



## 2016 Annual Report

### Anglo-Eastern Plantations Plc

Company Number: 1884630



# Contents

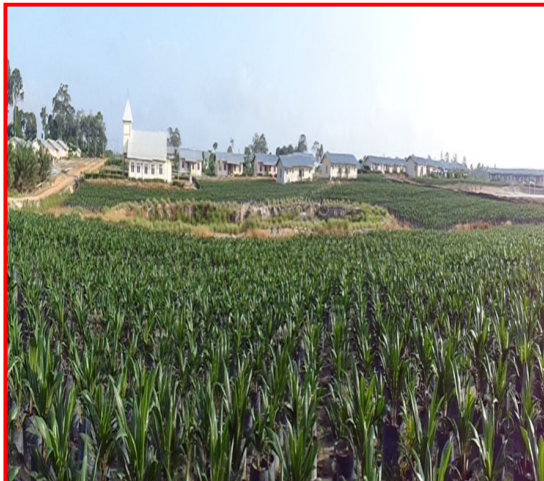
---

About AEP	2
Financial Highlights	4
Key Information	6
Shareholder Information	7
Chairman's Statement	9
Strategic Report	11
Financial Record	26
Estate Areas	27
Location of Estates	28
Directors' Report	29
Directors' Responsibilities	36
Directors	37
Statement on Corporate Governance	38
Audit Committee Report	42
Directors' Remuneration Report	45
Auditors' Report	50
Consolidated Income Statement	58
Consolidated Statement of Comprehensive Income	59
Consolidated Statement of Financial Position	60
Consolidated Statement of Changes in Equity	61
Consolidated Statement of Cash Flows	62
Notes to the Consolidated Financial Statements	64
Company Balance Sheet	94
Company Statement of Changes in Equity	95
Notes to the Company Financial Statements	96
Notice of Annual General Meeting	101
Form of Proxy and Attendance Card	Separate Attachment
Company addresses, advisers and website	Inside Back Cover

# About Anglo-Eastern Plantations

---

Anglo-Eastern Plantations Plc (“AEP”) and its subsidiaries (the “Group”) is a major producer of palm oil and rubber with plantations across Indonesia and Malaysia, amounting to some 128,600ha.



- 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 in.



# About Anglo-Eastern Plantations

---



## Oil Palm Plantations

The Group has developed 53,000ha of mature oil palm at 16 plantations across Indonesia and Malaysia.



## Oil Palm Development

An Oil Palm tree usually takes three years from planting to harvest of first crop and will reach full production after five years. The Group has approximately 11,400ha of recently planted immature plantations of which 2,621ha were planted in 2016, including replanting of 1,516ha.



## Palm Oil Production

The Group operates 6 palm oil mills in Indonesia processing up to a combined 295mt of fresh fruit bunches (“FFB”) per hour. A mill in Northern Sumatera is equipped with advanced waste management treatment for biomass disposal and biogas emission capture. Two more biogas plants are nearing completion at the Bengkulu and Central Kalimantan mills. They are expected to be commissioned from the second quarter of 2017.



## Third Party Palm Oil Processing

During 2016 the Group purchased approximately 813,700mt of FFB from third party producers comprising of small plantations and local farmers for processing through our own mills. The total FFB throughput at the Group’s mills in 2016 was 1.69 million mt producing 353,100mt of crude palm oil (“CPO”).



## Rubber Plantations

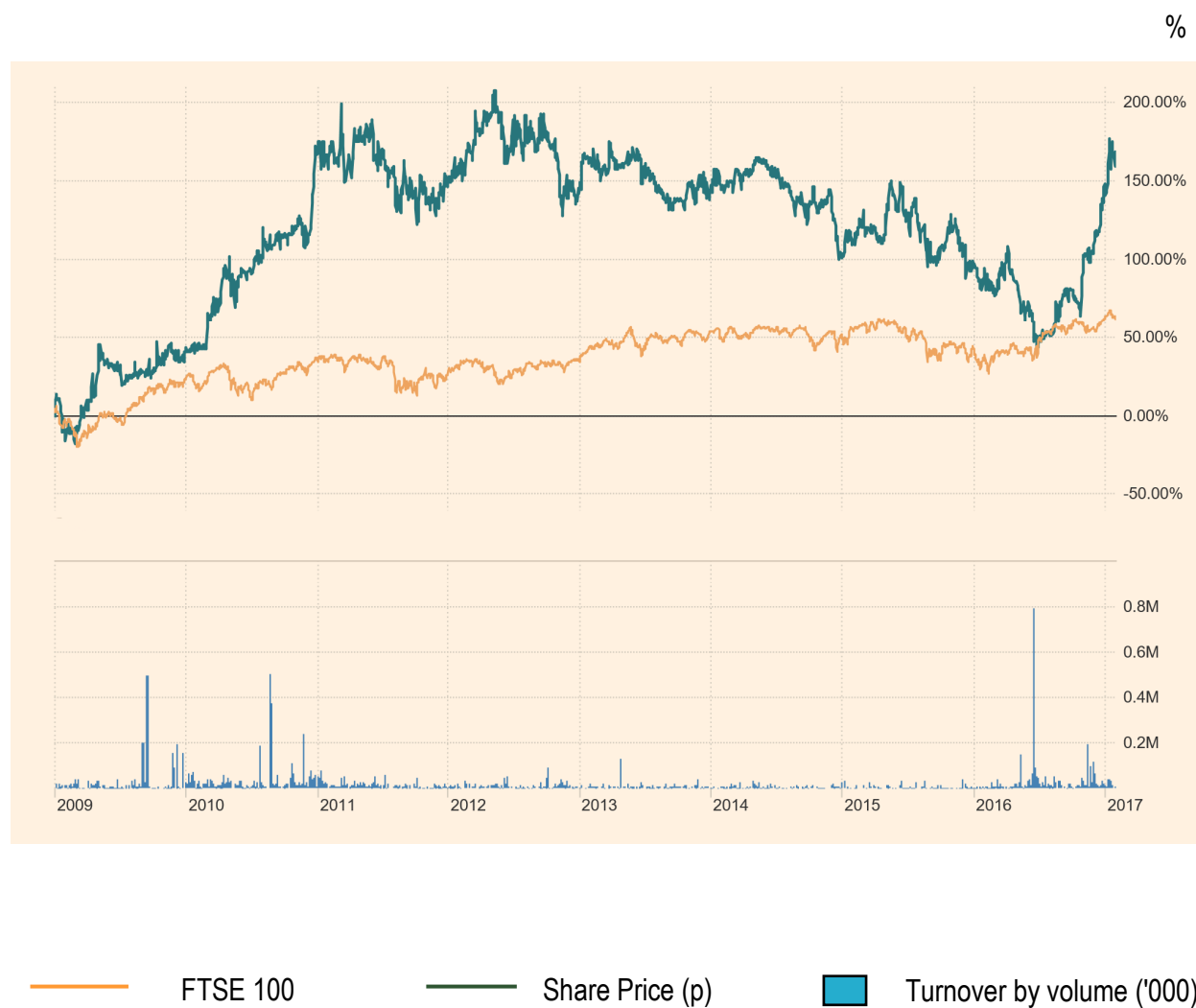
The Group has 512ha of established rubber plantations which in 2016, produced 868mt of raw latex and rubber lumps. The size of rubber plantations will reduce further as the Group replaces ageing rubber trees with oil palm.

# Financial Highlights

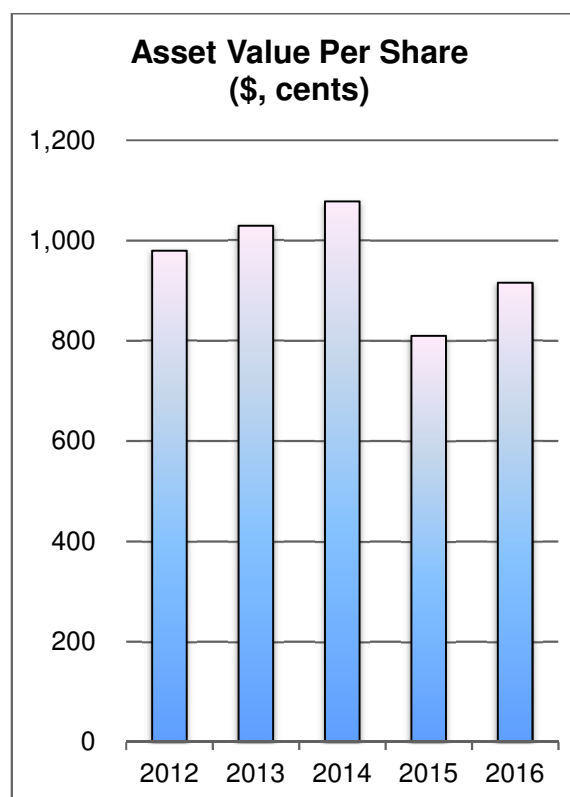
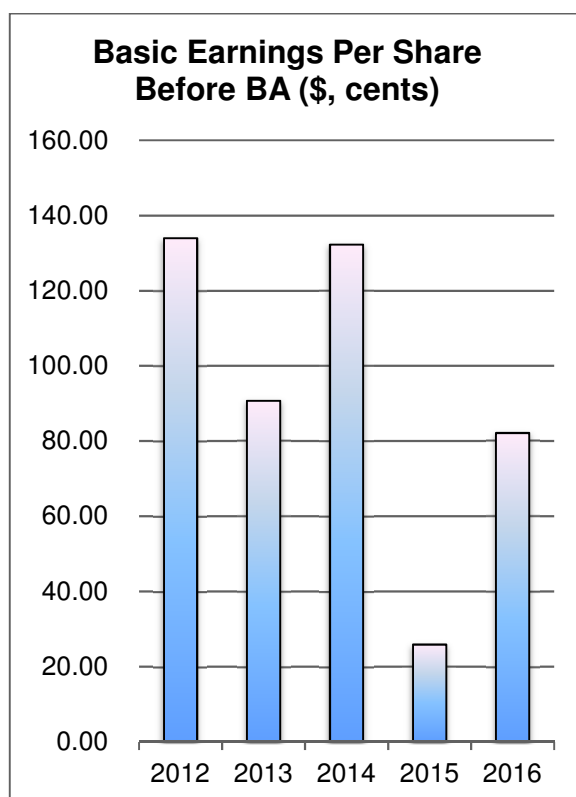
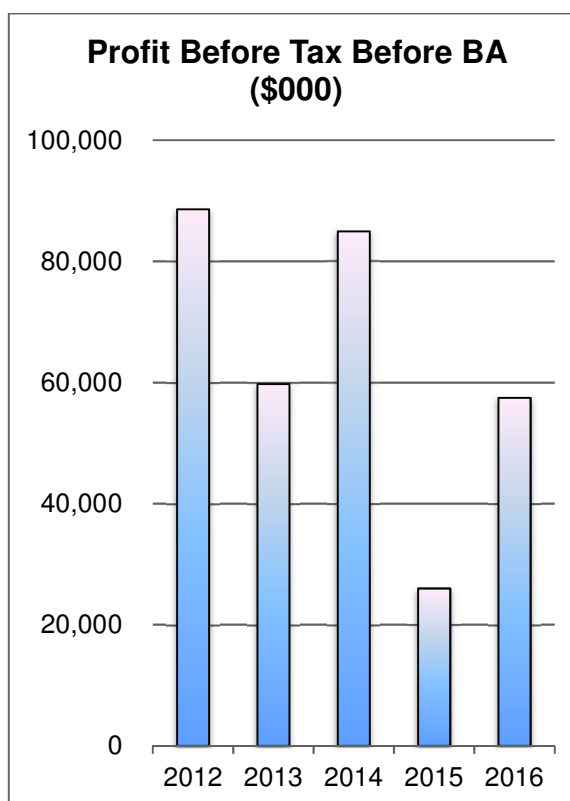
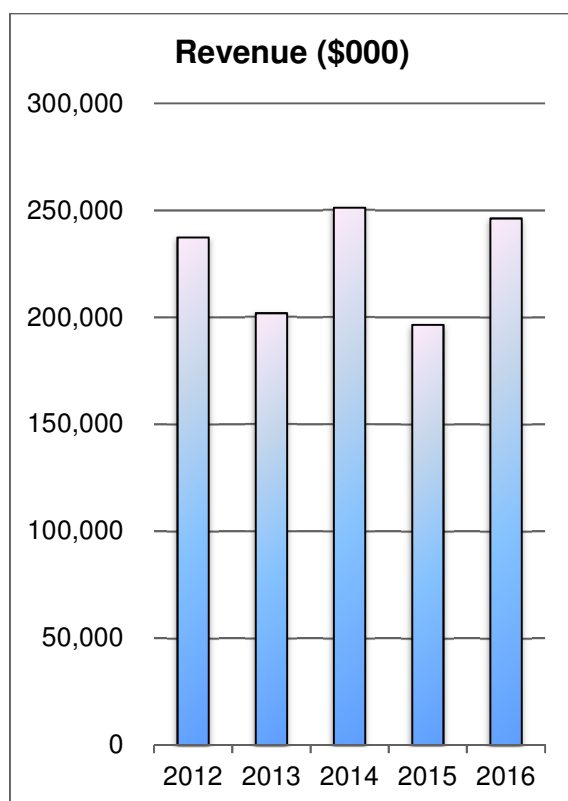
	2016 \$m	(Restated) 2015 \$m
Revenue	246.2	196.5
Profit before tax		
- before biological asset ("BA") movement	57.5	26.0
- after biological asset movement	60.8	25.3
EPS before BA movement	82.16cts	25.89cts
EPS after BA movement	87.58cts	24.66cts
Dividend (pence)	3.0p	1.75p
Dividend (cents)	3.8*cts	2.5cts

Note: \* Based on exchange rate at 19 April 2017 of \$1.2811/£

## Anglo-Eastern Plantations Plc

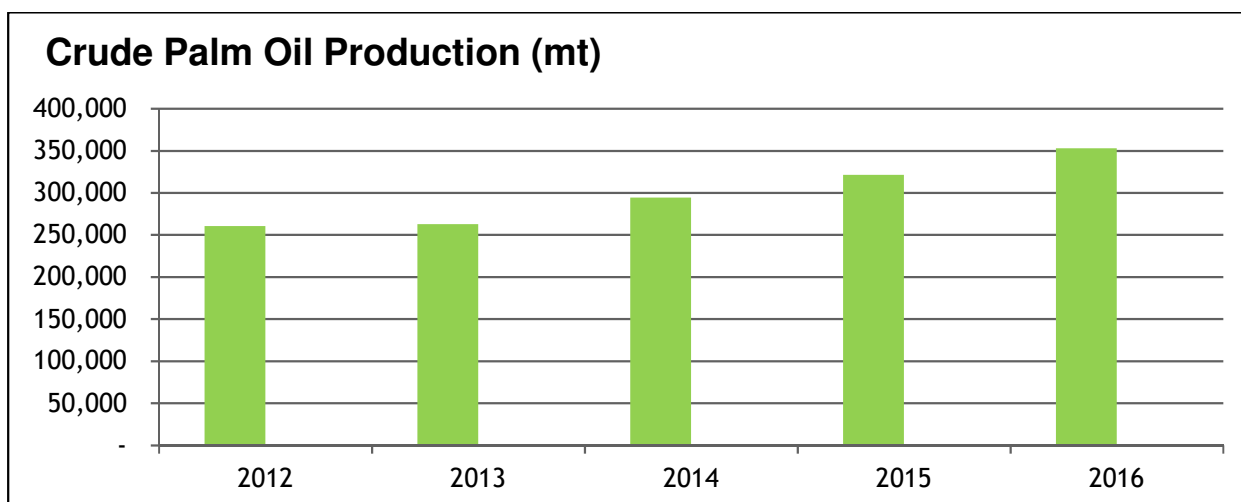
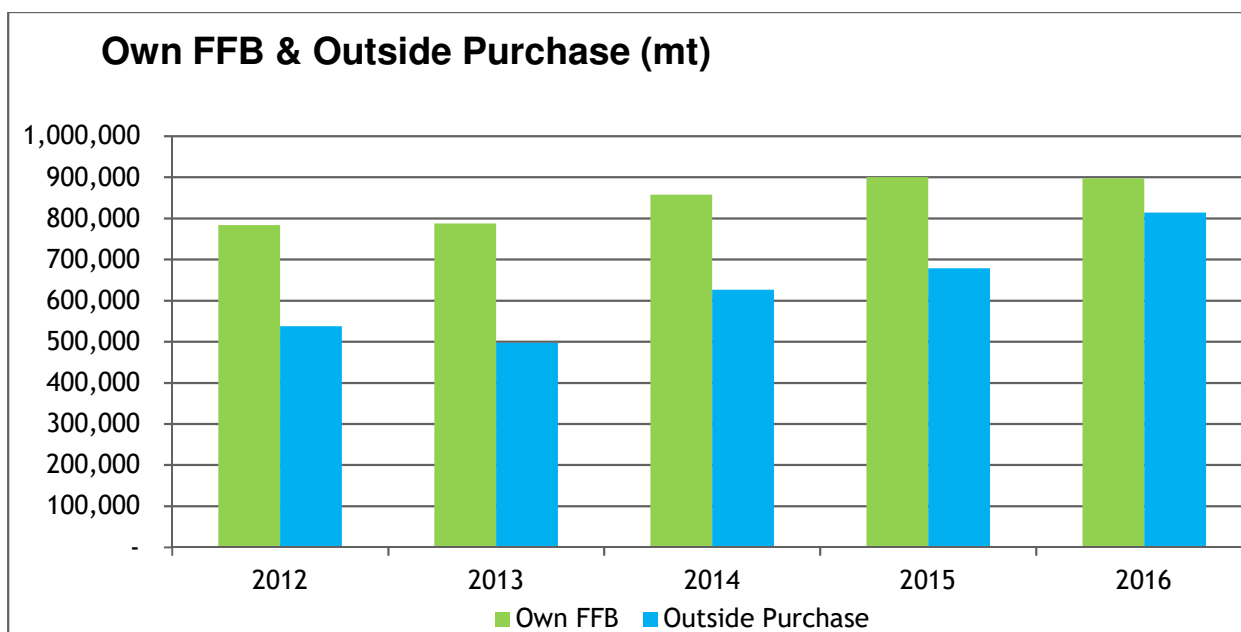
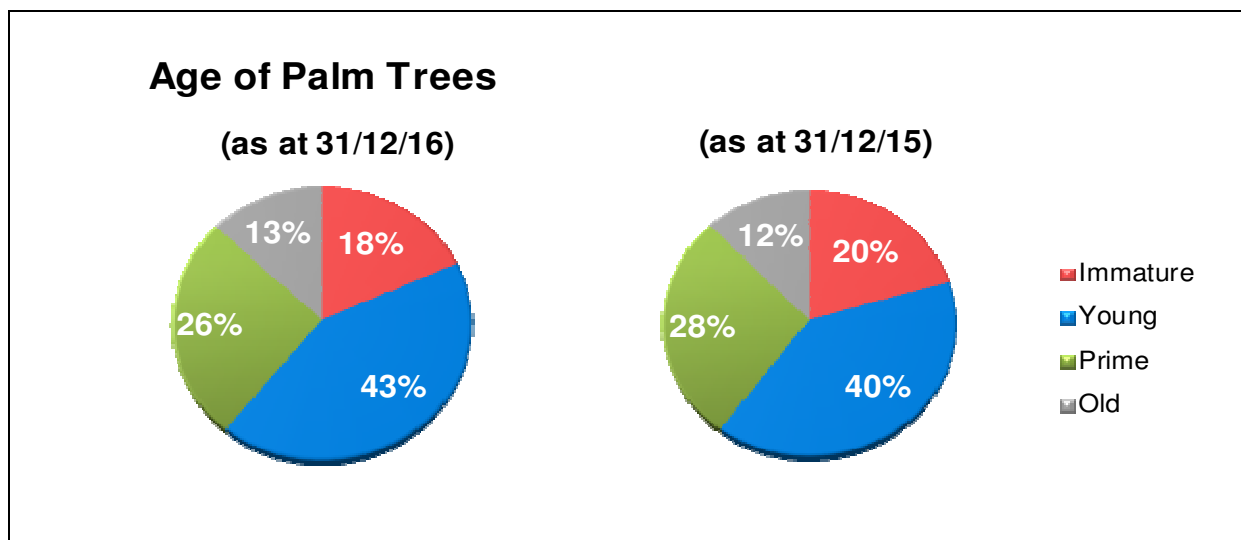


# Financial Highlights



Note: The Financial Statements for the year 2015 were restated following the adoption of the amendments to IAS 16 and IAS 41 as disclosed in note 2 - Prior year restatement on pages 69 to 70 of these Financial Statements. The Financial Statements for the years 2012 to 2014 were not restated and were based on the previous accounting policies and measurements.

# Key Information



# Shareholder Information

---

## Market capitalisation

The market capitalisation of Anglo-Eastern Plantations Plc at 31 December 2016 was £267 million, the ordinary share price at close of business on 18 April 2017 was 726 pence giving a market capitalisation of £288 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.

The website was upgraded during the year to enable shareholders and investors to select and receive e-mail alerts from the Company on selected regulatory news. Shareholders are encouraged to use the e-mail alerts to follow the development of the Company.

## 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 Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU  
United Kingdom

Tel: 0871 664 0300 (UK)

Tel: +44 371 664 0300 (international)

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

## Annual General Meeting

The 32<sup>nd</sup> Annual General Meeting of the Company will be held at the offices of UHY Hacker Young LLP, 6<sup>th</sup> floor Quadrant House, 4 Thomas More Square, London E1W 1YW on 27 June 2017. Notice of the meeting is set out at the end of this Annual Report on pages 101 to 104.

## 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

---

## **Payment of dividends**

The Group's reporting currency is in 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 of 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 closing 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

---

The Group's production of FFB in 2016 declined marginally to 897,700mt, from the previous year of 900,400mt. FFB production has steadily increased since 2010 but declined for the first time in six years. The lower production of FFB was primarily due to a sharp drop in yield in Riau region as palm trees took longer to recover from the prolonged drought and haze of last year. However production in 2017 may quickly rebound as 82% of the Group's palm trees are matured and are in favourable production age. The current weighted average age of trees is about 11 years old. The throughput at the six mills in 2016 however was at a record high as the Group purchased more external crops. FFB bought-in from surrounding smallholders was 813,700mt (2015: 678,200mt), 20% higher, due to the Group's aggressive purchasing policy and competitive prices. The mills as a result processed 12% more FFB, and increased CPO production by 10% to 353,100mt (2015: 321,400mt).

Revenue and profitability improved as CPO prices recovered to a three-year high on lower stocks due to the impact of one of the strongest El Nino on record and biodiesel mandates in Indonesia and United States ("US"), which are expected to boost consumption of edible oil. It was reported that many plantations were recovering from a low yields due to the drought from last year. The B20 biodiesel programme in Indonesia which aims to raise the minimum bio-content from the current 15% to 20% would use up more palm oil and increase demand for blending purposes. The strength in vegetable oil prices received further support in the wake of recent plans by the US to raise its renewable fuel standard which is likely to result in a higher demand of soybean oil for diesel. The average CPO Rotterdam price in 2016 was 15% higher at \$706/mt, compared to \$613/mt in 2015.

The Group's revenue was higher by 25% at \$246.2 million, compared to \$196.5 million achieved in 2015. The operating profit for the Group in 2016, before the biological asset ("BA") movement was \$52.5 million, 122% higher compared to \$23.7 million achieved in 2015. Earnings per share, before BA movement increased to 82.16cts, from 25.89cts in 2015. The Group's operating profit for 2016 was at \$55.9 million after an upward BA movement of \$3.4 million as compared to 2015 operating profit of \$22.9 million after a downward BA movement of \$0.7 million.

The financial statements for the comparative year of 2015 were restated with the adoption of new amendments to IAS 16 and IAS 41 for bearer plants which were mandatory from 1 January 2016. The revised standards require bearer plants to be treated as property, plant and equipment and to be valued at historical costs less depreciation or deemed costs at last valuation. The amendment means that the previously recognised movement in the fair value of biological assets in the financial statements is replaced by a depreciation charge and impairment loss, if any. In the restated operating results for the year ended 31 December 2015, an impairment loss amounting to \$12.5 million was charged which was previously recognised under Biological Asset movement. The amendment also requires FFB growing on the trees which are not due for harvest to be measured at fair value. The methodology and its impact are explained in detail in note 2 - Prior year restatement.

The Group planted 2,621ha of oil palms in 2016 of which 1,516ha comprised of replanting. This was less than planned, due primarily to delays in finalising agreements with villagers for land compensation payments in Bengkulu, Bangka and Kalimantan. This issue is likely to continue as villagers may demand higher compensation for their land in view of higher CPO prices.

In addition to the current biogas and biomass plant in North Sumatera, two more biogas plants in Bengkulu and Kalimantan are in the final stages of construction and are estimated to cost \$6.8 million on completion. Biogas engines have been installed with ancillary works covering gas piping and electrical works are in progress. The testing and commissioning should begin shortly and biogas plants are expected to be operational from the second quarter of 2017. The plants when completed are expected to generate a combined 3 megawatt of electrical power. A surplus of 15.6 million kilowatt hour ("kWh") of electricity worth \$1.2 million is projected to be generated from these two plants which the Group intends to sell to the state electricity company. The use of clean energy in the mills will further reduce their reliance on fossil fuels and improve the Group's carbon foot print.

AEP was removed from the Financial Times Stock Exchange ("FTSE") All Shares Index in June 2016 resulting in a large sell down of its shares as index related funds reweighted their holdings. The drop in Company's share price coincided with the sell down (Refer to Page 4). To remain in the index, AEP must achieve a monthly median turnover of 0.015% of its shares for eight out of twelve months. The removal was primarily based on the liquidity of the shares. FTSE will review the constituents of the index annually and the next review is due in June 2017.

## Chairman's Statement

---

The Indian government in November 2016 abruptly demonetised the country's large bank notes which has a knock-on effect on consumer demand. Retail sales suffered as many do not have sufficient cash to buy and pay for essentials resulting in a weaker demand for CPO. India is the largest consumer of CPO and in the first ten months of this year, India makes up 19% of the total palm oil exports. It has been reported that palm oil exports to India will normalise once the issues of insufficient cash in distribution are addressed.

Several EU countries including the UK signed the Amsterdam Declaration to support a fully sustainable palm oil supply chain by the year 2020 of which sustainable development goals called for, among other things, sustainable production and consumption, and ensuring food security and nutrition, ending poverty, halting biodiversity loss and land degradation. It was reported that palm oil has over the years suffered from increasing negative image in Europe due to issues related to deforestation which led to a decline in CPO use in the EU.

Despite all these challenges, palm oil prices have been strong with little prospect of real pickup in production until the second half of 2017. The suspension of new plantation licenses in Indonesia demonstrates the Indonesian government commitment to environmental stewardship and to protect the country's remaining tropical forest. The suspension augurs well for the CPO price. Nevertheless pressure continues from the larger global crops of soybeans and sunflower seed which is expected to translate into bigger oil supplies at competitive prices against palm oil. This tends to keep palm oil prices capped.

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 2016 (2015: 1.75p). Subject to the approval by shareholders at the Annual General Meeting, the final dividend will be paid on 14 July 2017 to those shareholders on the register on 9 June 2017.

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

26 April 2017

# Strategic Report

---

## Business Model

The Group will continue to focus on its strength and expertise which is planting more oil palms. This includes replanting old palms with low yield, replacing 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 bought and invested in new tracts of land and portions remain to be planted. Good land at a 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. The Group believes in the long-term viability of palm oil which remains 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 17mt/ha, 119% mill efficiency and production cost of \$275/mt on Indonesia operations. This compared to 2015 yield of 18.4mt/ha, 109% mill efficiency and production cost of \$250/mt. Despite stiff competition for external crops from surrounding millers, the Group is committed to purchasing more external crops from third parties at competitive, yet fair prices, to maximise the production 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 of its mills to trap the methane gas to generate electrical power and at the same time reduces the consumption of fossil fuel. It plans to progressively reduce the greenhouse gas emissions per metric ton of CPO produced in the next few 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 EU and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

For the year ended 31 December 2016, revenue for the Group was \$246.2 million, 25% higher than \$196.5 million reported in 2015 due primarily to the higher CPO price. CPO price hit a three-year high on lower palm oil inventory brought about by the prolonged drought last year.

The Group operating profit for 2016 before biological asset movement was \$52.5 million, 122% more than \$23.7 million in 2015.

# Strategic Report

---

FFB production for 2016 was 897,700mt, marginally lower than the 900,400mt produced in 2015. The yield remains below expectation due to a sharp drop in yield for the plantation in Riau brought about by the wide spread drought and haze of last year. FFB bought-in from local smallholders for 2016 was 813,700mt (2015: 678,200mt), 20% higher compared to 2015. During the year, FFB processed by the Group's mills was 1.69 million mt, 12% higher than last year of 1.51 million mt and CPO production was 10% higher at 353,100mt, compared to 321,400mt in 2015.

Profit before tax and after BA movement for the Group was \$60.8 million, 141% higher compared to a profit of \$25.3 million in 2015. The BA movement was a credit of \$3.4 million, compared to a debit of \$0.7 million in 2015.

The average CPO price for 2016 was \$706/mt, 15% higher than 2015 of \$613/mt.

Earnings per share before BA movement increased by 217% to 82.16cts compared to 25.89cts in 2015. Earnings per share after BA movement increased from 24.66cts to 87.58cts.

## Going Concern

The Group's balance sheet remains strong. As at 31 December 2016, the Group had cash and cash equivalents of \$118.2 million and borrowings of \$34.1 million, giving it a net cash position of \$84.1 million, compared to \$70.0 million in 2015. The Group's borrowings in the year reduced to \$34.1 million (2015: \$34.6 million). For these reasons, the Directors adopt a going concern basis of accounting and believe the Group will continue operation and meet its liabilities for a period of at least twelve months from the date of approval of the financial statements.

## 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 303,500mt in 2016 (2015: 325,200mt), 7% lower than 2015. The prolonged dry weather from last year induced a higher development of abnormal and smaller FFB bunches as well as male flowers in the Labuhan Bilik plantation. Replanting of over 1,500ha of oil palm in Tasik Raja and Anak Tasik also contributed to the lower production. In the CPA which is located on the west coast of North Sumatera, production was disrupted by flash floods that regularly occurred over 2,000ha of low laying plantation. As safety of the workers is of paramount importance, the safe evacuation of FFB was not possible until the flood had receded substantially. Canals and water gates built to mitigate the flood could not contain the heavy rain which is in excess of 5,300mm per annum.

*Ganoderma fungus* and *Upper Stem Rot* which attacks the productive palms in AnakTasik, Blankahan and Rambung remains a threat. Water management, good sanitation and high standards of agronomic practices remain the main priority to avoid spreading of the diseases. This includes proper disposal of severely diseased palms after detection. Soil mounding on infected palms was carried out to lengthen the economic life span of oil palms. Replanting in 2017 will continue in AnakTasik due to the significant decline in yield attributed to *Ganoderma* attack. There was no serious insect damage by *Oryctes beetle*, other leaf eating pests, wild animals and rats.

FFB production in Bengkulu and South Sumatera, which aggregates the estates of Puding Mas, Alno, KKST, ELAP and RAA produced 337,100mt (2015: 317,400mt), 6% higher than 2015. The higher production was due to higher contribution from maturing estates in KKST, ELAP and RAA. 177km of roads were resurfaced with gravel and laterite soil during the year 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 111,100mt in 2016 (2015: 122,500mt), 9% lower than 2015. The drop in yield was due to the severe drought and haze in 2015. Despite a 3% increase in external crop purchase, CPO production declined by 7% due to the lower internal crop production.

# Strategic Report

FFB production in Kalimantan which comprises of the Sawit Graha Manunggal estates produced 121,800mt in 2016 (2015: 108,100mt) 13% higher than 2015 mainly from newly matured oil palm area of over 8,500ha. During the year bagworms (*Metisa plana*) attacked 150ha of oil palm and damaged the fronds. The plantation sprayed Prevathon systemic pesticide at 14 days interval until the infestation was completely eradicated. Outbreak of bagworms tends to be associated with the combined effect of drought and excessive mortality of natural enemies. The palm trees are expected to recover with no lasting damage.

Overall bought-in crops for Indonesian operations were 20% higher at 813,700mt for the year 2016 (2015: 678,200mt). The average oil extraction rate from our mills was 20.9% in 2016 (2015: 21.2%).

## Malaysia

FFB production in 2016 was 12% lower at 24,000mt, compared to 27,200mt in 2015. The Malaysian operations faced severe shortage in workers due to difficulty in recruiting foreign workers hampering harvesting and estate work. The government froze the intake of foreign workers at the beginning of the year pending a review of its policy on levy and rehiring programmes. After the freeze was lifted, the industry was hit by an increase in the minimum wage by about 10%. Despite the increase in wages and various cash incentives introduced by management, the estate continued to lose its foreign workers who absconded for better wages and working conditions in the cities. The shortage of labour is the biggest challenge facing the industry in Malaysia. In 2016, the Malaysian plantations had \$0.8 million pre-tax profit after BA movement compared to a pre-tax profit of \$0.2 million in 2015.

## Commodity Prices

The CPO CIF Rotterdam price started the year at \$570/mt (2015: \$700/mt), it dipped to the lowest level of \$535/mt in the middle of January 2016 before trending upwards for the rest of the year. It reached a peak of \$827/mt in late December 2016. It ended the year at \$795/mt (2015: \$560/mt), averaging \$706/mt for the year, 15% higher than last year (2015: \$613/mt).

CPO CIF Rotterdam





# Strategic Report

---

Despite a softer demand, CPO price has rallied since January 2016 reaching a three-year high due to lower stocks and biodiesel mandates in Indonesia and United States, which both expected to increase consumption of edible oil. Both Indonesia and Malaysia reported lower CPO production as the El Nino weather phenomenon caused extreme drought which curbed CPO production in 2016. It was reported that production of CPO in Indonesia fell 3% to 31.5 million mt while production in Malaysia fell 13% to 17 million mt. The CPO production is however expected to improve in 2017 as palm trees recovered from moisture stress and increased planting.

Rubber prices averaged \$1,324/mt for 2016 (2015: \$1,269/mt). Our small area of 512ha of mature rubber contributed a revenue of \$1.1 million in 2016 (2015: \$1.1 million).

## Corporate Development

In 2016, the Group opened up new land and planted 1,606ha of oil palm mainly in Kalimantan, boasting planted area including Plasma by 2.4% to 66,670ha (2015: 65,100ha). This excludes the replanting of 1,516ha 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.

Two more biogas plants in Bengkulu and Kalimantan are in the final stages of construction and are estimated to cost a total of \$6.8 million. Biogas engines have been installed with the ancillary works covering gas piping and electrical works still in progress. The testing and commissioning should be completed soon and the biogas plants are expected to be operational from the second quarter of 2017. The plants when completed are expected to generate a combined 3 Megawatt of electrical power. A surplus of 15.6 million kWh of electricity worth \$1.2 million is projected to be generated per year which the Group intends to sell to the state electricity company. The use of clean energy in the mills will further reduce their reliance on fossil fuels and improve the Group's carbon foot print.

## Biogas Plant in Bengkulu



Negotiations to sell the surplus power estimated in excess of 5 million kWh per year to the Indonesian National Electricity Company from its new biogas plant in North Sumatera has been approved by the local authority in January 2017 after the completion of a feasibility study and all the required permits.

# Strategic Report

---

## 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.

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. Over the years, the Group has built a total of 73 mosques and 18 churches in all its estates. In 2016, the Group spent \$300,400 to build additional facilities and to maintain these amenities.

Staff and selected employees are given the opportunity to be trained and to attend seminars to enhance their working skills and capability. The Group provides free education for all employees’ children in the local plantations and communities where they work. In 2016, scholarships amounting to \$38,700 were provided to children in surrounding villages and selected employees’ children to further their tertiary education in collaboration with universities in Riau and Bengkulu. In total 97 scholarships were given out. Selected under graduates were given opportunities for industrial training during semester breaks. In addition, the Group provides computers and funding to construct educational facilities including laboratories and libraries. 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 34 schools have been built with 150 teachers currently employed within our Group estates. In 2016, the Group spent some \$582,700 on running the schools. The Group bought two additional school buses in Kalimantan taking the tally of school buses operated by the Group in 2016 to 34 vehicles.

### New Classroom





# Strategic Report

---

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 22 clinics operated by qualified doctors, nurses and hospital assistants in the estates. The Group upgraded two of its clinics in North Sumatera and Bengkulu to meet minimum standard required by the government under the country's Health and Social Security Agency. In addition, the Group organised fogging to prevent spread of dengue mosquitoes.

Employee in protective gear spraying weedicide



Free healthcare for employees



In isolated locations, the Group drill tube wells to provide clean water. Related healthcare expenses for 2016 were \$254,700. In December 2016, a strong earthquake hit Aceh province and damaged roads and houses. The Group made a contribution to rebuild houses and water tanks.

A strong commitment to CSR has a positive impact on employees' attitudes and boosts employee recruitment. The Group realises 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 cooperative scheme, known as Plasma, 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 \$16 million to cover loans raised by the cooperative. The plasma development has commenced in stages for its estates in Sumatera and Kalimantan.

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 and books, the Group also develops infrastructure such as the construction and repair of two bridges and maintain 240km of external roads in 2016. The Group also provides initial aid and seed capital to villagers such as fruit seedlings, fish fries, cattle and ducks to start community sustainable programs.

# Strategic Report

## Plasma Development



### Indonesian Sustainable Palm Oil (“ISPO”)

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 all the estates and mills. In 2016 the regional government in Bengkulu awarded two operating companies the Zero Accident Awards for 2015 in recognition of the companies’ effort to reduce accident at the workplace. 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. To-date six companies have been ISPO certified. Another four companies have completed the second stage of ISPO audit while two companies are at second stage of certification audit.

### 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. When it comes to replanting, the old palms felled are chipped and left to decompose at site. This mitigates the greenhouse gas emissions commonly associated with open burning when land is cleared through the traditional method of slash-and-burn. It also enriches the organic matter in the soil. Where the land is undulating, we build terraces for planting which helps to prevent landslides, conserve the water and nutrients effectively and provide better accessibility for employees. Legume cover crops are planted to minimise soil erosion and preserve the soil moisture. In mature areas, fronds and empty fruit bunch (“EFB”) are placed inter-rows to allow the slow release of organic nutrients while minimising soil erosion especially sandy soil and degradation. The Group does not incinerate EFB as it emits unhealthy gases and smoke during burning at low temperatures.

# Strategic Report

The effluents discharged from the mills are fully treated in anaerobic lagoons and in some mills there are extended aeration tanks for further treatment of the effluent. The final discharge is applied to the estates land where it is used as fertilisers.

The Group's three biogas plants will enhance the waste management treatment in the mill and at the same time mitigate greenhouse biogas emissions. The trapped biogas will be used to generate and supply power to its biomass plant and other needs without dependency on fossil fuels. Further similar undertakings for the Group's mills are planned and shall be implemented in stages. The Group intends to sell the surplus power generated to the National Grid.

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 subulata*, *Cassia cobanensis* and *Antigonon leptopus* were planted to attract natural predators for biological control of bagworms and leaf-eating caterpillars. Weeds are controlled selectively by using more environmental friendly herbicide such as Glyphosate which is also less costly.

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 routinely. 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.

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.

Nature of the risk and its origin	The likelihood and impact of the risk and the circumstances under which the risk might be most relevant to the Company	Mitigating or other relevant considerations
<b>Country and regulatory</b>		
The Group's operations are located substantially in Indonesia and therefore significantly rely on economic and political stability in Indonesia.	Political upheaval and deterioration in security situation may cause disruption on operation and consequently financial loss.	The country has recently benefited from a period of relative political stability, steady economic growth and stable financial system. But during the Asian financial crisis in late 1990 there were civil unrest attributed to ethnic tensions in some parts of Indonesia. But the Group operations were not interrupted by the regional security problems.

# Strategic Report

Nature of the risk and its origin	The likelihood and impact of the risk and the circumstances under which the risk might be most relevant to the Company	Mitigating or other relevant considerations
<b>Country and regulatory (cont'd)</b>		
Introduction of measures to rein in the country's fiscal deficits. This included the exchange controls and restriction on repatriation of profit through payment of dividend.	Transfer of profit from Indonesia to UK will be restricted affecting servicing of UK obligations and payment of dividends to shareholders.	The Board is not aware of any attempt by the 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.	Any changes in law and regulations relating to land tenure could have negative impact on the Group's activities.	There are several more years before the first HGU is due for renewal in 2023. There are no reasons for the Directors to believe that the HGU will not be renewed upon expiration by complying with existing law and regulations.
Changes in land legislation. Based on National Land Agency Law 2 / 1999, mandatory restriction to land ownership by non-state plantation companies and companies not listed in Indonesia to 20,000ha per province and a total of 100,000ha in Indonesia.	Mandatory reduction of foreign ownership in Indonesian plantations. Forced divestment of interests in Indonesia at below market values.	The Group realise that there is a possibility that foreign owners may be required over time to partially divest ownership of Indonesia oil palm operations but has no reason to believe that such divestment would be anything other than at market value.
Group failure to meet the standards expected in relation to bribery and corruption.	Reputational damage and criminal sanctions.	The Group continues to maintain strong controls in this area as Indonesia has been classified as relatively high risk by the International Transparency Corruption Perceptions index.



# Strategic Report

Nature of the risk and its origin	The likelihood and impact of the risk and the circumstances under which the risk might be most relevant to the Company	Mitigating or other relevant considerations
<b>Exchange rates</b>		
<p>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.</p>	<p>Adverse movements of Rupiah against US Dollar can have a negative effect on the operating costs and raise funding cost.</p>	<p>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.</p>
<b>Weather and natural disasters</b>		
<p>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 can occur.</p>	<p>Dry periods, in particular, will affect yields in the short and medium terms. Drought induces moisture stress in palm trees. 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 raise the level of free fatty acid ("FFA") in the CPO. CPO with higher level of FFA will be sold at a discount to market prices. Low level of sunshine could result in delay in formation of FFB resulting in potential loss of revenue.</p>	<p>Where appropriate, bunding is built around flood prone areas and canals/drainage/retention ponds 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. 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 they materialise 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 of floods or haze are mitigated by the geographical spread of the plantations but an occurrence of an adverse uninsured event could result in the Group sustaining material losses.</p>

# Strategic Report

Nature of the risk and its origin	The likelihood and impact of the risk and the circumstances under which the risk might be most relevant to the Company	Mitigating or other relevant considerations
<b>Produce prices</b>		
<p>CPO is a primary commodity and is affected by the world economy, levels of inflation, availability of alternative soft oils such as soya oils. CPO price also moves in tandem with crude oil prices which determines the competitiveness of CPO as a source of biodiesel.</p>	<p>This may lead to significant price swings. 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.</p>	<p>Directors believe that such swings should be moderated by continuous demand in economies like China, India and Indonesia. Larger export would lead to lower inventory of CPO which augurs well for future produce price.</p>
<p>Imposition of import controls or taxes in consuming and exporting countries. The Indonesian government in July 2015 imposes a \$50/mt export levy to fund biodiesel subsidies. It also introduced a simpler export tax system expressed in US Dollar instead of a percentage of CPO price.</p>	<p>Reduced revenue and reduction in cash flow and profit. When CPO price is below \$750/mt, the export tax levy will impact upon the Group's profit. When CPO price recovers to above \$750/mt, the effective tax rate will be lower providing some relief to planters. Effective July 2015, the Indonesian government imposed a progressive export tax from \$3/mt for CPO exported above \$750/mt.</p>	<p>The Indonesian government allows free export of CPO but applies a sliding scale of duties on exports which allows producers economic margins. The export levy may be regarded as a measure to support CPO producers through increase in biodiesel consumption.</p>
<b>Hedging risk</b>		
<p>The Group's subsidiaries have borrowing in US Dollar.</p>	<p>The Group could face significant exchange losses in the event of depreciation of their local currency (i.e. Strengthening of US Dollar) - and vice versa.</p>	<p>Risk is partially mitigated by US Dollar denominated cash balances. It also considers the average interest rate on Rupiah deposits which is 3.9% higher than on US Dollar deposits whereas interest rate for Rupiah borrowing is about 5.31% higher as compared to US Dollar borrowing.</p>

# Strategic Report

Nature of the risk and its origin	The likelihood and impact of the risk and the circumstances under which the risk might be most relevant to the Company	Mitigating or other relevant considerations
<b>Social, community and human rights issues</b>		
<p>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 plantations hire large numbers of people and have significant economic importance for local communities in the areas of the Group's operations.</p>	<p>Communication breakdown would cause disruption on operation and consequently financial loss.</p>	<p>The Group 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. The Group also provides technical and management expertise to villagers to develop oil palm plots or Kebun Kas Desa (village's scheme) and Plasma schemes surrounding the operating estates. The returns from these plots are used to improve villages' community welfare.</p>
<b>Information Technology ("IT") security risk</b>		
<p>The security threats faced by the Group include threats to its IT infrastructure, unlawful attempts to gain access to classified information and potential for business disruptions associated with IT failures.</p>	<p>Failure to combat cyberattack could cause disruption to our business operations.</p>	<p>The Group has measures in place including appropriate tools and techniques to monitor and mitigate this risk.</p>

# Strategic Report

---

## 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	2016 average employed during the year		
	Women	Men	Total
Board (Company and subsidiaries)	2	14	16
Senior Management (GM and Above)	-	6	6
Managers & Executives	30	390	420
Full Time	181	5,215	5,396
Part-time Field Workers	4,418	6,516	10,934
Total	4,631	12,141	16,772
%	28%	72%	100%

Group Headcount	2015 average employed during the year		
	Women	Men	Total
Board (Company and subsidiaries)	2	14	16
Senior Management (GM and Above)	-	8	8
Managers & Executives	30	369	399
Full Time	314	5,095	5,409
Part-time Field Workers	4,745	6,235	10,980
Total	5,091	11,721	16,812
%	30%	70%	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. The percentage of women workforce within the Group decreased from 30% in 2015 to 28% in 2016.

## Employees

In 2016, the number of full time workforce averaged 5,838 (2015: 5,832) while the part-time labour averaged 10,934 (2015: 10,980).

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.

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 are covered including work ethics, motivation, self-improvement, company values, health and safety.

# Strategic Report

---

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 appraisals. 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 2017 was 20% higher against the same period in 2016 mainly due to the increase in production from Riau and Kalimantan region. It is too early to forecast whether the production will be better for the rest of the year.

The CPO CIF (Cost, Insurance, Freight) Rotterdam price opened the year 2017 at \$790/mt and prices are expected to be in the range of \$650/mt to \$850/mt for the first half of 2017.

The current high CPO price should sustain at least into the second quarter of 2017 underpinned by the carry-over effect of previous El Nino and seasonally low production cycle. We do however expect the CPO price to trend lower for the remaining of 2017 as production recovers. Furthermore Oil World, the independent forecasting service for oilseeds and oils projected rival soybean output to increase by 7.3% to 334 million mt in 2017 on the back of higher output from several major soybean producing countries. The US Department of Agriculture also projects record soybean plantings in the US for the year 2017.

It was reported that the palm oil demand from India and China is unlikely to increase significantly in 2017 as continued structural adjustment in China will continue to moderate China's economy growth hence limiting palm oil consumption. The current high CPO prices typically cap demand particularly from price-sensitive countries like India. The recent demonetisation of the Indian Rupee may also continue to weigh on India's palm oil imports at least in the near term.

US Dollar depreciated by approximately 3% (2015: +13%) against the Indonesian Rupiah in 2016 in anticipation of an interest rate hike in the United States and the weak emerging economies. The Rupiah has since strengthened by 1% in 2017 which makes palm oil more expensive for importers.

The rising material costs and wages in Indonesia are expected to increase the overall production cost in 2017. The Indonesian government recently announced regional hikes in 2017 minimum wage averaging 8.2%. These wage hikes will raise overall estate costs and erode profit margins.

# Strategic Report

---

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 trading outturn and cash flow for 2017.

On behalf of the Board

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

26 April 2017



# Financial Record

	2016	(Restated) 2015	2014	2013	(Restated) 2012
	\$000	\$000	\$000	\$000	\$000
<b>Income statement</b>					
Revenue	246,210	196,451	251,258	201,917	237,352
Trading profit before BA	52,480	23,667	78,845	59,619	85,396
Profit attributable to shareholders after BA	34,713	9,775	30,762	93,521	47,331
Dividend proposed for year	(1,463)	(1,028)	(1,854)	(1,969)	(1,784)
<b>Financial position</b>					
	\$000	\$000	\$000	\$000	\$000
Non-current assets & long term receivables	360,681	340,099	481,761	484,826	424,889
Cash net of short term borrowings	111,973	102,864	125,624	98,654	116,198
Long term loans	(27,875)	(32,875)	(34,625)	(34,937)	(25,026)
Other working capital	17,094	3,898	(10,343)	765	(7,460)
Deferred tax	(16,612)	(19,373)	(44,368)	(55,298)	(37,236)
	445,261	394,613	518,049	494,010	471,365
Non-controlling interest	(82,150)	(73,598)	(90,813)	(85,964)	(83,043)
<b>Net worth</b>	<b>363,111</b>	<b>321,015</b>	<b>427,236</b>	<b>408,046</b>	<b>388,322</b>
<b>Equity attributable to shareholders' funds</b>					
Share capital	15,504	15,504	15,504	15,504	15,504
Treasury shares	(1,171)	(1,171)	(1,171)	(1,171)	(1,171)
Share premium and capital redemption account	25,022	25,022	25,022	25,022	25,022
Revaluation and exchange reserve	(158,532)	(167,402)	(133,474)	(124,340)	(52,039)
Profit and loss account	482,288	449,062	521,355	493,031	401,006
<b>Equity attributable to shareholders' funds</b>	<b>363,111</b>	<b>321,015</b>	<b>427,236</b>	<b>408,046</b>	<b>388,322</b>
Ordinary shares in issue ('000s)	39,976	39,976	39,976	39,976	39,976
Earnings per share before BA movement (US cents)	82.16cts	25.89cts	132.26cts	90.70cts	133.99cts
Earnings per share after BA movement (US cents)	87.58cts	24.66cts	77.61cts	235.95cts	119.41cts
Dividend per share for year (US cents)	3.8*cts	2.5cts	4.5cts	5.0cts	4.5cts
Asset value per share (US cents)	916cts	810cts	1,078cts	1,029cts	980cts
Earnings per share before BA movement (pence equivalent)	60.7p	16.9p	80.2p	58.0p	84.5p
Dividend per share for year (pence)	3.0p	1.75p	3.0p	3.0p	2.9p
Asset value per share (pence equivalent)	745p	547p	691p	622p	603p
Exchange rates – year end					
Rp : \$	13,436	13,795	12,385	12,170	9,638
\$ : £	1.23	1.48	1.56	1.66	1.63
RM: \$	4.49	4.29	3.50	3.28	3.06
Exchange rates – average					
Rp : \$	13,307	13,392	11,861	10,445	9,363
\$ : £	1.35	1.53	1.65	1.56	1.59
RM: \$	4.14	3.91	3.27	3.15	3.09

Note: \* Based on exchange rate at 19 April 2017 of \$1.2811/£

## Estate Areas

	GROUP TOTAL	MALAYSIA	INDONESIA TOTAL	NORTH SUMATERA	BENGKULU	SOUTH SUMATERA	RIAU	BANGKA	KALIMANTAN
<b>Mills</b>									
Number of mills	6	-	6	2	2	-	1	-	1
Combined Mills Capacities	295 mt/h	-	295 mt/h	100 mt/h	105 mt/h	-	45 mt/h	-	45 mt/h
<b>Planted as at 31 Dec 2016</b>									
<b>Oil Palm</b>									
Mature	53,020	3,380	49,640	14,021	16,943	5,179	4,873	103	8,521
Immature	11,430	316	11,114	4,524	-	1,260	-	539	4,791
<b>Total Oil Palm</b>	<b>64,450</b>	<b>3,696</b>	<b>60,754</b>	<b>18,545</b>	<b>16,943</b>	<b>6,439</b>	<b>4,873</b>	<b>642</b>	<b>13,312</b>
<b>Rubber</b>									
Mature	512	-	512	512	-	-	-	-	-
Immature	-	-	-	-	-	-	-	-	-
<b>Total Rubber</b>	<b>512</b>	<b>-</b>	<b>512</b>	<b>512</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Plasma Mature	685	-	685	-	-	-	-	-	685
Plasma Immature	1,027	-	1,027	93	-	41	-	102	791
<b>Total Plasma</b>	<b>1,712</b>	<b>-</b>	<b>1,712</b>	<b>93</b>	<b>-</b>	<b>41</b>	<b>-</b>	<b>102</b>	<b>1,476</b>
<b>Total Planted area</b>	<b>66,674</b>	<b>3,696</b>	<b>62,978</b>	<b>19,150</b>	<b>16,943</b>	<b>6,480</b>	<b>4,873</b>	<b>744</b>	<b>14,788</b>
<b>Reserves</b>									
Plantable	45,636	1,364	44,272	886	-	27,439	-	2,401	13,546
Unplantable	13,652	1,236	12,416	1,435	1,014	3,226	84	5,086	1,571
Other	2,649	72	2,577	1,069	568	155	75	23	687
<b>Total Reserves</b>	<b>61,937</b>	<b>2,672</b>	<b>59,265</b>	<b>3,390</b>	<b>1,582</b>	<b>30,820</b>	<b>159</b>	<b>7,510</b>	<b>15,804</b>
<b>Total Land as at 31 Dec 2016</b>	<b>128,611</b>	<b>6,368</b>	<b>122,243</b>	<b>22,540</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

---

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 2016.

## 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 44.

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 2016 are set out on pages 58 to 100. The Group's profit for the year on ordinary activities before taxation was \$60,846,000 (2015: profit \$25,254,000) and the profit attributable to ordinary shareholders was \$34,713,000 (2015: profit \$9,775,000). No interim dividend was paid. The Directors recommend a final dividend of 3.0p (2015: 1.75p) to be paid to shareholders on 14 July 2017. Shareholders may elect to receive their dividend in US Dollar as described on page 34.

## Viability Statement

The viability assessment considers solvency and liquidity over a longer period than for the purposes of the going concern assessment made on page 12. Inevitably, the degree of certainty reduces over this longer period.

The Group's business activities, financial performance, corporate development and principal risks associated with the local operating environment are covered under the Strategic Report. In undertaking its review of the Group's performance in 2016, the Board considered the prospects of the Company over the one and five-year periods. The process involved a detailed review of the 2017 detailed budget and the five-year income and cash flow projection. The one-year budget which has a greater level of certainty and is used to set detailed budgetary targets at all levels across the Group. It is also used by the Remuneration Committee to set targets for the annual incentive. The five-year income and cash flow projection contains less certainty of outcome, but provides a robust planning tool against which strategic decisions can be made. The Board also considered the five-year cash flow projection under various scenarios, including the need to support financially loss-making newly matured estates together with the projected capital expenditure. On the basis of this and other matters considered and reviewed by the Board during the year, the Board concluded and believed that the Group has adequate resources to continue operation and meet its liabilities over the five years from 2017 to 2021. Accordingly, the Directors adopt the going concern basis of accounting in preparing the financial statements.

## Research and Development

The Group did not undertake any research and development activities. It relies on third parties to conduct research and development of new diseases resistant and higher yield oil palm seeds.

## Valuation

Eight companies located across North Sumatera, Bengkulu, Riau and Kalimantan were valued by qualified valuers in 2016 to provide indicative fair values and support the valuation for the estate land. 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.

# Directors' Report

---

## Carbon Reporting

A greenhouse gas ("GHG") emissions assessment quantifies greenhouse gases produced directly and indirectly from the Group's agricultural activities. Also known as a carbon footprint, it is an essential tool in the process of understanding, monitoring, managing and reducing the Group's climate change impact. 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, electricity consumption in employee housing and emissions associated with land use change and carbon sequestration.

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 plan 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. Land use emissions and carbon sequestration results were calculated in line with the methodology used by The Roundtable for Sustainable Palm Oil ("RSPO") GHG Working Group 2 throughout the PalmGHG Calculator. The carbon stock values were derived by the RSPO based on a review of relevant literature and satellite images for land use changes associated with oil palm plantations in Indonesia and Malaysia. An estimate of CO<sub>2</sub> emissions from cultivation of peat soils has been included in this report. The detailed methodology in calculation the GHG emissions under the three scopes can be viewed at [www.ghgprotocol.org](http://www.ghgprotocol.org).

Cultivation of peat soils results in CO<sub>2</sub> emissions due to oxidation of organic carbon; therefore an estimate of these emissions from AEP's peat soil estates has been included in this report. There is a lot of uncertainty regarding the determination of emission factors for peat cultivation and the methodology used in the PalmGHG Tool is based on a report by Hooijer et al (2010) which determines emissions based on the drainage depth of the soil.

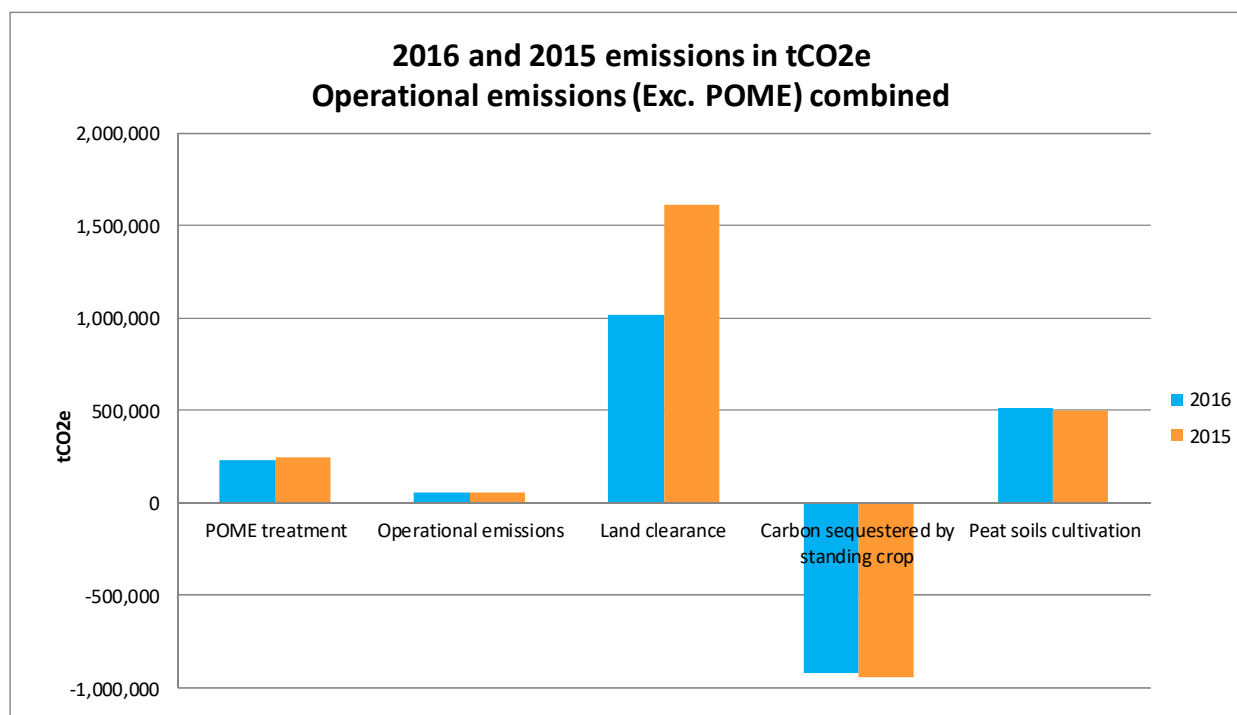
The gross overall emissions computed by the outsourced agent were 903,684 tCO<sub>2</sub>e for 2016 compared to 1,477,208 tCO<sub>2</sub>e for 2015.

The overall emissions have decreased by 573,524 tCO<sub>2</sub>e, or 39%, from 1,477,208 tCO<sub>2</sub>e during the 2015 to 2016 assessment period. This decrease was mainly due to a decrease in emissions associated with land clearance.



# Directors' Report

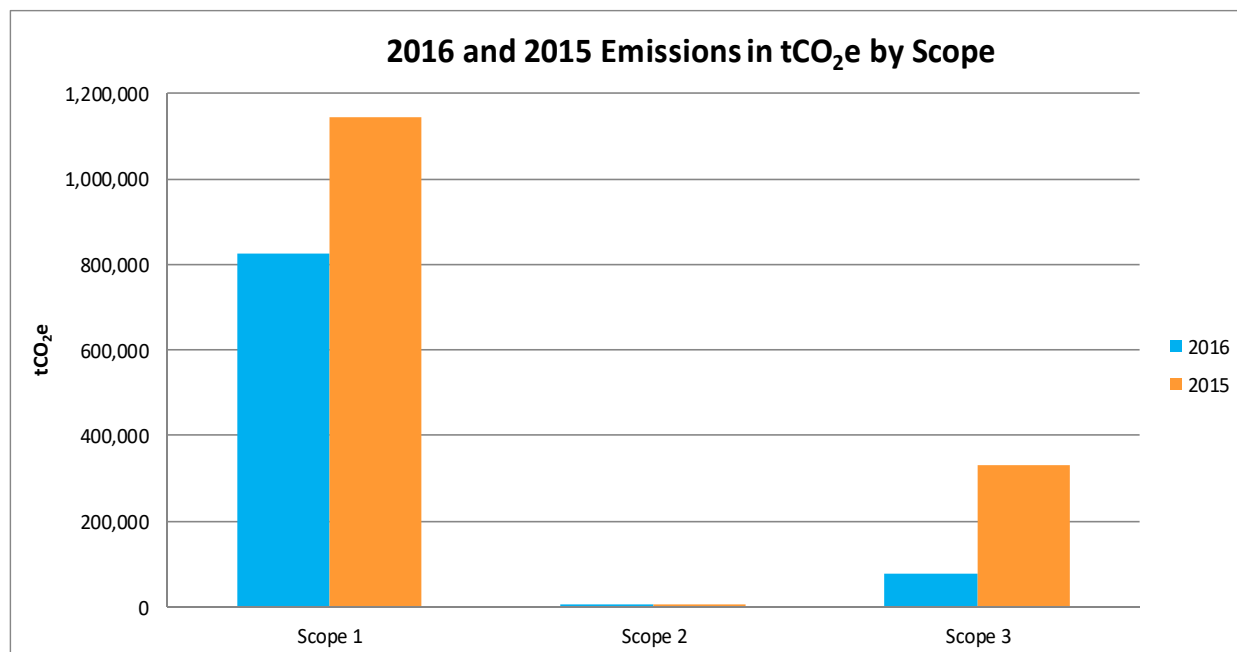
Emissions source	2016 Emissions in tCO <sub>2</sub> e		2015 Emissions in tCO <sub>2</sub> e	
POME treatment	235,069		249,327	
Fertiliser application	28,510		25,202	
Premises energy consumption	14,499		13,513	
Company owned vehicles	6,022		5,828	
Third party vehicle use	7,667		8,121	
Employee housing	1,581		1,123	
<b>Total operational emissions</b>	<b>293,348</b>		<b>303,114</b>	
	<i>Own crop</i>	<i>Out-grower crop</i>	<i>Own crop</i>	<i>Out-grower crop</i>
Land clearance	571,623	445,778	889,867	722,408
Carbon sequestered by standing crop	-518,184	-404,103	-519,175	-421,475
Peat soils cultivation	486,706	28,516	479,599	22,870
<b>Total land use emissions</b>	<b>610,336</b>		<b>1,174,094</b>	
<b>Overall emissions</b>	<b>903,684</b>		<b>1,477,208</b>	



The following chart display 2015 and 2016 overall emissions by scope.

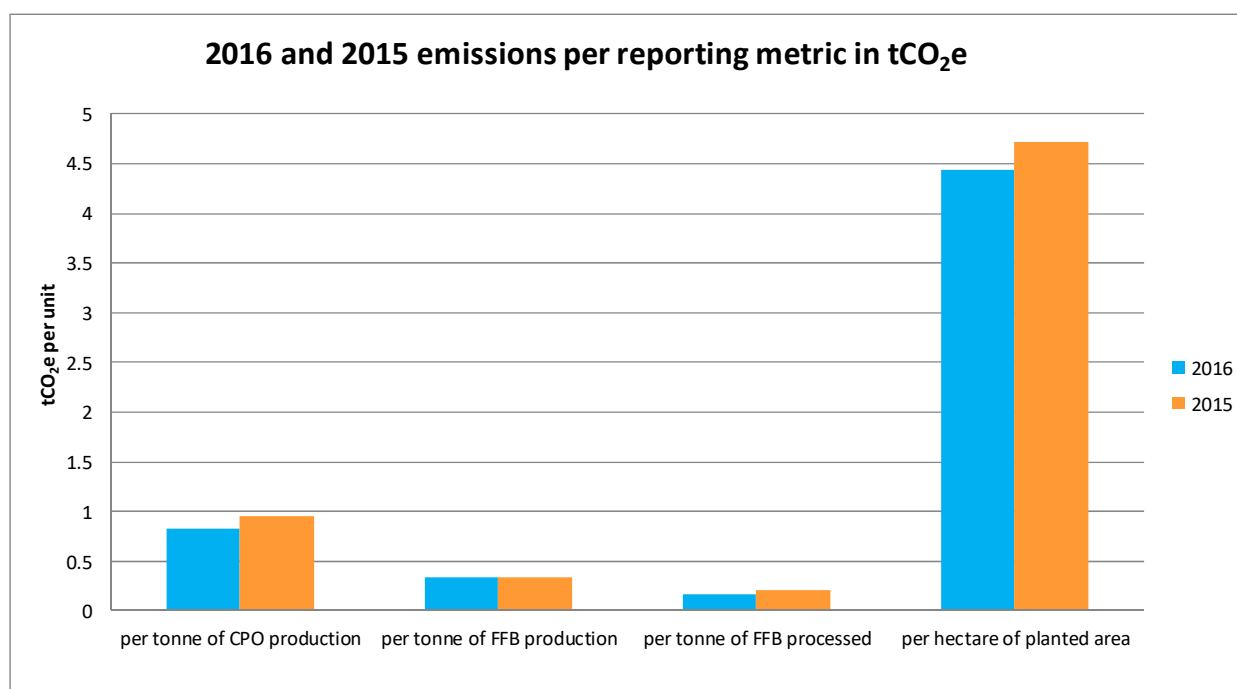
Scope 1 are direct GHG emissions from sources owned and controlled by the Company which cover emissions associated with own crop land clearance, natural gas combustion and company owned vehicles. This made up majority of the GHG emissions. This has decreased in 2016 due primarily to decrease in land 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. The decrease in 2016 was due to the decrease in emissions associated with out-grower crop land clearance.

# Directors' Report



Comparison of GHG emissions per production metrics:

Operational emissions reporting metric	2016 in tCO <sub>2</sub> e	2015 in tCO <sub>2</sub> e
GHG per tonne of CPO production	0.83	0.95
GHG per tonne of FFB production	0.33	0.34
GHG per tonne of FFB processed	0.17	0.20
GHG per hectare of planted area	4.43	4.72



# Directors' Report

---

## Principal risks

Information on financial instruments risks is set out in note 25 to the consolidated financial statements and information on other risks is set out in Strategic Report.

## Property, plant and equipment

Information relating to changes in property, plant and equipment is given in note 11 to the consolidated financial statements.

## Directors

Madam Lim Siew Kim, Dato' John Lim Ewe Chuan, Mr. Lim Tian Huat and Mr. Jonathan Law Ngee Song will be submitting themselves for re-appointment at the forthcoming annual general meeting.

Brief profiles of all Directors are set out on page 37 of this Annual Report.

## Substantial share interests

As at 31 March 2017 and 31 December 2016, 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 31.3.2017		As at 31.12.2016	
	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%
KBC Securities	1,677,022	4.23%	1,695,963	4.28%

## 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.

## 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 9 at the forthcoming annual general meeting.

## Authority to allot shares

At the annual general meeting held on 27 June 2016 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 11 at the forthcoming annual general meeting.



# Directors' Report

---

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 26 April 2017 (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 26 April 2017. 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 2017, whichever is earlier. Renewal of this authority on similar terms is being sought under Resolution 12 at the forthcoming annual general meeting.

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

At 26 April 2017, the Directors had remaining authority under the shareholders' resolution of 27 June 2016, to make purchases of 3,963,637 of the Company's ordinary shares. This authority expires on 30 June 2017. 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.

Resolution 13 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 2016 (2015: 1.75p). Subject to shareholders approval of Resolution 4 at the AGM, the final dividend will be paid on 14 July 2017 to those shareholders on the register on 9 June 2017. Shareholders choosing to receive their dividend in US Dollar will do so at the rate ruling on 9 June 2017, when the register closes. Based on the exchange rate at 19 April 2017 of \$1.2811/£, the proposed dividend would be equivalent to 3.8cts, compared to 2.5cts declared in respect of 2015.

# Directors' Report

---

## **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

26 April 2017

# Directors' Responsibilities

---

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 FRS 101 Reduced Disclosure Framework under the 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;
- make an assessment of the Company and Group's ability to continue as a going concern.

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.

## 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 37 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 Strategic Report in annual report includes a fair review of the development and performance of the business and the financial position of the Group, together with a description of the principal risks and uncertainties that they face.
- The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

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

26 April 2017

# Directors

---

## **Madam Lim Siew Kim**

(Non-Executive Chairman, age 68)

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 67)

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.

## **Lim Tian Huat**

(Senior Independent Non-Executive Director, Chairman of Audit Committee and Chairman of Nomination & Corporate Governance Committee and member of Remuneration Committee, age 62)

Appointed 8 May 2015.

Fellow member of the Association of Chartered Certified Accountants and member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He is the founding President of Insolvency Practitioners Association of Malaysia. He holds a degree in Bachelor of Economics. Mr. Lim is a practising Chartered Accountant with his own Corporate Restructuring and Insolvency practice Rodgers Reidy & Co. He is also the Managing Director of Andersen Corporate Restructuring Sdn. Bhd. He was previously a partner in Ernst & Young from 2002 to 2009 and prior to that, partner in Arthur Andersen & Co from 1990 to 2002. He co-authored a book entitled "The Law and Practice of Corporate Receivership in Malaysia and Singapore". Mr. Lim also served as Commissioner to the United Nations Compensations Commission for a period of five years. He was also appointed by the Domestic Trade Minister to be a member of the Corporate Law Reform Committee under the purview of the Companies Commission of Malaysia.

Independent Non-Executive Director of Malaysia Building Society Berhad and UEM Sunrise Berhad, both of which are listed on Bursa 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 51)

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

---

## **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 2016, particular comment is made in the statements below and in the Directors' remuneration report on pages 45 to 49.

## **Relationship Agreement with Controlling Shareholder**

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 requirement for the relationship agreement is intended to prevent controlling shareholders from exercising their influence in a way that is improper or unfair to minority shareholders. The requirement is 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 37). During 2016 the Board comprised the Non-Executive Chairman, one Executive Director and two Non-Executive Directors, both of whom are considered by the Board to be Independent.

Dato' John Lim Ewe Chuan 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 10 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

---

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. Lim Tian Huat, an experienced Chartered Accountant acted in the capacity of Senior Independent Non-Executive Director from 8 May 2015.

## **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 2016 there were two Board meetings. The meetings were attended by all directors except for Madam Lim who attended only one Board meeting. Agenda and minutes of previous meetings were circulated prior to meetings.

The Independent Non-Executive Directors met on their own during 2016. 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 2016, 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 are 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 are 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.

The Board during the year sought recommendation from professionals on treasury function that may help enhance the returns on its surplus cash.



# Statement on Corporate Governance

---

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 2016.

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 yearly re-election under the Code.

Dato' John Lim, the only Executive Director on Board sits on the Audit, Remuneration and Nomination Committees for 2016. 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 meetings 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 2016 the Board conducted a review of its performance by discussion. It concluded that the Board is performing effectively and that the Board members have the complementary skills appropriate to propel the Group in its strategic direction and for challenges ahead. No other major issues arose from this review.

Following a review of the internal control and risks management in April 2017 and in the absence of any reported failing and weaknesses which 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. Lim Tian Huat (Chairman), Dato' John Lim Ewe Chuan and Mr. Jonathan Law Ngee Song. The committee had two meetings during 2016, 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. During the year the Nomination Committee deliberated and recommended to the Board the adoption of the Dealing Procedure Manual. This is in line with the Financial Conduct Authority announcement on 3 July 2016 that the Market Abuse Regulation ("MAR") will replace the Model Code. The dealing manual would assist the Company to comply with its obligations under the MAR and to ensure that the Company has necessary systems and procedures in place to assist persons discharging managerial responsibilities which include all directors and employees of the Company and its subsidiaries. MAR prescribed specimen dealing code for companies to adopt which can be amended to reflect their own individual circumstances and requirements in the buying and selling of Company's shares. MAR applies to all companies listed on the main market of London Stock Exchange and Alternative Investment Market. MAR is designed to ensure that persons do not misuse or place themselves under suspicion of misusing information about the Group which is not public.

# Statement on Corporate Governance

---

## Relations with shareholders

The Executive Director contacted and met certain principal shareholders during the year to understand their concerns and at all times are pleased to speak to and meet any shareholder. The views of the shareholders were communicated to the Board to ensure that it is mindful of the shareholders' sentiment and issues arising at all times. Given the dispersion of Directors and shareholders it is not possible for every Director to meet shareholders. A member of the Audit, Nomination and Remuneration Committees will be available at the 2017 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.

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" and "News" sections of the website and together with other relevant documentation concerning the Company, are available for downloading. The website was upgraded during the year to enable shareholders and investors to select and receive e-mail alerts from the Company on selected regulatory news to follow the development of the Company.

## 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. Although AEP is not a member of the RSPO, 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. Many of these principles overlap with ISPO of which compliance is mandatory for AEP. 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.

Lim Tian Huat  
Chairman, Nomination and Corporate Governance Committee

26 April 2017



# Audit Committee Report

---

## **Audit Committee**

The Audit Committee comprises Mr. Lim Tian Huat (Chairman), Dato' John Lim Ewe Chuan and Mr. Jonathan Law Ngee Song, all of whom are considered by the Directors to have relevant financial and professional experiences to discharge their specific duties with respect to the Audit Committee.

Mr. Lim is a Fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He is also the founding President of Insolvency Practitioners of Malaysia. He has extensive experience in accounting, auditing, finance and corporate insolvency. He attended five courses and seminars in 2016, one of which was organised by Malaysian Institute of Accountants. Topics on governance, insolvency, Companies Act and regional business trends and trade partnerships were covered.

Dato' John Lim attended webinars hosted by UHY on update of accounting and auditing standards.

Mr. Jonathan Law attended two seminars covering topics on sustainability engagement for directors and Companies Bill 2015 organised by the Malaysia Stock Exchange and Malaysian Institute of Accountants in 2016.

Both Mr. Lim and Dato' John Lim have recent and relevant financial experience in their discharge of duties on the Audit Committee.

## **Overview**

The Audit Committee met prior to the completion of the 2016 accounts and five times during 2016 with full attendance.

During the year, the Committee reviewed the 2015 Annual Report, Interim Results, 1<sup>st</sup> Quarter and 3<sup>rd</sup> Quarter Trading Statement for 2016, dividend rate for the Group and Indonesian subsidiaries, risks management and the internal audit reports. It also approved the Internal Audit Plan for the year.

The Committee met with the external auditors twice in 2016 to discuss the audit findings as well as the planning for the 2016 audit. During the audit planning meeting for 2016, the external auditors updated the Audit Committee on recent Financial Reporting Council advice on Annual Reporting, various revisions to the UK Corporate Governance Code and related guidance. The audit engagement team from BDO (UK) visited Indonesia and Malaysia to review the work of the component auditors as well as to visit a plantation and mill.

The amendments to IAS 16 and IAS 41, which came into effect on 1 January 2016, require previously recognised Biological Assets that meet the definition of bearer plants to be accounted for as Property, Plant and Equipment in accordance with IAS 16, adopting either a cost model or a revaluation model. The unharvested FFB, which is agricultural produce under the revised IAS 41, are recognised as Biological Assets and are stated at fair value less cost to sell at the point of harvest, with changes recognised in profit and loss. The Audit Committee deliberated on the methodologies in the valuation of plantations (oil palm trees) and unharvested produce (FFB growing on the trees) to be in line with the revised IAS 16 and IAS 41. The Committee agreed to recommend to the Board for the Group to adopt a uniform policy to value the plantations at historical cost and to depreciate the trees over 20 years when it becomes mature within three to four years after planting. The unharvested produce be valued based on an estimation of the weight of unharvested FFB at balance sheet date multiplied with the sum of average FFB selling price less average harvesting cost of the last month prior to the balance sheet date.

The adoption of the amendments to IAS 16 and IAS 41 required retrospective application which resulted in a prior year restatement of its financial statements for 2015. Details of the restatement are disclosed in note 2 - Prior year restatement to the consolidated financial statements.

# Audit Committee Report

---

The management has taken reasonable steps to assess whether there is any indication that an asset may be impaired, in particular, the plantations. Impairment for plantations is measured by comparing its carrying amount with its recoverable amount, which is the higher of the fair value less cost to sell and its value in use. The exercise requires the management to exercise significant judgement in determining the underlying assumptions used in the calculation of the recoverable amount. In 2016, the impairment loss of the plantations of the Group was \$2.7 million (2015: \$12.5 million). The details of the calculation of the recoverable amount are disclosed in note 11 - Property, plant and equipment to the consolidated financial statements.

To provide indicative fair values and to support the valuation for the estate land, eight companies located across North Sumatera, Bengkulu, Riau and Kalimantan were valued by qualified valuers in 2016. 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. The Group generates revenue predominantly from the sale of CPO from processed FFB.

The Audit Committee also reviewed the internal audit reports and the Committee met with the Indonesia based Finance Director and Internal Auditor to discuss the audit findings. No major fraud and theft were identified. Most of the weaknesses were operational in nature and based on our discussions suggested improvement in internal controls were satisfactorily implemented.

In November 2016, Audit Committee members made a field visit to an estate and biogas and biomass plant in North Sumatera.

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.

Two members of the Audit Committee also met up with the senior management during the year to discuss various financial and operational issues. There is a regular dialogue, both formal and informal between the Audit Committee and the senior management and communication is open and constructive.

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 according to agreed plans and timeline, provision of sound advice on technical issues and degree of independence and professionalism displayed during the audit for 2015. The tenure of audit and extent of non-audit work that will affect the independence of the auditors were reviewed. The Committee considered the key members of the audit engagement team and component auditors involved in the Group Audit. This includes the Audit Partner, the Audit Senior Manager and the Audit Manager from BDO (UK) and the various partners from BDO in Malaysia and Indonesia. The current Audit Partner from BDO (UK) has been the Company's audit engagement partner since 2014 while the Audit Partner for the Malaysian audit and the Audit Partner for the Indonesian audit were involved since 2013 and 2015 respectively. Following this assessment, the Committee concluded that the external audit process remained effective, and that the objectivity of the external auditors was not impaired and that it provides an appropriate independent challenge of the senior management of the Group.

# Audit Committee Report

---

## 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 are fair, and balanced;
- 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;
- Reviewing and monitoring the independence of the external auditors and the effectiveness of the audit process;
- Providing advice to the Board on the assessment of the principal risks facing the Group; and
- Providing advice to the Board on the form and basis underlying the longer term viability statement and going concern statement to be contained in Annual Reports.

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 on internal control since 1999 and the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council in 2014. 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 based on approved Internal Audit Plan and provide summarized internal audit reports to the Audit Committee on a regular basis. The Internal Audit also conducts special audits throughout the year as and when required by management. 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. Follow-up audits and discussions are also held to ensure remedial actions are taken promptly. 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.

Lim Tian Huat  
Chairman, Audit Committee

26 April 2017

# Directors' Remuneration Report

---

I am pleased to report on the activities of the Remuneration Committee for the year ended 31 December 2016. 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 basic salary remains and is capped at £90,000 per annum until August 2018.

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 7 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 took effect from 1 January 2015 and was approved at the AGM on 29 June 2015. The policy remain unchanged. The Director's remuneration report was last approved at Company's AGM on 27 June 2016. In the meeting, the shareholders voted in the following manner:

	For	Against	% For	% Against
To approve Directors' Remuneration Report	55	5	99.85%	0.15%

The Committee would welcome your support for our Remuneration Report and Policy.

## Remuneration Committee

The Remuneration Committee comprises of Mr. Jonathan Law Ngee Song (Chairman), Dato' John Lim Ewe Chuan and Mr. Lim Tian Huat.

The Committee had two meetings in 2016, attended by all members.

Besides formal meetings, it also has informal discussions and consultation with the Company's Chairman in relation to the variable bonuses for operational staff in Indonesia. During the year the Remuneration Committee reviewed the annual increment and bonus entitlement of senior management in Indonesia. It made the necessary recommendation to the Board after making a comparison to other plantation companies. The Committee also deliberated on the 2016 Remuneration Report and recommended to the Board for acceptance.

## 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.

In determining the remuneration policy of senior management, the Committee takes into account the need to attract, retain and motivate employees. It also makes 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.

# Directors' Remuneration Report

---

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 continues 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 or employee share option scheme for the Executive Director.

# Directors' Remuneration Report

## Executive Director's Remuneration over 8 Years

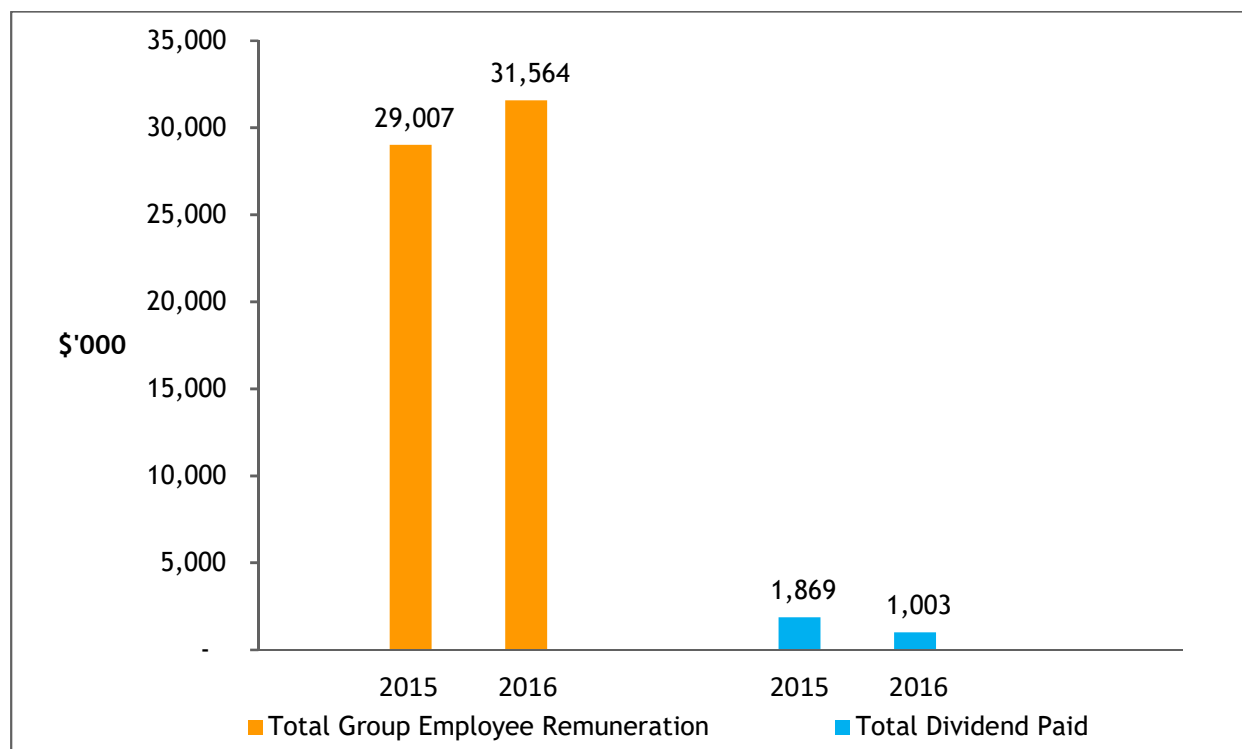
Year ended 31 Dec	Salary	Benefits	Pension	Bonus	Total
2016	\$127,000	-	-	-	\$127,000
2015	\$137,000	-	-	-	\$137,000
2014	\$133,000	-	-	-	\$133,000
2013	\$117,000	-	-	-	\$117,000
2012	\$105,000	-	-	-	\$105,000
2011	\$83,000	-	-	-	\$83,000
2010	\$114,000	-	-	-	\$114,000
2009	\$137,000	-	-	-	\$137,000

## 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 2015 and 2016.

	2016	2015	Change
Percentage change in Executive Director's salary			
Salary	<b>\$127,000</b>	\$137,000	-7.3%
Percentage change in selected Group senior management salaries			
Salaries	<b>\$1,811,000</b>	\$2,049,000	-11.6%
Percentage change in total wages and salaries			
Total wages and salaries	<b>\$28,764,000</b>	\$26,691,000	+7.8%

## Relative importance of spend on pay



# Directors' Remuneration Report

---

## 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 2016, the unexpired term of the retiring Directors are:

Madam Lim Siew Kim	Expiry 30 January 2017 (Renewed to 30 January 2019)
Dato' John Lim Ewe Chuan	Expiry 31 August 2018
Lim Tian Huat	Expiry 7 May 2017
Jonathan Law Ngee Song	Expiry 3 July 2017

## 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 2016 (last 8 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. The share price of AEP Plc dropped after it was removed from the FTSE All share Index on 17 June 2016 due to the liquidity of the shares. It was removed after it failed to meet the monthly median of 0.015% of the stock for eight out of twelve months. The share price, however recovered due to greater interest in the plantation shares following a hostile bid for another UK based plantation company.

## 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:	2016	2015
	Ordinary shares	Ordinary shares
Madam Lim Siew Kim	20,551,914	20,551,914
Dato' John Lim Ewe Chuan	-	-
Lim Tian Huat	-	-
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 2016 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 7 and 22 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 2016. 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 2016 Fees \$000	Total 2015 Fees \$000
Name of Directors		
Executive:		
Dato' John Lim Ewe Chuan <sup>(1)</sup>	127	137
Non-Executive:		
Lim Siew Kim <sup>(2)</sup>	59	56
Lim Tian Huat <sup>(3)</sup>	21	15
Nik Din Bin Nik Sulaiman <sup>(4)</sup>	-	9
Jonathan Law Ngee Song <sup>(5)</sup>	21	23
Total	228	240

Directors' remuneration comprises 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 8 May 2015.

<sup>(4)</sup> Resigned on 8 May 2015.

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

Jonathan Law Ngee Song  
Chairman, Remuneration Committee

26 April 2017



# Auditors' Report

---

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

### *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 2016 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.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the Company balance sheet, the Company statement of changes in equity 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).

### *Respective responsibilities of directors and auditor*

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 (FRC's) Ethical Standards for Auditors.

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.

### *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).

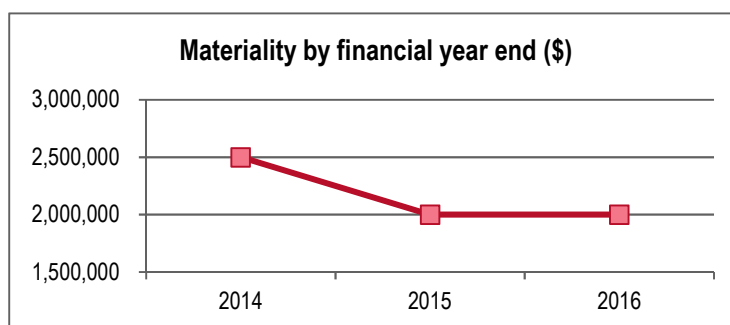
# Auditors' Report

## 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.

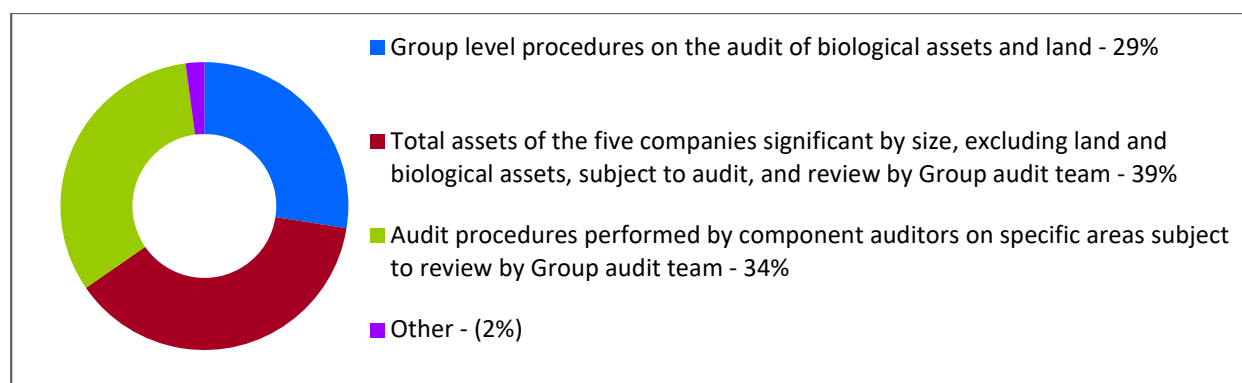
We determined materiality for the group financial statements as a whole to be US\$2.00 million (2015: US\$2.00 million), which approximates to 1% of revenues (2015: 1%). We consider revenue to be a key indicator of the Group's financial performance and therefore an appropriate basis for materiality. Performance materiality was set at 75% of the above materiality levels (2015: 75%). Where financial information from components was audited separately, component materiality levels were set for this purpose at lower levels varying from 2% to 27% of group materiality. Materiality levels are not significantly different from those applied in previous years as illustrated above.



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 (2015: US\$50,000). 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*

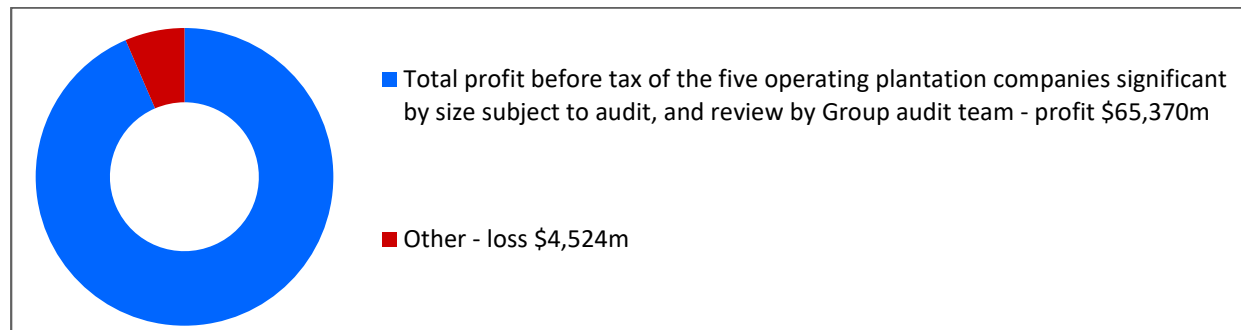
#### Total assets



# Auditors' Report

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

Profit before tax



Revenue

Audit procedures performed by component auditors, and review by Group audit team covered 100% of revenue (2015: 100%).

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 sixteen mature plantations and one immature plantation. 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 risk assessment we identified five operating plantation companies which, in our view, required an audit of their complete financial information due to their size and a further twelve which 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, leasehold land and the impairment reviews of bearer plants classified as property plant and equipment, gave us the evidence we needed to form our opinion on the Group financial statements as a whole.

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 entirely in Malaysia and Indonesia, as well as the audit of the 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. During these visits the Group audit team reviewed the full audit files for the five operating plantation companies considered to be significant by size and the audit work in relation to the specific areas identified due to risk for the other twelve. Following the review, any further work required by the Group audit team was then performed by the component auditor. 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 sixteen out of the seventeen plantation estates in the current year. During the year members of the Group audit team also visited the plantation estate in PT United Kingdom Indonesia Plantations.

# Auditors' Report

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

Group audit team visit to PT United Kingdom Indonesia Plantations



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

### *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. The amendments to IAS 16 and the amendments to IAS 41, which came into effect on 1 January 2016, remove Biological Assets that meet the definition of bearer plants from the scope of IAS 41 into the scope of IAS 16. In these financial statements bearer plants have been accounted for as Property, Plant and Equipment (PPE) in accordance with IAS 16, adopting either a cost model or a revaluation model. This change in accounting policy has had a significant impact on the Group and the key audit risks identified.

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 pages 42 to 43.



# 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>Revenue recognition</b>	
<p>Substantially all revenue is derived from the sales of crude palm oil and palm kernel, the revenue from which is recognised when the goods are delivered or allocated to a purchaser subsequent to payment as detailed in note 1. Revenue is calculated as the quantity of crude palm oil multiplied by the crude palm oil price, net of processing and transportation charges. We consider there to be a risk over the accuracy of the recorded weight of crude palm oil sales and therefore the completeness of revenue.</p>	<p>We tested, on a sample basis, that sale invoices were raised on the delivery date based on the goods dispatched note and that the total weight stated in the goods dispatched note agrees with that in the delivery order. We also identified revenue from sales of crude palm oil and palm kernel 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.</p>
<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 at either the current or 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 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 increasing the selection to ensure geographical coverage of all areas in which they operate. 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. We challenged the assumptions used by the Directors in their valuation, most notably on how they applied the movements as determined by the independent valuers to the other estates.</p>
<b>Valuation of biological assets</b>	
<p>The unharvested fresh fruit bunches (FFB) growing on the bearer plant at the year-end remains within the scope of IAS 41 Biological assets and are held at fair value less costs to sell determined on the basis of the net present value of expected future cash flows arising in the production of FFB. Management exercise significant judgement in determining the underlying assumptions used in the calculation of fair value. These assumptions include the estimation of the weight of unharvested FFB at the balance sheet date, FFB production, FFB selling price and costs to sell. We identified this as a risk due to the inherent uncertainty around the future estimates.</p>	<p>The directors performed the valuation exercise internally. We challenged the assumptions in the input data made by management at each balance sheet date through discussions, comparisons to industry peers and independent external data sources and where available to corroboration with supporting documentation and historical trends.</p>

# 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
<p><b>Impairment of bearer plants classified as PPE</b></p> <p>Following the amendments to IAS 16 and IAS 41, the bearer plants previously held at fair value under IAS 41 - Agriculture now fall within the scope of IAS 16 – Property, Plant and Equipment and are held at historical cost less depreciation. The directors are required at the end of each reporting period to assess whether there is any indication that an asset may be impaired. If any such indication exists, the directors shall estimate the recoverable amount of the asset.</p> <p>The directors identified indicators of impairment on some plantations and have carried out an impairment review for these plantations by calculating the fair value less costs to sell. If fair value less costs to sell indicates an impairment, the directors have calculated the value in use of the applicable plantations to ensure the recoverable amount is the higher of the two calculations. The directors exercise significant judgement in determining the underlying assumptions used in both calculations.</p>	<p>We considered the indicators of impairment listed in IAS 36 to determine if any further plantations to those already identified by the directors should be considered for impairment at 31 December 2014, 31 December 2015 or 31 December 2016.</p> <p>The directors engaged an independent valuer, to determine the fair value less costs to sell and calculated the value in use internally using assumptions available to them at that point in time.</p> <p>We 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 corroboration with supporting documentation and historical trends. We performed sensitivity analysis on the key assumptions in the impairment reviews which were considered to be the CPO price and discount rate.</p>

### *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
- based on the work undertaken in the course of the audit, 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 and has been prepared in accordance with applicable legal requirements.



# Auditors' Report

---

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

*Statement regarding the directors' assessment of principal risks, going concern and longer term viability of the company*

We have nothing material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and director's report.

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

# Auditors' Report

---

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

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

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 12, in relation to going concern and on page 29, in relation to longer term viability;
- 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.

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 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  
26 April 2017

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 2016

Continuing operations	Note	2016			(Restated) 2015		
		Result before BA movement \$000	BA movement \$000	Total \$000	Result before BA movement \$000	BA movement \$000	Total \$000
<b>Revenue</b>	3	246,210	-	246,210	196,451	-	196,451
Cost of sales		(184,337)	3,383	(180,954)	(152,684)	(732)	(153,416)
<b>Gross profit</b>		61,873	3,383	65,256	43,767	(732)	43,035
Administration expenses		(6,653)	-	(6,653)	(7,630)	-	(7,630)
Impairment losses		(2,740)	-	(2,740)	(12,470)	-	(12,470)
<b>Operating profit</b>		52,480	3,383	55,863	23,667	(732)	22,935
Exchange gains / (losses)		845	-	845	(2,354)	-	(2,354)
Finance income	4	5,881	-	5,881	6,683	-	6,683
Finance expense	4	(1,743)	-	(1,743)	(2,010)	-	(2,010)
<b>Profit before tax</b>	5	57,463	3,383	60,846	25,986	(732)	25,254
Tax expense	8	(16,021)	(844)	(16,865)	(10,385)	183	(10,202)
<b>Profit for the year</b>		41,442	2,539	43,981	15,601	(549)	15,052
Attributable to:							
- Owners of the parent		32,563	2,150	34,713	10,263	(488)	9,775
- Non-controlling interests		8,879	389	9,268	5,338	(61)	5,277
		41,442	2,539	43,981	15,601	(549)	15,052
<b>Earnings per share for profit attributable to the owners of the parent during the year</b>							
- basic	9			87.58cts			24.66cts
- diluted	9			87.58cts			24.64cts

Earnings per share before BA movement are shown in note 9.

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

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 \$000	(Restated) 2015 \$000
<b>Profit for the year</b>	<b>43,981</b>	15,052
Other comprehensive income / (expense):		
<i>Items may be reclassified to profit or loss:</i>		
Gain / (Loss) on exchange translation of foreign operations	8,860	(45,737)
<b>Net other comprehensive income / (expense) may be reclassified to profit or loss</b>	<b>8,860</b>	(45,737)
<i>Items not to be reclassified to profit or loss:</i>		
Unrealised gain on revaluation of leasehold land, net of tax	1,752	3,636
Remeasurement of retirement benefits plan, net of tax	(567)	334
<b>Net other comprehensive income not being reclassified to profit or loss</b>	<b>1,185</b>	3,970
<b>Total other comprehensive income / (expense) for the year, net of tax</b>	<b>10,045</b>	(41,767)
<b>Total comprehensive income / (expense) for the year</b>	<b>54,026</b>	(26,715)
Attributable to:		
- Owners of the parent	43,099	(23,850)
- Non-controlling interests	10,927	(2,865)
	<b>54,026</b>	(26,715)

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 2016

	Note	31.12.2016 \$000	(Restated) 31.12.2015 \$000	(Restated) 1.1.2015 \$000
<b>Non-current assets</b>				
Property, plant and equipment	11	356,790	336,444	360,424
Receivables	12	3,891	3,655	3,007
Deferred tax assets	18	13,451	8,311	3,982
		<b>374,132</b>	<b>348,410</b>	<b>367,413</b>
<b>Current assets</b>				
Inventories	13	9,219	6,693	7,846
Tax receivables	8	26,695	16,679	9,231
Biological assets	14	7,107	3,673	4,895
Trade and other receivables	15	5,767	4,704	8,807
Cash and cash equivalents		118,176	104,614	125,937
		<b>166,964</b>	<b>136,363</b>	<b>156,716</b>
<b>Current liabilities</b>				
Loans and borrowings	16	(6,203)	(1,750)	(313)
Trade and other payables	17	(16,054)	(17,406)	(21,010)
Tax liabilities		(8,974)	(5,917)	(10,752)
Dividend payables		-	-	(20)
		<b>(31,231)</b>	<b>(25,073)</b>	<b>(32,095)</b>
Net current assets		<b>135,733</b>	<b>111,290</b>	<b>124,621</b>
<b>Non-current liabilities</b>				
Loans and borrowings	16	(27,875)	(32,875)	(34,625)
Deferred tax liabilities	18	(30,063)	(27,684)	(29,559)
Retirement benefits - net liabilities	19	(6,666)	(4,528)	(4,445)
		<b>(64,604)</b>	<b>(65,087)</b>	<b>(68,629)</b>
<b>Net assets</b>		<b>445,261</b>	<b>394,613</b>	<b>423,405</b>
<b>Issued capital and reserves attributable to owners of the parent</b>				
Share capital	20	15,504	15,504	15,504
Treasury shares	20	(1,171)	(1,171)	(1,171)
Share premium		23,935	23,935	23,935
Capital redemption reserve		1,087	1,087	1,087
Revaluation reserves		61,038	59,572	57,029
Exchange reserves		(219,570)	(226,974)	(190,503)
Retained earnings		482,288	449,062	440,853
		<b>363,111</b>	<b>321,015</b>	<b>346,734</b>
Non-controlling interests		<b>82,150</b>	<b>73,598</b>	<b>76,671</b>
<b>Total equity</b>		<b>445,261</b>	<b>394,613</b>	<b>423,405</b>

The financial statements were approved by the Board of Directors and authorised for issue on 26 April 2017 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 2016

	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 2014	15,504	(1,171)	23,935	1,087	57,029	(190,503)	521,355	427,236	90,813	518,049
Restatement (note 2)	-	-	-	-	-	-	(80,502)	(80,502)	(14,142)	(94,644)
<b>Balance at 31 December 2014 after restatement</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>440,853</b>	<b>346,734</b>	<b>76,671</b>	<b>423,405</b>
<b>Items of other comprehensive income</b>										
-Unrealised gain on revaluation of leasehold land, net of tax	-	-	-	-	2,543	-	-	2,543	1,093	3,636
-Remeasurement of retirement benefit plan, net of tax	-	-	-	-	-	-	303	303	31	334
-Loss on exchange translation of foreign operations	-	-	-	-	-	(36,471)	-	(36,471)	(9,266)	(45,737)
Total other comprehensive income / (expenses)	-	-	-	-	2,543	(36,471)	303	(33,625)	(8,142)	(41,767)
Profit for the year	-	-	-	-	-	-	9,775	9,775	5,277	15,052
Total comprehensive income / (expenses) for the year	-	-	-	-	2,543	(36,471)	10,078	(23,850)	(2,865)	(26,715)
Dividends paid	-	-	-	-	-	-	(1,869)	(1,869)	(208)	(2,077)
<b>Balance at 31 December 2015 after restatement</b>	<b>15,504</b>	<b>(1,171)</b>	<b>23,935</b>	<b>1,087</b>	<b>59,572</b>	<b>(226,974)</b>	<b>449,062</b>	<b>321,015</b>	<b>73,598</b>	<b>394,613</b>
<b>Items of other comprehensive income</b>										
-Unrealised gain on revaluation of leasehold land, net of tax	-	-	-	-	1,466	-	-	1,466	286	1,752
-Remeasurement of retirement benefit plan, net of tax	-	-	-	-	-	-	(484)	(484)	(83)	(567)
-Gain on exchange translation of foreign operations	-	-	-	-	-	7,404	-	7,404	1,456	8,860
Total other comprehensive income / (expenses)	-	-	-	-	1,466	7,404	(484)	8,386	1,659	10,045
Profit for the year	-	-	-	-	-	-	34,713	34,713	9,268	43,981
Total comprehensive income for the year	-	-	-	-	1,466	7,404	34,229	43,099	10,927	54,026
Dividends paid	-	-	-	-	-	-	(1,003)	(1,003)	(2,375)	(3,378)
<b>Balance at 31 December 2016</b>	<b>15,504</b>	<b>(1,171)</b>	<b>23,935</b>	<b>1,087</b>	<b>61,038</b>	<b>(219,570)</b>	<b>482,288</b>	<b>363,111</b>	<b>82,150</b>	<b>445,261</b>

# Consolidated Statement of Cash Flows

## For the year ended 31 December 2016

	2016 \$000	(Restated) 2015 \$000
<b>Cash flows from operating activities</b>		
Profit before tax	60,846	25,254
Adjustments for:		
BA movement	(3,383)	732
Profit on disposal of tangible fixed assets	(13)	(392)
Depreciation	15,677	13,556
Retirement benefit provisions	1,700	973
Net finance income	(4,138)	(4,673)
Unrealised (gain) / loss in foreign exchange	(845)	2,354
Property, plant and equipment written off	731	163
Impairment losses	2,740	12,470
Operating cash flow before changes in working capital	73,315	50,437
(Increase) / Decrease in inventories	(2,353)	341
(Increase) / Decrease in non-current, trade and other receivables	(1,460)	4,425
Decrease in trade and other payables	(1,749)	(1,623)
Cash inflow from operations	67,753	53,580
Interest paid	(1,743)	(2,010)
Retirement benefit paid	(250)	(103)
Overseas tax paid	(27,133)	(27,856)
Net cash flow from operations	38,627	23,611
<b>Investing activities</b>		
Property, plant and equipment		
- purchase	(30,484)	(36,926)
- sale	931	979
Interest received	5,881	6,683
Net cash used in investing activities	(23,672)	(29,264)



# Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016	(Restated) 2015
	\$000	\$000
<b>Financing activities</b>		
Dividends paid by Company	(1,003)	(1,869)
Dividends paid to minority shareholders	(2,375)	(228)
Drawdown of long term loans	1,250	-
Repayment of existing long term loans	(1,797)	(313)
Net cash used in financing activities	(3,925)	(2,410)
Increase / (Decrease) in cash and cash equivalents	11,030	(8,063)
<b>Cash and cash equivalents</b>		
At beginning of year	104,614	125,937
Foreign exchange	2,532	(13,260)
At end of year	118,176	104,614
Comprising:		
Cash at end of year	118,176	104,614

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, mainly in the cultivation of oil palm.

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 amendments are effective for the first time in these financial statements:
- IAS 16 Amendments - Property, Plant and Equipment (effective for accounting periods beginning on or after 1 January 2016)\*
  - IAS 41 Amendments - Agriculture (effective for accounting periods beginning on or after 1 January 2016)\*
- The nature and the impact of the amendments to IAS 16 and IAS 41 are disclosed in note 2 - Prior year restatement.

- b) New standards, interpretations and amendments not yet effective.

The following new standards, interpretations and amendments are effective for periods beginning after 1 January 2017 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 2018)
- IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019)

None of the above new standards, interpretations and amendments are expected to have a material effect on the Group's future financial statements.

### *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. The Company controls a subsidiary if all three of the following elements are present; power over the subsidiary, exposure to variable returns from the subsidiary, and the ability of the investor to use its power to affect those variable returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

### *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.

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.

# Notes to the Consolidated Financial Statements

---

## 1 Accounting policies - continued

### *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, biomass products and other income of an operating nature.

Sales of CPO, palm kernel, FFB, shell nut, biomass products 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.

### *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.

### *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:

- Revalued land - Property, plant and equipment (note 11)
- Biological assets (note 14)

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.

# Notes to the Consolidated Financial Statements

---

## 1 Accounting policies - continued

### *Property, plant and equipment - continued*

Plantations comprise of the 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. Oil palm plantations are considered mature within three to four years after planting and generating average annual FFB of four to six metric tons per hectare. Immature plantations are not depreciated.

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. The leasehold land is recognised at cost initially and is not depreciated. The 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.

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.

Plantations, 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:

Plantations - 5%  
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 an estimation of the fair value less costs to sell of unharvested FFB at balance sheet date. Changes in the fair value of biological assets is charged or credited to the income statement within the cost of sales.

### *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 property, plant and equipment 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*

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.

# Notes to the Consolidated Financial Statements

---

## 1 Accounting policies - continued

### *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 other comprehensive income; in this case assets and liabilities are offset.

### *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.

# Notes to the Consolidated Financial Statements

---

## 1 Accounting policies - continued

### *Retirement benefits - continued*

#### Defined benefit schemes - continued

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 and its subsidiaries enters into financial guarantee contracts and guarantees the indebtedness of other companies within the Group and/or third party entities, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time that it becomes probable that the Group 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 property, plant and equipment and biological assets are set out in note 11 and note 14 respectively. The Group's policy with regard to impairment of such assets is set out above.

Details on deferred tax are given in note 18 and retirement benefits in note 19.

# Notes to the Consolidated Financial Statements

## 2 Prior year restatement

The amendments to IAS 16 and the amendments to IAS 41, which came into effect on 1 January 2016, require Biological Assets that meet the definition of bearer plants to be accounted for as Property, Plant and Equipment in accordance with IAS 16, adopting either a cost model or a revaluation model. This required retrospective application.

As the Biological Assets of the Group fall within the definition of bearer plants, with effect from 1 January 2016 the immature plants are stated at accumulated cost until maturity, subject to impairment reviews, and the mature plantations are stated at historical cost less accumulated depreciation. The unharvested FFB, which is agricultural produce under the revised IAS 41, are recognised as Biological Assets and are stated at fair value less cost to sell at the point of harvest, with changes recognised in profit and loss. This has resulted in the accounts for the year ended 31 December 2015 being restated.

The effects of the restatements are summarised as follows:

	(Restated) 2015 \$000
<b>Impact on consolidated income statement</b>	
Profit for the year before restatement	(13,429)
Effect of change in restatement:	
Cost of sales	(6,787)
Biological asset movement	63,389
Administration expenses	196
Impairment loss	(12,470)
Tax expense	(15,847)
	28,481
Profit for the year after restatement	15,052

The effect of the prior year adjustments had a negative impact on the earnings per share before BA of 43.50cts and a positive impact on the earnings per share after BA of 62.24cts for the year to 31 December 2015.

	(Restated) 2015 \$000
<b>Impact on consolidated statement of comprehensive income</b>	
Other comprehensive expenses for the year before restatement	(50,585)
Effect of change in restatement:	
Loss on exchange translation of foreign operations	8,858
Deferred tax on revaluation	(40)
	8,818
Other comprehensive expenses for the year after restatement	(41,767)



# Notes to the Consolidated Financial Statements

## 2 Prior year restatement - continued

	Balance as reported 31 December 2015 \$000	Effect of restatement \$000	Restated balance at 31 December 2015 \$000
<b>Impact on consolidated statement of financial position</b>			
Non-current assets - Biological assets	179,010	(179,010)	-
Property, plant and equipment	219,990	116,454	336,444
Deferred tax	(20,911)	1,538	(19,373)
Current assets - Biological assets	-	3,673	3,673
Revaluation reserves	(59,594)	22	(59,572)
Exchange reserves	234,490	(7,516)	226,974
Retained earnings	(504,892)	55,830	(449,062)
Non-controlling interest	(82,607)	9,009	(73,598)
	Balance as reported 1 January 2015 \$000	Effect of restatement \$000	Restated balance at 1 January 2015 \$000
<b>Impact on consolidated statement of financial position</b>			
Non-current assets - Biological assets	251,374	(251,374)	-
Property, plant and equipment	227,380	133,044	360,424
Deferred tax	(44,368)	18,791	(25,577)
Current assets - Biological assets	-	4,895	4,895
Retained earnings	(521,355)	80,502	(440,853)
Non-controlling interest	(90,813)	14,142	(76,671)

The prior year restatement has changed from that reported in the interim financial statements as the figures have now been subject to audit.

## 3 Revenue

	2016 \$000	2015 \$000
Sales of produce:		
- CPO, palm kernel and FFB	243,020	193,364
- Rubber	1,149	1,075
- Shell nut	1,717	1,685
- Biomass products	324	327
	<u>246,210</u>	<u>196,451</u>

## 4 Finance income and expense

	2016 \$000	2015 \$000
<u>Finance income</u>		
Interest receivable on:		
Credit bank balances and time deposits	5,881	6,683
<u>Finance expense</u>		
Interest payable on:		
Development loans - (note 16)	(1,743)	(2,010)
Net finance income recognised in income statement	<u>4,138</u>	<u>4,673</u>

# Notes to the Consolidated Financial Statements

## 5 Profit before tax

	2016 \$000	(Restated) 2015 \$000
Profit before tax is stated after charging		
Depreciation (note 11)	15,677	13,556
Impairment losses (note 11)	2,740	12,470
Exchange (gains) / losses	(845)	2,354
Movement of inventories	(2,526)	1,153
Operating lease expense		
- Property	515	523
Professional fees	760	1,086
Staff costs (note 7)	31,564	29,007
Remuneration received by the group's auditor or associates of the group's auditor:		
- Audit of parent company	5	5
- Audit of consolidated financial statement	132	157
- Audit related assurance service	6	7
- Audit of UK subsidiaries	13	13
Total audit services	<u>156</u>	<u>182</u>
Audit of overseas subsidiaries		
- Malaysia	21	19
- Indonesia	70	66
Total audit services	<u>91</u>	<u>85</u>
Total auditors' remuneration	<u>247</u>	<u>267</u>

## 6 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

## 6 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>2016</b>										
Total sales revenue (all external)										
- CPO, palm kernel and FFB	88,465	86,564	3	40,169	27	24,342	239,570	3,450	-	243,020
- Rubber	1,149	-	-	-	-	-	1,149	-	-	1,149
- Shell nuts	628	736	1	205	-	147	1,717	-	-	1,717
- Biomass products	324	-	-	-	-	-	324	-	-	324
<b>Total revenue</b>	<b>90,566</b>	<b>87,300</b>	<b>4</b>	<b>40,374</b>	<b>27</b>	<b>24,489</b>	<b>242,760</b>	<b>3,450</b>	<b>-</b>	<b>246,210</b>
Profit / (loss) before tax	23,219	24,785	(4,695)	12,861	(602)	1,623	57,191	296	(24)	57,463
BA movement	628	1,421	144	653	2	431	3,279	104	-	3,383
<b>Profit for the year before tax per consolidated income statement</b>	<b>23,847</b>	<b>26,206</b>	<b>(4,551)</b>	<b>13,514</b>	<b>(600)</b>	<b>2,054</b>	<b>60,470</b>	<b>400</b>	<b>(24)</b>	<b>60,846</b>
Depreciation	(4,029)	(4,096)	(2,505)	(898)	(85)	(3,414)	(15,027)	(650)	-	(15,677)
Impairment losses	-	-	693	-	(335)	(3,098)	(2,740)	-	-	(2,740)
Inter-segment transactions	3,828	(2,117)	(767)	(609)	-	(1,334)	(999)	604	395	-
Income tax	(9,275)	(5,744)	3,410	(4,531)	90	644	(15,406)	(81)	(1,378)	(16,865)
<b>Total Assets</b>	<b>175,332</b>	<b>129,428</b>	<b>54,280</b>	<b>41,887</b>	<b>11,732</b>	<b>103,906</b>	<b>516,565</b>	<b>20,944</b>	<b>3,587</b>	<b>541,096</b>
<b>Non-Current Assets</b>	<b>101,843</b>	<b>76,048</b>	<b>52,862</b>	<b>20,044</b>	<b>11,520</b>	<b>94,974</b>	<b>357,291</b>	<b>16,263</b>	<b>578</b>	<b>374,132</b>
<b>Non-Current Assets - Additions</b>	<b>7,956</b>	<b>5,544</b>	<b>2,638</b>	<b>857</b>	<b>657</b>	<b>12,771</b>	<b>30,423</b>	<b>61</b>	<b>-</b>	<b>30,484</b>

# Notes to the Consolidated Financial Statements

## 6 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
2015 (Restated)										
Total sales revenue (all external)										
- CPO, palm kernel and FFB	67,978	73,661	37	37,129	1	11,426	190,232	3,132	-	193,364
- Rubber	1,075	-	-	-	-	-	1,075	-	-	1,075
- Shell nuts	513	812	10	225	38	87	1,685	-	-	1,685
- Biomass products	327	-	-	-	-	-	327	-	-	327
Total revenue	69,893	74,473	47	37,354	39	11,513	193,319	3,132	-	196,451
Profit / (loss) before tax	18,301	15,627	(13,360)	15,431	(433)	(7,742)	27,824	(795)	(1,043)	25,986
BA movement	(147)	(612)	(21)	(214)	-	251	(743)	11	-	(732)
Profit for the year before tax per consolidated income statement	18,154	15,015	(13,381)	15,217	(433)	(7,491)	27,081	(784)	(1,043)	25,254
Depreciation	(3,911)	(3,840)	(1,197)	(842)	(26)	(2,986)	(12,802)	(754)	-	(13,556)
Impairment losses	-	-	(10,945)	-	(301)	(1,224)	(12,470)	-	-	(12,470)
Inter-segment transactions	3,546	(2,169)	(765)	(624)	-	(1,427)	(1,439)	1,157	282	-
Income tax	(7,273)	(2,900)	1,379	(3,814)	-	2,584	(10,024)	(73)	(105)	(10,202)
Total Assets	148,349	104,959	47,995	54,295	11,100	92,171	458,869	21,610	4,294	484,773
Non-Current Assets	94,578	71,025	46,878	19,203	10,945	87,028	329,657	17,560	1,193	348,410
Non-Current Assets - Additions	8,374	3,623	3,822	2,658	867	17,441	36,785	141	-	36,926

# Notes to the Consolidated Financial Statements

## 6 Segment information - continued

In year 2016, revenue from 4 customers of the Indonesian segment represent approximately \$114.1m (2015: \$107.2m) 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. Two of the top four customers are the same as in the prior year.

	North Sumatera \$000	Bengkulu \$000	South Sumatera \$000	Riau \$000	Bangka \$000	Kalimantan \$000	Total Indonesia \$000	Malaysia \$000	UK \$000	Total \$000
2016										
Customer 1	-	39,101	-	-	-	-	39,101	-	-	39,101
Customer 2	17,177	-	-	9,832	-	-	27,009	-	-	27,009
Customer 3	15,700	-	-	8,522	-	-	24,222	-	-	24,222
Customer 4	-	5,577	-	-	-	18,219	23,796	-	-	23,796
	<b>32,877</b>	<b>44,678</b>	-	<b>18,354</b>	-	<b>18,219</b>	<b>114,128</b>	-	-	<b>114,128</b>
2015										
Customer 1	-	35,069	-	-	-	-	35,069	-	-	35,069
Customer 2	19,544	-	-	13,088	-	-	32,632	-	-	32,632
Customer 3	2,654	15,193	-	2,004	-	-	19,851	-	-	19,851
Customer 4	19,633	-	-	-	-	-	19,633	-	-	19,633
	<b>41,831</b>	<b>50,262</b>	-	<b>15,092</b>	-	-	<b>107,185</b>	-	-	<b>107,185</b>
	%	%	%	%	%	%	%	%	%	%
2016										
Customer 1	-	15.9	-	-	-	-	15.9	-	-	15.9
Customer 2	7.0	-	-	4.0	-	-	11.0	-	-	11.0
Customer 3	6.4	-	-	3.5	-	-	9.9	-	-	9.9
Customer 4	-	2.3	-	-	-	7.4	9.7	-	-	9.7
	<b>13.4</b>	<b>18.2</b>	-	<b>7.5</b>	-	<b>7.4</b>	<b>46.5</b>	-	-	<b>46.5</b>
2015										
Customer 1	-	17.9	-	-	-	-	17.9	-	-	17.9
Customer 2	9.9	-	-	6.7	-	-	16.6	-	-	16.6
Customer 3	1.4	7.7	-	1.0	-	-	10.1	-	-	10.1
Customer 4	10.0	-	-	-	-	-	10.0	-	-	10.0
	<b>21.3</b>	<b>25.6</b>	-	<b>7.7</b>	-	-	<b>54.6</b>	-	-	<b>54.6</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

## 7 Employees' and Directors' remuneration

	2016 Number	2015 number
Average numbers employed (primarily overseas) during the year:		
- full time	5,838	5,832
- part-time field workers	10,934	10,980
	<u>16,772</u>	<u>16,812</u>
	<b>2016</b>	2015
	<b>\$000</b>	<b>\$000</b>
Staff costs (including Directors) comprise:		
Wages and salaries	28,764	26,691
Social security costs	773	880
Retirement benefit costs		
- United Kingdom	64	-
- Indonesia (note 19)	1,911	1,378
- Malaysia	52	58
	<u>31,564</u>	<u>29,007</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 45 - 49 of which certain information on page 49 has been audited.

	2016 \$000	2015 \$000
Directors emoluments	<u>228</u>	<u>240</u>
Remuneration expense for key management personnel	<u>2,039</u>	<u>2,289</u>

The Executive Director, Non-Executive Directors and senior management (general managers and above) are considered to be the key management personnel. The remuneration of Executive Director and Non-Executive Directors is shown on page 49.

## 8 Tax expense

	2016 \$000	(Restated) 2015 \$000
Foreign corporation tax - current year	20,438	15,069
Foreign corporation tax - prior year	(30)	208
Deferred tax adjustment - origination and reversal of temporary differences	(3,543)	(5,075)
Total tax charge for year	<u>16,865</u>	<u>10,202</u>

Corporation tax rate in Indonesia is at 25% whereas Malaysia is at 24%. The standard rate of corporation tax in the UK for the current year is 20%. The Group's charge for the year differs from the standard UK rate of corporation tax for the reasons below.

	2016 \$000	(Restated) 2015 \$000
Profit before tax	<u>60,846</u>	<u>25,254</u>
Profit before tax multiplied by standard rate of UK corporation tax of 20% (2015: 20%)	12,169	5,051
Effects of:		
Rate adjustment relating to overseas profits	2,301	1,165
Group accounting adjustments not subject to tax	4,810	4,355
Expenses not allowable for tax	309	1,172
Income not subject to tax	(2,656)	(1,737)
(Over) / Under provision of prior year income tax	(30)	208
Utilisation of tax losses brought forward	(38)	-
Over provision of prior year deferred tax assets	-	(40)
Deferred tax assets not recognised	-	28
Total tax charge for year	<u>16,865</u>	<u>10,202</u>

# Notes to the Consolidated Financial Statements

## 8 Tax expense - continued

The tax receivables represent the corporate income tax ("CIT") and value added tax ("VAT") that have yet to be refunded by the Indonesia tax authority. The tax receivables relating to CIT arose due to over payments of tax. The tax receivables relating to VAT arose because the majority of the Groups' CPO was sold to bonded zones which does not attract output VAT and thus the input VAT incurred is claimable. Upon submission of tax return (for CIT) or request letter (for VAT refund), a tax audit will be conducted by the tax authority and the refund process takes up to 12 months.

## 9 Earnings per ordinary share (EPS)

	2016 \$000	(Restated) 2015 \$000
Profit for the year attributable to owners of the Company before BA movement	32,563	10,263
BA movement	2,150	(488)
Earnings used in basic and diluted EPS	<u>34,713</u>	<u>9,775</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	-	38
- used in diluted EPS	<u>39,636</u>	<u>39,674</u>
Basic EPS before BA movement	82.16cts	25.89cts
Basic EPS after BA movement	87.58cts	24.66cts
Dilutive EPS before BA movement	82.16cts	25.87cts
Dilutive EPS after BA movement	87.58cts	24.64cts

## 10 Dividends

	2016 \$000	2015 \$000
Paid during the year		
Final dividend of 1.75p per ordinary share for the year ended 31 December 2015 (2014: 3.0p)	<u>1,003</u>	<u>1,869</u>
Proposed final dividend of 3.0p per ordinary share for the year ended 31 December 2016 (2015: 1.75p)	<u>1,463</u>	<u>1,028</u>

The proposed dividend for 2016 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

## 11 Property, plant and equipment

	Plantations \$000	Mill \$000	Leasehold land \$000	Buildings \$000	Estate plant, equipment & vehicle \$000	Office plant, equipment & vehicle \$000	Construction in progress \$000	Total \$000
<u>Cost or valuation</u>								
At 1 January 2015 (restated)	174,905	51,656	150,982	39,043	15,515	1,202	3,020	436,323
Exchange translations	(19,470)	(5,596)	(16,936)	(4,331)	(1,721)	(166)	(268)	(48,488)
Reclassification	-	(11)	-	7,477	11	-	(7,477)	-
Revaluations	-	-	4,902	-	-	-	-	4,902
Additions	63	11,161	1,727	32	702	58	5,402	19,145
Development costs capitalised	17,104	-	14	-	-	-	663	17,781
Disposal / Written off	(564)	(298)	-	(119)	(353)	(6)	-	(1,340)
Conversion of rubber to oil palm	(123)	-	-	-	-	-	-	(123)
<b>At 31 December 2015 (restated)</b>	<b>171,915</b>	<b>56,912</b>	<b>140,689</b>	<b>42,102</b>	<b>14,154</b>	<b>1,088</b>	<b>1,340</b>	<b>428,200</b>
<b>Exchange translations</b>	<b>3,720</b>	<b>1,440</b>	<b>2,773</b>	<b>998</b>	<b>287</b>	<b>1</b>	<b>37</b>	<b>9,256</b>
<b>Reclassification</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>3,608</b>	<b>-</b>	<b>-</b>	<b>(3,609)</b>	<b>-</b>
<b>Revaluations</b>	<b>-</b>	<b>-</b>	<b>2,246</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,246</b>
<b>Additions</b>	<b>57</b>	<b>8,665</b>	<b>2,001</b>	<b>765</b>	<b>927</b>	<b>36</b>	<b>2,846</b>	<b>15,297</b>
<b>Development costs capitalised</b>	<b>13,393</b>	<b>-</b>	<b>933</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>861</b>	<b>15,187</b>
<b>Disposals / Written off</b>	<b>(2,042)</b>	<b>(225)</b>	<b>(65)</b>	<b>(229)</b>	<b>(540)</b>	<b>(142)</b>	<b>-</b>	<b>(3,243)</b>
<b>At 31 December 2016</b>	<b>187,043</b>	<b>66,793</b>	<b>148,577</b>	<b>47,244</b>	<b>14,828</b>	<b>983</b>	<b>1,475</b>	<b>466,943</b>
<u>Accumulated depreciation and impairment</u>								
At 1 January 2015 (restated)	41,861	13,884	-	9,075	10,181	898	-	75,899
Exchange translations	(5,574)	(1,496)	-	(1,066)	(1,187)	(134)	-	(9,457)
Reclassification	-	(11)	-	-	11	-	-	-
Charge for the year	6,788	2,931	-	2,270	1,432	135	-	13,556
Impairment losses	12,470	-	-	-	-	-	-	12,470
Disposal / Written off	-	(277)	-	(60)	(285)	(6)	-	(628)
Conversion of rubber to oil palm	(84)	-	-	-	-	-	-	(84)
<b>At 31 December 2015 (restated)</b>	<b>55,461</b>	<b>15,031</b>	<b>-</b>	<b>10,219</b>	<b>10,152</b>	<b>893</b>	<b>-</b>	<b>91,756</b>
<b>Exchange translations</b>	<b>833</b>	<b>371</b>	<b>-</b>	<b>190</b>	<b>182</b>	<b>(2)</b>	<b>-</b>	<b>1,574</b>
<b>Charge for the year</b>	<b>8,260</b>	<b>3,371</b>	<b>-</b>	<b>2,685</b>	<b>1,286</b>	<b>75</b>	<b>-</b>	<b>15,677</b>
<b>Impairment losses</b>	<b>2,740</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,740</b>
<b>Disposal / Written off</b>	<b>(636)</b>	<b>(215)</b>	<b>-</b>	<b>(141)</b>	<b>(466)</b>	<b>(136)</b>	<b>-</b>	<b>(1,594)</b>
<b>At 31 December 2016</b>	<b>66,658</b>	<b>18,558</b>	<b>-</b>	<b>12,953</b>	<b>11,154</b>	<b>830</b>	<b>-</b>	<b>110,153</b>
<u>Carrying amount</u>								
At 31 December 2014 (restated)	133,044	37,772	150,982	29,968	5,334	304	3,020	360,424
At 31 December 2015 (restated)	116,454	41,881	140,689	31,883	4,002	195	1,340	336,444
<b>At 31 December 2016</b>	<b>120,385</b>	<b>48,235</b>	<b>148,577</b>	<b>34,291</b>	<b>3,674</b>	<b>153</b>	<b>1,475</b>	<b>356,790</b>

# Notes to the Consolidated Financial Statements

## 11 Property, plant and equipment - continued

The Group engaged Muttaqin Bambang Purwanto Rozak Uswatun & Rekan (MBPRU) with its head office located in Jakarta, Indonesia to undertake the land valuation for the Group. 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)'. For the year ended 31 December 2016, valuations were undertaken on the land of eight subsidiaries. The increase per hectare derived from the current valuation was then applied to the land value of the remaining companies in the same geographical location to derive at the fair value of land as at 31 December 2016. For the year ended 31 December 2015, independent land valuations were undertaken for nine subsidiary companies in Indonesia and Malaysia. The same methodology to fair value land was adopted to value the land of the remaining companies as at 31 December 2015. 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 \$46,982,000 (2015: \$43,713,000).

PT Simpang Ampat's land was valued on the basis that its highest and best use is oil palm plantation. At present the land is planted with rubber trees, however the Group has the intention to replace the ageing rubber trees with oil palm trees.

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

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair value \$000
<u>Land</u>				
At 31 December 2016	-	-	148,577	148,577
At 31 December 2015	-	-	140,689	140,689

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 land and 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

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

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

The estates include \$325,000 (2015: \$483,000) of interest and \$3,930,000 (2015: \$4,909,000) of overheads capitalised during the year in respect of expenditure on estates under development.

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.

Impairment for plantations is measured by comparing its carrying amount with its recoverable amount, which is the higher of the fair value less cost to sell and its value in use. The impairment loss of \$12,470,000 recognised in 2015 was primarily due to the lower CPO price and higher cost of new planting. In 2016, although the CPO price has improved but the Group incurred higher cost for new planting hence there was a further impairment of \$2,740,000.

# Notes to the Consolidated Financial Statements

## 11 Property, plant and equipment - continued

The value in use is the net present value of the projected future cash flows over the expected 20-year economic life of the asset discounted at 15.0% (2015: 15.5%). Projected future cash flows are calculated based on historical data, industry performance, economic conditions and any other readily available information.

The fair value less cost to sell is computed by professional valuer, MBPRU using discounted cash flow ("DCF") over the expected 20-year economic life of the asset. The assumptions applied in the valuation are, inter-alia, listed as below:

	<b>2016</b>	2015
CPO selling price	<b>\$700/mt</b>	\$625/mt
Cost of selling as a percentage of the asset's fair value	<b>4.5%</b>	4.5%
Overhead cost as a percentage of revenue	<b>10%</b>	10%
Notional rent as a percentage of land value	<b>9%</b>	9%
Discount rate	<b>17.4%</b>	16.8%

The plantations carried at fair value less cost to sell are classified as Level 3 in the fair value hierarchy.

Changes to the assumptions adopted in the projected future cash flows would affect the amount of impairment. The recoverable amount of the Group's plantations carried at fair value less cost to sell was \$2,099,000 (2015: \$2,738,000) whereas the recoverable amount of the Group's plantations carried at value in use was \$17,869,000 (2015:\$23,654,000).

## 12 Receivables: non-current

	2016		2015	
	Book value \$000	Fair value \$000	Book value \$000	Fair value \$000
Due from non-controlling interests	578	424	1,193	924
Due from cooperatives under Plasma scheme	3,313	2,973	2,231	2,056
Due from village smallholder schemes	-	-	231	213
	<b>3,891</b>	<b>3,397</b>	<b>3,655</b>	<b>3,193</b>

The non-controlling interests in PT Alno Agro Utama and PT Cahaya Pelita Andhika have acquired their interests on deferred terms (see note 25, 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 \$3,313,000 (2015: \$2,231,000) for the land allocated to the cooperatives which the cooperatives will repay.

In 2015, amount due from village smallholder schemes represents expenditure on planting and maintaining to maturity oil palms on communal land owned by 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.

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% (2015: 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 5.56% (2015: 5.57%)	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 5.57% for year 2015.	Discount rate	The higher the discount rate, the lower the fair value

# Notes to the Consolidated Financial Statements

## 13 Inventories

	2016 \$000	2015 \$000
Estate and mill consumables	4,720	5,887
Processed produce for sale	4,499	806
	<u>9,219</u>	<u>6,693</u>

## 14 Biological assets

	2016 \$000	2015 \$000
At 1 January	3,673	4,895
Changes in fair value less cost to sell	108,013	85,022
Decreases due to harvest	(104,630)	(85,754)
Exchange translations	51	(490)
At 31 December	<u>7,107</u>	<u>3,673</u>

The valuation of the unharvested FFB was carried out internally for each plantation of the Group. It involved an estimation of the weight of unharvested FFB at balance sheet date multiplied with the sum of average FFB selling price less average harvesting cost of the last month prior to the balance sheet date. The weight derived from the computation of the percentage of growth based on the data extracted from the research reference "The Reflection of Moisture Content on Palm Oil Development during the Ripening Process of Fresh Fruits" multiplied with the estimated FFB harvested two months' post balance sheet date.

The fair value of biological assets is classified as Level 3 in the fair value hierarchy.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of biological assets, 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
Biological assets - Unharvested produce	Based on FFB weight multiply by the sum of FFB selling price less harvesting cost	FFB weight	The higher the weight, the higher the fair value
		FFB selling price	The higher the selling price, the higher the fair value
		Harvesting cost	The higher the harvesting cost, the lower the fair value

## 15 Trade and other receivables

	2016 \$000	2015 \$000
Trade receivables	778	271
Other receivables	4,683	4,211
Prepayments and accrued income	306	222
	<u>5,767</u>	<u>4,704</u>

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

# Notes to the Consolidated Financial Statements

## 16 Loans and borrowings

	2016		2015	
	Book value \$000	Fair value \$000	Book value \$000	Fair value \$000
<b>Non-current</b>				
Long term loan (a)	2,875	2,782	4,000	3,899
Long term loan (b)	25,000	24,055	28,875	28,407
	<u>27,875</u>	<u>26,837</u>	<u>32,875</u>	<u>32,306</u>
<b>Current</b>				
Long term loan (a)	1,125	1,125	625	625
Long term loan (b)	5,078	5,078	1,125	1,125
	<u>6,203</u>	<u>6,203</u>	<u>1,750</u>	<u>1,750</u>
<b>Total loans and borrowings</b>	<u>34,078</u>	<u>33,040</u>	<u>34,625</u>	<u>34,056</u>
Amounts repayable after more than one year, as follows:				
in more than one year but not more than two years	8,594		12,750	
in more than two years but not more than five years	19,281		20,125	
	<u>27,875</u>		<u>32,875</u>	

- (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 repayment 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 to utilise for repayment of 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 rate in 2016 was about 5.38% (2015: 5.38%). 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 repayment 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 rate in 2016 was about 5.73% (2015: 5.76%). The loan is repayable from 30 December 2016 to 30 September 2020.

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:

	2016		2015	
	Book value \$000	Fair value \$000	Book value \$000	Fair value \$000
Loans and borrowings	34,078	33,040	34,625	34,056

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.

## 17 Trade and other payables

	2016 \$000	2015 \$000
Trade payables	5,950	7,732
Other payables	3,234	2,956
Accruals	6,870	6,718
	<u>16,054</u>	<u>17,406</u>

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

# Notes to the Consolidated Financial Statements

## 18 Deferred tax

The movement on the deferred tax account is as shown below:

	2016 \$000	(Restated) 2015 \$000
At 1 January	(19,373)	(25,577)
Recognised in profit and loss:		
Tax expense	4,387	4,892
BA movement	(844)	183
Recognised in other comprehensive income:		
Revaluation of leasehold land	(494)	(1,266)
Retirement benefits	188	(111)
Exchange differences	(476)	2,506
At 31 December	<u>(16,612)</u>	<u>(19,373)</u>

The deferred tax asset and liability, together with the amounts recognised in profit or loss and other comprehensive income are detailed as follows:

	Asset \$000	Liability \$000	Net \$000	(Charged)/ credited to profit or loss \$000	(Charged)/ credited to equity \$000
2016					
Revaluation surplus	-	(27,585)	(27,585)	-	(494)
Retirement benefits	1,661	-	1,661	320	188
BA movement	-	(1,775)	(1,775)	(844)	-
Unutilised tax losses	11,558	-	11,558	4,444	-
Unremitted earnings	-	(545)	(545)	(545)	-
Other temporary differences	232	(158)	74	168	-
Tax assets / (liabilities)	<u>13,451</u>	<u>(30,063)</u>	<u>(16,612)</u>	<u>3,543</u>	<u>(306)</u>
2015 (restated)					
Revaluation surplus	-	(26,450)	(26,450)	24	(1,266)
Retirement benefits	1,127	-	1,127	249	(111)
BA movement	-	(918)	(918)	183	-
Unutilised tax losses	6,970	-	6,970	4,386	-
Other temporary differences	214	(316)	(102)	233	-
Tax assets / (liabilities)	<u>8,311</u>	<u>(27,684)</u>	<u>(19,373)</u>	<u>5,075</u>	<u>(1,377)</u>
				<b>2016</b>	2015
				<b>\$000</b>	<b>\$000</b>

A deferred tax asset has not been recognised for the following items:

Unutilised tax losses	2,832	2,842
-----------------------	-------	-------

The Groups recognised tax assets arising from the unutilised tax losses of certain subsidiaries as the Group believes that the tax assets of these subsidiaries can be realised in the future periods based on its budget. However, the Group does not recognise the tax losses of certain companies in the Group as tax assets as the future recoverability of losses of these companies cannot be certain.

# Notes to the Consolidated Financial Statements

## 19 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 the 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 asset 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 asset 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:

	2016	2015
Inflation	5.0%	5.0%
Rate of increase in wages	8.0%	8.0%
Rate of return on scheme assets	9.0%	8.3%
Discount rate	8.5%	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 employee's service up to the end of the financial year.

The Group provides other long-term employee benefit in form of Long Service Award. Long Service Award is eligible for staff employees who have 10 and 20 years of service and non-staff employees who have 25 years of service and every 5 years after.

	2016	2015
	\$000	\$000
Service cost		
Current service cost	1,076	1,016
Past service cost	385	20
Net interest expense	465	342
Actuarial gain	(15)	-
<b>Total employee benefits expense</b>	<b>1,911</b>	<b>1,378</b>



# Notes to the Consolidated Financial Statements

## 19 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	Unfunded	Total	Funded	Unfunded	Total	Funded	Unfunded	Total
	scheme	scheme		scheme	scheme		scheme	scheme	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 1 January 2015	(5,674)	(2,277)	(7,951)	3,506	-	3,506	(2,168)	(2,277)	(4,445)
Service cost – current	(492)	(524)	(1,016)	-	-	-	(492)	(524)	(1,016)
Service cost - past	(20)	-	(20)	-	-	-	(20)	-	(20)
Interest (cost) / income	(417)	(197)	(614)	272	-	272	(145)	(197)	(342)
Included in comprehensive income	(929)	(721)	(1,650)	272	-	272	(657)	(721)	(1,378)
Remeasurement (loss) / gain									
Actuarial (loss) / gain from:									
Adjustments (experience)	(180)	14	(166)	-	-	-	(180)	14	(166)
Financial assumptions	381	278	659	-	-	-	381	278	659
Return on plan assets (exclude interest)	-	-	-	(48)	-	(48)	(48)	-	(48)
Included in other comprehensive income	201	292	493	(48)	-	(48)	153	292	445
Effect of movements in exchange rates	596	244	840	(369)	-	(369)	227	244	471
Employer contributions	-	-	-	274	-	274	274	-	274
Benefits paid	190	54	244	(139)	-	(139)	51	54	105
Other movements	786	298	1,084	(234)	-	(234)	552	298	850
At 31 December 2015	(5,616)	(2,408)	(8,024)	3,496	-	3,496	(2,120)	(2,408)	(4,528)

# Notes to the Consolidated Financial Statements

## 19 Retirement benefits - continued

	Defined benefit obligation			Fair value of scheme assets			Net defined scheme liability		
	Funded scheme	Unfunded scheme	Total	Funded scheme	Unfunded scheme	Total	Funded scheme	Unfunded scheme	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>At 31 December 2015</b>	<b>(5,616)</b>	<b>(2,408)</b>	<b>(8,024)</b>	<b>3,496</b>	<b>-</b>	<b>3,496</b>	<b>(2,120)</b>	<b>(2,408)</b>	<b>(4,528)</b>
Service cost - current	(515)	(561)	(1,076)	-	-	-	(515)	(561)	(1,076)
Service cost - past	1	(386)	(385)	-	-	-	1	(386)	(385)
Interest (cost) / income	(511)	(285)	(796)	331	-	331	(180)	(285)	(465)
Actuarial gain	-	15	15	-	-	-	-	15	15
Included in comprehensive income	(1,025)	(1,217)	(2,242)	331	-	331	(694)	(1,217)	(1,911)
<b>Remeasurement (loss) / gain</b>									
Actuarial (loss) / gain from:									
Adjustments (experience)	(163)	2	(161)	-	-	-	(163)	2	(161)
Financial assumptions	(278)	(217)	(495)	-	-	-	(278)	(217)	(495)
Return on plan assets (exclude interest)	-	-	-	(99)	-	(99)	(99)	-	(99)
Included in other comprehensive income	(441)	(215)	(656)	(99)	-	(99)	(540)	(215)	(755)
<b>Effect of movements in exchange rates</b>									
Employer contributions	-	-	-	377	-	377	377	-	377
Benefits paid	350	85	435	(183)	-	(183)	167	85	252
Other movements	211	34	245	283	-	283	494	34	528
<b>At 31 December 2016</b>	<b>(6,871)</b>	<b>(3,806)</b>	<b>(10,677)</b>	<b>4,011</b>	<b>-</b>	<b>4,011</b>	<b>(2,860)</b>	<b>(3,806)</b>	<b>(6,666)</b>

# Notes to the Consolidated Financial Statements

## 19 Retirement benefits - continued

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

	2016 \$000	2015 \$000
A change of 1% in the discount rate		
-1% in discount rate	1,118	860
+1% in discount rate	(1,001)	(758)
A change of 1% in wages		
-1% in wages	(1,052)	(799)
+1% in wages	1,158	895

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

Year	\$000
2017	759
2018 to 2021	3,095
2022 to 2026	8,940
after 2026	93,434
Total	<u>106,228</u>

## 20 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	<b>60,000,000</b>	<b>39,976,272</b>	<b>15,000</b>	<b>9,994</b>	<b>23,865</b>	<b>15,504</b>
					<b>Cost</b>	<b>Cost</b>
Treasury shares:		<b>2016</b>	<b>2015</b>		<b>2016</b>	<b>2015</b>
Beginning of year		<b>Number</b>	<b>Number</b>		<b>\$'000</b>	<b>\$'000</b>
Share options exercised		<b>339,900</b>	339,900		(1,171)	(1,171)
End of year		-	-		-	-
		<b>339,900</b>	339,900		<b>(1,171)</b>	<b>(1,171)</b>
Market value of treasury shares:						\$'000
Beginning of year (531.0p/share)						2,675
End of year (674.5p/share)						<b>2,821</b>

No treasury shares were purchased in 2016 (2015: Nil).

## 21 Ultimate controlling shareholder

At 31 December 2016, Genton International Limited, a company registered in Hong Kong, held 20,247,814 (2015: 20,247,814) shares of the Company representing 51.1% (2015: 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.

## 22 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

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 \$21,348 (2015: \$28,978). This contract is on an arm's length basis. There was no outstanding at year end (2015: \$3,057).

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 \$275,610 (2015: \$307,567). There was no balance outstanding at year end (2015: Nil).

# Notes to the Consolidated Financial Statements

## 23 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.

## 24 Guarantees and other financial commitments

	2016 \$000	2015 \$000
Capital commitments at 31 December		
Contracted but not provided - normal estate operations	755	5,325
Authorised but not contracted - plantation and mill development	32,034	37,719

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 12, in relation to a loan taken by KBSS from PT Bank Mandiri (Persero) Tbk. of Rp226.02 billion (\$16.8 million) (2015: Rp226.02 billion, \$16.4 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 title separation approval is obtained. In addition, the terms and conditions of the loan agreement require KBSS to sell all the FFB produce to SGM and its plantation estate is to be managed by SGM. In view of these, the Group exposure to this contingent liability is minimised.

## 25 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 2016 and 2015 were:

	Loans and receivables \$000	Financial liabilities at amortised cost \$000	Total carrying value \$000
<b>2016</b>			
Non-current receivables	3,891	-	3,891
Trade and other receivables	5,461	-	5,461
Cash and cash equivalent	118,176	-	118,176
Borrowings due within one year	-	(6,203)	(6,203)
Trade and other payables	-	(16,054)	(16,054)
Borrowings due after one year	-	(27,875)	(27,875)
	<u>127,528</u>	<u>(50,132)</u>	<u>77,396</u>
	Loans and receivables \$000	Financial liabilities at amortised cost \$000	Total carrying value \$000
<b>2015</b>			
Non-current receivables	3,655	-	3,655
Trade and other receivables	4,482	-	4,482
Cash and cash equivalent	104,614	-	104,614
Borrowings due within one year	-	(1,750)	(1,750)
Trade and other payables	-	(17,406)	(17,406)
Borrowings due after one year	-	(32,875)	(32,875)
	<u>112,751</u>	<u>(52,031)</u>	<u>60,720</u>

# Notes to the Consolidated Financial Statements

## 25 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 12); and
- Loans and borrowings (note 16).

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 \$66,971,000 (2015: \$67,591,000), while the balance sheet value of the Group's share of underlying assets at 31 December 2016 amounted to \$395,146,000 (2015: \$350,734,000).

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. The Company will continue to partially match US Dollar cash balances with US Dollar financial liabilities. The average interest rate on local currency deposits was 3.90% higher than on US Dollar deposits whereas interest rate for local currency borrowing was about 5.31% higher as compared to US Dollar borrowing. The unmatched balance at 31 December 2016 is represented by the \$20,991,000 shown in the table below (2015: \$26,397,000). If the Group's net cash position continues to improve then US Dollar cash balances will continue to increase through 2017.

The table below shows the net monetary assets and liabilities of the Group at 31 December 2016 and 2015 that were not denominated in the operating or functional currency of the operating unit involved.

	<b>Net foreign currency assets/(liabilities)</b>		
	<b>US Dollar \$000</b>	<b>Sterling \$000</b>	<b>Total \$000</b>
<b>Functional currency of Group operation</b>			
<b>2016</b>			
Indonesian Rupiah	(20,991)	-	(20,991)
US Dollar	-	63	63
<b>Total</b>	<b>(20,991)</b>	<b>63</b>	<b>(20,928)</b>
<b>2015</b>			
Indonesian Rupiah	(26,397)	-	(26,397)
US Dollar	-	117	117
<b>Total</b>	<b>(26,397)</b>	<b>117</b>	<b>(26,280)</b>

# Notes to the Consolidated Financial Statements

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

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:

	Carrying Amount US\$ \$000	2016		Carrying Amount US\$ \$000	2015	
		-10% in Rp : \$ and RM : \$ \$000	+10% in Rp : \$ and RM : \$ \$000		-10% in Rp : \$ and RM : \$ \$000	+10% in Rp : \$ and RM : \$ \$000
<b>Financial Assets</b>						
Non-current receivables	3,891	(301)	368	3,655	(224)	274
Trade and other receivables	5,461	(245)	300	4,482	(225)	276
Cash and cash equivalents	118,176	(10,721)	13,103	104,614	(9,410)	11,502
<b>Financial Liabilities</b>						
Borrowings due within one year	(6,203)	-	-	(1,750)	-	-
Trade and other payables	(16,054)	1,373	(1,679)	(17,406)	1,458	(1,782)
Borrowings due after one year	(27,875)	-	-	(32,875)	-	-
Total increase / (decrease)		(9,894)	12,092		(8,401)	10,270

### 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 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 2016 the Group had the following loans and facilities.

	Borrowings \$000	Facilities \$000	Repayable
Indonesia:			
US Dollar denominated – long term loan	34,078	45,000	2017 – 2020 (note 16)

The total loan borrowings together with interest at current rates is as follows:

	2016 \$000	2015 \$000
Principal	34,078	34,625
Interest	3,890	6,140
Total	37,968	40,765
Amount repayable within one year	6,555	1,848
Amount repayable after one year but not more than two years	1,388	2,279
Amount repayable after two years but not more than five years	30,025	28,650
Amount repayable after five years	-	7,988
	37,968	40,765

Forecasts prepared in December 2016 indicate that the Group has sufficient funds to meet its development plans and financial commitments through 2017.

All the long term loans include varying covenants covering minimum net worth and cash balances, dividend and interest cover and debt service ratios. The subsidiary companies concerned have complied with the covenants as stated in the loan agreement.

# Notes to the Consolidated Financial Statements

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

### Interest rate risk

Both the Group's surplus cash and its borrowings are subject to variable interest rates. The Group had net cash throughout 2016, 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 16.

	Carrying amount \$000	2016		Carrying amount \$000	2015	
		-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	118,176	(820)	865	104,614	(797)	857
<b>Financial Liabilities</b>						
Borrowings due within one year	(6,203)	-	-	(1,750)	-	-
Borrowings due after one year	(27,875)	341	(341)	(32,875)	346	(346)
Total increase / (decrease)		(479)	524		(451)	511

There is no policy to hedge interest rates, partly because of the net cash position and the net interest income position of the Group.

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>2016</b>				
Sterling	64	-	19	45
US Dollar	15,922	578	4,652	10,692
Rupiah	107,162	-	77,897	29,265
Ringgit	4,380	-	3,959	421
<b>Total</b>	<b>127,528</b>	<b>578</b>	<b>86,527</b>	<b>40,423</b>
<b>2015</b>				
Sterling	117	-	22	95
US Dollar	11,423	1,193	6,108	4,122
Rupiah	97,568	-	76,202	21,366
Ringgit	3,643	-	3,361	282
<b>Total</b>	<b>112,751</b>	<b>1,193</b>	<b>85,693</b>	<b>25,865</b>

Long term receivables of \$578,000 (2015: \$1,193,000) comprise US Dollar denominated amounts due from minority shareholders as described in note 12 on which interest is due at a fixed rate of 6%.

Average US Dollar deposit rate in 2016 was 1.25% (2015: 1.50%) and Rupiah deposit rate was 5.15% (2015: 8.97%).

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>2016</b>				
Sterling	-	-	-	-
US Dollar	(34,890)	-	(34,078)	(812)
Rupiah	(14,942)	-	-	(14,942)
Ringgit	(300)	-	-	(300)
<b>Total</b>	<b>(50,132)</b>	<b>-</b>	<b>(34,078)</b>	<b>(16,054)</b>
<b>2015</b>				
Sterling	-	-	-	-
US Dollar	(35,861)	-	(34,625)	(1,236)
Rupiah	(15,903)	-	-	(15,903)
Ringgit	(267)	-	-	(267)
<b>Total</b>	<b>(52,031)</b>	<b>-</b>	<b>(34,625)</b>	<b>(17,406)</b>



# Notes to the Consolidated Financial Statements

---

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

Weighted average interest rate on variable rate borrowings was 5.69% in 2016 (2015: 5.70%).

### *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 2016 (2015: Nil).

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. The Group has taken necessary steps and precautions in minimising the credit risk by lodging cash and cash equivalents only with reputable licensed banks, both local and foreign, with geographical spread of the three jurisdictions in which the Group operates in. The cash and cash equivalents are in US dollars, Rupiah, Ringgit and Sterling according to the requirements of the Group. 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 \$578,000 (2015: \$1,193,000), 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 12, 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 24.

### *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 \$363,111,000 at 31 December 2016 (2015: \$321,015,000).

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 2016 (2015: 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 18 - 22.

# Notes to the Consolidated Financial Statements

## 26 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	
		2016	2015	2016	2015
<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 Empat	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%	-	-
Mergerset (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. The registered office of the principal subsidiaries are disclosed below:

Subsidiaries by country	Registered address
UK registered subsidiaries	Quadrant House, 6 <sup>th</sup> Floor 4 Thomas More Square London E1W 1YW United Kingdom
Malaysia registered subsidiaries	7 <sup>th</sup> Floor, Wisma Equity 150 Jalan Ampang 50450 Kuala Lumpur Malaysia
Indonesia registered subsidiaries	3 <sup>rd</sup> Floor, Wisma HSBC, Jalan Diponegoro, Kav 11 Medan 20152 North Sumatera Indonesia

# Notes to the Consolidated Financial Statements

## 27 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	PT Tasik Raja		PT Mitra Puding Mas		PT Alno Agro Utama		PT Bina Pitri Jaya		PT Sawit Graha Manunggal	
NCI percentage	20%		10%		10%		20%		18%	
<b>Summarised income statement</b>										
For the year ended 31 December										
	(Restated)		(Restated)		(Restated)		(Restated)		(Restated)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue	48,600	38,888	33,885	29,559	53,943	46,775	40,169	37,129	24,342	11,426
Profit / (Loss) after tax	13,065	12,499	7,959	5,902	10,327	4,044	14,011	13,512	(725)	(8,826)
Other comprehensive income / (expense)	4,505	(15,923)	1,973	(6,295)	2,461	(6,547)	2,824	(10,021)	(268)	(1,471)
Total comprehensive income / (expense)	17,570	(3,424)	9,932	(393)	12,788	(2,503)	16,835	3,491	(993)	(10,297)
Profit / (Loss) allocated to NCI	2,613	2,500	796	590	1,033	404	2,802	2,702	(132)	(1,606)
Other comprehensive income / (expense) allocated to NCI	901	(3,185)	197	(630)	246	(655)	565	(2,004)	(49)	(268)
Total comprehensive income / (expense) allocated to NCI	3,514	(685)	993	(40)	1,279	(251)	3,367	698	(181)	(1,874)
Dividends paid to NCI	501	91	475	23	300	20	441	28	-	-
<b>Summarised statement of financial position</b>										
As at 31 December										
	(Restated)		(Restated)		(Restated)		(Restated)		(Restated)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Non-current assets	217,483	176,681	38,535	34,531	54,059	52,607	78,780	49,828	79,559	73,091
Current assets	18,188	20,953	30,929	25,041	22,580	11,115	28,541	41,806	7,371	4,035
Non-current liabilities	(86,157)	(63,448)	(3,601)	(3,076)	(7,462)	(6,401)	(3,204)	(2,687)	(78,594)	(71,068)
Current liabilities	(6,342)	(5,320)	(5,927)	(1,544)	(5,603)	(3,277)	(4,873)	(3,848)	(8,245)	(4,960)
Net assets	143,172	128,866	59,936	54,952	63,574	54,044	99,244	85,099	91	1,098
Accumulated NCI	28,634	25,773	5,994	5,495	6,357	5,404	19,849	17,020	17	200
<b>Summarised cash flows</b>										
For the year ended 31 December										
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash flows from / (used in) operating activities	18,180	9,016	9,910	1,844	13,716	7,542	11,563	14,207	(214)	(1,834)
Cash flows from / (used in) investing activities	3,492	(10,506)	(3,758)	(1,098)	1,290	(5,411)	(105)	(3,405)	(9,216)	(12,930)
Cash flows from / (used in) financing activities	(19,020)	(10,452)	9,630	(7,715)	(1,513)	(196)	(28,167)	(17,895)	10,498	15,081
Net cash inflows / (outflows)	2,652	(11,942)	15,782	(6,969)	13,493	1,935	(16,709)	(7,093)	1,068	317

# Company Balance Sheet

As at 31 December 2016

	Note	2016 \$000	2015 \$000
<b>Fixed assets</b>			
Investments in subsidiaries	3	66,971	67,591
		<b>66,971</b>	67,591
<b>Current assets</b>			
Debtors	4	1,837	2,252
Cash at bank and in hand		245	1,099
		<b>2,082</b>	3,351
<b>Creditors: amount falling due within one year</b>			
Net current liabilities	5	(3,221)	(3,996)
		<b>(1,139)</b>	(645)
<b>Net assets</b>		<b>65,832</b>	66,946
<b>Capital and reserves</b>			
Share capital	6	15,504	15,504
Treasury shares	6	(1,171)	(1,171)
Share premium		23,935	23,935
Capital redemption reserve		1,087	1,087
Exchange reserve		3,872	3,872
Retained earnings at 1 January		23,719	26,499
Loss for the year		(111)	(911)
Dividends paid		(1,003)	(1,869)
Retained earnings		22,605	23,719
<b>Shareholders' funds</b>		<b>65,832</b>	66,946

The financial statements were approved by the Board of Directors and authorised for issue on 26 April 2017 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.

# Company Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital \$000	Treasury shares \$000	Share premium \$000	Capital redemption reserve \$000	Exchange reserve \$000	Retained earnings \$000	Total \$000
Balance at 31 December 2014	15,504	(1,171)	23,935	1,087	3,872	26,499	69,726
Comprehensive income for the year							
Loss for the year	-	-	-	-	-	(911)	(911)
Total comprehensive expense for the year	-	-	-	-	-	(911)	(911)
Dividends paid	-	-	-	-	-	(1,869)	(1,869)
<b>Balance at 31 December 2015</b>	<b>15,504</b>	<b>(1,171)</b>	<b>23,935</b>	<b>1,087</b>	<b>3,872</b>	<b>23,719</b>	<b>66,946</b>
Comprehensive income for the year							
Loss for the year	-	-	-	-	-	(111)	(111)
Total comprehensive expense for the year	-	-	-	-	-	(111)	(111)
Dividends paid	-	-	-	-	-	(1,003)	(1,003)
<b>Balance at 31 December 2016</b>	<b>15,504</b>	<b>(1,171)</b>	<b>23,935</b>	<b>1,087</b>	<b>3,872</b>	<b>22,605</b>	<b>65,832</b>

The accompanying notes are an integral part of this statement of changes in equity.

# Notes to the Company Financial Statements

---

## 1 Accounting policies

### *Basis of preparation*

The financial statements have been prepared in accordance with Financial Reporting Standard 100 *Application of Financial Reporting Requirements* ("FRS 100") and Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

### *Disclosure exemptions adopted*

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of Anglo-Eastern Plantations Plc group of companies.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- Share based payments;
- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value); or
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

### *Principal accounting policies*

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

### *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. The presentation currency used is US Dollar and amounts have been presented in round thousands ("'\$000'"). 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. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

### *Investments*

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

### *Share based payments*

As set out under Group accounting policies on page 65.

### *Deferred taxation*

A deferred tax asset has not been recognised in relation to brought forward tax losses of \$9.5m (2015: 9.5m) 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.

# Notes to the Company Financial Statements

## 2 Profit and loss account

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 for the year for the Company dealt with in the consolidated financial statements of the Company was \$97,000 (2015: \$906,000) and loss after tax for the year was \$111,000 (2015: \$911,000).

The remuneration of the directors of the Company is disclosed in note 7 to the consolidated financial statements. Auditor's remuneration is disclosed in note 5 to the consolidated financial statements.

## 3 Investments in subsidiaries

	Investments in subsidiary undertakings \$000	Loans to subsidiary undertakings \$000	Total \$000
At 1 January 2015	2,810	65,232	68,042
Movements during the year	-	(451)	(451)
At 31 December 2015	<b>2,810</b>	<b>64,781</b>	<b>67,591</b>
Movements during the year	<b>11,378</b>	<b>(11,998)</b>	<b>(620)</b>
At 31 December 2016	<b>14,188</b>	<b>52,783</b>	<b>66,971</b>
		<b>2016</b>	2015
Net carrying amount		<b>\$000</b>	\$000
At 31 December		<b>66,971</b>	67,591

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.

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 were extended to year 2017 with the terms and conditions remain unchanged.

The following subsidiary undertakings are directly held by the Company.

Directly held	Proportion of voting rights and shares held	Nature of business
Anglo-Indonesian Oil Palms Limited	100%	Investment holding
Indopalm Services Limited	100%	Management service
Anglo-Eastern Plantations (M) Sdn Bhd	55%	Plantation agriculture
Anglo-Eastern Plantations Management Sdn Bhd	100%	Management service

# Notes to the Company Financial Statements

## 3 Investments in subsidiaries - continued

The following were subsidiaries undertakings at the end of the year of AEP Plc and have been included in the consolidated financial statements.

Indirectly held	Proportion of voting rights and shares held	Nature of business
PT Alno Agro Utama	90%	Plantation agriculture
PT Anak Tasik	100%	Plantation agriculture
PT Bangka Malindo Lestari	95%	Plantation agriculture
PT Bina Pitri Jaya	80%	Plantation agriculture
PT Cahaya Pelita Andhika	90%	Plantation agriculture
PT Empat Lawang Agro Perkasa	95%	Plantation agriculture
PT Hijau Pryan Perdana	80%	Plantation agriculture
PT Kahayan Agro Plantation	95%	Plantation agriculture
PT Karya Kencana Sentosa Tiga	95%	Plantation agriculture
PT Mitra Puding Mas	90%	Plantation agriculture
PT Musam Utjing	75%	Plantation agriculture
PT Riau Agrindo Agung	95%	Plantation agriculture
PT Sawit Graha Manunggal	82%	Plantation agriculture
PT Simpang Empat	100%	Plantation agriculture
PT Tasik Raja	80%	Plantation agriculture
PT United Kingdom Indonesia Plantations	75%	Plantation agriculture
PT Anglo-Eastern Plantations Management Indonesia	100%	Management service
The Empat (Sumatra) Rubber Estate (1913) Limited	100%	Investment holding
Gadek Indonesia (1975) Limited	100%	Investment holding
Mergerset (1980) Limited	100%	Investment holding
Musam Indonesia Limited	100%	Investment holding

## 4 Debtors

	2016 \$000	2015 \$000
Amounts owed by group undertakings:		
Anglo-Eastern Plantations Management Sdn Bhd	1,299	1,930
Anglo-Eastern Plantations (M) Sdn Bhd	291	305
PT Hijau Pryan Perdana	50	-
PT Sawit Graha Manunggal	175	-
	<u>1,815</u>	<u>2,235</u>
Other debtors	22	17
	<u>1,837</u>	<u>2,252</u>

The amounts owed by group undertakings 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.

## 5 Creditors: amounts falling due within one year

	2016 \$000	2015 \$000
Amounts owed to group undertakings		
Mergerset (1980) Limited	2,163	2,163
Musam Indonesia Limited	246	246
PT Musam Utjing	-	121
PT Tasik Raja	-	230
	<u>2,409</u>	<u>2,760</u>
Accruals	812	1,236
	<u>3,221</u>	<u>3,996</u>

The amounts owed to group undertakings 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.



# Notes to the Company Financial Statements

## 6 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	<b>60,000,000</b>	<b>39,976,272</b>	<b>15,000</b>	<b>9,994</b>	<b>23,865</b>	<b>15,504</b>
					<b>Cost</b>	<b>Cost</b>
Treasury shares:		<b>2016</b>	2015		<b>2016</b>	2015
Beginning of year		<b>Number</b>	Number		<b>\$'000</b>	\$'000
Share options exercised		<b>339,900</b>	339,900		<b>(1,171)</b>	(1,171)
End of year		<b>-</b>	-		<b>-</b>	-
		<b>339,900</b>	339,900		<b>(1,171)</b>	(1,171)
Market value of treasury shares:						\$'000
Beginning of year (531.0p/share)						2,675
End of year (674.5p/share)						<b>2,821</b>

## 7 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 \$21,348 (2015: \$28,978). This contract is on an arm's length basis. There was no balance outstanding at year end (2015: \$3,057).

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 \$203,896 (2015: \$227,318). There was no balance outstanding at year end (2015: Nil).

Transactions between the Company and its subsidiaries are disclosed below:

Nature of transactions	Name	2016 \$000	2015 \$000
Management fees from	Anglo-Eastern Plantations Malaysia Sdn Bhd	65	57
Corporate guarantee fees from	PT Hijau Pryan Perdana	50	50
Corporate guarantee fees from	PT Sawit Graha Manunggal	175	175
Receivable from	Subsidiaries (note 4)	1,815	2,235
Payable to	Subsidiaries (note 5)	2,409	2,760

The details of the intercompany receivables and payables are disclosed in note 4 and note 5 of the Company financial statements respectively.

## 8 Employees' and Directors' remuneration

	2016 Number	2015 Number
Average numbers employed during the year		
- directors	4	4
- staff	-	-
	<b>4</b>	<b>4</b>
	<b>2016</b>	2015
	<b>\$000</b>	<b>\$000</b>
Staff costs		
Wages and salaries	(417)	-
Social security costs	-	-
	<b>(417)</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 45 - 49 of which certain information on page 49 has been audited.

	2016 \$000	2015 \$000
Directors' emoluments	<b>228</b>	240

# Notes to the Company Financial Statements

---

## 9 Dividends

	2016 \$000	2015 \$000
Paid during the year		
Final dividend of 1.75p per ordinary share for the year ended 31 December 2015 (2014: 3.0p)	<u>1,003</u>	<u>1,869</u>
Proposed final dividend of 3.0p per ordinary share for the year ended 31 December 2016 (2015: 1.75p)	<u>1,463</u>	<u>1,028</u>

The proposed dividend for 2016 is subject to shareholder approval at the forthcoming annual general meeting and has not been included as a liability in these financial statements.

## 10 Guarantees and other financial commitments

The Company has provided guarantees for loans to subsidiaries totalling \$45,000,000 (2015: \$45,000,000) as set out in note 16 of the consolidated financial statements.

# Notice of Annual General Meeting

---

Notice is hereby given that the thirty-second 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 Tuesday 27 June 2017 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 2016.
- 2 To approve the Directors' Remuneration Report, other than the part containing the directors' remuneration policy, in the form set out in the Company's annual report and accounts for the year ended 31 December 2016.
- 3 To approve the 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 2016.
- 4 To declare a final dividend.
- 5 To re-elect Madam Lim Siew Kim, a Non-Executive Director, who has served more than nine years.
- 6 To re-elect Dato' John Lim Ewe Chuan as a director.
- 7 To re-elect Lim Tian Huat as a Non-Executive Director.
- 8 To re-elect Jonathan Law Ngee Song as a Non-Executive Director
- 9 To re-appoint BDO LLP as auditors.
- 10 To authorise the directors to fix the remuneration of the auditors.
- 11 To consider the following resolution as an ordinary 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 2018 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).

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

That subject to and conditional on the passing of Resolution 11, 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 11 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 11 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,

# Notice of Annual General Meeting

---

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 11 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.  
Such power shall apply during the period expiring on the date of the next annual general meeting or on 30 June 2018 (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.

13 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 2018 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.

14 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  
25 May 2017

# Notice of Annual General Meeting

---

## 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 close of business on 23 June 2017 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 23 June 2017 or, if the meeting is adjourned, in the register of members at close of business 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 25 May 2017 (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 25 May 2017 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 by 11.00 a.m. on 23 June 2017 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 27 June 2017 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 11.00 a.m. on 23 June 2017. 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.

# Notice of Annual General Meeting

---

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:
  - (a) a copy of the Executive Director's service agreement;
  - (b) copies of Non-Executive Directors' letters of appointment;
  - (c) relationship agreement with the majority shareholder; and
  - (d) a copy of the Company's Articles of Association.
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 11 to 14 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.
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 Management 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  
3<sup>rd</sup> Floor, Wisma HSBC, Jalan Diponegoro, Kav 11  
Medan 20152  
North Sumatera  
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 Sumatera  
Indonesia

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

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

### Registrars

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU  
United Kingdom

### Solicitors

Withers LLP  
16 Old Bailey  
London EC4M 7EG  
United Kingdom

### Sponsor/Broker

Panmure Gordon (UK) Limited  
One New Change  
London EC4M 9AF  
United Kingdom