2,497	-	-	2,497
Other income	827	112	6	91	-	(419)	617	-	-	617
<b>Total revenue</b>	<b>94,088</b>	<b>63,131</b>	<b>24</b>	<b>38,257</b>	<b>-</b>	<b>2,097</b>	<b>197,597</b>	<b>4,318</b>	<b>2</b>	<b>201,917</b>
Profit/(loss) before tax	33,879	15,700	(443)	19,017	1	(6,633)	61,521	206	(1,987)	59,740
BA movement										93,661
<b>Profit for the year before tax per consolidated income statement</b>										<b>153,401</b>
Depreciation	(2,248)	(2,268)	(475)	(585)	(32)	(540)	(6,148)	(258)	-	(6,406)
Inter-segment transactions	2,821	(2,236)	(242)	(656)	-	(1,512)	(1,825)	845	980	-
Income tax	(24,567)	(8,086)	(554)	(6,542)	79	(288)	(39,958)	585	(220)	(39,593)
<b>Total Assets</b>	<b>195,447</b>	<b>148,268</b>	<b>59,285</b>	<b>67,739</b>	<b>12,744</b>	<b>89,882</b>	<b>573,365</b>	<b>29,720</b>	<b>4,662</b>	<b>607,747</b>
Non-Current Assets	153,524	122,485	57,673	38,726	12,462	76,259	461,129	22,334	1,363	484,826
Non-Current Assets - Additions	13,164	5,952	10,172	1,513	1,069	17,828	49,698	240	-	49,938

# Notes to the Consolidated Financial Statements

## 5 Segment information - continued

In year 2014, revenue from 4 customers of the Indonesian segment represent approximately \$152.1m (2013: \$110.1m) of the Group's total revenue. An analysis of these revenue is provided as below. Although Customer 1 to 4 are over 10% of the Group total revenue, there is no over reliance on these Customers as tenders are performed on a monthly basis.

	North Sumatera \$000	Bengkulu \$000	South Sumatera \$000	Riau \$000	Bangka \$000	Kalimantan \$000	Total Indonesia \$000	Malaysia \$000	UK \$000	Total \$000
2014										
Customer 1	-	47,941	-	-	-	-	47,941	-	-	47,941
Customer 2	32,935	-	-	12,557	-	-	45,492	-	-	45,492
Customer 3	7,137	24,501	-	1,839	-	-	33,477	-	-	33,477
Customer 4	13,447	-	-	11,721	-	-	25,168	-	-	25,168
	<b>53,519</b>	<b>72,442</b>	-	<b>26,117</b>	-	-	<b>152,078</b>	-	-	<b>152,078</b>
2013										
Customer 1	22,958	-	-	8,408	-	-	31,366	-	-	31,366
Customer 2	9,100	16,139	-	5,270	-	-	30,509	-	-	30,509
Customer 3	23,617	1,182	-	813	-	-	25,612	-	-	25,612
Customer 4	11,206	-	-	11,374	-	-	22,580	-	-	22,580
	<b>66,881</b>	<b>17,321</b>	-	<b>25,865</b>	-	-	<b>110,067</b>	-	-	<b>110,067</b>
2014										
	%	%	%	%	%	%	%	%	%	%
Customer 1	-	19.1	-	-	-	-	19.1	-	-	19.1
Customer 2	13.1	-	-	5.0	-	-	18.1	-	-	18.1
Customer 3	2.8	9.8	-	0.7	-	-	13.3	-	-	13.3
Customer 4	5.4	-	-	4.7	-	-	10.1	-	-	10.1
	<b>21.3</b>	<b>28.9</b>	-	<b>10.4</b>	-	-	<b>60.6</b>	-	-	<b>60.6</b>
2013										
Customer 1	11.4	-	-	4.2	-	-	15.6	-	-	15.6
Customer 2	4.5	8.0	-	2.6	-	-	15.1	-	-	15.1
Customer 3	11.7	0.6	-	0.4	-	-	12.7	-	-	12.7
Customer 4	5.5	-	-	5.6	-	-	11.1	-	-	11.1
	<b>33.1</b>	<b>8.6</b>	-	<b>12.8</b>	-	-	<b>54.5</b>	-	-	<b>54.5</b>

Save for a small amount of rubber, all the Group's operations are devoted to oil palm. The Group's report is by geographical area, as each area tends to have different agricultural conditions.

# Notes to the Consolidated Financial Statements

## 6 Employees' and Directors' remuneration

	2014 Number	2013 number
Average numbers employed (primarily overseas) during the year		
- full time	5,522	5,447
- part-time field workers	9,687	10,822
	<u>15,209</u>	<u>16,269</u>
	2014	2013
	\$000	\$000
Staff costs (including Directors) comprise:		
Wages and salaries	26,725	27,422
Social security costs	939	976
Retirement benefit costs (note 17)	652	300
	<u>28,316</u>	<u>28,698</u>

The information required by the Companies Act and the Listing Rules of the Financial Conduct Authority is contained in the Directors' remuneration report on pages 44 - 48 of which certain information on page 47 - 48 has been audited.

	2014 \$000	2013 \$000
Directors emoluments	<u>248</u>	<u>236</u>
Remuneration expense for key management personnel	<u>248</u>	<u>236</u>

The Executive Director and Non-Executive Director are considered to be the key management personnel: their remuneration is shown on page 48.

## 7 Tax expense

	2014 \$000	2013 \$000
Foreign corporation tax - current year	22,855	17,804
Foreign corporation tax - prior year	32	(61)
Deferred tax adjustment - current year	(10,402)	22,143
Deferred tax adjustment - prior year	53	(293)
Total tax charge for year	<u>12,538</u>	<u>39,593</u>

Both corporation tax rates in Indonesia and Malaysia are at 25%. The standard rate of corporation tax in the UK for the current year is 21%. The Group's charge for the year differs from the standard UK rate of corporation tax for the reasons below.

	2014 \$000	2013 \$000
Profit before tax	<u>51,236</u>	<u>153,401</u>
Profit before tax multiplied by standard rate of UK corporation tax of 21% (2013: 23%)	10,760	35,282
Effects of:		
Rate adjustment relating to overseas profits	1,845	2,829
Group accounting adjustments not subject to tax	(4,269)	(1,805)
Expenses not allowable for tax	184	1,134
Temporary differences	4,242	2,348
Income not subject to tax	(309)	(280)
Under / (Over) provision of prior year income tax	32	(86)
Under provision of prior year deferred tax assets	53	-
Deferred tax assets not recognised	-	39
Other	-	132
Total tax charge for year	<u>12,538</u>	<u>39,593</u>

# Notes to the Consolidated Financial Statements

## 8 Earnings per ordinary share (EPS)

	2014 \$000	2013 \$000
Profit for the year attributable to owners of the Company before BA adjustment	52,422	35,950
Net BA adjustment	<u>(21,660)</u>	<u>57,571</u>
Earnings used in basic and diluted EPS	<u>30,762</u>	<u>93,521</u>
	Number '000	Number '000
Weighted average number of shares in issue in year		
- used in basic EPS	39,636	39,636
- dilutive effect of outstanding share options	<u>43</u>	<u>48</u>
- used in diluted EPS	<u>39,679</u>	<u>39,684</u>
Basic EPS before BA adjustment	132.26cts	90.70cts
Basic EPS after BA adjustment	77.61cts	235.95cts
Dilutive EPS before BA adjustment	132.12cts	90.59cts
Dilutive EPS after BA adjustment	77.53cts	235.67cts

## 9 Dividends

	2014 \$000	2013 \$000
Paid during the year		
Final dividend of 3.0p per ordinary share for the year ended 31 December 2013 (2012: 4.5cts)	<u>1,998</u>	<u>1,784</u>
Proposed final dividend of 3.0p per ordinary share for the year ended 31 December 2014 (2013: 3.0p)	<u>1,854</u>	<u>1,969</u>

The proposed dividend for 2014 is subject to shareholders' approval at the forthcoming annual general meeting and has not been included as a liability in these financial statements.

# Notes to the Consolidated Financial Statements

## 10 Biological assets, property, plant and equipment

	Biological assets \$000	Leasehold		Buildings \$000	Estate plant, equipment & vehicle \$000	Office plant, equipment & vehicle \$000	Construction in progress \$000	PPE Total \$000	Total \$000
		Mill \$000	Land \$000						
<u>Cost or valuation</u>									
At 1 January 2013 (restated)	207,679	41,753	148,081	32,929	15,591	1,400	2,099	241,853	449,532
Exchange translations	(58,857)	(9,762)	(33,978)	(8,011)	(3,354)	(228)	(505)	(55,838)	(114,695)
Reclassification	(1,194)	106	(2)	9,991	-	-	(10,095)	-	(1,194)
Decrease due to harvest	(14,092)	-	-	-	-	-	-	-	(14,092)
Revaluations	107,753	-	31,807	-	-	-	-	31,807	139,560
Additions	105	6,546	2,712	53	2,383	125	7,157	18,976	19,081
Development costs capitalised	24,770	1,206	1,460	-	-	-	3,421	6,087	30,857
Disposal / Written off	(329)	(286)	(209)	(226)	23	(1)	-	(699)	(1,028)
<b>At 31 December 2013</b>	<b>265,835</b>	<b>39,563</b>	<b>149,871</b>	<b>34,736</b>	<b>14,643</b>	<b>1,296</b>	<b>2,077</b>	<b>242,186</b>	<b>508,021</b>
<b>Exchange translations</b>	<b>(4,420)</b>	<b>(1,252)</b>	<b>(3,494)</b>	<b>(894)</b>	<b>(378)</b>	<b>(45)</b>	<b>(79)</b>	<b>(6,142)</b>	<b>(10,562)</b>
<b>Reclassification</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,356</b>	<b>1</b>	<b>-</b>	<b>(5,357)</b>	<b>-</b>	<b>-</b>
<b>Decrease due to harvest</b>	<b>(26,021)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,021)</b>
<b>Revaluations</b>	<b>(7,697)</b>	<b>-</b>	<b>386</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>386</b>	<b>(7,311)</b>
<b>Additions</b>	<b>85</b>	<b>13,305</b>	<b>4,219</b>	<b>64</b>	<b>1,840</b>	<b>158</b>	<b>6,057</b>	<b>25,643</b>	<b>25,728</b>
<b>Development costs capitalised</b>	<b>23,592</b>	<b>112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>322</b>	<b>434</b>	<b>24,026</b>
<b>Disposals / Written off</b>	<b>-</b>	<b>(72)</b>	<b>-</b>	<b>(219)</b>	<b>(591)</b>	<b>(207)</b>	<b>-</b>	<b>(1,089)</b>	<b>(1,089)</b>
<b>At 31 December 2014</b>	<b>251,374</b>	<b>51,656</b>	<b>150,982</b>	<b>39,043</b>	<b>15,515</b>	<b>1,202</b>	<b>3,020</b>	<b>261,418</b>	<b>512,792</b>
<u>Accumulated depreciation and impairment</u>									
At 1 January 2013	-	12,375	-	6,832	9,561	908	-	29,676	29,676
Exchange translations	-	(2,864)	-	(1,573)	(2,031)	(161)	-	(6,629)	(6,629)
Charge for the year	-	2,305	-	2,044	1,867	190	-	6,406	6,406
Disposal / Written off	-	(264)	-	(118)	(226)	(1)	-	(609)	(609)
<b>At 31 December 2013</b>	<b>-</b>	<b>11,552</b>	<b>-</b>	<b>7,185</b>	<b>9,171</b>	<b>936</b>	<b>-</b>	<b>28,844</b>	<b>28,844</b>
<b>Exchange translations</b>	<b>-</b>	<b>(312)</b>	<b>-</b>	<b>(255)</b>	<b>(275)</b>	<b>(35)</b>	<b>-</b>	<b>(877)</b>	<b>(877)</b>
<b>Charge for the year</b>	<b>-</b>	<b>2,697</b>	<b>-</b>	<b>2,244</b>	<b>1,723</b>	<b>169</b>	<b>-</b>	<b>6,833</b>	<b>6,833</b>
<b>Disposal / Written off</b>	<b>-</b>	<b>(53)</b>	<b>-</b>	<b>(99)</b>	<b>(438)</b>	<b>(172)</b>	<b>-</b>	<b>(762)</b>	<b>(762)</b>
<b>At 31 December 2014</b>	<b>-</b>	<b>13,884</b>	<b>-</b>	<b>9,075</b>	<b>10,181</b>	<b>898</b>	<b>-</b>	<b>34,038</b>	<b>34,038</b>
<u>Carrying amount</u>									
At 31 December 2012 (restated)	207,679	29,378	148,081	26,097	6,030	492	2,099	212,177	419,856
At 31 December 2013	265,835	28,011	149,871	27,551	5,472	360	2,077	213,342	479,177
<b>At 31 December 2014</b>	<b>251,374</b>	<b>37,772</b>	<b>150,982</b>	<b>29,968</b>	<b>5,334</b>	<b>304</b>	<b>3,020</b>	<b>227,380</b>	<b>478,754</b>
<u>Net (loss) / gain arising from changes in fair value of biological assets</u>									
At 31 December 2013	93,661	-	-	-	-	-	-	-	93,661
<b>At 31 December 2014</b>	<b>(33,718)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(33,718)</b>



# Notes to the Consolidated Financial Statements

## 10 Biological assets, property, plant and equipment - continued

The fair value less costs to sell of FFB harvested during the period, determined at the point of harvest is exhibited below:

	2014	2013
<u>Fair value of FFB</u>		
Crop production and yield - FFB (mt)	857,000	787,000
Fair value of FFB (\$000)	132,342	116,578
Fair value of FFB less costs to sell (\$000)	121,850	106,889

As referred to on page 71, the gain arising on the fair value of FFB at the point of harvest is recognised in the income statement within the biological asset revaluation. A reconciliation of the amount included within the income statement and the biological asset has been included below:

	2014	2013
	<b>\$000</b>	<b>\$000</b>
Harvest included in the biological asset valuation from estimated production and pricing assumptions less costs to sell in the prior year	26,021	14,092
Gain from actual production and pricing	95,829	92,797
Fair value of FFB harvested from own production	<u>121,850</u>	<u>106,889</u>

The decrease of \$26,021,000 (2013: \$14,092,000) from harvest was included in the prior year valuation for the current year and is therefore deducted from biological asset valuation in the current year as the FFB is harvested. The actual fair value of harvested FFB varies to forecast due to the changes in actual production, actual FFB price and actual costs incurred. The gain on fair value of the harvested FFB is written off as the FFB is processed in to CPO.

The biological asset revaluation movement included within the income statement is calculated as follows:

	2014	2013
	<b>\$000</b>	<b>\$000</b>
Decrease due to harvest	(26,021)	(14,092)
Revaluations	(7,697)	107,753
Net (loss) / gain arising in the income statement from changes in fair value of biological assets	<u>(33,718)</u>	<u>93,661</u>

The Group engaged Muttaqin Bambang Purwanto Rozak Uswatun & Rekan (MBPRU) with its head office located in Jakarta, Indonesia to undertake the valuation of biological assets for both financial years ended 31 December 2013 and 2014. Except for an adjustment on discount rate, CPO price and the measurement of the notional rent which are determined by the Directors, the valuation was carried out independently by MBPRU who has the appropriate professional qualifications and recent experience in the location and category of the properties being valued. Further information of MBPRU can be obtained from '[www.kjpp-mbpru.com](http://www.kjpp-mbpru.com)'.

MBPRU was also being engaged to undertake the land valuation for the Group. For the year ended 31 December 2014, valuation was done on all lands except for those lands that have been valued in year 2013. The growth rates per hectare obtained by comparing the current valuation against the year 2013's carrying amount were then applied to the 2013 land value of the remaining companies in the same geographical location to derive year 2014 fair value of land. In the year 2013, independent land valuation was undertaken for five major companies in Indonesia and a Malaysia company. The growth rates per hectare obtained by comparing the year 2013 valuation against the valuation undertaken in year 2011 were then applied to the 2011 land value of the remaining companies in the same geographical location to derive year 2013 fair value of land. Unplantable land was excluded in this exercise since it has zero value. Land is valued on a rotational basis and all land is valued by qualified valuers every two years. Had the revalued land been measured on a historical cost basis, their net book value would have been US\$47,317,000 (2013: US\$44,848,000).

# Notes to the Consolidated Financial Statements

## 10 Biological assets, property, plant and equipment - continued

The methodology of the biological asset valuations was using discounted cash flow ("DCF") over the expected 20-year economic life of the asset. The assumption applied in the valuation were, inter alia, an assumed CPO selling price of \$700/mt (2013: \$700/mt), discount rate of 16.4% (2013: 15.8%) and notional rent equivalent to 9% (2013: 9%) of the value of planted land. The discount rates were determined by the Directors based on their assessment of various risks including financial, business and country risk of where the plantations are located as well as taking into account the Company's weighted average cost of capital. The CPO price is taken to be the 10-year average (2013: 10-year average) rounded to the nearest \$25 based on historical widely-quoted commodity price for CPO and represents the Directors' best estimate of the price sustainable over the longer term. The CPO price for 2014 was very volatile. It ended the year at \$700/mt lower than the 10-year average CPO price at \$750/mt for the first time. As a result the directors have benchmarked the 10-year average CPO price assumptions against market expectations and have adopted the CPO price of \$700/mt used in last year's computation of biological assets to represent a more sustainable CPO price over the long term and have maintained the price for the current year. This is supported by the World Bank Commodities Price Forecast for palm oil for 2015 at \$700/mt. An inflation rate of 4% (2013: 5%) was applied to the second to sixth years of the DCF. The notional rent charge is based on key capital market and property indicators in the countries and regions of operations.

Details of the information about the fair value hierarchy in relation to biological assets and land at 31 December are as follows:

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair value \$000
<b>At 31 December 2014</b>				
Biological assets	-	-	251,374	251,374
Land	-	-	150,982	150,982
<b>At 31 December 2013</b>				
Biological assets	-	-	265,835	265,835
Land	-	-	149,871	149,871

There were no items classified under Level 1 and Level 2 and thus there were no transfers between Level 1 and Level 2 during the year.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of biological assets and land, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below:

Item	Valuation approach	Inputs used	Inter-relationship between key unobservable inputs and fair value
Land	Selling prices of comparable land in similar location adjusted for differences in key attributes. The valuation model is based on price per hectare.	Selling prices of comparable land  Location, legal title, land area, land type and topography	The higher the selling price, the higher the fair value  These are qualitative inputs which require significant judgement by professional valuer, MBPRU
Biological assets	Discounted cash flow over the expected 20-year economic life of the asset	CPO selling price  Discount rate  Notional rent  Yield  Overhead cost	The higher the CPO selling price, the higher the fair value  The higher the discount rate, the lower the fair value  The higher the notional rent, the lower the fair value  The higher the yield, the higher the fair value  The higher the overhead cost, the lower the fair value

# Notes to the Consolidated Financial Statements

## 10 Biological assets, property, plant and equipment - continued

There were no changes to the valuation techniques during the period.

The fair value measurement is based on the above items' highest and best use, which does not differ from their actual use.

The following table exhibits the sensitivity of the Group's biological assets to the fluctuation in CPO price, discount rate, notional rent, CPO yield and overhead cost:

	2014 \$000	2013 \$000
A change of \$50 in the price assumption for CPO		
- \$50 in the price assumption	(54,021)	(53,411)
+ \$50 in the price assumption	53,993	53,381
A change of 1% in the discount rate		
- 1% in the discount rate	14,182	15,687
+ 1% in the discount rate	(13,043)	(14,363)
A change of notional rent equivalent to 1% of the value of planted land		
- 1% in the value of planted land	5,191	5,192
+ 1% in the value of planted land	(5,190)	(5,192)
A change of 1% in the CPO yield		
- 1% in the CPO yield	(28,863)	(28,611)
+ 1% in the CPO yield	28,835	28,581
A change of 1% in the overhead cost		
- 1% in the overhead cost	7,468	7,390
+ 1% in the overhead cost	(7,496)	(7,389)

The Indonesian authorities have granted certain land exploitation rights and operating permits for the estates. In the case of established estates in North Sumatera these rights and permits expire between 2023 and 2038 with rights of renewal thereafter. As of estates in Bengkulu land titles were issued between 1994 and 2008 and the titles expire between 2028 and 2034 with rights of renewal thereafter for two consecutive periods of 25 and 35 years respectively. In Riau, land titles were issued in 2004 and expire in 2033. In the case of PT Cahaya Pelita Andhika's estate acquired in 2007 land titles were issued in 1996 to expire in 2029.

Subject to compliance with the laws and regulations of Indonesia, land rights are usually renewed. The cost of renewing the land rights is not significant.

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

## 11 Receivables: non-current

	2014		2013	
	Book value \$000	Fair value \$000	Book value \$000	Fair value \$000
Due from non-controlling interests	1,193	872	1,363	983
Due from cooperatives under Plasma scheme	1,557	1,397	4,049	3,728
Due from village smallholder schemes	257	237	237	208
	<u>3,007</u>	<u>2,506</u>	<u>5,649</u>	<u>4,919</u>

The non-controlling interests in PT Alno Agro Utama and PT Cahaya Pelita Andhika have acquired their interests on deferred terms (see note 23, Credit risk).

Plasma scheme is an initiative by the Indonesian Government that seeks to encourage plantation owners in Indonesia to provide economic and social assistance to surrounding villagers by helping them improve their income and welfare. During the year, certain subsidiary companies have funded the plantation development cost of \$1,557,000 (2013: \$4,049,000) for the land allocated to the cooperatives which will be recoverable from them.

Amount due from village smallholder schemes represents expenditure on planting and maintaining to maturity oil palms on communal land owned by 22 (2013: 22) separate villages neighbouring the Group's estates.

The fair value disclosed above are for disclosure purposes and all non-current receivables are classified as Level 3 in the fair value hierarchy.

# Notes to the Consolidated Financial Statements

## 11 Receivables: non-current – continued

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of non-current receivables, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below:

Item	Valuation approach	Inputs used	Inter-relationship between key unobservable inputs and fair value
Due from non-controlling interests	Based on cash flows discounted using current lending rate of 6% (2013: 6%)	Discount rate	The higher the discount rate, the lower the fair value
Due from cooperatives under Plasma scheme	Based on cash flows discounted using an estimated current lending rate of 5.58% (2013: 5.41%)	Discount rate	The higher the discount rate, the lower the fair value
Due from village smallholder schemes	Based on cash flows discounted using an estimated current lending rate of 5.58% (2013: 5.41%)	Discount rate	The higher the discount rate, the lower the fair value

## 12 Inventories

	2014 \$000	2013 \$000
Estate and mill consumables	3,183	3,703
Processed produce for sale	4,663	4,745
	<u>7,846</u>	<u>8,448</u>

## 13 Trade and other receivables

	2014 \$000	2013 \$000
Trade receivables	1,538	841
Other receivables	7,081	6,212
Prepayments and accrued income	188	218
	<u>8,807</u>	<u>7,271</u>

The carrying amount of trade and other receivables classified as loans and receivables approximates fair value.

## 14 Loans and borrowings

	2014		2013	
	Book value \$000	Fair value \$000	Book value \$000	Fair value \$000
<b>Non-current</b>				
Long term loan (a)	4,625	4,523	4,937	4,842
Long term loan (b)	30,000	29,505	30,000	29,543
	<u>34,625</u>	<u>34,028</u>	<u>34,937</u>	<u>34,385</u>
<b>Current</b>				
Long term loan (a)	313	313	63	63
Finance lease (c)	-	-	21	21
	<u>313</u>	<u>313</u>	<u>84</u>	<u>84</u>
<b>Total loans and borrowings</b>	<u>34,938</u>	<u>34,341</u>	<u>35,021</u>	<u>34,469</u>
Amounts repayable after more than one year, as follows:				
in more than one year but not more than two years	7,784		2,066	
in more than two years but not more than five years	26,841		25,031	
in more five years	-		7,840	
	<u>34,625</u>		<u>34,937</u>	

# Notes to the Consolidated Financial Statements

## 14 Loans and borrowings – continued

- (a) A subsidiary company, PT Hijau Pryan Perdana, has obtained a long term loan of \$10,000,000 for a period of seven years (including two years grace period) to support the capital expenditures requirement for planting, development and maintenance of oil palm estate and to finance mill construction and other fixed assets owned by the subsidiary company as well as utilise to repay the amount due to related parties. It is secured by the subsidiary company's land and is guaranteed by PT Tasik Raja and by the Company. This loan bears interest rate based on Base Lending Rate which is payable quarterly in arrears. Average interest in 2014 was about 5.39% (2013: 5.25%). The loan is repayable from 30 November 2014 to 30 August 2019.
- (b) Another subsidiary company, PT Sawit Graha Manunggal, has obtained a long term loan of \$35,000,000 for a period of eight years (including four years grace period) to support the capital expenditures requirement for planting, development and maintenance of oil palm estate and to finance oil mill construction and other fixed assets owned by the subsidiary company. It is secured by the subsidiary company's land and is guaranteed by the Company. This loan bears interest rate based on SIBOR + 4.5% + Liquidity Premium which is payable quarterly in arrears. Average interest in 2014 was about 5.76% (2013: 5.57%). The loan is repayable from 30 December 2016 to 30 September 2020.
- (c) The long-term leasing facility with a total principal amounting to Rp807 million (approximately \$65,000) was obtained to finance the purchase of a vehicle. Total interest payable amounting to Rp139 million (approximately \$11,000) for a period of three years starting from November 2011 to October 2014 with fixed repayment basis. The carrying amount of the finance lease approximates the present value of future lease payments.

The fair value of the items classified as loans and borrowings is disclosed below and is classified as Level 3 in the fair value hierarchy:

	2014		2013	
	Book value \$000	Fair value \$000	Book value \$000	Fair value \$000
Loans and borrowings	34,938	34,341	35,021	34,469

The fair value for disclosure purposes has been determined using discounted cash flows. Significant inputs include the discount rate used to reflect the credit risk associated with the Group. The fair value reduces as higher discount rate being used.

## 15 Trade and other payables

	2014 \$000	2013 \$000
Trade payables	7,342	4,312
Other payables	6,027	5,133
Accruals	7,641	5,886
	<u>21,010</u>	<u>15,331</u>

The carrying amount of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

## 16 Deferred tax liabilities

	2014 \$000	2013 \$000
Year end (liability) relates to		
Revaluation surplus	(48,087)	(57,022)
Retirement benefits	1,106	769
Unutilised tax losses	3,021	1,652
Other temporary differences	(408)	(697)
	<u>(44,368)</u>	<u>(55,298)</u>
Movement:		
At beginning of year (liability)	(55,298)	(37,236)
(Charged) / Credited to		
- income statement	10,349	(21,850)
- equity: revaluation	(96)	(7,951)
- equity: retirement benefits	170	(71)
Exchange adjustment	507	11,810
At end of year (liability)	<u>(44,368)</u>	<u>(55,298)</u>

# Notes to the Consolidated Financial Statements

## 16 Deferred tax liabilities - continued

	(Liability) \$000	(Charged)/ credited to income \$000	(Charged)/ credited to reserve \$000
Details of movement in 2014			
Revaluation surplus	(48,087)	8,438	(96)
Retirement benefits	1,106	196	170
Unutilised tax losses	3,021	1,460	-
Other temporary differences	(408)	255	-
	<u>(44,368)</u>	<u>10,349</u>	<u>74</u>
Details of movement in 2013			
Revaluation surplus	(57,022)	(23,408)	(7,951)
Retirement benefits	769	(246)	(71)
Unutilised tax losses	1,652	1,137	-
Other temporary differences	(697)	667	-
	<u>(55,298)</u>	<u>(21,850)</u>	<u>(8,022)</u>
		<b>2014</b>	2013
		<b>\$000</b>	\$000
A deferred tax asset has not been recognised for the following items:			
Unutilised tax losses		<b>2,787</b>	3,024

The Group does not recognise the tax losses of certain companies in the Group as tax assets as the future recoverability of the losses cannot be certain.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was \$5,687,714 (2013: \$11,042,800). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences, or because such a reversal would not give rise to an additional liability.

## 17 Retirement benefits

The Group operates two defined benefit schemes in respect of its Indonesian operations in accordance with Indonesia Labour Law No. 13/2003 ("the Law") dated 25 March 2003. The law does not impose funding requirement on Company to create fund asset to pay the defined benefit obligations.

The first scheme is defined benefit pension scheme offered to certain employees. This scheme is funded and managed by SKU UKINDO Pension Fund authorised by the Ministry of Finance of the Republic of Indonesia. When an employee reaches normal retirement age, dies or becomes disabled, the Group shall pay the higher of the benefit from the pension scheme and the benefit calculated under the Law. The assets value of the pension scheme is adequate to fund the annual payment of benefits.

The Group also established a funding programme through a savings plan managed by PT Asuransi Allianz Life Indonesia for the payment of severance / pension for eligible staff. The assets of the fund are to be used only to settle defined benefit obligations. The assets value of the funding programme is adequate to fund the annual payment of benefits.

The scheme is valued by an actuary at the end of each financial year. The major assumptions used by the actuary were:

	2014	2013
Inflation	5.0%	5.5%
Rate of increase in wages	8.0%	8.0%
Rate of return on scheme assets	9.0%	7.1%
Discount rate	8.3%	9.0%

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 and charged in the income statement based on individual employees' service up to the end of the financial year.

# Notes to the Consolidated Financial Statements

## 17 Retirement benefits - continued

Reconciliation of defined benefit obligation and fair value of scheme assets:

	Defined benefit obligation			Fair value of scheme assets			Net defined scheme liability		
	Funded scheme \$000	Unfunded scheme \$000	Total \$000	Funded scheme \$000	Unfunded scheme \$000	Total \$000	Funded scheme \$000	Unfunded scheme \$000	Total \$000
At 1 January 2013	(5,013)	(1,897)	(6,910)	3,853	-	3,853	(1,160)	(1,897)	(3,057)
Service cost – current	(660)	(473)	(1,133)	-	-	-	(660)	(473)	(1,133)
Interest cost / (income)	(345)	(140)	(485)	213	-	213	(132)	(140)	(272)
Included in comprehensive income	(1,005)	(613)	(1,618)	213	-	213	(792)	(613)	(1,405)
Remeasurement loss / (gain)									
Actuarial loss / (gain) from:									
Adjustments (experience)	(879)	106	(773)	-	-	-	(879)	106	(773)
Financial assumptions	792	407	1,199	-	-	-	792	407	1,199
Return on plan assets (exclude interest)	-	-	-	(148)	-	(148)	(148)	-	(148)
Included in other comprehensive income	(87)	513	426	(148)	-	(148)	(235)	513	278
Effect of movements in exchange rates	1,166	403	1,569	(820)	-	(820)	346	403	749
Employer contributions	-	-	-	284	-	284	284	-	284
Benefits paid	225	43	268	(216)	-	(216)	9	43	52
Other movements	1,391	446	1,837	(752)	-	(752)	639	446	1,085
<b>At 31 December 2013</b>	<b>(4,714)</b>	<b>(1,551)</b>	<b>(6,265)</b>	<b>3,166</b>	<b>-</b>	<b>3,166</b>	<b>(1,548)</b>	<b>(1,551)</b>	<b>(3,099)</b>
Service cost - current	(456)	(449)	(905)	-	-	-	(456)	(449)	(905)
Service cost - past	38	-	38	-	-	-	38	-	38
Interest cost / (income)	(411)	(170)	(581)	298	-	298	(113)	(170)	(283)
Included in comprehensive income	(829)	(619)	(1,448)	298	-	298	(531)	(619)	(1,150)
Remeasurement loss / (gain)									
Actuarial loss / (gain) from:									
Adjustments (experience)	(50)	27	(23)	-	-	-	(50)	27	(23)
Financial assumptions	(377)	(253)	(630)	-	-	-	(377)	(253)	(630)
Return on plan assets (exclude interest)	-	-	-	(27)	-	(27)	(27)	-	(27)
Included in other comprehensive income	(427)	(226)	(653)	(27)	-	(27)	(454)	(226)	(680)
Effect of movements in exchange rates	128	62	190	(72)	-	(72)	56	62	118
Employer contributions	-	-	-	303	-	303	303	-	303
Benefits paid	168	57	225	(162)	-	(162)	6	57	63
Other movements	296	119	415	69	-	69	365	119	484
<b>At 31 December 2014</b>	<b>(5,674)</b>	<b>(2,277)</b>	<b>(7,951)</b>	<b>3,506</b>	<b>-</b>	<b>3,506</b>	<b>(2,168)</b>	<b>(2,277)</b>	<b>(4,445)</b>

# Notes to the Consolidated Financial Statements

## 17 Retirement benefits - continued

The following table exhibits the sensitivity of the Group's retirement benefits to the fluctuation in the discount rate and wages:

	2014 \$000	2013 \$000
A change of 1% in the discount rate		
-1% in discount rate	873	665
+1% in discount rate	(845)	(657)
A change of 1% in wages		
-1% in wages	(881)	(690)
+1% in wages	900	692

The following contributions, which reflect expected future service, as appropriate are expected to be paid:

Year	\$000
2015	274
2016	224
2017	760
2018	564
2019	510
2020 to 2024	6,322
Total	8,654

## 18 Share capital and treasury shares

	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 and end of year	60,000,000	39,976,272	15,000	9,994	23,865	15,504
					Cost 2014 \$'000	Cost 2013 \$'000
Treasury shares:						
Beginning of year		339,900	339,900		(1,171)	(1,171)
Share options exercised		-	-		-	-
End of year		339,900	339,900		(1,171)	(1,171)
Market value of treasury shares:						\$'000
Beginning of year (672.5p/share)						3,786
End of year (555.0p/share)						2,942

No treasury shares were purchased in 2014 (2013: Nil).

## 19 Ultimate controlling shareholder

At 31 December 2014, Genton International Limited, a company registered in Hong Kong, held 20,247,814 (2013: 20,247,814) shares of the Company representing 51.1% (2013: 51.1%) of the issued share capital of the Company. Together with other deemed interested parties, the Genton's shareholding totals 20,551,914 or 51.9%. Madam Lim, a Director of the Company, has advised the Company that she is the controlling shareholder of Genton International Limited.

## 20 Related party transactions

During the year the Company engaged UHY Hacker Young, an accounting firm of which Dato' John Lim Ewe Chuan is a partner, to provide company secretarial and taxation services for a fee of \$23,548 (2013: \$24,543). This contract is on an arm's length basis. The balance outstanding at year end was \$3,483 (2013: Nil).

An office premises lease agreement was entered with Infra Sari Sdn Bhd, a company controlled by Madam Lim Siew Kim. The rental paid during the year was \$319,147 (2013: \$137,976). There was no balance outstanding at year end (2013: Nil).



# Notes to the Consolidated Financial Statements

## 21 Reserves

Nature and purpose of each reserve:

Share capital	Amount of shares subscribed at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares.
Treasury shares	Cost of own shares held in treasury.
Revaluation reserve	Gains/losses arising on the revaluation of the Group's property.
Foreign exchange reserve	Gains/losses arising on translating the net assets of overseas operations into US Dollar.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

## 22 Guarantees and other financial commitments

	2014 \$000	2013 \$000
Capital commitments at 31 December		
Contracted but not provided - normal estate operations	2,061	1,144
Authorised but not contracted - plantation and mill development	52,925	63,153

A subsidiary company, PT Sawit Graha Manunggal ("SGM") has provided a corporate guarantee to Koperasi Bartim Sawit Sejahtera ("KBSS"), a party under Plasma scheme as disclosed in note 11, in relation to a loan undertaken by KBSS from PT Bank Mandiri (Persero) Tbk. of Rp226.02 billion (\$18.2 million) (2013: Rp226.02 billion, \$18.6 million). The corporate guarantee remains until the loan is fully settled by 23 December 2027. The HGU (land right) that belongs to the Plasma scheme is currently held under SGM's master title. An application to separate the HGU was submitted to the Land Office and the land will be pledged to the bank as security once the HGU separation approval is obtained. In addition, the loan agreement's terms and conditions require KBSS to sell all the FFB produce to SGM and the plantation estate is to be managed by SGM. In view of these, the Group exposure to this contingent liability is minimised.

## 23 Disclosure of financial instruments and other risks

The Group's principal financial instruments comprise cash, short and long term bank loans, trade receivables and payables and receivables from local partners in respect of their investments.

The Group's accounting classification of each class of financial asset and liability at 31 December 2014 and 2013 were:

	Loans and receivables \$000	Financial liabilities at amortised cost \$000	Total carrying value \$000
<b>2014</b>			
Non-current receivables	3,007	-	3,007
Trade and other receivables	8,807	-	8,807
Cash and cash equivalent	125,937	-	125,937
Borrowings due within one year	-	(313)	(313)
Trade and other payables	-	(21,010)	(21,010)
Borrowings due after one year	-	(34,625)	(34,625)
	<u>137,751</u>	<u>(55,948)</u>	<u>81,803</u>
<b>2013</b>			
Non-current receivables	5,649	-	5,649
Trade and other receivables	7,271	-	7,271
Cash and cash equivalent	98,738	-	98,738
Borrowings due within one year	-	(84)	(84)
Trade and other payables	-	(15,331)	(15,331)
Borrowings due after one year	-	(34,937)	(34,937)
	<u>111,658</u>	<u>(50,352)</u>	<u>61,306</u>

# Notes to the Consolidated Financial Statements

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## 23 Disclosure of financial instruments and other risks - continued

### *Financial instruments not measured at fair value*

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and borrowings due within one year.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

Please refer to the applicable notes for details of the fair value hierarchy, valuation techniques, and significant unobservable inputs related to determining the fair value of the following items:

- Non-current receivables (note 11); and
- Loans and borrowings (note 14).

The principal financial risks to which the Group is exposed are:

- commodity selling price changes;
- exchange movements; and

which, in turn, can affect financial instruments and/or operating performance.

With the exception described below, the Company does not hedge any of its risks. Its trade credit risks are low. There are no financial assets or liabilities that are held at fair value through the profit and loss.

The Board is directly responsible for setting policies in relation to financial risk management and monitors the levels of the main risks through review of regular operational reports.

### *Commodity selling prices*

The Group does not normally contract to sell produce more than one month ahead.

### *Currency risk*

Most of the Group's operations are in Indonesia. The Company and Group accounts are prepared in US Dollar which is not the functional currency of the operating subsidiaries. The Group does not hedge its net investment in its overseas subsidiaries and is therefore exposed to a currency risk on that investment. The historic cost of investment (including intercompany loans) by the parent in its subsidiaries amounted to \$70,024,000 (2013: \$65,896,000), while the fair value of the Group's share of underlying assets at 31 December 2014 amounted to \$464,076,000 (2013: \$441,968,000).

All the Group's sales are made in local currency and any trade receivables are therefore denominated in local currency. No hedging is therefore necessary.

Selling prices of the Group's produce are directly related to the US Dollar denominated world prices. Appreciation of local currencies therefore reduces profits and cash flow of the Indonesian and Malaysian subsidiaries in US Dollar terms and vice versa.

The Group's subsidiaries which are borrowing in US Dollar, as set out under *Liquidity Risk* below could face significant exchange losses in the event of depreciation of their local currency - and vice versa. This risk is mitigated to some extent by US Dollar denominated cash balances in those subsidiaries. While the Company was in a position to match US Dollar cash balances with US Dollar financial liabilities throughout 2013 and 2014, the policy has been for only a partial but increasing match because average interest rate on local currency deposits was 6.16% higher than on US Dollar deposits whereas interest rate for local currency borrowing was about 7.29% higher as compared to US Dollar borrowing. The unmatched balance at 31 December 2014 is represented by the \$20,250,000 shown in the table below (2013: \$13,524,000). If the Group's net cash position continues to improve then US Dollar cash balances will continue to increase through 2015.

# Notes to the Consolidated Financial Statements

## 23 Disclosure of financial instruments and other risks - continued

The table below shows the net monetary assets and liabilities of the Group at 31 December 2014 and 2013 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	Sterling \$000	Total \$000
<b>2014</b>			
Indonesian Rupiah	(20,250)	-	(20,250)
US Dollar	-	98	98
<b>Total</b>	<b>(20,250)</b>	<b>98</b>	<b>(20,152)</b>
<b>2013</b>			
Indonesian Rupiah	(13,524)	-	(13,524)
US Dollar	-	209	209
<b>Total</b>	<b>(13,524)</b>	<b>209</b>	<b>(13,315)</b>

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to foreign exchange risk. The impact on profit before tax and equity if Ringgit or Rupiah strengthen or weaken by 10% against US Dollar is:

	2014			2013		
	Carrying Amount US\$ \$000	-10% in Rp : \$ and RM : \$ \$000	+10% in Rp : \$ and RM : \$ \$000	Carrying Amount US\$ \$000	-10% in Rp : \$ and RM : \$ \$000	+10% in Rp : \$ and RM : \$ \$000
	<b>Financial Assets</b>					
Non-current receivables	3,007	(165)	202	5,649	(390)	476
Trade and other receivables	8,807	(618)	756	7,271	(476)	582
Cash and cash equivalents	125,937	(11,351)	13,873	98,738	(8,861)	10,830
<b>Financial Liabilities</b>						
Borrowings due within one year	(313)	-	-	(84)	2	(2)
Trade and other payables	(21,010)	1,770	(2,164)	(15,331)	1,243	(1,519)
Borrowings due after one year	(34,625)	-	-	(34,937)	-	-
<b>Total increase / (decrease)</b>		<b>(10,364)</b>	<b>12,667</b>		<b>(8,482)</b>	<b>10,367</b>

### Liquidity risk

Profitability of new sizable plantations requires a period of between six and seven years before cash flow turns positive. Because oil palms do not begin yielding significantly until four years after planting, this development period and the cash requirement is affected by changes in commodity prices.

The Group attempts to ensure that it is likely to have either self-generated funds or further loan/equity capital to complete its development plans and to meet loan repayments. Long term forecasts are updated twice a year for review by the Board. In the event that falling commodity prices reduce self-generated funds below expectations and to a level where Group resources may be insufficient, further new planting may be restricted. Consideration is given to the funds continued to be required to bring existing immature plantings to maturity.

The Group's trade and tax payables are all due for settlement within a year. At 31 December 2014 the Group had the following loans and facilities.

	Borrowings \$000	Facilities \$000	Repayable
Indonesia:			
US Dollar denominated – long term loan	34,938	45,000	2015 – 2020 (note 14)

The total loan borrowings of \$34,938,000 together with interest at current rates is repayable as follows:

	2014 \$000	2013 \$000
Principal	34,938	35,021
Interest	8,134	9,805
<b>Total</b>	<b>43,072</b>	<b>44,826</b>

Forecasts prepared in December 2014 indicate that the Group has sufficient funds to meet its development plans and financial commitments through 2015.

# Notes to the Consolidated Financial Statements

## 23 Disclosure of financial instruments and other risks - continued

All the long term loans include varying covenants covering minimum net worth and cash balances, dividend and interest cover and debt service ratios.

### Interest rate risk

Both the Group's surplus cash and its borrowings are subject to variable interest rates. The Group had net cash throughout 2014, so the effect of variations in borrowing rates is more than offset. A 1% change in the borrowing or deposit interest rate would not have a significant impact on the Group's reported results as shown in table below. The rates on borrowings are set out in note 14.

	Carrying amount \$000	2014		Carrying amount \$000	2013	
		-1% in interest rate \$000	+1% in interest rate \$000		-1% in interest rate \$000	+1% in interest rate \$000
<b>Financial Assets</b>						
Cash and cash equivalents	125,937	(906)	1,053	98,738	(774)	774
<b>Financial Liabilities</b>						
Borrowings due within one year	(313)	-	-	(84)	-	-
Borrowings due after one year	(34,625)	349	(349)	(34,937)	350	(350)
Total increase / (decrease)		(557)	704		(424)	424

There is no policy to hedge interest rates, partly because of the net cash position and because the net interest is relatively small proportion of the Group profits.

Interest rate profiles of the Group's financial assets (comprising non-current receivables, trade and other receivables and cash) at 31 December were:

	Total \$000	Fixed rate \$000	Variable rate \$000	No interest \$000
<b>2014</b>				
Sterling	98	-	24	74
US Dollar	18,869	1,193	14,785	2,891
Rupiah	112,505	-	84,506	27,999
Ringgit	6,279	-	5,974	305
Total	137,751	1,193	105,289	31,269
<b>2013</b>				
Sterling	209	-	25	184
US Dollar	25,929	1,363	20,797	3,769
Rupiah	78,270	-	49,814	28,456
Ringgit	7,250	-	6,804	446
Total	111,658	1,363	77,440	32,855

Long term receivables of \$1,193,000 (2013: \$1,363,000) comprise US Dollar denominated amounts due from minority shareholders as described in note 11 on which interest is due at a fixed rate of 6%.

Average US Dollar deposit rate in 2014 was 3.02% (2013: 1.99%) and Rupiah deposit rate was 9.18% (2013: 7.79%).

Interest rate profiles of the Group's financial liabilities (comprising bank loans and other financial liabilities and trade and other payables) at 31 December were:

	Total \$000	Fixed rate \$000	Variable rate \$000	No interest \$000
<b>2014</b>				
Sterling	-	-	-	-
US Dollar	(36,338)	-	(34,938)	(1,400)
Rupiah	(19,100)	-	-	(19,100)
Ringgit	(510)	-	-	(510)
Total	(55,948)	-	(34,938)	(21,010)
<b>2013</b>				
Sterling	-	-	-	-
US Dollar	(36,527)	-	(35,000)	(1,527)
Rupiah	(13,355)	-	(21)	(13,334)
Ringgit	(470)	-	-	(470)
Total	(50,352)	-	(35,021)	(15,331)

# Notes to the Consolidated Financial Statements

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## 23 Disclosure of financial instruments and other risks - continued

Weighted average interest rate on variable rate borrowings was 5.71% in 2014 (2013: 5.52%).

### *Credit risk*

Sales of CPO and kernel are not despatched unless payment has been received in advance. Remaining sales are on credit for about 30 days. No provisions were considered necessary at 31 December 2014 (2013: Nil).

All cash is deposited with licensed banks. The list of the principal banks used by the Group is given on the inside of the back cover of this report.

Amounts receivable from local partners, amounting to \$1,193,000 (2013: \$1,363,000), in relation to their investments in operating subsidiaries are secured on those investments and are repayable from their share of dividends from those subsidiaries. Amounts due from village smallholder schemes are unsecured and are to be repaid from FFB supplied.

Amount receivable due from cooperatives under Plasma scheme as disclosed in note 11, are unsecured and are to be repaid from FFB supplied by the cooperatives. A subsidiary company has provided a corporate guarantee for one of the cooperatives in obtaining a bank loan in 2013. The amount drawdown from this loan was used to repay the advances made by the subsidiary. See note 22.

### *Capital*

The Group defines its Capital as Share capital and Reserves, shown in the statement of financial position as "Issued capital attributable to owners of the parent" and amounting to \$427,236,000 at 31 December 2014 (2013: \$408,046,000).

The Board is mindful that the Group's development programme will require a considerable capital commitment. In this respect, the dividend level needs to be balanced against the planned capital expenditure.

Group policy is presently to attempt to fund development from self-generated funds and loans and not from issue of new share capital. At 31 December 2014 (2013: Nil) the Group had no net borrowings but, depending market conditions, the Board is prepared for the Group to have net borrowings.

### *Plantation industry risk*

Please refer to pages 20 - 22.

# Notes to the Consolidated Financial Statements

## 24 Subsidiary companies

The principal subsidiaries of the Company all of which have been included in these consolidated financial statements are as follows:

Name	Country of incorporation and principal place of business	Proportion of ownership interest at 31 December		Non-controlling interests ownership / voting interest at 31 December	
		2014	2013	2014	2013
<b>Principal sub-holding company</b>					
Anglo-Indonesian Oil Palms Limited	United Kingdom	100%	100%	-	-
<b>Management company</b>					
Indopalm Services Limited	United Kingdom	100%	100%	-	-
<b>Operating companies</b>					
Anglo-Eastern Plantations (M) Sdn Bhd	Malaysia	55%	55%	45%	45%
Anglo-Eastern Plantations Management Sdn Bhd	Malaysia	100%	100%	-	-
PT Alno Agro Utama	Indonesia	90%	90%	10%	10%
PT Anak Tasik	Indonesia	100%	100%	-	-
PT Bangka Malindo Lestari	Indonesia	95%	95%	5%	5%
PT Bina Pitri Jaya	Indonesia	80%	80%	20%	20%
PT Cahaya Pelita Andhika	Indonesia	90%	90%	10%	10%
PT Empat Lawang Agro Perkasa	Indonesia	95%	95%	5%	5%
PT Hijau Pryan Perdana	Indonesia	80%	80%	20%	20%
PT Kahayan Agro Plantation	Indonesia	95%	95%	5%	5%
PT Karya Kencana Sentosa Tiga	Indonesia	95%	95%	5%	5%
PT Mitra Puding Mas	Indonesia	90%	90%	10%	10%
PT Musam Utjing	Indonesia	75%	75%	25%	25%
PT Riau Agrindo Agung	Indonesia	95%	95%	5%	5%
PT Sawit Graha Manunggal	Indonesia	82%	82%	18%	18%
PT Simpang Ampat	Indonesia	100%	100%	-	-
PT Tasik Raja	Indonesia	80%	80%	20%	20%
PT United Kingdom Indonesia Plantations	Indonesia	75%	75%	25%	25%
PT Anglo-Eastern Plantations Management Indonesia	Indonesia	100%	100%	-	-
<b>Dormant companies</b>					
The Empat (Sumatra) Rubber Estate (1913) Limited	United Kingdom	100%	100%	-	-
Gadek Indonesia (1975) Limited	United Kingdom	100%	100%	-	-
Mergeset (1980) Limited	United Kingdom	100%	100%	-	-
Musam Indonesia Limited	United Kingdom	100%	100%	-	-

The principal United Kingdom sub-holding company, UK management company and UK dormant companies are registered in England and Wales and are direct subsidiaries of the Company. 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.

# Notes to the Consolidated Financial Statements

## 25 Non-controlling interests

The Group identified subsidiaries with material non-controlling interests (NCI) based on profit contribution or percentage of net assets in relation to the Group. A subsidiary's NCI is material if the subsidiary contributed more than 15% to the Group's profitability or it held more than 10% of the Group's net assets. The subsidiaries identified and their summarised financial information, before intra-group eliminations, are presented below:

Entity NCI percentage	PT Tasik Raja 20%		PT Mitra Puding Mas 10%		PT Alno Agro Utama 10%		PT Bina Pitri Jaya 20%		PT Sawit Graha Manunggal 18%	
<b>Summarised income statement</b>										
For the year ended 31 December	<b>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013
	<b>\$000</b>	\$000	<b>\$000</b>	\$000	<b>\$000</b>	\$000	<b>\$000</b>	\$000	<b>\$000</b>	\$000
Revenue	<b>54,845</b>	52,537	<b>40,907</b>	27,088	<b>56,236</b>	36,900	<b>44,912</b>	38,166	<b>7,416</b>	2,516
Profit / (loss) after tax	<b>11,932</b>	29,178	<b>9,152</b>	9,734	<b>11,189</b>	16,484	<b>16,434</b>	20,588	<b>(10,626)</b>	(2,584)
Other comprehensive income / (expense)	<b>(2,827)</b>	(36,775)	<b>(1,581)</b>	(15,001)	<b>(1,805)</b>	(17,533)	<b>(2,355)</b>	(23,950)	<b>(1,399)</b>	(7,675)
Total comprehensive income / (expense)	<b>9,105</b>	(7,597)	<b>7,571</b>	(5,267)	<b>9,384</b>	(1,049)	<b>14,079</b>	(3,362)	<b>(12,025)</b>	(10,259)
Profit / (loss) allocated to NCI	<b>2,386</b>	5,836	<b>915</b>	973	<b>1,119</b>	1,648	<b>3,287</b>	4,118	<b>(1,934)</b>	(470)
Other comprehensive income / (expense) allocated to NCI	<b>(565)</b>	(7,355)	<b>(158)</b>	(1,500)	<b>(181)</b>	(1,753)	<b>(471)</b>	(4,790)	<b>(255)</b>	(1,397)
Total comprehensive income / (expense) allocated to NCI	<b>1,821</b>	(1,519)	<b>757</b>	(527)	<b>939</b>	(105)	<b>2,816</b>	(672)	<b>(2,189)</b>	(1,867)
Dividends paid to NCI	<b>106</b>	194	<b>24</b>	-	<b>200</b>	-	<b>92</b>	144	<b>-</b>	-
<b>Summarised statement of financial position</b>										
As at 31 December	<b>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013
	<b>\$000</b>	\$000	<b>\$000</b>	\$000	<b>\$000</b>	\$000	<b>\$000</b>	\$000	<b>\$000</b>	\$000
Non-current assets	<b>163,376</b>	153,798	<b>51,274</b>	50,287	<b>90,545</b>	90,687	<b>55,098</b>	55,121	<b>75,190</b>	70,910
Current assets	<b>27,227</b>	24,828	<b>25,790</b>	17,029	<b>6,788</b>	8,920	<b>51,966</b>	36,416	<b>4,398</b>	5,875
Non-current liabilities	<b>(52,461)</b>	(49,495)	<b>(6,942)</b>	(7,104)	<b>(12,238)</b>	(25,863)	<b>(8,085)</b>	(7,847)	<b>(60,171)</b>	(46,260)
Current liabilities	<b>(4,048)</b>	(4,195)	<b>(6,255)</b>	(3,915)	<b>(5,988)</b>	(2,350)	<b>(3,693)</b>	(2,574)	<b>(2,617)</b>	(1,633)
Net assets	<b>134,094</b>	124,936	<b>63,867</b>	56,297	<b>79,107</b>	71,394	<b>95,286</b>	81,116	<b>16,800</b>	28,892
Accumulated NCI	<b>26,819</b>	24,987	<b>6,387</b>	5,630	<b>7,911</b>	7,139	<b>19,057</b>	16,223	<b>3,058</b>	5,258
<b>Summarised cash flows</b>										
For the year ended 31 December	<b>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013	<b>2014</b>	2013
	<b>\$000</b>	\$000	<b>\$000</b>	\$000	<b>\$000</b>	\$000	<b>\$000</b>	\$000	<b>\$000</b>	\$000
Cash flows from / (used in) operating activities	<b>21,679</b>	23,902	<b>12,755</b>	8,157	<b>19,862</b>	359	<b>17,375</b>	24,040	<b>706</b>	(681)
Cash flows from / (used in) investing activities	<b>(6,265)</b>	(3,690)	<b>(23,735)</b>	(19,491)	<b>(2,661)</b>	(3,896)	<b>462</b>	(9,776)	<b>(21,529)</b>	(16,927)
Cash flows from / (used in) financing activities	<b>(13,418)</b>	(17,487)	<b>12,125</b>	17,619	<b>(17,876)</b>	2,685	<b>487</b>	(12,458)	<b>17,397</b>	18,576
Net cash inflows / (outflows)	<b>1,996</b>	2,725	<b>1,145</b>	6,285	<b>(675)</b>	(852)	<b>18,324</b>	1,806	<b>(3,426)</b>	968

# Company Balance Sheet

As at 31 December 2014

	Note	2014 \$000	2013 \$000
<b>Non-current assets</b>			
Investment in subsidiaries	2	68,042	65,896
		<b>68,042</b>	65,896
<b>Current assets</b>			
Other receivables	3	22	6,194
Amounts due from related parties	4	4,557	-
Cash and cash equivalents		1,079	1,265
		<b>5,658</b>	7,459
<b>Current liabilities</b>			
Other payables	5	(1,399)	(1,527)
Amounts due to related parties	6	(2,575)	-
		<b>(3,974)</b>	(1,527)
Net current assets		<b>1,684</b>	5,932
<b>Net assets</b>		<b>69,726</b>	71,828
<b>Capital and reserves</b>			
Share capital	7	15,504	15,504
Treasury shares	7	(1,171)	(1,171)
Share premium	8	23,935	23,935
Capital redemption reserve	8	1,087	1,087
Exchange reserve	8	3,872	3,872
Retained earnings	8	26,499	28,601
<b>Shareholders' funds</b>		<b>69,726</b>	71,828

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2015 and were signed on its behalf by

Dato' John Lim Ewe Chuan  
Executive Director, Corporate Finance and Corporate Affairs

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



# Notes to the Company Financial Statements

## 1 Accounting policies

### *Basis of accounting*

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical costs convention and in accordance with applicable United Kingdom Accounting Standards and law. The principal accounting policies are summarised below.

### *Foreign currency*

The functional currency of the Company is US Dollar, chosen because the prices of the bulk of the Group's products are ultimately denominated in US Dollar. Transactions in sterling are translated to US Dollar at the actual exchange rate and exchange losses recognised in profit and loss. Sterling denominated assets and liabilities are converted to US Dollar at the rate ruling at the balance sheet date.

### *Investments*

Investments in subsidiaries are stated at cost less provision for any permanent diminution in value.

### *Dividends*

In accordance with FRS21 equity dividends are recognised when they become legally payable.

### *Share based payments*

As set out under Group accounting policies on page 62.

### *Deferred tax*

A deferred tax asset has not been recognised in relation to brought forward tax losses of \$8.6m (2013: \$8.5m) because it is not certain those losses can be utilised in the foreseeable future.

### *Treasury shares*

Consideration paid or received for the purchase or sale of the Company's own shares for holding in treasury is recognised directly in equity, where the cost is presented as the treasury share reserve. Any excess of the consideration received on the sale of treasury shares over the weighted average cost of shares sold, is taken to the share premium account. Any shares held in treasury are treated as cancelled for the purpose of calculating earnings per share.

### *Financial guarantee contracts*

Where the Company enters into financial guarantee contracts and guarantees the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time that it becomes probable that the Company will be required to make a payment under the guarantee.

## 2 Investments in subsidiaries

	Investments in subsidiary undertakings \$000	Loans to subsidiary undertakings \$000	Total \$000
At beginning of year	874	65,022	65,896
Movements in year	1,936	210	2,146
At end of year	<b>2,810</b>	<b>65,232</b>	<b>68,042</b>

Loans to subsidiary companies do not have fixed repayment terms and are repayable on demand. In practice they are effectively long term in nature and therefore classified with investments in subsidiaries.

Amounts due from related parties of \$4,557,000 and amounts due to related parties of \$2,575,000 have been reclassified from long term investments to current receivables and current payables respectively during the reporting period.

The holding of preference shares in a subsidiary of \$6.146m was due for full redemption in January 2012. On 15 January 2014, the shareholders of the subsidiary at EGM voted in favour of a capital reduction of its preference shares to enable partial redemption. A court order was obtained on 5 June 2014 allowing the partial redemption of \$4.210m as proposed by the shareholders. The balance preference shares of \$1.936m was extended to year 2017 with the terms and conditions remain unchanged.

The principal subsidiaries of the Company are listed in note 24 to the consolidated financial statements on page 85.

# Notes to the Company Financial Statements

## 3 Other receivables

	2014 \$000	2013 \$000
Other receivables	22	48
Preference shares due for redemption	-	6,146
	<u>22</u>	<u>6,194</u>

\$4.210m of preference shares due for redemption was redeemed during the year and balance of \$1.936m was reclassified to investments in subsidiaries. See note 2.

## 4 Amounts due from related parties

	2014 \$000	2013 \$000
Anglo-Eastern Plantations Management Sdn Bhd	4,183	-
Anglo-Eastern Plantations (M) Sdn Bhd	374	-
	<u>4,557</u>	<u>-</u>

The amounts due from related parties arise as a result of advances to subsidiary companies and expenses paid on their behalf. The amounts are unsecured, interest free and do not have fixed repayment terms. These amounts have been reclassified from long term investments during the reporting period.

## 5 Other payables

	2014 \$000	2013 \$000
Accruals	<u>1,399</u>	<u>1,527</u>

## 6 Amounts due to related parties

	2014 \$000	2013 \$000
Mergeset (1980) Limited	1,857	-
Musam Indonesia Limited	142	-
PT Musam Utjing	121	-
PT Tasik Raja	455	-
	<u>2,575</u>	<u>-</u>

The amounts due to related parties arise as a result of advances from subsidiary companies and expenses paid on our behalf. The amounts are unsecured, interest free and do not have fixed repayment terms. These amounts have been reclassified from long term investments during the reporting period.

## 7 Share capital and treasury shares

	Issued and fully paid Number	Issued and fully paid £000	Issued and fully paid \$000
Ordinary shares of 25p each Beginning and end of year	<u>39,976,272</u>	<u>9,994</u>	<u>15,504</u>
	<b>2014 Number</b>	<b>2013 Number</b>	<b>Cost 2014 \$'000</b>
Treasury shares			<b>Cost 2013 \$'000</b>
Beginning of year	339,900	339,900	(1,171)
Share options exercised	-	-	-
End of year	<u>339,900</u>	<u>339,900</u>	<u>(1,171)</u>
Market value of treasury shares:			\$000
Beginning of year (672.5p /share)			3,786
End of year (555.0p/share)			<b>2,942</b>

# Notes to the Company Financial Statements

## 8 Reserves

### Company balance sheet

	Share premium account \$000	Treasury shares \$000	Capital redemption reserve \$000	Exchange reserve \$000	(Distributable) Retained earnings \$000
Beginning of year	23,935	(1,171)	1,087	3,872	28,601
Loss for the financial year	-	-	-	-	(104)
Dividend paid	-	-	-	-	(1,998)
End of year	<b>23,935</b>	<b>(1,171)</b>	<b>1,087</b>	<b>3,872</b>	<b>26,499</b>

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account dealing with the results of the Company has not been presented. The loss before tax of the Company for the year was \$100,000 (2013 loss before tax: \$1,001,000) and loss for the year was \$104,000 (2013 loss for the year: \$1,061,000). The exchange reserve arose on the initial transition from sterling to US Dollar as the Company's functional currency.

## 9 Employees' and Directors' remuneration

	2014 Number	2013 Number
Average numbers employed during the year		
- directors	4	4
- staff	-	-
	<b>4</b>	<b>4</b>
	2014 \$000	2013 \$000
Staff costs		
Wages and salaries	-	-
Social security costs	-	-
	<b>-</b>	<b>-</b>

The information required by the Companies Act and the Listing Rules of the Financial Conduct Authority is contained in the Directors' remuneration report on pages 44 - 48 of which certain information on page 47 - 48 has been audited.

	2014 \$000	2013 \$000
Directors' emoluments	<b>248</b>	<b>236</b>

## 10 Dividends

	2014 \$000	2013 \$000
Paid during the year		
Final dividend of 3.0p for the year ended 31 December 2013 (2012: 4.5cts)	<b>1,998</b>	1,784
Proposed final dividend of 3.0p for the year ended 31 December 2014 (2013: 3.0p)	<b>1,854</b>	1,969

The proposed dividend for 2014 is subject to shareholder approval at the forthcoming annual general meeting and has not been included as a liability in these financial statements.

## 11 Guarantees and other financial commitments

The Company has provided guarantees for loans to subsidiaries totalling \$45,000,000 (2013: \$45,000,000) as set out in note 14 of the consolidated financial statements.

# Notice of Annual General Meeting

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Notice is hereby given that the thirtieth Annual General Meeting of Anglo-Eastern Plantations Plc will be held at the offices of UHY Hacker Young LLP, Quadrant House, 4 Thomas More Square, London E1W 1YW on 29 June 2015 at 11.00 a.m. for the following purposes:

- 1 To receive and consider the accounts and the reports of the directors and auditors thereon for the year ended 31 December 2014.
- 2 To approve the Directors' Remuneration Report as set out in the Company's annual report and accounts for the year ended 31 December 2014.
- 3 To approve the revised directors' remuneration policy in the form set out in the Directors' Remuneration Report in the Company's annual report and accounts for the year ended 31 December 2014.
- 4 To declare a final dividend.
- 5(a) To re-elect Madam Lim Siew Kim, a Non-Executive Director, who has served more than nine years.
- 5(b) To re-elect Dato' John Lim Ewe Chuan as a director.
- 6 To elect Mr. Lim Tian Huat, as a director, having been appointed since the last Annual General Meeting.
- 7 To re-appoint BDO LLP as auditors and to authorise the directors to fix their remuneration.
- 8 To consider the following resolution as a special resolution:

That the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006, in substitution for all existing authorities to the extent unused, to exercise all the powers of the Company to allot:

- (i) shares in the Company up to an aggregate nominal amount of £3,303,031 (representing 13,212,124 ordinary shares of 25p each) which is equal to one third of the issued ordinary share capital (excluding treasury shares) at the date of this resolution: and in addition
- (ii) equity securities of the Company (within the meaning of section 560(1) of the Companies Act 2006) in connection with an offer of such securities by way of a rights issue up to an aggregate nominal amount of £3,303,031

provided that this authority shall expire on the date of the next annual general meeting after the passing of this resolution or 30 June 2016 whichever is earlier save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

"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).

- 9 To consider the following resolution as a special resolution:

That subject to and conditional on the passing of Resolution 8, the directors be empowered pursuant to section 570 of the Companies Act 2006) to allot equity securities (within the meaning of section 560 of that Act) for cash pursuant to the authority conferred by Resolution 8 and/or by way of sale of treasury shares as if section 561(1) of that Act did not apply to any such allotment or sale, provided that this authorisation shall be limited to:

- (i) the allotment of equity securities and sale of treasury shares for cash in connection with an offer or issue of, or invitation to apply for, equity securities made to (but in the case of the authority granted under paragraph (ii) of Resolution 8 by way of a rights issue only);
  - (a) ordinary shareholders in proportion (as nearly may be practicable) to their existing holdings: and
  - (b) holders of other equity securities, as required by the rights of those securities, or as the directors otherwise consider necessary,

and permitting the directors to impose any limited or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlement, record dates, legal regulatory or practical problems in, or under, the laws of any territory, or any other matter; and

- (ii) in the case of the authority granted under paragraph (i) of Resolution 8 and/or the sale of treasury shares for cash, to the allotment of equity shares or sale of treasury shares up to an aggregate nominal amount of £495,454.

# Notice of Annual General Meeting

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Such power shall apply during the period expiring on the date of the next annual general meeting or on 30 June 2016 (whichever shall be earlier) but the directors may during such periods make offers or agreements which would or might require equity securities to be allotted (and treasury shares to be sold) after the expiry of such period.

10 To consider the following as a special resolution:

That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 25p each in the capital of the Company on such terms as the directors think fit, provided that:

- (a) the maximum number of ordinary shares hereby authorised to be purchased is 3,963,637 (representing 10% of the issued ordinary share capital);
- (b) the minimum price (exclusive of expenses) which may be paid for each ordinary share is 25p;
- (c) the maximum price (exclusive of expenses) which may be paid for each ordinary share is the higher of:
  - (i) 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 for the five business days immediately preceding the date of purchase; and
  - (ii) the price of the last independent trade and the highest current independent bid on the London Stock Exchange; and
- (d) the authority hereby conferred shall expire on 30 June 2016 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.

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

That a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days' notice.

By order of the Board  
CETC (Nominees) Limited  
Company Secretary  
29 May 2015

# Notice of Annual General Meeting

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## Notes:

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders on the register of members of the Company at 11.00 a.m. on 26 June 2015 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after 11.00 a.m. on 26 June 2015 or, if the meeting is adjourned, in the register of members at 6.00 p.m. on the date which is two days before the day of the adjourned meeting shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. As at 29 May 2015 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital comprised 39,976,272 Ordinary Shares of 25p each. Each share carries one vote except 339,900 shares held as treasury shares and therefore the total number of voting rights in the Company as at 9.00 am on 29 May 2015 is 39,636,372.
3. A member of the Company entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and vote at the meeting. Where more than one proxy is appointed in relation to the meeting, each proxy must be appointed to exercise rights attaching to a different share or shares. You may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a member of the Company.
4. 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).
5. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting to be held on 29 June 2015 and any adjournment thereof by using the procedures described in the CREST Manual on the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy must be transmitted so as to be received by Capita Registrars [CREST ID: RA10] by 26 June 2015. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. You may submit your proxy electronically using The Share Portal service at [www.capitashareportal.com](http://www.capitashareportal.com). If not already registered for The Share Portal you will need your Investor Code which can be found on your share certificate.
8. The statement of the rights of shareholders in relation to the appointment of proxies does not apply to a person who receives this notice of general meeting as a person nominated to enjoy "information rights" under section 146 of the Companies Act 2006. If you have been sent this notice of meeting because you are such a nominated person the following statements apply: (i) you may have a right under an agreement between you and the registered shareholder by whom you were nominated to be appointed (or to have someone else appointed) as a proxy for this general meeting and (ii) if you have no such a right, or do not wish to exercise it, you may have a right under such an agreement to give instructions to that registered shareholder as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
9. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the meeting. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.
10. Members satisfying the requirements of section 527 of the Companies Act 2006 may require the Company to publish on a website a statement by them (at the Company's cost) relating to the audit of the Company's accounts which are being laid before this meeting (including the auditor's report and the conduct of the audit) or, where applicable, any circumstances connected with an auditor of the Company ceasing to hold office since the previous general meeting at which accounts were laid. Should such a statement be received, it will be published on the Company's website at [www.angloeastern.co.uk](http://www.angloeastern.co.uk). In those circumstances the Company would be under an obligation to forward a copy of the statement to the auditors forthwith and the statement would form part of the business which may be dealt with at this meeting.
11. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such questions relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation of the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
12. The following documents are available for inspection by members at the registered office of the Company during normal business hours (except Bank Holidays) and at the place of the meeting not less than 15 minutes prior to and during the meeting:  

Copies of the Director's service agreements, letters of appointment and relationship agreement with the majority shareholder.
13. A copy of this notice and the other information required by section 311A of the Companies Act 2006 can be found at [www.angloeastern.co.uk](http://www.angloeastern.co.uk).
14. If you are in any doubt as to any aspect of Resolutions 8 to 11 or as to the action you should take, you should immediately take your own advice from a stockbroker, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000. The Board believes that these Resolutions are in the best interests of the Company and shareholders as a whole.

# Notice of Annual General Meeting

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15. If you have sold or otherwise transferred all your shares in the Company, please hand this document and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of existing shares please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

## Company addresses

### London Office

Anglo-Eastern Plantations Plc  
Quadrant House, 6<sup>th</sup> Floor  
4 Thomas More Square  
London E1W 1YW  
United Kingdom  
Tel: 44 (0)20 7216 4621  
Fax: 44 (0)20 7767 2602

### Malaysian Office

Anglo-Eastern Plantations (M) Sdn Bhd  
7<sup>th</sup> Floor, Wisma Equity  
150 Jalan Ampang  
50450 Kuala Lumpur  
Malaysia  
Tel: 60 (0)3 2162 9808  
Fax: 60 (0)3 2164 8922

### Indonesian Office

PT Anglo-Eastern Plantations Management Indonesia  
Wisma HSBC, Jalan Diponegoro, Kav 11  
Medan 20152  
North Sumatra  
Indonesia  
Tel: 62 (0)61 452 0107  
Fax: 62 (0)61 452 0029

### Secretary and registered office

Anglo-Eastern Plantations Plc  
(Number 1884630)  
(Registered in England and Wales)  
CETC (Nominees) Limited  
Quadrant House, 6<sup>th</sup> Floor  
4 Thomas More Square  
London E1W 1YW  
United Kingdom  
Tel: 44 (0)20 7216 4600  
Fax: 44 (0)20 7767 2602

Company website

[www.angloeastern.co.uk](http://www.angloeastern.co.uk)

## Company advisers

### Auditors

BDO LLP  
55 Baker Street  
London W1U 7EU  
United Kingdom

### Principal Bankers

National Westminster Bank Plc  
15 Bishopsgate  
London EC2P 2AP  
United Kingdom

The Hong Kong and Shanghai Banking Corporation  
Limited  
Wisma HSBC  
Jalan Diponegoro, Kav 11  
Medan 20152  
North Sumatra  
Indonesia

PT Bank DBS Indonesia  
Uniplaza Building  
Jalan Letjen MT Haryono A-1  
Medan 20231  
North Sumatra  
Indonesia

RHB Bank Bhd  
Podium Block, Plaza OSK  
Jalan Ampang  
50450 Kuala Lumpur  
Malaysia

### Registrars

Capita Registrars Ltd  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire HD8 0GA  
United Kingdom

### Solicitors

Withers LLP  
16 Old Bailey  
London EC4M 7EG  
United Kingdom

### Sponsor/Broker

Charles Stanley Securities  
131 Finsbury Pavement  
London EC2A 1NT  
United Kingdom