2017 Annual Report

Anglo-Eastern Plantations Plc

Company Number: 1884630

Contents

About Anglo-Eastern Plantations

The group comprising 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 128,200ha.

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

About Anglo-Eastern Plantations

Oil Palm Plantations
The Group has developed 53,000ha of mature oil palm in 17 plantations across Indonesia and Malaysia.

Oil Palm Development
An Oil Palm tree usually takes about three years from planting to harvest of the first crop and will reach full production after five years. The Group has approximately 12,000ha of recently planted immature plantations of which 3,500ha were planted in 2017, including replanting of 1,694ha.

Palm Oil Mills
The Group operates 6 palm oil mills in Indonesia processing up to a combined 295mt of fresh fruit bunches ("FFB") per hour. Besides processing the FFB, three of its mills have biogas plants equipped to capture methane gas emissions to generate electricity. In addition, one of the mills has a biomass plant which processes the empty fruit bunches ("EFB") into dried long fibres for export to China.

Third Party Palm Oil Processing
In 2017 the Group purchased approximately 998,400mt of FFB from third party producers comprising of small plantations and local farmers, for processing through its mills. The total FFB throughput at the Group's mills in 2017 was 1.9 million mt producing 390,600mt of crude palm oil ("CPO").

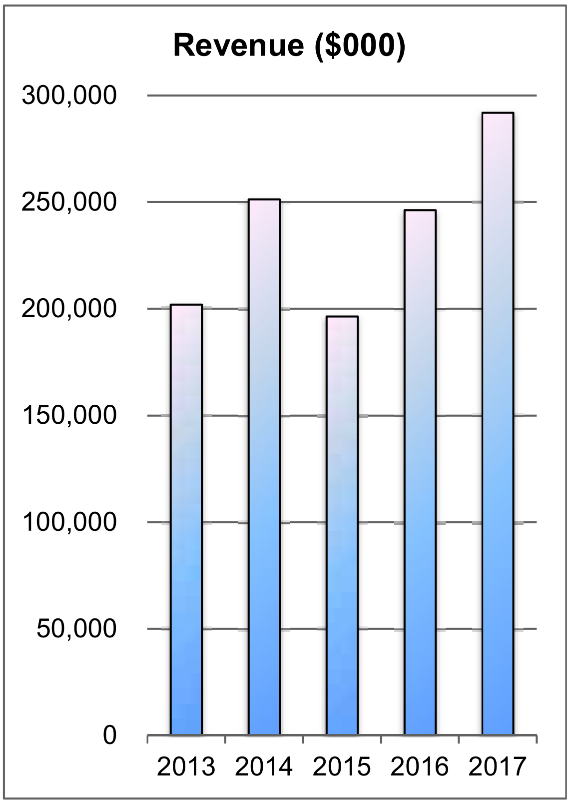
Rubber Plantations
The Group has 425ha of established rubber plantations which in 2017, produced 812mt of raw latex and rubber lumps. The size of rubber plantations will reduce further as the Group replaces ageing rubber trees with oil palm.

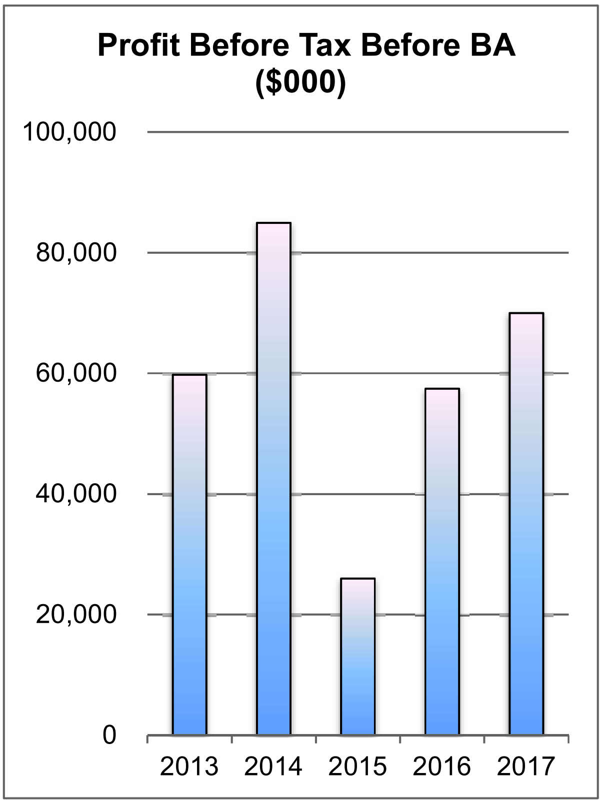
Financial Highlights

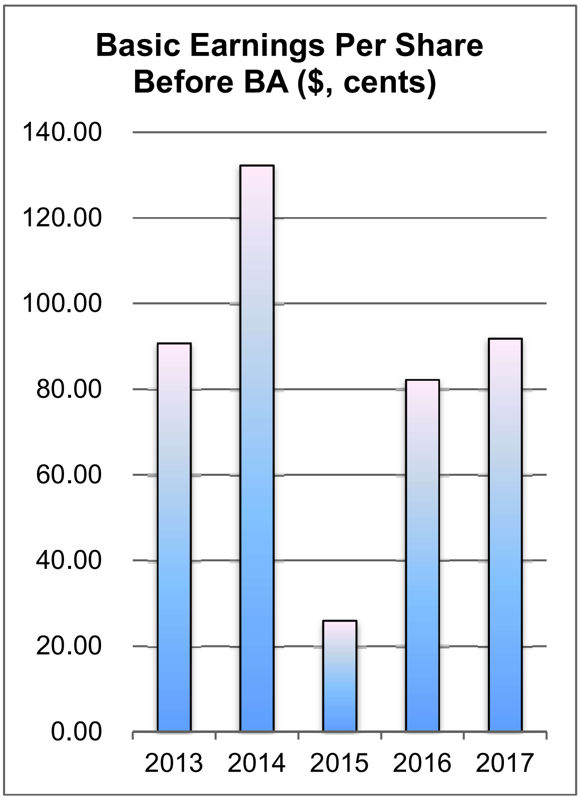
	2017 **$m**	2016 $m
Revenue	**291.9**	246.2
Profit before tax:		
- before biological assets ("BA") movement	**70.0**	57.5
- after BA movement	**69.7**	60.8
Basic Earnings per ordinary share ("EPS"):		
- before BA movement	**91.80cts**	82.16cts
- after BA movement	**91.37cts**	87.58cts
Dividend (cents)	**4.0cts**	3.8cts

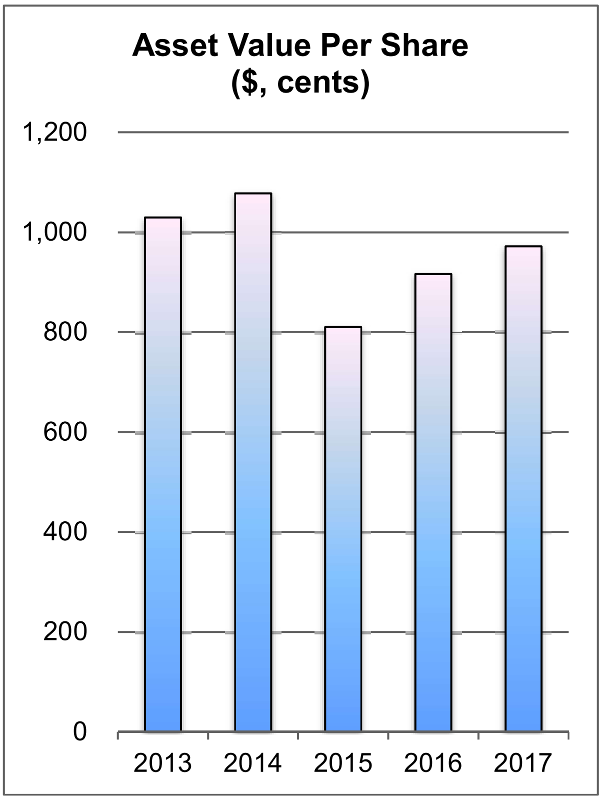
Anglo-Eastern Plantations Plc

Financial Highlights

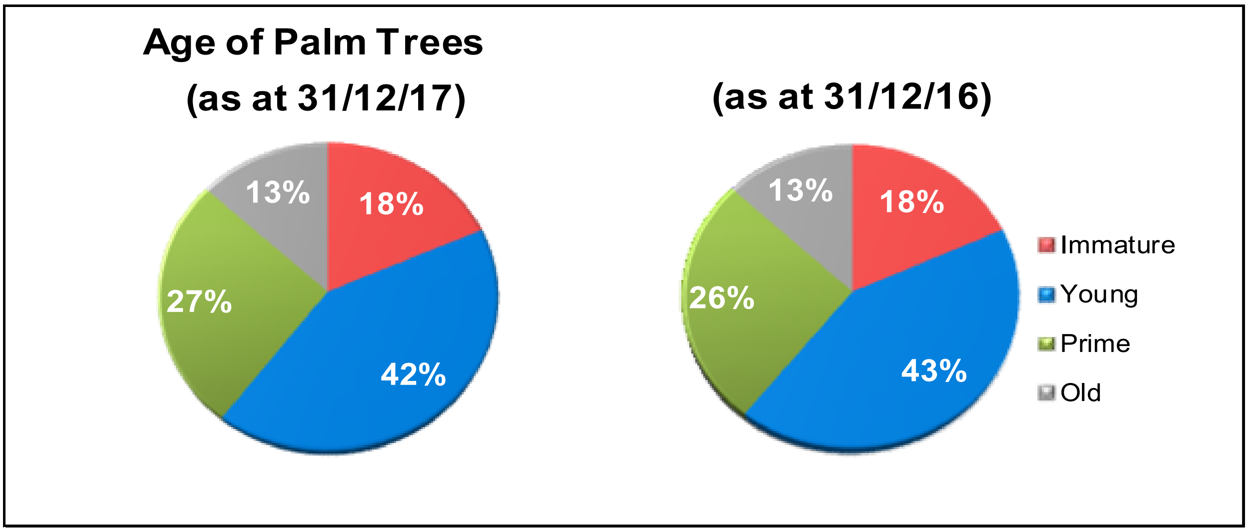


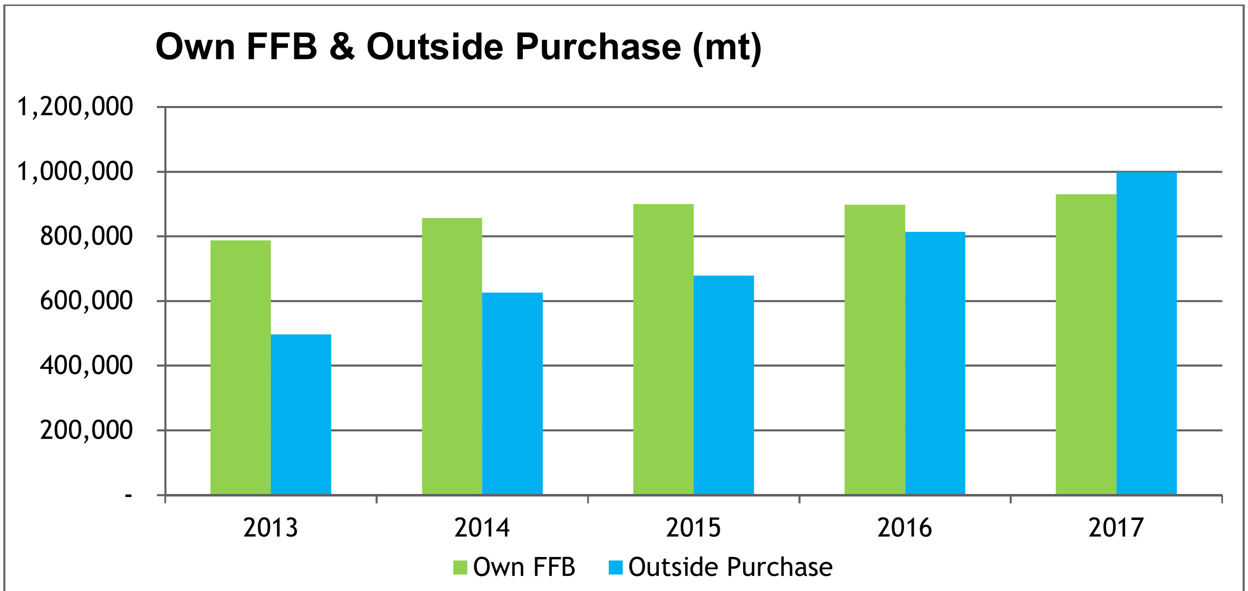


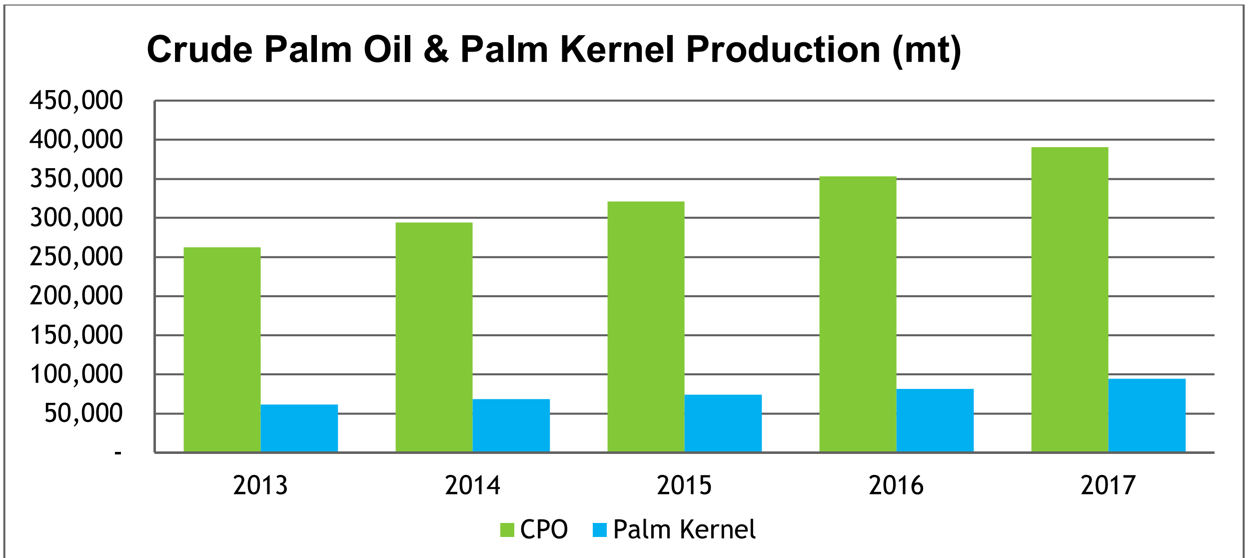




Key Information







Shareholder Information

Market capitalisation
The market capitalisation of Anglo-Eastern Plantations Plc at 31 December 2017 was £305 million, the ordinary share price at the close of business on 19 April 2018 was 760 pence giving a market capitalisation of £301 million.

Website
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 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, 6th 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:

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

Tel: 0871 664 0300 (UK)
Tel: +44 371 664 0300 (international)

In November 2017, the Link Group completed the takeover of Capita Plc including Capita Assets Services, the provider of registry services to AEP. Capita Assets Services has since been renamed as Link Asset Services.

Shareholders can view and update their account details via the Link website, details of which can be found at www.signalshares.com.

Annual General Meeting
The 33rd Annual General Meeting of the Company will be held at the offices of UHY Hacker Young LLP, 6th floor Quadrant House, 4 Thomas More Square, London E1W 1YW on 25 June 2018. Notice of the meeting is set out at the end of this Annual Report on pages 102 to 105.

Shareholder Information

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.

Payment of dividends
While the dividend is declared in US Dollar, shareholders can choose to receive dividends in Pounds Sterling. 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 Pounds Sterling equivalent dividend will be paid at the exchange rate ruling at the date of closing of the register.

Electronic communications
Link Asset Services offer AEP shareholders the opportunity to manage their shareholding through the Signal shares portal.

Registration is free and can be used to manage shareholdings quickly and securely. To register for this service, please go to www.signalshares.com and follow the instructions.

Chairman's Statement

The Group's FFB production in 2017 was 929,600mt, 4% higher than the previous year of 897,700mt. The better crop production was attributed primarily to the recovery of yield in the Riau region following a sharp drop last year and a higher yield from maturing trees in Kalimantan. The throughput at the six mills in 2017 was at a record high as the Group purchased more external crops. External crops were in abundance and readily available, especially in the first half of the year, due to a strong recovery of FFB production after the El-Nino weather disruption. FFB bought-in from surrounding smallholders was 998,400mt (2016: 813,700mt), 23% higher, due to the Group's favourable purchasing policy. The mills, as a result, processed 12% more FFB and increased CPO production by 11% to 390,600mt (2016: 353,100mt).

Revenue and profitability were in line with increased CPO production and better prices. The average CPO price ex-Rotterdam in 2017 was 2% higher at $718/mt, compared to $706/mt in 2016.

The Group's revenue was higher by 19% at $291.9 million, compared to $246.2 million achieved in 2016. The operating profit for the Group in 2017, before the biological asset ("BA") movement was $66.7 million, 27% higher compared to $52.5 million achieved in 2016. Earnings per share, before BA movement, increased by 12% to 91.80cts, from 82.16cts in 2016. The Group's operating profit after BA for 2017 was at $66.4 million after a downward BA movement of $0.3 million as compared to 2016 operating profit of $55.9 million after an upward BA movement of $3.4 million.

The Group planted 3,500ha of oil palms in 2017 of which 1,694ha comprised of replanting. Replanting is expected to continue this year in the 480ha of older plantations where the palm trees have reached the end of their productive life with dropping yield. New planting did not pick up in 2017 due primarily to delays in finalising agreements with villagers for land compensation payments in South Sumatera, Bangka and Kalimantan. This issue is likely to continue as villagers demand higher compensation for their land.

The Group has two biogas plants in commercial operation and generated over 11,500MWh of electricity in 2017. The revenue from the sale of surplus electricity to the national grid was $0.87 million. The 2 megawatt biogas plant in Bengkulu has underperformed since it started operation in May 2017 due to frequent power blackouts in the state electricity supply caused by faulty transmission lines and unstable power voltage. The situation, however, is expected to improve in the second half of 2018 after government upgrade and repairs of transmission lines are completed. In the coming years, revenue from the sale of surplus electricity is expected to increase further as the third biogas plant in Kalimantan has been completed and has been operating since the first quarter of 2018. The use of clean energy in the mills will further reduce their reliance on fossil fuels and improve the Group's carbon footprint.

In 2018 the Group will embark on the development of its seventh mill and its fourth biogas plant in North Sumatera. The 60mt/hr mill is estimated to cost approximately $19 million which is higher than the cost of the existing mills, as it is expected that the civil and structural work including earthwork will be much greater due to the condition of the soil. The timing of construction of the mill in Labuhan Bilik coincides with the maturity of the trees as the FFB production is projected to peak in the next two years and an in-house mill would cut down the transport cost on the 180 km journey to the currently utilised mill. The biogas plant is estimated to cost an additional $3.8 million.

After an absence of one year, AEP, with effect from 1 June 2017, has been included in the Financial Times Stock Exchange ("FTSE") Small Cap and FTSE All Shares Index.

The Indian government in March 2018 raised import tax on both CPO and refined palm oil, the fourth increase in less than six months and the highest level in more than a decade, this increase was designed to protect the local refineries and support local oilseeds production. This may make CPO and refined palm oil more expensive and may impact negatively on the consumption in India, the largest consumer of CPO.

Chairman's Statement

In Europe, which is the second largest consumer of palm oil, the European Parliament's introduction of a single certification scheme for palm oil entering the European Union ("EU") market and the phase out of the use of palm biodiesel by year 2020 may decrease the demand for CPO. The adverse perception of palm oil continues to feature in recent years, touching on issues including deforestation, emission of greenhouse gases, planting on peatland and land rights.

Notwithstanding the aforementioned, global demand for palm oil should continue to be strong given the CPO's attractive price discount to soybean oil.

The Board is mindful that given the anticipated further capital commitments, the level of dividend needs to be balanced against the planned expenditure, as well as other viable investment opportunities in the countries where the Group operates. The Board is also mindful of shareholders' sentiment and therefore declared a final dividend of 4.0cts per share, in line with our reporting currency, in respect of the year to 31 December 2017 (2016: 3.8cts equivalent). Subject to the approval by shareholders at the Annual General Meeting, the final dividend will be paid on 13 July 2018 to those shareholders on the register on 8 June 2018.

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

24 April 2018

Strategic Report

Introduction
The strategic report has been prepared to provide shareholders with information to complement the financial statements. This report may contain forward-looking statements, which have been included by the Board in good faith based on information available up to the time of approval of this report. Such statements should be treated with caution going forward given the uncertainties inherent with economic and business risks of the Group.

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. The Group remains committed to use its available resources to develop the land bank in Indonesia as regulatory constraints permit. The Indonesian government has, in recent years, passed laws to prioritise domestic investments and to limit foreign direct investments over national interest, including a 100,000 ha limit on licensed development of oil palms for companies that are not listed in Indonesia or under majority local ownership.

The Group's objectives are to provide appropriate returns to investors in the long-term from its operations as well as through the expansion of the Group's business, to foster economic progress in 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
One of the Group's objectives is 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 as it can be produced more economically than other competing oils and remains 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 17.9mt/ha, 134% mill efficiency and production cost of $281/mt on Indonesian operations. This compared to 2016 where the Group achieved a yield of 17.3mt/ha, 119% mill efficiency and production cost of $275/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 would achieve economies of scale 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 footprint, the Group plans to construct, in stages, biogas plants at all of its mills to trap the methane gas emitted from treatment of palm mill effluents to generate electrical power and at the same time reduce the consumption of fossil fuel. It plans to sell the surplus electricity and 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 can be planted on.

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 2017, revenue for the Group was $291.9 million, 19% higher than $246.2 million reported in 2016 due primarily to higher CPO production and a higher CPO price.

The Group's operating profit for 2017, before biological asset movement, was $66.7 million, 27% more than $52.5 million in 2016.

FFB production for 2017 was 929,600mt, 4% higher than the 897,700mt produced in 2016. The yield for 2017 improved marginally due to strong recovery of production in Riau and higher yield from maturing trees in Kalimantan. FFB bought-in from local smallholders in 2017 was 998,400mt (2016: 813,700mt), 23% higher compared to 2016. During the year, the Group's mills processed 1.9 million mt of FFB, 12% higher than last year of 1.69 million mt. CPO production as a result was 11% higher at 390,600mt, compared to 353,100mt in 2016.

Profit before tax and after BA movement for the Group was $69.7 million, 15% higher compared to a profit of $60.8 million in 2016. The BA movement was a debit of $0.3 million, compared to a credit of $3.4 million in 2016.

The average CPO price ex-Rotterdam for 2017 was $718/mt, 2% higher than 2016 of $706/mt.

Earnings per share before BA movement increased by 12% to 91.80cts compared to 82.16cts in 2016. Earnings per share after BA movement increased from 87.58cts to 91.37cts.

Going Concern
The Group's balance sheet remains strong. As at 31 December 2017, the Group had cash and cash equivalents of $139.5 million and borrowings of $27.9 million, giving it a net cash position of $111.6 million, compared to $84.1 million in 2016. The Group's borrowings in the year reduced to $27.9 million (2016: $34.1 million). For these reasons, the Directors adopt a going concern basis of accounting and believe the Group will continue in 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 289,900mt in 2017 (2016: 303,500mt), 4% lower than 2016. Replanting of over 1,600ha of oil palm in Tasik Raja and Anak Tasik contributed to the overall lower production. During the year, 82ha of old rubber trees in Rambung were also replanted with oil palm. The average yield in CPA remains low at 16.8mt/ha as the FFB production during the year was disrupted by flash floods caused by heavy rain exceeding 4,500mm per annum that regularly occurred over 2,000ha of low laying plantation. The frequent and prolonged flooding also resulted in an incomplete manuring program which caused the palm growth to be retarded in some 500ha. To minimise disruption caused by flooding, new planting in some 100ha was carried out on a raised platform of one metre high and four metres wide, which was completed in August 2017. In some low laying areas, mounding of palm was carried out to minimise the impact of flooding on existing palms. In 2018 CPA is expected to construct more water gates, mud bunds and dredging of rivers and drains to reduce the impact of flash floods.

Ganoderma fungus and *Upper Stem Rot* which attack about 10% of the productive palms in Anak Tasik remain a serious threat. Water management, good sanitation and high standards of agronomic practices remain the main priority to avoid spreading the diseases, including proper disposal of severely diseased palms after detection. Soil mounding on infected palms was carried out to lengthen the economic lifespan of oil palms, and the continuation of replanting in 2017 and 2018 in Anak Tasik will significantly reduce the threat of *Ganoderma* attack. There was no serious insect damage by the *Oryctes beetle,* other leaf eating pests, wild animals or rats.

The Blankahan biogas plant sold over 6,700 MWh of surplus electricity since it started commercial operation early this year and generated $0.53 million in revenue. The biomass plant also exported 7,228mt of dried long fibres worth over $0.64 million in 2017 compared to 4,000mt last year at $0.32 million.

FFB production in Bengkulu and South Sumatera, which aggregates the estates of Puding Mas ("MPM"), Alno, KKST, ELAP and RAA produced 334,000mt (2016: 337,100mt), 1% lower than 2016. Exceptionally high rainfall of over 5,500mm in Bengkulu has affected the collection of crops and quality of oil. Resurfacing of damaged roads using sirtu was delayed until August 2017 until the contractors were able to obtain stone mining licenses from the local authorities. In total 375km of roads were either resurfaced, graded or compacted in 2017. Some remote locations can only be accessed by tractors and four-wheel drive vehicles for transport of FFB, in-filling and maintenance work. A total of approximately 22,000 trees were planted at vacant spots in ELAP and KKST which were previously damaged by wildlife. 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 replanting exercise has raised the stems per ha in both ELAP and KKST estates to about 94 palms/ha. Over 71,000mt of EFB was applied to over 1,000ha of oil palm field to improve the soil condition. The protracted negotiation with the villagers over land compensation will have an effect on the future planting in Bengkulu and South Sumatera.

The MPM biogas plant which began commercial operation in May 2017 sold over 4,800 MWh of surplus electricity and generated $0.3 million in revenue in 2017.

FFB production in the Riau region, comprising Bina Pitri estates, produced 124,500mt in 2017 (2016: 111,100mt), 12% higher than 2016. Conducive rainfall patterns have resulted in higher yield and rapid recovery from the severe drought and haze in 2015. External crop purchase at the mill also exceeded last year's purchase by 29%. Overall CPO production improved by 20% to 69,200mt compared to 57,800mt in 2016. Going forward competition for external crops will remain a challenge due to more up and coming mills in the surrounding areas of Bina Pitri.

FFB production in Kalimantan which comprises of the Sawit Graha Manunggal ("SGM") and Kahayan Agro Plantation ("KAP") estates produced 158,000mt in 2017 (2016: 121,800mt) 30% higher than 2016 as more trees matured and reached peak production age. However, exceptionally high rainfall in March and April 2017 had affected the harvest of fruits and quality of oil produced in SGM. In the months that followed, SGM incurred considerably higher costs to resurface roads using RT20 chemicals, sirtu and laterite. The height of some low laying access roads was raised to counter floods during the rainy season and to ensure efficient evacuation of FFB. Bagworm attack in SGM was under control and was below the 5% threshold of its planting. Pesticide containing *Klorantraniliprol* and *Achepate* was sprayed bi-monthly until infestation was eradicated. In the year, over 400ha of palm trees in KAP matured leading to its first harvest. The FFB from KAP was transported over 600km to SGM mill for processing. Over 4,000ha has been planted with oil palm in KAP. CPO sold in Kalimantan, however, fetched a lower price and is at a discount to mills in Sumatera due to higher logistics costs caused by the distance to the refinery and poor road infrastructure.

During the year the Group engaged an independent agronomic consultant to make field visits for underperforming estates in Indonesia to provide advice on optimizing field disciplines and improving crop yields. The Board believes that with closer monitoring of field performance and improvements made, the crop yield should further improve in the coming years.

Overall bought-in crops for Indonesian operations were 23% higher at 998,400mt for the year 2017 (2016: 813,700mt). The average oil extraction rate from our mills was 20.5% in 2017 (2016: 20.9%).

Malaysia

FFB production in 2017 was 9% lower at 21,900mt, compared to 24,000mt in 2016. The Malaysian operations continued to face a severe shortage of workers due to difficulty in recruiting foreign workers which hampered harvesting and estate maintenance work such as fertilizing, pruning, weeding and replanting. Despite the increase in wages and various cash incentives introduced by management, the estate continued to lose its foreign workers who left for better wages and working conditions in the city. The shortage of labour is the biggest challenge facing the industry in Malaysia. In 2018, the Group has begun to recruit workers from other countries to complement its Indonesian workforce. In 2017, the Malaysian plantations had $0.6 million pre-tax profit after BA movement compared to $0.8 million in 2016.

Commodity Prices
The CPO ex-Rotterdam price started the year at a high of $790mt (2016: $570/mt) but softened as production in both Indonesia and Malaysia recovered from the low of last year. It dipped to its lowest level at $640/mt in the middle of June 2017, before increasing to the $700/mt range before news of a steep levy imposed by the Indian government on the import of CPO and refined oil into India brought the price down again. Its peak at $852/mt in the middle of January 2017 was due to low stock inventory. It ended the year at $670/mt (2016: $795/mt), averaging $718/mt for the year, 2% higher than last year (2016: $706/mt). The CPO inventory was at the highest in two years.

CPO CIF Rotterdam

Over a period of ten years, CPO price has touched a high of $1,400/mt and a low of just above $400/mt. The average price over the ten years is about $837/mt. CPO price is under tremendous pressure and remains unpredictable due to the impending ban on import of palm biodiesel into the EU by 2020 and the high levy of CPO imports into India. It was reported that about 46% of total palm oil imports of 6.5 million metric tonnes into the EU were used in biofuels. Weather remains an important factor that will affect not just the production of CPO but other oilseeds.

Rubber prices averaged $1,607/mt for 2017 (2016: $1,324/mt). Our small area of 425ha of mature rubber contributed a revenue of $1.3 million in 2017 (2016: $1.1 million).

Corporate Development
In 2017, the Group opened up new land and planted 1,808ha of oil palm mainly in Kalimantan, boosting planted area including the smallholder cooperative scheme, known as Plasma, by 2.5% to 68,310ha (2016: 66,670ha). This excludes the replanting of 1,694ha of oil palm in North Sumatera. New plantings remain behind schedule due to delays in finalising settlement of land compensation with villagers in South Sumatera, Bangka and Kalimantan. The villagers seek compensation beyond what the Group considered fair and reasonable resulting in protracted negotiations.

The 2 megawatt biogas plant in Bengkulu is supplying electricity to the State Electricity Company. In the eight months of operation, it generated 4,807MWh of electricity worth $0.3 million. The sale of electricity is, however, frequently interrupted by power blackouts in the state electricity supply caused by faulty transmission lines and unstable power voltage. The situation is likely to improve in the second half of 2018 after upgrade and repairs of transmission lines are completed. The third biogas plant in Kalimantan has been completed and is ready for commissioning. The three biogas plants will further reduce the mills' reliance on fossil fuels and improve the Group's carbon footprint. With the current shortage of power supply in North Sumatera, the Group is conducting a feasibility study to build its fourth biogas plant in Rantau Prabat which is expected to cost up to $3.8 million. The state electricity company has reacted positively to the proposal to build a biogas plant in North Sumatera.

The Group will start construction of its seventh mill in North Sumatera in 2018. The 60mt/hr mill is expected to cost $19 million and will be substantially funded by internal cash flows. Costs of civil and structural works including earthworks would be higher as the mill is built on shallow peat soil. The site needs to be compacted with mineral soil and 38 metre long concrete piles to support the construction of the mill and storage facilities. The Group has over the past three years explored various sites outside the plantation and along the Barumun river for the construction of a mill, however, it was not able to obtain the necessary permit which allows conversion of agricultural into industrial land.

New Biogas Plant

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 across its estates. During the fasting month, the management team frequently broke fast with the employees from the estates and mills as well as with surrounding villagers. It also sponsored and donated cows for sacrifice to celebrate religious festivals. The Group spent $326,000 in 2017 to maintain these amenities and support the communal activities.

The Group provides free education for all employees' children in the local plantations and communities where they work. 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 schools are provided by the Group. Over the years a total of 37 schools which comprised of 20 pre-schools, 11 primary schools, 5 secondary schools and 1 high school have been built with a combined enrolment of over 4,000 students. It currently employs 150 teachers in the estates. The Group bought an additional school bus in Tasik Raja taking the tally of school buses operated by the Group in 2017 to 35 vehicles. In the year, the Group spent some $693,000 on running the schools and operating the buses.

As part of the Group's contribution to education, it provides scholarships to qualified students from the communities as well as our employees' children to pursue tertiary education. It started a partnership with a university in North Bengkulu in 2013 to sponsor and provide students with the chance to pursue higher education. During 2017, over 300 scholarships had been awarded at a cost of $115,000. Similarly, 92 children of our employees were sponsored, which cost over $80,000 since its introduction in 1999, to study in various universities in Indonesia. The popular courses taken ranged from Engineering, Education, Economics to Agriculture. 36 of them had successfully graduated from the universities with some of them now working for the Group.

Professional healthcare for employees

Staff houses

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 the minimum standard required by the government under the country's Health and Social Security Agency. The upgraded clinics also provided health care services to the surrounding community without the need to travel to faraway cities for medical treatment. In addition, the Group organised fogging to prevent the spread of dengue mosquitoes.

Strategic Report

Annual family gathering

Scholarship program for employees' children

In remote and isolated locations where piped water is not available, the Group drilled tube wells to provide clean water. This year it built a water treatment plant in Bengkulu to provide clean water to workers and staff at a cost of over $40,000. Related healthcare expenses including monthly contribution to Health and Social Security Agency in 2017 were $518,000.

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. Selected employees are given the opportunity to attend seminars and external training to enhance their working skills and capability. The Group constantly recruits potential field employees who are now sent to the Group's central training facilities in Blankahan, set up in 2014, to undergo a rigorous twelve month training programme which includes theory and practical field work. A total of 303 employees have participated in the programme since its inception in 1993 with 35% still working for the Group. Over the years, one employee has successfully been promoted to General Manager level with another 17 being employed in various senior positions in the head office, plantations and mills.

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 newly planted areas acquired from 2007 onwards are to be reserved for the benefit of the smallholder cooperative scheme, known as Plasma, and the Group is integrating such smallholder developments alongside its estates. The Plasma development has commenced in stages for its estates in Sumatera and Kalimantan. Out of the 5,795ha of land compensated for Plasma, the Group has planted oil palm in 2,862ha. In 2017 the Group received 16,400mt of FFB from Plasma schemes compared to 12,300mt the previous year. Total revenue after deduction of management fees received by Plasma cooperatives was $1.6 million in 2017 against $1.2 million in 2016. There is a substantial increase in Plasma planting from 2016 of 1,712ha which is in line with the Group commitment.

In order to aid the development of Plasma schemes, the Group provided corporate guarantees of over $17 million through its subsidiaries to local banks to cover loans raised by the cooperatives. The Group also assisted the cooperatives to obtain the proper land right certification from the local land office.

The Group supported the 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 of palm oil across four companies.

In addition, the Group also develops infrastructure, such as the construction and repair of bridges maintained over 400km of external roads in 2017. 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.

Road upgrade in Kalimantan

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 2017 the regional government in North Sumatera awarded two operating companies in the Group Zero Accident Awards for 2016 in recognition of the companies' effort to reduce accidents at the work place. 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. It 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 eight companies have been ISPO certified including two in 2017. Another three companies have completed the second stage of ISPO audit while the certification audit has progressed to the second stage for another five companies. ISPO certification provides third party verification and confirmation that the companies are operating according to national and international standards. The Group targets full ISPO compliance by 2020.

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 the 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 EFB are placed inter-rows to allow the slow release of organic nutrients while minimising soil erosion especially sandy soil and degradation. Estates with sandy areas use soft grass, ferns and cut fronds to cover bare ground which increase soil moisture. Conservation drains are constructed to harvest and contain rainwater.

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 estate's land where it is used as fertilisers.

The Group's three biogas plants will enhance the effluent treatment in the mills 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 national grid without dependency on fossil fuels. Similar undertakings for the Group's mills are planned and shall be implemented in stages. The Group intends to sell the surplus power generated.

The Group is committed to implementing good agricultural practices as spelt out in its standard operating procedures for the planting of oil palm. Integrated Pest Management has been adopted to control the population of damaging 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 environmentally friendly and broad spectrum weed control herbicides such as Glyphosate which is also less costly.

The use of Paraquat herbicide and chemicals has been reduced and minimised to control weeds and vermin.The sprayers are also trained in safety and spraying techniques. The chemicals are kept in designated storage and examined at regular intervals. Employees who handle the use of chemicals undergo medical examination routinely. Natural vegetation on uncultivable lands 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. All sacred and customary lands are also preserved by the Group out of respect for the local tribes and customs to pray and conduct their ritual ceremonies.

The six mills in the Group are operating in compliance with criteria set by Program Penelitian Peringkat Kinerja Perusahaan ("PROPER") overseen by the Indonesian Department of Environment. Many of the criteria set by PROPER are also part of the ISPO requirement. Three of the mills are officially graded and rated to adhere to the criteria set for the management of waste and compliance to environmental conservation over water resources, land development, air and sea pollution, dangerous and toxic waste treatment which impact the environment. No official grading is required for the rest of its mills even though they are in compliance.

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
Country and regulatory		
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 the security situation may cause disruption on the 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 was civil unrest attributed to ethnic tensions in some parts of Indonesia. The Group's operations were not interrupted by the regional security problems including occasional racial conflicts.
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 dividends.	Transfer of profit from Indonesia to the United Kingdom ("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.
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 could force divestment of interests in Indonesia at below market values.	The Group realises 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.

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
Exchange rates		
CPO is a US Dollar denominated commodity and a significant proportion of revenue costs in Indonesia (such as fertiliser and fuel) and development costs (such as heavy machinery and mill equipment) are imported and are US Dollar related.	Adverse movements of Rupiah against US Dollar can have a negative effect on the operating costs and raise funding costs.	The Board has taken the view that these risks are inherent in the business and feels that adopting hedging mechanisms to counter the negative effects of foreign exchange volatility are both difficult to achieve and would not be cost effective.
Weather and natural disasters		
Oil palms rely on regular sunshine and rainfall but these weather patterns can vary and extremes such as unusual dry periods or, conversely, heavy rainfall leading to flooding in some locations can occur.	Dry periods, in particular, will affect yields in the short and medium term. Drought induces moisture stress in palm trees. High levels of rainfall can disrupt estate operations and result in harvesting delays with loss of FFB 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 high 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.	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 policies. 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.

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
Produce prices		
CPO is a primary commodity and is affected by the world economy, levels of inflation, and availability of alternative soft oils such as soybean oils. CPO price also moves in tandem with crude oil prices which determine the competitiveness of CPO as a source of biodiesel.	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, unlike soybean which is sown annually and production can be increased or decreased to match demand and prevailing prices.	Directors believe that such swings should be moderated by continuous demand in economies like China, India and Indonesia. Larger exports would lead to a lower inventory of CPO which augurs well for future produce price.
Imposition of import controls or taxes in consuming and exporting countries. The Indonesian government in July 2015 imposed a $50/mt export levy to fund biodiesel subsidies. In November 2017, the Indian government imposed a steep levy on the import of CPO and refined oil into India. The introduction of a single certification scheme for palm oil entering the EU market and phase out of the use of palm biodiesel by year 2020.	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. The higher import levy in India will raise the price of CPO and make it less competitive in the global oil market, thus reducing demand. The single certification plan for palm oil will make it more difficult to export palm oil to EU and the ban of palm biodiesel will hurt the demand of CPO in EU.	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 an increase in biodiesel consumption. Despite the increase in levy in India and the ban on use of palm biodiesel in EU from 2020, CPO remains amongst the cheapest source of vegetable oil in a growing population.
Hedging risk		
The Group's subsidiaries have borrowings in US Dollar.	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.	The risk is partially mitigated by US Dollar denominated cash balances and the higher average interest rate on Rupiah deposits which is 3.31% higher than on US Dollar deposits whereas the interest rate for Rupiah borrowings is about 4.84% higher compared to US Dollar borrowings.

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
Social, community and human rights issues		
Any material breakdown in relations between the Group and the host population in the vicinity of the operations could disrupt the Group's operations. The plantations hire large numbers of people and have significant economic importance for local communities in the areas of the Group's operations.	Communication breakdown would cause disruption on the operation and consequently financial loss.	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.
Information Technology ("IT") security risk		
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.	Failure to combat cyberattack could cause disruption to our business operations.	The Group has measures in place including appropriate tools and techniques to monitor and mitigate this risk. The Group through its IT Consultant has in place antivirus, threat detection, log analysis, DDOS protection and Firewalls.

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.

	2017 average employed during the year		
Group Headcount	**Women**	**Men**	**Total**
Board (Company and subsidiaries)	**2**	**14**	**16**
Senior Management (GM and above)	**-**	**6**	**6**
Managers & Executives	**31**	**379**	**410**
Full Time	**200**	**5,062**	**5,262**
Part-time Field Workers	**4,244**	**5,753**	**9,997**
Total	**4,477**	**11,214**	**15,691**
%	**29%**	**71%**	**100%**

	2016 average employed during the year		
Group Headcount	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%

Although the Group provides equal opportunities for female workers in the plantations, the male workers make up a majority of the field workers due to the nature of work and the remote location of plantations from the towns and cities. Nevertheless, the percentage of female workers within the Group increased from 28% in 2016 to 29% in 2017.

Employees
In 2017, the number of full time workers averaged 5,694 (2016: 5,838) while the part-time labour averaged 9,997 (2016: 10,934). The headcount in 2017 was lower by 6% as the resignation and retirement in certain estates have not been replaced and some positions have been streamlined. Moreover, fewer harvesters were required due to the replanting exercise.

The Group has formal processes for recruitment, particularly for 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 a regular basis, on training programmes organised by the Group's training centre that provide 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 and health and safety.

All the plantations are at various stages of introducing finger printing to record and mark attendance of daily workers and to pay all workers through bank transfer to improve the efficiency of estate operations.

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 the 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 the three months to March 2018 was 4% higher against the same period in 2017 mainly due to the increase in production from the Riau and Kalimantan regions. It is too early to forecast whether the production will be better for the rest of the year. In 2018 the Group will see ongoing benefit from a range of sustainable investments made in recent years and capital expenditure, including planting, is expected to increase to $41.6m (2017: $27.4m).

The CPO price ex-Rotterdam opened in 2018 at $678/mt and prices are expected to be in the range of $600/mt to $700/mt for the first half of 2018. The temporary suspension of CPO export duty by the Malaysian government and the increase of biodiesel mandate by the Indonesian government may not sustain the price in view of the sharp increase in import tax on CPO and refined palm oil in India. A higher import tax would narrow the price difference between CPO and competing soft oils.

The US Dollar appreciated by approximately 1% (2016: -3%) against the Indonesian Rupiah in 2017 in anticipation of interest rate hikes in the United States and the weak emerging economies. The Rupiah has further depreciated by 2% in 2018.

The rising material costs and wages in Indonesia are expected to increase the overall production cost in 2018. The Indonesian government recently announced in 2018 regional increases in minimum wage averaging 8.7%. These wage hikes will raise overall estate costs and may erode profit margins.

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 2018.

On behalf of the Board

Dato' John Lim Ewe Chuan
Executive Director, Corporate Finance and Corporate Affairs 24 April 2018

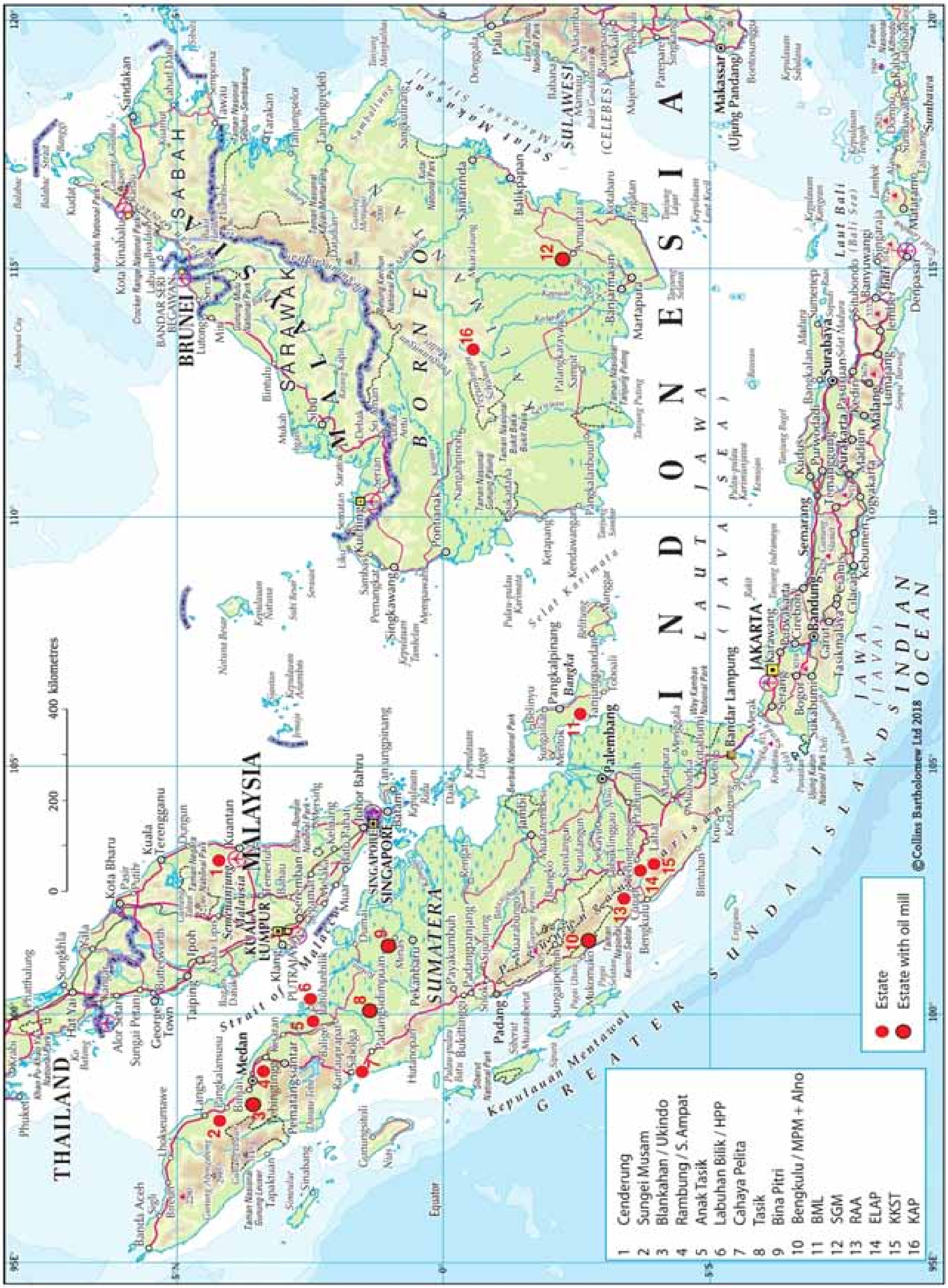
Financial Record

Income statement	**2017 $000**	2016 $000	2015 $000	2014 $000	2013 $000
Revenue	**291,907**	246,210	196,451	251,258	201,917
Operating profit before BA	**66,676**	52,480	23,667	78,845	59,619
Profit attributable to shareholders after BA	**36,214**	34,713	9,775	30,762	93,521
Dividend proposed for year	**(1,585)**	(1,463)	(1,028)	(1,854)	(1,969)
Financial position	**$000**	$000	$000	$000	$000
Non-current assets & long term receivables	**362,038**	360,681	340,099	481,761	484,826
Cash net of short term borrowings	**130,895**	111,973	102,864	125,624	98,654
Long term loans and borrowings	**(19,281)**	(27,875)	(32,875)	(34,625)	(34,937)
Other working capital	**16,320**	17,094	3,898	(10,343)	765
Deferred tax	**(13,081)**	(16,612)	(19,373)	(44,368)	(55,298)
	476,891	445,261	394,613	518,049	494,010
Non-controlling interests	**(91,799)**	(82,150)	(73,598)	(90,813)	(85,964)
Net worth	**385,092**	363,111	321,015	427,236	408,046
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 reserve	**25,022**	25,022	25,022	25,022	25,022
Revaluation and exchange reserves	**(170,147)**	(158,532)	(167,402)	(133,474)	(124,340)
Retained earnings	**515,884**	482,288	449,062	521,355	493,031
Equity attributable to shareholders' funds	**385,092**	363,111	321,015	427,236	408,046
Ordinary shares in issue ('000s)	**39,976**	39,976	39,976	39,976	39,976
Basic EPS before BA movement (US cents)	**91.80cts**	82.16cts	25.89cts	132.26cts	90.70cts
Basic EPS after BA movement (US cents)	**91.37cts**	87.58cts	24.66cts	77.61cts	235.95cts
Dividend per share for year (US cents)	**4.0cts**	3.8cts	2.5cts	4.5cts	5.0cts
Asset value per share (US cents)	**972cts**	916cts	810cts	1,078cts	1,029cts
Exchange rates - year end					
Rp : $	**13,548**	13,436	13,795	12,385	12,170
$: £	**1.35**	1.23	1.48	1.56	1.66
RM: $	**4.05**	4.49	4.29	3.50	3.28
Exchange rates - average					
Rp : $	**13,383**	13,307	13,392	11,861	10,445
$: £	**1.29**	1.35	1.53	1.65	1.56
RM: $	**4.30**	4.14	3.91	3.27	3.15

Estate Areas

	GROUP TOTAL	MALAYSIA	INDONESIA TOTAL	NORTH SUMATERA	BENGKULU	SOUTH SUMATERA	RIAU	BANGKA	KALIMANTAN
Mills									
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**
Planted as at 31 Dec 2017	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha
Oil Palm									
Mature	53,058	3,460	49,598	12,772	16,996	5,037	4,873	236	9,684
Immature	11,965	50	11,915	5,961	-	851	-	559	4,544
Total Oil Palm	**65,023**	**3,510**	**61,513**	**18,733**	**16,996**	**5,888**	**4,873**	**795**	**14,228**
Rubber									
Mature	425	-	425	425	-	-	-	-	-
Immature	-	-	-	-	-	-	-	-	-
Total Rubber	**425**	**-**	**425**	**425**	**-**		**-**	**-**	**-**
Plasma Mature	1,417	-	1,417	-	-	837	-	-	580
Plasma Immature	1,445	-	1,445	93	-	49	-	134	1,169
Total Plasma	**2,862**	**-**	**2,862**	**93**	**-**	**886**	**-**	**134**	**1,749**
Total Planted area	**68,310**	**3,510**	**64,800**	**19,251**	**16,996**	**6,774**	**4,873**	**929**	**15,977**
Reserves									
Plantable	23,237	1,550	21,687	743	-	7,090	-	2,062	11,792
Unplantable	33,710	1,236	32,474	1,315	955	23,305	84	5,244	1,571
Other	2,954	72	2,882	1,056	574	131	75	19	1,027
Total Reserves	**59,901**	**2,858**	**57,043**	**3,114**	**1,529**	**30,526**	**159**	**7,325**	**14,390**
Total Land as at 31 Dec 2017	**128,211**	**6,368**	**121,843**	**22,365**	**18,525**	**37,300**	**5,032**	**8,254**	**30,367**

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 2017.

Accountability and audit

AEP 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 46.

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 2017 are set out on pages 60 to 101. The Group's profit for the year on ordinary activities before taxation was 69,691,000 (2016: profit $60,846,000) and the profit attributable to ordinary shareholders was $36,214,000 (2016: profit $34,713,000). No interim dividend was paid. The Directors recommend a final dividend of 4.0cts (2016: 3.8cts equivalent) to be paid to shareholders on 13 July 2018. Shareholders may elect to receive their dividend in Pounds Sterling as described on page 37.

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 2017, the Board considered the prospects of the Company over the one and five-year periods. The process involved a detailed review of the 2018 detailed budget and the five-year income and cash flow projection. The one-year budget 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 the 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 in operation and meet its liabilities over the five years from 2018 to 2022. 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 disease resistant and higher yield oil palm seeds.

Land Valuation

Twelve companies located across North Sumatera, Bengkulu, Riau, Kalimantan and Malaysia were valued by qualified valuers in 2017 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.

Due to the slow rate of planting and land compensation, the Group engaged qualified independent surveyors to carry out a detailed field survey and in-depth analysis on plantable land using satellite imagery remote sensing. The determined large tracts of land within the location permit of four companies, the directors had previously estimated to be plantable cannot be planted on for a variety of reasons. Large areas now have established oil palm, pepper, rice fields, coffee and rubber small holdings which land owners depend on for their livelihood which means that it is probable the four companies will not be able to compensate and use the land in the foreseeable future. The directors have therefore revisited their estimated split of plantable and unplantable land and have reclassified some land from plantable to unplantable which affects the fair value of the land. The reclassification has reduced the fair value of land by $15.5 million, of which $14.9 million and $3.7 million was set off against revaluation reserves and deferred tax respectively with $0.6 million recognised as part of impairment losses for the year.

Political donations, anti-bribery and anti-corruption
The Group made no political donations during the year.

The Group has in place policies and procedures in respect of bribery and corruption, with detailed guidelines and reporting requirements. Management and senior staff have had training programmes and updates as part of their responsibility to ensure that bribery and corruption does not exist in the Group's operation. The Group uses its best endeavour to seek that it's business partners are in compliance with the anti-bribery and anti-corruption regulations.

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.

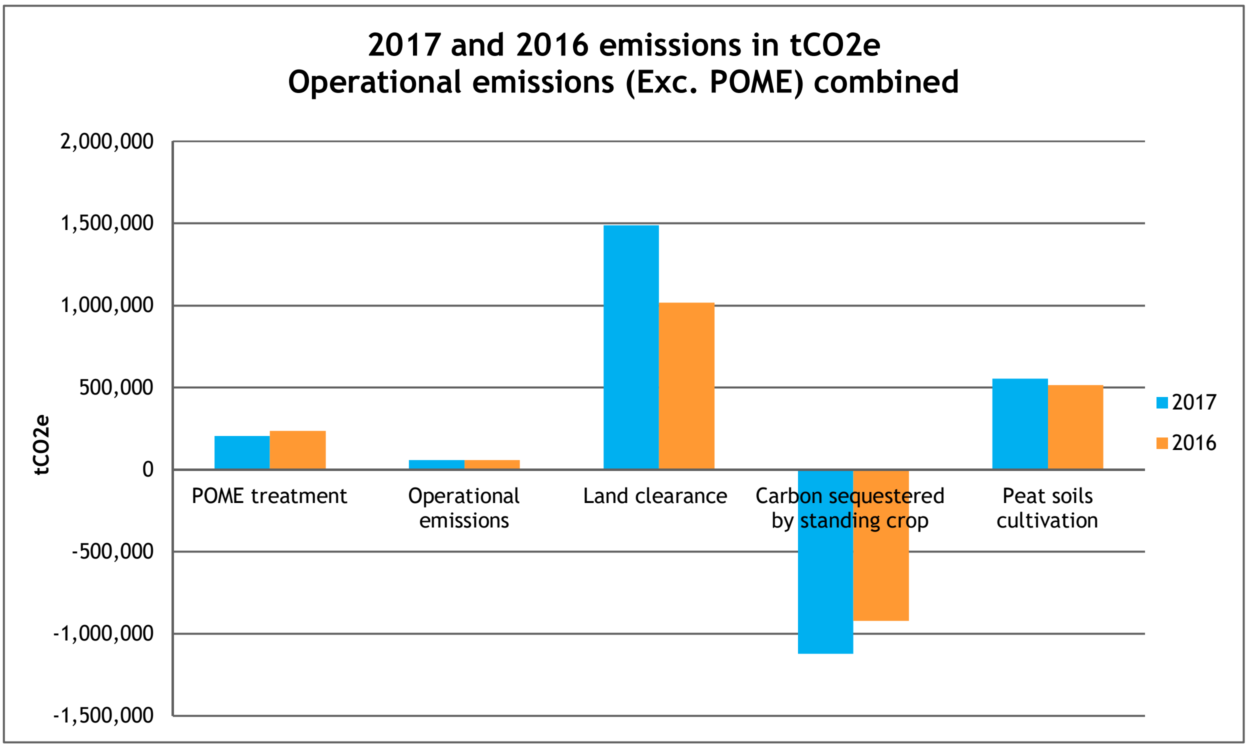
The report identifies and quantifies GHG emissions in the production of CPO at the Group's mills and related estate supply base and planting activities. The Board believes that this report will help the Group plan and facilitate the design and implementation of effective strategies for reducing the Group's GHG emissions in the future as well as providing a benchmark to monitor the 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_2 emissions from cultivation of peat soils has been included in this report. The detailed methodology in the calculation the GHG emissions under the three scopes can be viewed at www.ghgprotocol.org.

Cultivation of peat soils results in CO_2 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.

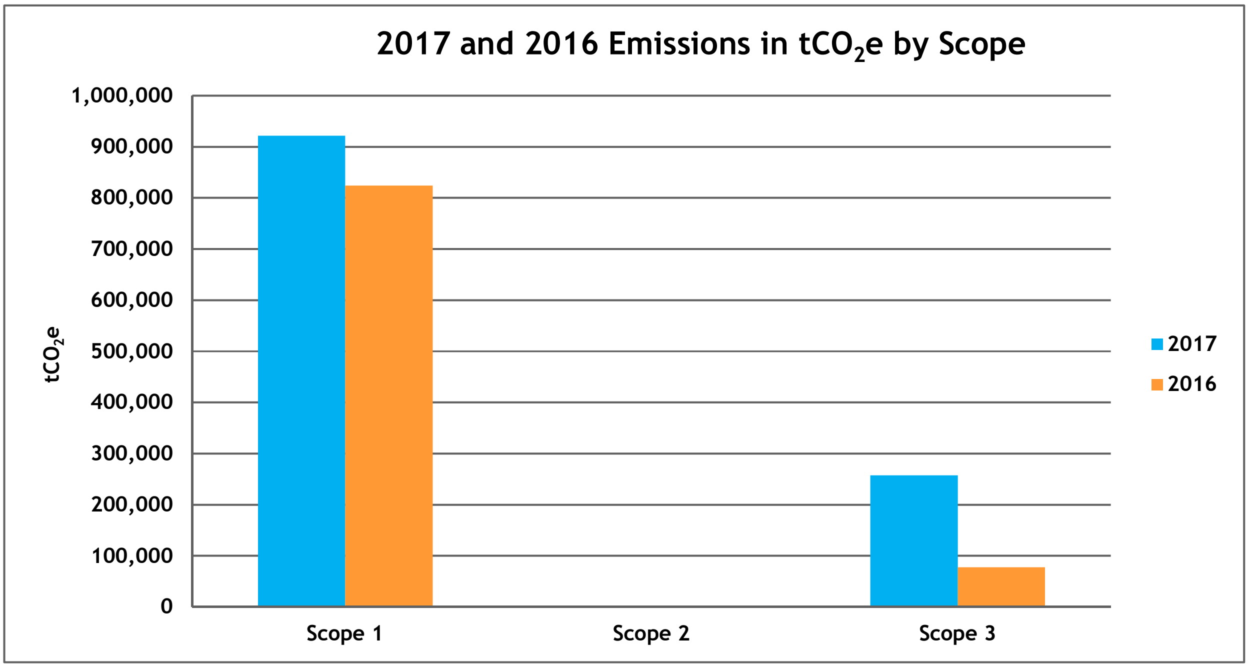
The gross overall emissions computed by the outsourced agent were 1,180,752 tCO_2e for 2017 compared to 903,684 tCO_2e for 2016. The overall emissions have increased by 277,068 tCO_2e, or 31%, during the 2016 to 2017 assessment period. This increase was mainly due to an increase in emissions associated with land clearance by AEP and out-growers where AEP mills bought the crops from.

Emissions source	**2017 Emissions in tCO_2e**		2016 Emissions in tCO_2e	
POME treatment	**204,771**		235,069	
Fertiliser application	**25,952**		28,510	
Premises energy consumption	**14,800**		14,499	
Company owned vehicles	**6,361**		6,022	
Third party vehicle use	**7,110**		7,667	
Employee housing	**1,736**		1,581	
Total operational emissions	**260,730**		293,348	
	Own crop	***Out-grower crop***	*Own crop*	*Out-grower crop*
Land clearance	**708,166**	**780,038**	571,623	445,778
Carbon sequestered by standing crop	**-534,435**	**-588,675**	-518,184	-404,103
Peat soils cultivation	**496,090**	**58,838**	486,706	28,516
Total land use emissions	**920,022**		610,336	
Overall emissions	**1,180,752**		903,684	



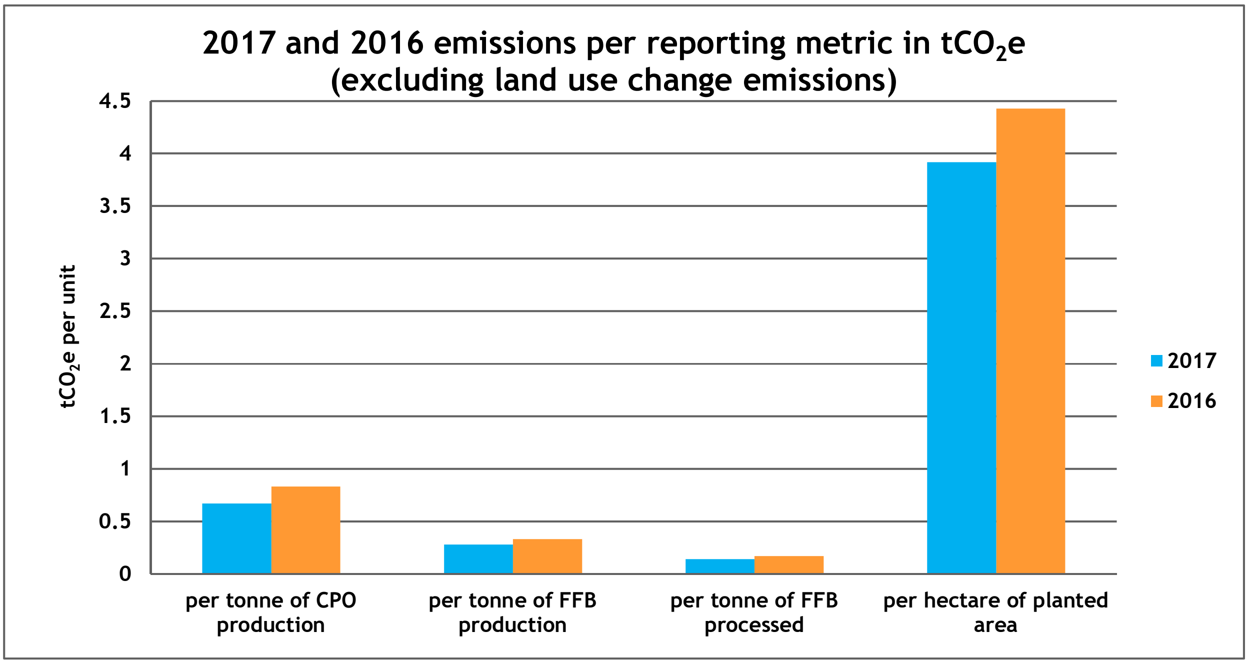
The following chart displays 2016 and 2017 overall emissions by scope.

Scope 1 are direct GHG emissions from sources owned and controlled by the Company which cover emissions associated with own cropland clearance, natural gas combustion and company owned vehicles. This made up the majority of the GHG emissions. This has increased in 2017 due primarily to an increase in land clearance emissions. Scope 2 accounts for GHG emissions from 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 increase in 2017 was due to the increase in emissions associated with out-grower crop land clearance.



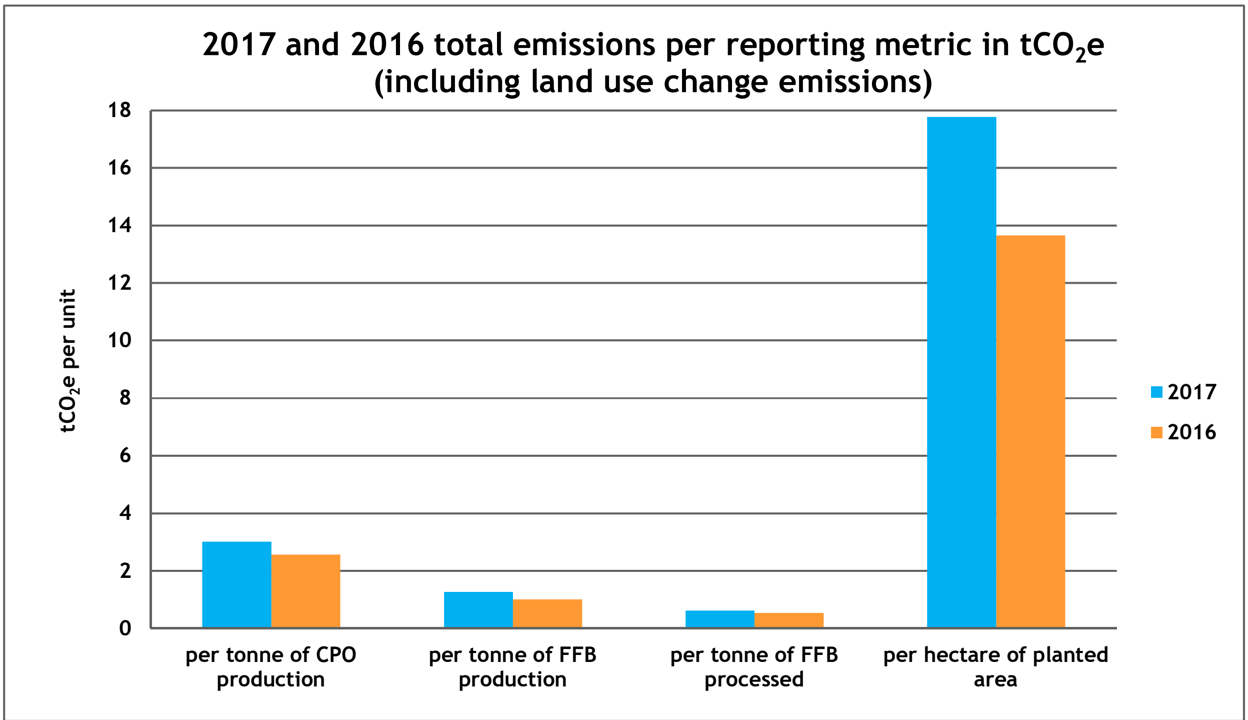
Comparison of GHG emissions per production metrics (excluding land use change emissions):

Operational emissions reporting metric	**2017 in tCO^2e**	2016 in tCO^2e
GHG per tonne of CPO production	**0.67**	0.83
GHG per tonne of FFB production	**0.28**	0.33
GHG per tonne of FFB processed	**0.14**	0.17
GHG per hectare of planted area	**3.92**	4.43



Comparison of GHG total emissions per production metrics (including land use change emissions):

Operational emissions reporting metric	**2017 in tCO2e**	2016 in tCO2e
GHG per tonne of CPO production	**3.02**	2.56
GHG per tonne of FFB production	**1.27**	1.01
GHG per tonne of FFB processed	**0.62**	0.54
GHG per hectare of planted area	**17.77**	13.65



Principal risks
Information on financial instruments risks is set out in note 24 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 10 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 39 of this Annual Report.

Substantial share interests

As at 19 April 2018 and 31 December 2017, the following interests had been notified to the Company, being interests in excess of 3% of the issued ordinary share capital of the Company:

	As at 19.4.2018		As at 31.12.2017	
Name of holder	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%
Nokia Bell Pensioenfonds Ofp	7,015,000	17.70%	7,000,000	17.66%
KBC Securities	1,551,464	3.91%	1,517,498	3.83%
Value Square Asset Management	1,193,506	3.01%	1,167,774	2.95%

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 8 at the forthcoming annual general meeting.

Authority to allot shares

At the annual general meeting held on 27 June 2017 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 10 at the forthcoming annual general meeting.

The aggregate nominal value which can be allotted under the authority set out in paragraph (i) of the resolution is limited to £3,303,031 (representing 13,212,124 ordinary shares of 25p each) which is approximately one third of the issued ordinary capital of the Company as at 24 April 2018 (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 24 April 2018. 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 2018, whichever is earlier. Renewal of this authority on similar terms is being sought under Resolution 11 at the forthcoming annual general meeting.

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

At 24 April 2018, the Directors had remaining authority under the shareholders' resolution of 27 June 2017, to make purchases of 3,963,637 of the Company's ordinary shares. This authority expires on 30 June 2018. 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 12 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.

Adoption of new articles of association

Resolution 13 to be proposed at the forthcoming annual general meeting proposes that the Company's articles of association (the 'Existing Articles') be replaced by new articles of association (the 'New Articles'). In accordance with section 21 of the Companies Act 2006, shareholder approval will be sought for the adoption of the New Articles. Some of the defined terms have been updated to ensure consistency with changes to the law (and a number of articles have been amended to ensure consistent use of definitions throughout the New Articles). For example, article 12 relating to bearer shares has been deleted entirely as the use of bearer shares was abolished on 26 May 2015. Additionally, the language contained in article 9.2 regarding the disapplication of pre-emption rights has been amended to include a reference to treasury shares and to be set out in a more common format and article 79 (defining 'mental incapacity') and article 103 (relating to a director's termination) have been amended to comply with the Equality Act 2010 and the discrimination provisions relating to mental health. A number of formatting changes have also been made. Full details of the main amendments to the Existing Articles are set out in Note 15 of the notes to the Notice of Annual General Meeting.

In accordance with Listing Rule 13.8.10, a copy of the Company's Existing Articles and the proposed New Articles marked to show all the changes (as described above) will be available for inspection during normal business hours (excluding Saturdays, Sundays and bank holidays) at Quadrant House, Floor 6, 4 Thomas More Square, London, E1W 1YW from the date of the notice of the annual general meeting until the close of the annual general meeting. The proposed New Articles will also be available for inspection at the annual general meeting at least 15 minutes prior to the start of the meeting and up until the close of the meeting.

Dividends
The Board is mindful that given the anticipated further capital commitments, the level of dividend needs to be balanced against the planned expenditure, as well as other viable investment opportunities in the countries where the Group operates. The Board is also mindful of shareholders' sentiment and therefore declared a final dividend of 4.0cts per share, in line with our reporting currency, in respect of the year to 31 December 2017 (2016: 3.8cts equivalent). Subject to shareholders approval of Resolution 3 at the annual general meeting, the final dividend will be paid on 13 July 2018 to those shareholders on the register on 8 June 2018.

In addition, shareholders can choose to receive the dividends in Pounds Sterling and they can do so at the rate ruling on 8 June 2018, being the dividend record date. Based on the exchange rate at 18 April 2018 of $1.42/£, the proposed dividend would be equivalent to 2.8p (2016: 3.0p). The last day to elect to receive or revoke a currency election is 18 June 2018.

AEP operates a dividend reinvestment plan ("DRIP"). Holders of the shares may elect to reinvest their final dividend. The latest election date is 18 June 2018.

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 24 April 2018

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. The Directors 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 applicable accounting standards, 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 the legislation in the UK 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 39 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 the 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 or 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 24 April 2018

Directors

Madam Lim Siew Kim
(Non-Executive Chairman, age 69)

Non-Executive Director since 29 November 1993 and appointed as Non-Executive Chairman on 31 January 2011. Madam Lim does not hold any directorship in other public listed company.

Dato' John Lim Ewe Chuan
(Executive Director, Corporate Finance and Corporate Affairs, member of Audit, Nomination and Corporate Governance and Remuneration Committees, age 68)

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, Chairman of Nomination & Corporate Governance Committee and member of Remuneration Committee, age 63)

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 Arts in 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 at Ernst & Young from 2002 to 2009 and prior to that, partner at 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 of 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 Nomination & Corporate Governance Committees, age 52)

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 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 benchmark standards in this regard are set out in the UK Corporate Governance Code ('the Code'), as most recently revised in June 2016 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. Where provisions of the Code were not met during 2017, the particular comment is made in the statements below and in the Directors' remuneration report on pages 47 to 51.

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. 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 39). During 2017 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 the 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 the 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 indirectly owns 52% of the Company's shares, with her experience in plantation as she was the Chairman of the Company from 1993 to 1998 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.

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 Non-Executive Directors, who were appointed for specified terms of office, were independent, based 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.

In arriving at its conclusion, the Board considered the factors set out in the FRC's UK Corporate Governance 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 FRC's UK Corporate Governance 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, Nomination & Corporate Governance and Remuneration 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 2017 there were two Board meetings and were attended by all directors except for Mr Lim Tian Huat 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 2017. Telephone discussions between the Chairman and the 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 2017, 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 two Chief Operating Officers, the Finance Director and the Engineering Director.

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 2017.

Non-Executive Directors are appointed for two year terms renewable on the 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 the Board, sits on the Audit, Nomination and Remuneration Committees for 2017. The UK Corporate Governance Code 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 represents 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 2017 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 2018 and in the absence of any reported failure 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 2017, attended by all members.

The policy on gender diversity is described on page 24 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 the contract of three of its Directors.

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 2018 AGM. It is the intention of the Board that the Company would engage with identifiable shareholders who have voted against Company's resolutions in the past.

Statement on Corporate Governance

The annual report, interim report and trading 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 Information" and "News" sections of the website and together with other relevant information concerning the Company and the Industry, are available for downloading. The website was upgraded recently to enable shareholders and investors to select and receive e-mail alerts from the Company on the 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 — 24 April 2018

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 and participated in eight courses and seminars in 2017, three of which were organised by Malaysian Institute of Accountants. Topics covered training for directors, risk management, trends, insolvency, review and update of accounting standards.

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

Mr. Jonathan Law attended two seminars covering topics on impact and compliance of new regulations under the Malaysian Companies Act 2016 and also the Fintech legality.

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 2017 accounts and five times during 2017 with full attendance.

During the year, the Committee reviewed and discussed the 2016 Annual Report, Interim Results, 1st Quarter and 3rd Quarter Trading Statement for 2017. The Committee also deliberated and recommended to the Board the dividend rate for AEP and the Indonesian subsidiaries. It also assessed the risks management report and concluded that the risks generally remained unchanged. The industry continues to face many challenges and uncertainties over sustainable issues and governmental protective policies. The internal audit reports were tabled bi-annually at the Audit Committee meetings and were discussed in detail. In its effort to improve yield, the Committee also recommended the appointment of external agronomists to make field visits for underperforming estates in Indonesia to provide advice on optimizing field disciplines and improving crop yields. Due to the slower than expected progress in new planting, the Committee approved an independent survey of some estates to map out areas that can be planted expediently. In line with the recommendation of the Committee, the Group in 2017 recruited additional manpower and reorganized the internal audit teams with separate team leaders to spearhead and focus on financial and operational audits respectively. It also approved the Internal Audit Plan for the year. The Committee also deliberated extensively and made changes before recommending the Budget for 2017 to the Board. In May 2017, Audit Committee held its meeting in Medan and took the opportunities to meet the key managers of the Indonesian operations. There are regular dialogues, both formal and informal between the Audit Committee and the senior management in Indonesia and Malaysia and the discussions are open and constructive.

The Committee met with the external auditors twice in 2017 to discuss and to agree the 2016 Group accounts for the Board's approval and another meeting to plan the audit for 2017. In the audit planning meeting, the external auditors updated the Audit Committee on directors' responsibilities and stressed on the UK Corporate Governance Code relating to audit partners' rotation and independence. During the year the audit engagement team from BDO (UK) visited Indonesia and Malaysia to review the work of the component auditors.

In the 2017 Annual 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 used. Its recoverable amount was based on value in use calculation on the basis that it will be higher than fair value less cost to sell, given the mechanics of the two calculations and the nature of the business. This requires the management to exercise significant judgement in determining the underlying assumptions used in the calculation of the recoverable amount. In 2017, the reversal of impairment loss of the plantations of the Group was $1.7 million (2016: impairment loss of $2.7 million). The details of the calculation of the recoverable amount are disclosed in note 10 - Property, plant and equipment to the consolidated financial statements.

To provide indicative fair values and to support the valuation of the estate land, twelve companies located across North Sumatera, Bengkulu, Riau, Kalimantan and Malaysia were valued by qualified valuers in 2017. The Directors revalued the estate land not covered by the valuation exercise based on the regional appreciation rate quantified by the qualified valuers. The land is valued on a rotational basis and all the land is valued by qualified valuers every two years. More details on land valuation work are covered on page 30 to 31.

The Committee also reviewed the policy on revenue recognition and believes that revenue is recognized when significant risks and rewards of ownership of the FFB and CPO have been transferred to the buyers. The Group generates revenue predominantly from the sale of CPO from processed FFB.

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.

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 2016. The tenure of audit and extent of non-audit work that will affect the independence of the auditors were reviewed. During 2017, the non-audit work undertaken by BDO (UK) was on the review of the interim report for compliance before the announcement. The Committee considered the nature, scope of engagement and remuneration paid were such that the independence and objectivity of the auditors were not impaired. Fees paid for audit and non-audit services are provided in Note 4. 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 for four years since 2014 and the Audit Partner for Malaysia audit has completed one year. The Audit Partner for the Indonesian audit has been involved for two years since 2015. 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 were 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 an 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 and 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 24 April 2018

Directors' Remuneration Report

I am pleased to report on the activities of the Remuneration Committee for the year ended 31 December 2017. 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. The report by the Chairman of the Remuneration Committee and the policy statement 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 a variable compensation policy that rewards senior executives and employees with bonuses ranging from two to seven months' pay based on individual's and operating units' performance. The key criteria used in the determination of the variable compensation policy for the bonus was revised in May 2014 following discussion and consultation with the Company's Chairman.

The Remuneration policy and the Director's remuneration report was last approved at Company's AGM on 27 June 2017. In the meeting, the shareholders voted in the following manner:

	For	Against	% For	% Against
To approve Directors' Remuneration Report	44	12	98.94%	1.06%

The Committee would welcome your support for our Remuneration Report. The report excluding the policy statement will be subject to the shareholder vote in 2018 AGM.

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 one meeting in 2017, 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 an informal comparison with other plantation companies. The Committee also deliberated on the 2017 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 a 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 consists 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, increases 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 ten 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 three years. The total grant to each holder is determined by seniority and total market value at the date of grant is normally limited to two times base salary. Exercise of options is only permitted three 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.

Executive Director's Remuneration over 9 Years

Year ended 31 Dec	Salary	Benefit	Pension	Bonus	Total
2017	$113,000*	-	-	-	$113,000
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

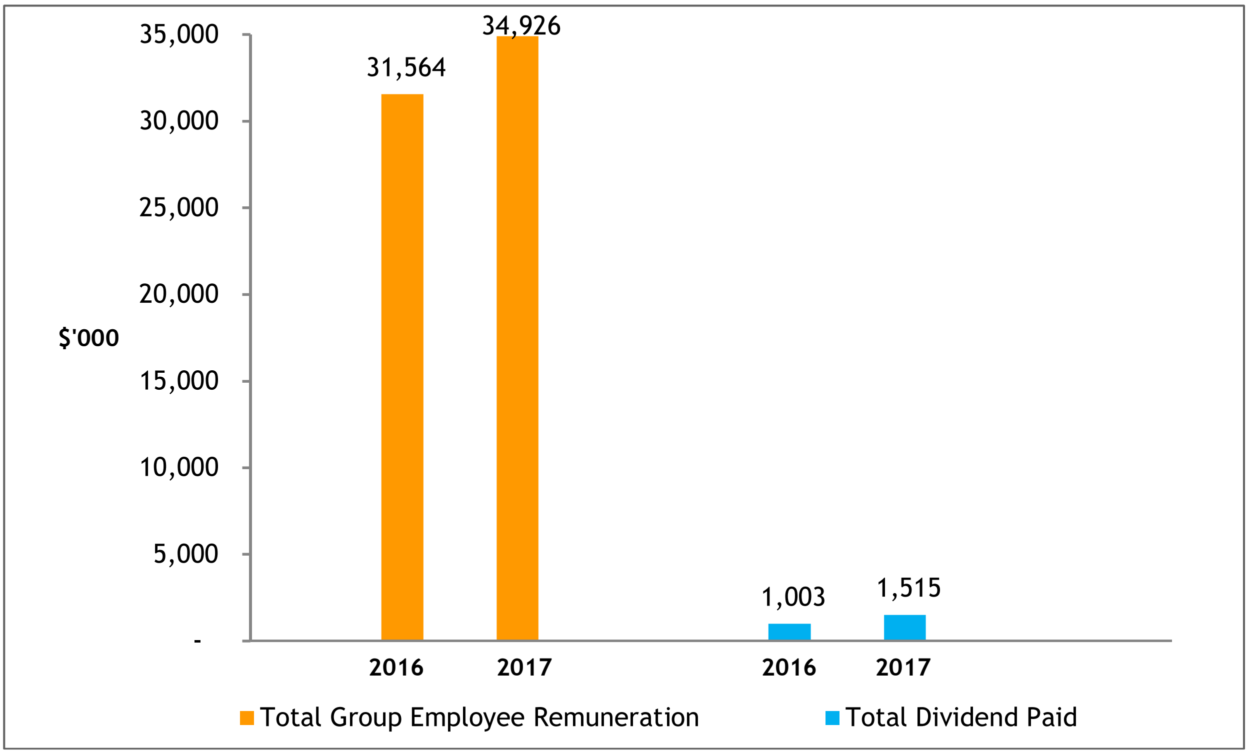
* The Executive Director's basic salary from 2015 to 2017 was £90,000 per annum. The fluctuations shown above during this period were the result of exchange translations.

Percentage change of remuneration

The following table shows a comparison of the percentage change in salaries of the Executive Director, senior management in Indonesia and total wages and salaries between 2016 and 2017.

	2017	2016	Change
Percentage change in Executive Director's salary			
Salary	**$113,000**	$127,000	-11.0%
Percentage change in selected Group senior management salaries			
Salaries	**$1,587,000**	$1,816,000	-12.6%
Percentage change in total wages and salaries			
Total wages and salaries	**$31,608,000**	$28,764,000	+9.9%

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 2017, the unexpired term of the retiring Directors are:

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

Performance Graph
The performance graph is set out on page 4 and shows the Company's share price performance compared to the FTSE 100 index for the period of 2009 to 2017 (last nine 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. AEP was removed from the FTSE All Share Index in June 2016 resulting in a large sell down of its shares as index related funds reweighted their holdings. The drop in AEP share price coincided with the sell down. The removal was primarily based on the liquidity of the shares after it failed to meet the monthly median of 0.015% of the stock for eight out of twelve months. However, after an absence of one year, AEP with effect from 1 June 2017, has been included in the FTSE Small Cap and FTSE All Share Index.

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:	**2017**	2016
	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 2017 and the date of this report. Other than Madam Lim, none of the Directors had any interest in the securities of the Company between the date of their appointments and the date of this report. There is no requirement for Directors to hold shares in the Company. Other than as set out in notes 6 and 21 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 2017. 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 2017 Fees $000**	Total 2016 Fees $000
Name of Directors		
Executive:		
Dato' John Lim Ewe Chuan (1)	**113**	127
Non-Executive:		
Lim Siew Kim (2)	**55**	59
Lim Tian Huat (3)	**20**	21
Jonathan Law Ngee Song (4)	**20**	21
Total	**208**	228

Directors' remuneration comprises of directors fees only.

Unaudited information
Notes:

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

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

(3) Appointed on 8 May 2015.

(4) Appointed on 4 July 2013.

Jonathan Law Ngee Song
Chairman, Remuneration Committee

24 April 2018

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

Opinion

We have audited the financial statements of Anglo Eastern Plantations Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their 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 respect of the parent company financial statements is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 101 'Reduced reporting Framework' (United Kingdom Generally Accepted Accounting Practice).

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 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 20-23 that describe the principal risks and explain how they are being managed or mitigated;

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

- the directors' confirmation set out on page 19 in the annual report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;

- the directors' statement set out on page 12 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

- the directors' explanation set out on page 30 in the annual report as to how they have assessed the prospects of the group, 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 group 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**Our audit response**
Revenue recognition	
Substantially all revenue is derived from the sale 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.	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 agreed with that in the delivery order. We identified revenue from sales of crude palm oil and palm kernel at the end of the current financial year and the beginning of the new financial year and tested a sample to ensure that revenue had been recognised in the correct period.

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

Key audit matter	Our audit response
Valuation of biological assets	
The unharvested fresh fruit bunches (FFB) on the bearer plants at the year-end remain within the scope of IAS 41 Biological assets and are therefore 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.	The directors performed the valuation exercise internally. We challenged the assumptions in the underlying data input by management at the balance sheet date through discussions, comparisons to industry peers, independent external data sources and where available to corroboration with supporting documentation and historical trends.
Valuation of estate land	
Estate land is carried at fair value, based on periodic valuations on an open market basis by an independent professionally qualified valuer. The directors obtain a professional valuation on land on a rotational basis and all land has been professionally valued at least once at 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 prices within Indonesia.	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 along with a selection of land which had been, to ensure geographical coverage of all areas in which they operate. The directors performed their own valuation on the remaining land by considering the movements on the valued land from the prior year and applying those same movements to the other land in the same geographical region. We assessed the capabilities, objectivity and competence of the independent valuer and considered them to be satisfactory. We challenged the assumptions applied by the valuer, verified the input data utilised and assessed the reasonableness of the movements the valuation on an estate by estate basis in light of movements in plantation land area and market valuation trends. We challenged the assumptions applied by the Directors in their own valuation, most notably their rationale for the application of the movements determined by the independent valuers to the remaining estates.
Impairment of bearer plants classified as PPE	
Bearer plants fall within the scope of IAS 16 – Property, Plant and Equipment and are therefore held at historical cost less depreciation. At the end of each reporting period, the directors are required 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.	We considered the various indicators of impairment listed in IAS 36 to determine whether any additional plantations to those already identified by the directors should be reviewed for impairment at 31 December 2017.

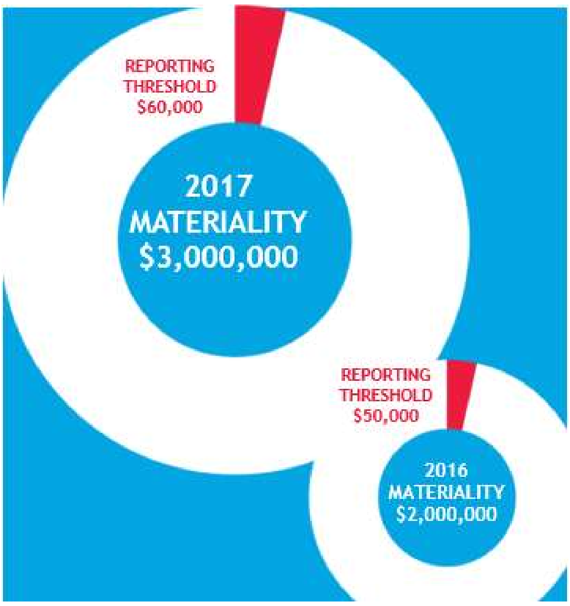
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO-EASTERN PLANTATIONS PLC (continued)

Key audit matter	Our audit response
Impairment of bearer plants classified as PPE (continued)	
The directors have identified an indicator of impairment on five plantations and have carried out an impairment review for those plantations, calculating the recoverable amount to be the asset's value in use. The directors exercise significant judgement in determining the underlying assumptions used in this calculation.	The directors engaged an independent valuer to determine the value in use using data provided by management. We challenged the assumptions in the underlying data made by the valuer through discussions, comparisons to industry peers, independent external data sources and where available through corroboration to supporting documentation and historical trends. We performed sensitivity analysis on the key assumptions in the value in use calculation which were considered to be CPO price and discount rate.

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$3.00 million (2016: US$2.00 million) which approximates to 4.3% of profit before tax (2016: 3.3%). In previous years, materiality has been based on revenue but in the current year we have based materiality on profit before tax. We consider profit before tax to be a more appropriate basis for materiality as it is a key indicator of the Group's financial performance. Performance materiality was set at 75% of the above materiality levels (2016: 75%). Performance materiality is applied at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Where financial information from components was audited separately, component materiality was set at lower levels varying up to 50% of group materiality. Materiality levels are higher than in previous years due to the change in basis and the improvement in results for the year.



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$60,000 (2016: US$50,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

We determined materiality for the parent company financial statements to be US$1.13 million (2016: US$1.38 million) which is based on 2% of gross assets as the entity does not trade and acts as a holding company.

Auditors' Report

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

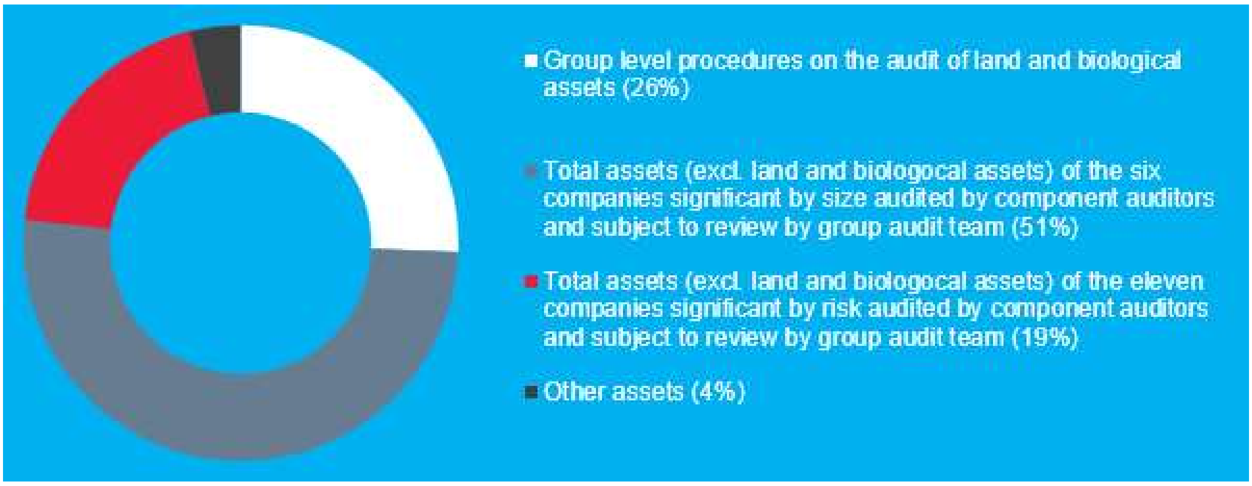
An overview of the scope of our audit

The Group financial statements are a consolidation of twenty six companies made up of the parent company, four management companies, four dormant companies and seventeen trading companies, all of which now contain mature plantations. Sixteen of the plantations are located in Indonesia and one in Malaysia. The head office and main accounting location is located in Kuala Lumpur, Malaysia, at a separate location from the plantations. Our Group audit scope focused on the group's principal operating companies and based on our risk assessment we identified six operating plantation companies which, in our view, required an audit of their complete financial information due to their size and a further eleven which required audit procedures on specific areas due to their risk characteristics. This, together with additional procedures performed at Group level in respect of 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 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. 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 every year. During these visits the Group audit team reviewed the complete audit files for the six operating plantation companies considered to be significant by size and focused on the audit work in relation to the specific areas identified for the remaining eleven companies considered to be significant by risk. Following the review, any further work required by the Group audit team was performed by the component auditor. The component auditors visit the plantation estates on a rotational basis so that each estate is visited at least once every three years.

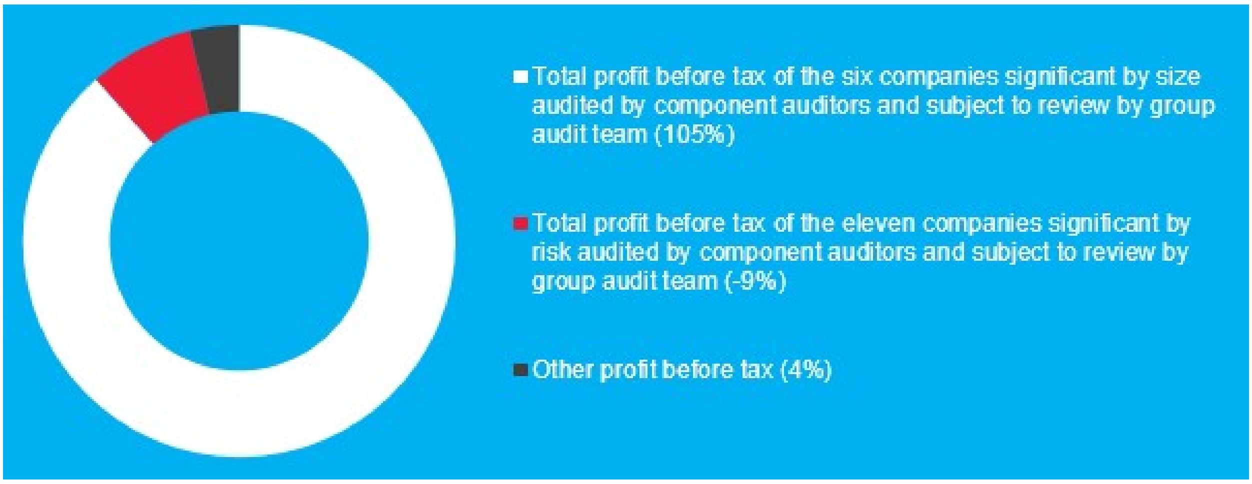
The remaining components of the Group include non-significant holding companies and these components were principally subject to analytical review procedures performed by the Group audit team.

Total assets

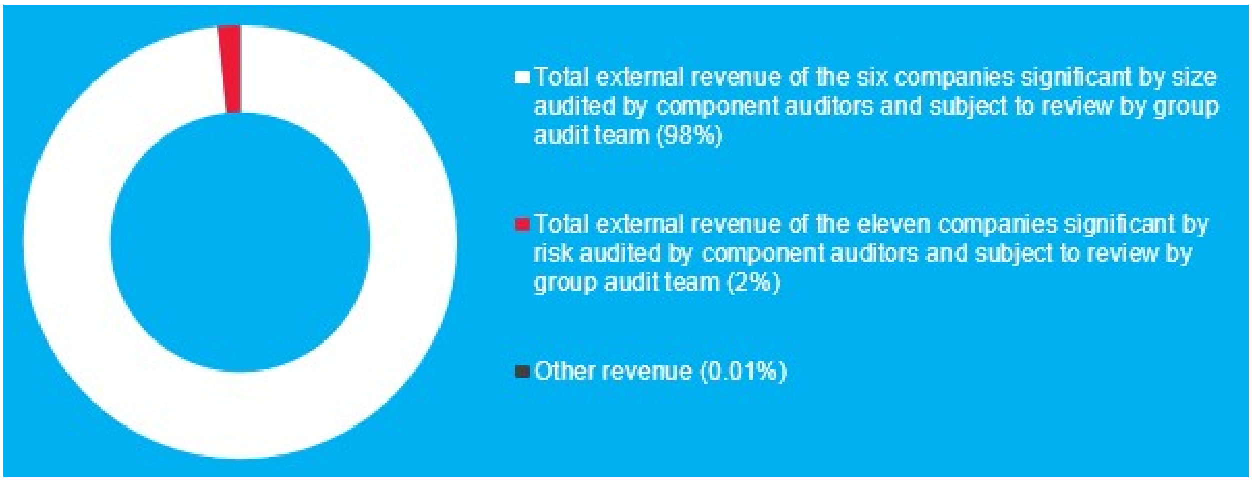


INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO-EASTERN PLANTATIONS PLC (continued)

Profit before tax



Revenue



Other information

The other information comprises the information included in the annual report, set out on pages 2 to 51, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

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

- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions 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.

In our opinion, 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 those reports have been prepared in accordance with applicable legal requirements.

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 or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Chairman in 2001 to audit the financial statements for the year ending 31 December 2001 and subsequent financial periods. The period of total uninterrupted engagement is 17 years, covering the years ending 31 December 2001 to 31 December 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Anna Draper (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

24 April 2018

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 2017

Continuing operations	Note	2017 Result before BA movement	2017 BA movement	2017 Total	2016 Result before BA movement	2016 BA movement	2016 Total
		$000	**$000**	**$000**	$000	$000	$000
Revenue	2	**291,907**	**-**	**291,907**	246,210	-	246,210
Cost of sales		**(217,543)**	**(297)**	**(217,840)**	(184,337)	3,383	(180,954)
Gross profit		**74,364**	**(297)**	**74,067**	61,873	3,383	65,256
Administration expenses		**(8,611)**	**-**	**(8,611)**	(6,653)	-	(6,653)
Reversal of impairment / (impairment losses)		**923**	**-**	**923**	(2,740)	-	(2,740)
Operating profit		**66,676**	**(297)**	**66,379**	52,480	3,383	55,863
Exchange (losses) / gains		**(272)**	**-**	**(272)**	845	-	845
Finance income	3	**5,337**	**-**	**5,337**	5,881	-	5,881
Finance expense	3	**(1,753)**	**-**	**(1,753)**	(1,743)	-	(1,743)
Profit before tax	4	**69,988**	**(297)**	**69,691**	57,463	3,383	60,846
Tax expense	7	**(23,451)**	**73**	**(23,378)**	(16,021)	(844)	(16,865)
Profit for the year		**46,537**	**(224)**	**46,313**	41,442	2,539	43,981
Attributable to:							
- Owners of the parent		**36,386**	**(172)**	**36,214**	32,563	2,150	34,713
- Non-controlling interests		**10,151**	**(52)**	**10,099**	8,879	389	9,268
		46,537	**(224)**	**46,313**	41,442	2,539	43,981
Earnings per share for profit attributable to the owners of the parent during the year							
- basic	8			**91.37cts**			87.58cts
- diluted	8			**91.29cts**			87.58cts

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

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

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017

	2017 $000	2016 $000
Profit for the year	**46,313**	43,981
Other comprehensive (expenses) / income:		
Items may be reclassified to profit or loss:		
(Loss) / Gain on exchange translation of foreign operations	**(1,718)**	8,860
Net other comprehensive (expenses) / income may be reclassified to profit or loss	**(1,718)**	8,860
Items not to be reclassified to profit or loss:		
Unrealised (loss) / gain on revaluation of leasehold land, net of tax	**(9,948)**	1,752
Remeasurement of retirement benefits plan, net of tax	**(1,271)**	(567)
Net other comprehensive (expenses) / income not being reclassified to profit or loss	**(11,219)**	1,185
Total other comprehensive (expenses) / income for the year, net of tax	**(12,937)**	10,045
Total comprehensive income for the year	**33,376**	54,026
Attributable to:		
- Owners of the parent	**23,496**	43,099
- Non-controlling interests	**9,880**	10,927
	33,376	54,026

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

Consolidated Statement of Financial Position

As at 31 December 2017

Company Number: 1884630

	Note	**31.12.2017 $000**	31.12.2016 $000
Non-current assets			
Property, plant and equipment	10	**353,680**	356,790
Receivables	11	**8,358**	3,891
Deferred tax assets	17	**9,309**	13,451
		371,347	374,132
Current assets			
Inventories	12	**9,398**	9,219
Tax receivables	7	**29,430**	26,695
Biological assets	13	**6,772**	7,107
Trade and other receivables	14	**5,184**	5,767
Cash and cash equivalents		**139,489**	118,176
		190,273	166,964
Current liabilities			
Loans and borrowings	15	**(8,594)**	(6,203)
Trade and other payables	16	**(16,805)**	(16,054)
Tax liabilities		**(8,637)**	(8,974)
Dividend payables		**-**	-
		(34,036)	(31,231)
Net current assets		**156,237**	135,733
Non-current liabilities			
Loans and borrowings	15	**(19,281)**	(27,875)
Deferred tax liabilities	17	**(22,390)**	(30,063)
Retirement benefits - net liabilities	18	**(9,022)**	(6,666)
		(50,693)	(64,604)
Net assets		**476,891**	445,261
Issued capital and reserves attributable to owners of the parent			
Share capital	19	**15,504**	15,504
Treasury shares	19	**(1,171)**	(1,171)
Share premium		**23,935**	23,935
Capital redemption reserve		**1,087**	1,087
Revaluation reserves		**51,288**	61,038
Exchange reserves		**(221,435)**	(219,570)
Retained earnings		**515,884**	482,288
		385,092	363,111
Non-controlling interests		**91,799**	82,150
Total equity		**476,891**	445,261

The financial statements were approved by the Board of Directors and authorised for issue on 24 April 2018 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 2017

	Share capital $000	Treasury shares $000	Share premium $000	Capital redemption reserve $000	Revaluation reserves $000	Exchange reserves $000	Retained earnings $000	Total $000	Non-controlling interests $000	Total equity $000
Balance at 31 December 2015	15,504	(1,171)	23,935	1,087	59,572	(226,974)	449,062	321,015	73,598	394,613
Items of other comprehensive income										
-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)
Balance at 31 December 2016	**15,504**	**(1,171)**	**23,935**	**1,087**	**61,038**	**(219,570)**	**482,288**	**363,111**	**82,150**	**445,261**
Items of other comprehensive income										
-Unrealised loss on revaluation of leasehold land, net of tax	**-**	**-**	**-**	**-**	**(9,750)**	**-**	**-**	**(9,750)**	**(198)**	**(9,948)**
-Remeasurement of retirement benefit plan, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**(1,103)**	**(1,103)**	**(168)**	**(1,271)**
-(Loss) / Gain on exchange translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**(1,865)**	**-**	**(1,865)**	**147**	**(1,718)**
Total other comprehensive expenses	**-**	**-**	**-**	**-**	**(9,750)**	**(1,865)**	**(1,103)**	**(12,718)**	**(219)**	**(12,937)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**36,214**	**36,214**	**10,099**	**46,313**
Total comprehensive (expenses) / income for the year	**-**	**-**	**-**	**-**	**(9,750)**	**(1,865)**	**35,111**	**23,496**	**9,880**	**33,376**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(1,515)**	**(1,515)**	**(231)**	**(1,746)**
Balance at 31 December 2017	**15,504**	**(1,171)**	**23,935**	**1,087**	**51,288**	**(221,435)**	**515,884**	**385,092**	**91,799**	**476,891**

Consolidated Statement of Cash Flows
For the year ended 31 December 2017

	2017 $000	2016 $000
Cash flows from operating activities		
Profit before tax	**69,691**	60,846
Adjustments for:		
BA movement	**297**	(3,383)
Gain on disposal of property, plant and equipment	**(18)**	(13)
Depreciation	**16,284**	15,677
Retirement benefit provisions	**1,520**	1,700
Net finance income	**(3,584)**	(4,138)
Unrealised loss / (gain) in foreign exchange	**272**	(845)
Property, plant and equipment written off	**585**	731
(Reversal of impairment) / impairment losses	**(923)**	2,740
Operating cash flow before changes in working capital	**84,124**	73,315
Increase in inventories	**(252)**	(2,353)
Increase in non-current, trade and other receivables	**(4,413)**	(1,460)
Decrease / (Increase) in trade and other payables	**837**	(1,749)
Cash inflow from operations	**80,296**	67,753
Interest paid	**(1,753)**	(1,743)
Retirement benefits paid	**(774)**	(250)
Overseas tax paid	**(26,412)**	(27,133)
Net cash flow from operations	**51,357**	38,627
Investing activities		
Property, plant and equipment		
- purchases	**(27,192)**	(30,484)
- sales	**267**	931
Interest received	**5,337**	5,881
Net cash used in investing activities	**(21,588)**	(23,672)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 $000	2016 $000
Financing activities			
Dividends paid by Company		**(1,515)**	(1,003)
Dividends paid to non-controlling interests		**(231)**	(2,375)
Drawdown of long term loans		**-**	1,250
Repayment of existing long term loans		**(6,197)**	(1,797)
Net cash used in financing activities		**(7,943)**	(3,925)
Increase in cash and cash equivalents		**21,826**	11,030
Cash and cash equivalents			
At beginning of year		**118,176**	104,614
Foreign exchange		**(513)**	2,532
At end of year		**139,489**	118,176
Comprising:			
Cash at end of year	27	**139,489**	118,176

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, 6th 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:
   - Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses (effective for accounting periods beginning on or after 1 January 2017)
   - Disclosure Initiative: Amendments to IAS 7 (effective for accounting periods beginning on or after 1 January 2017)

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

   The following new standards, interpretations and amendments are effective for periods beginning after 1 January 2018 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)
   - Classifications to IFRS 15 revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018)
   - Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective for accounting periods beginning on or after 1 January 2018)
   - Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for accounting periods beginning on or after 1 January 2018)
   - Annual Improvements to IFRSs (2014 – 2016 Cycle)
   - IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018)
   - IFRIC 23 Uncertainty over Income Tax Treatments (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 except IFRS 9 and IFRS 15 which the Group provides the following information regarding their likely impact:

IFRS 9 Financial instruments replaces IAS 39 and introduces some new requirements in relation to impairment based on an expected credit loss model. The Group is still assessing the impact of this new standard.

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. The Group is still assessing the impact of this new standard.

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.

1 Accounting policies - continued

Foreign currency - continued
On consolidation, the results of overseas operations are translated into US Dollar at average exchange rates for the year unless exchange rates fluctuate significantly in which case the actual rate is used. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on re-translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "exchange reserves"). 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 exchange reserves 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 exchange reserves relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

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

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

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

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 are 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 10)
- Biological assets (note 13)

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

Notes to the Consolidated Financial Statements

1 Accounting policies - continued

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.

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 are 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. All other leases are treated as operating leases. Their annual rentals are charged to the income statement on a straight line basis over the term of the lease.

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 from property revaluation surpluses or deficits.

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.

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 shares. 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 enter into financial guarantee contracts and guarantee 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 the 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 10 and note 13 respectively. The Group's policy with regard to impairment of such assets is set out above.

Details on deferred tax are given in note 17 and retirement benefits in note 18.

2 Revenue

	2017	2016
	$000	$000
Sales of produce:		
- CPO, palm kernel and FFB	**286,164**	243,020
- Rubber	**1,305**	1,149
- Shell nut	**2,214**	1,717
- Biomass products	**644**	324
- Biogas products	**865**	-
- Others	**715**	-
	291,907	246,210

3 Finance income and expense

	2017	2016
	$000	$000
Finance income		
Interest receivable on:		
Credit bank balances and time deposits	**5,337**	5,881
Finance expense		
Interest payable on:		
Development loans - (note 15)	**(1,753)**	(1,743)
Net finance income recognised in income statement	**3,584**	4,138

Notes to the Consolidated Financial Statements

4 Profit before tax

	2017 $000	2016 $000
Profit before tax is stated after charging		
Depreciation (note 10)	**16,284**	15,677
(Reversal of impairment) / impairment losses (note 10)	**(923)**	2,740
Exchange losses / (gains)	**272**	(845)
Movement of inventories	**(179)**	(2,526)
Operating lease expense		
- Property	**388**	515
Professional fees	**1,211**	760
Staff costs (note 6)	**34,926**	31,564
Remuneration received by the group's auditor or associates of the group's auditor:		
- Audit of parent company	**5**	5
- Audit of consolidated financial statements	**118**	132
- Audit of consolidated financial statements (prior year)	**13**	-
- Audit related assurance service	**6**	6
- Audit of UK subsidiaries	**13**	13
Total audit services	**155**	156
Audit of overseas subsidiaries		
- Malaysia	**17**	21
- Indonesia	**83**	70
Total audit services	**100**	91
Total auditors' remuneration	**255**	247

5 Segment information

Description of the types of products and services from which each reportable segment derives its revenues
In the opinion of the Directors, the operations of the Group comprise one class of business which is the cultivation of plantation in Indonesia and Malaysia. From the result of the cultivation of plantation, the Group has produced the crude palm oil and associated products such as palm kernel, shell nut, biomass products, and biogas products.

Factors that management used to identify reportable segments in the Group
The reportable segments in the Group are strategic business units based on the geographical spread. Operating segments are consistent with the internal reporting provided to the Board of Directors. The Board of Directors is responsible for allocating resources and assessing the performance of the operating segments. The Board decision is implemented by the Executive Committee, that is made up of a Senior General Manager in Malaysia, the Chief Executive Officer, the Chief Operating Officers, Finance Director and the Engineering Director.

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.

5 Segment information – continued

	North Sumatera $000	Bengkulu $000	South Sumatera $000	Riau $000	Bangka $000	Kalimantan $000	Total Indonesia $000	Malaysia $000	UK $000	Total $000
2017										
Total sales revenue (all external)										
- CPO, palm kernel and FFB	98,290	98,666	-	54,074	147	31,828	283,005	3,159	-	286,164
- Rubber	1,305	-	-	-	-	-	1,305	-	-	1,305
- Shell nut	729	559	-	897	-	29	2,214	-	-	2,214
- Biomass products	644	-	-	-	-	-	644	-	-	644
- Biogas products	527	338	-	-	-	-	865	-	-	865
- Others	632	63	4	-	-	-	699	-	16	715
Total revenue	102,127	99,626	4	54,971	147	31,857	288,732	3,159	16	291,907
Profit / (loss) before tax	24,778	28,952	(4,284)	15,795	(317)	6,552	71,476	103	(1,591)	69,988
BA movement	(478)	(114)	(14)	(91)	12	472	(213)	(84)	-	(297)
Profit / (loss) for the year before tax per consolidated income statement	24,300	28,838	(4,298)	15,704	(305)	7,024	71,263	19	(1,591)	69,691
Depreciation	(3,955)	(4,114)	(2,730)	(940)	(159)	(3,825)	(15,723)	(561)	-	(16,284)
Reversal of impairment / (impairment losses)	-	-	1,112	-	-	(189)	923	-	-	923
Inter-segment transactions	5,083	(2,123)	(806)	(610)	(80)	(1,845)	(381)	112	269	-
Inter-segmental revenue	31,496	1,469	3,643	-	-	721	37,329	-	-	37,329
Tax expense	(11,210)	(6,124)	(69)	(5,564)	89	(203)	(23,081)	(155)	(142)	(23,378)
Total assets	178,841	146,741	40,479	41,544	11,814	110,692	530,111	24,464	7,045	561,620
Non-current assets	105,243	73,888	39,222	19,258	11,587	100,990	350,188	17,986	3,173	371,347
Non-current assets - additions	8,609	2,959	2,383	554	1,030	11,779	27,314	58	13	27,385

Notes to the Consolidated Financial Statements

5 Segment information – continued

	North Sumatera $000	Bengkulu $000	South Sumatera $000	Riau $000	Bangka $000	Kalimantan $000	Total Indonesia $000	Malaysia $000	UK $000	Total $000
2016										
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 nut	628	736	1	205	-	147	1,717	-	-	1,717
- Biomass products	324	-	-	-	-	-	324	-	-	324
Total revenue	90,566	87,300	4	40,374	27	24,489	242,760	3,450	-	246,210
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
Profit / (loss) for the year before tax per consolidated income statement	23,847	26,206	(4,551)	13,514	(600)	2,054	60,470	400	(24)	60,846
Depreciation	(4,029)	(4,096)	(2,505)	(898)	(85)	(3,414)	(15,027)	(650)	-	(15,677)
Reversal of impairment / (impairment losses)	-	-	693	-	(335)	(3,098)	(2,740)	-	-	(2,740)
Inter-segment transactions	3,828	(2,117)	(767)	(609)	-	(1,334)	(999)	604	395	-
Inter-segmental revenue	31,083	1,265	3,174	-	-	24	35,546	-	-	35,546
Tax expense	(9,275)	(5,744)	3,410	(4,531)	90	644	(15,406)	(81)	(1,378)	(16,865)
Total assets	175,332	129,428	54,280	41,887	11,732	103,906	516,565	20,944	3,587	541,096
Non-current assets	101,843	76,048	52,862	20,044	11,520	94,974	357,291	16,263	578	374,132
Non-current assets - additions	7,956	5,544	2,638	857	657	12,771	30,423	61	-	30,484

Notes to the Consolidated Financial Statements

5 Segment information - continued

In year 2017, revenue from 4 customers of the Indonesian segment represents approximately $131.0m (2016: $114.1m) of the Group's total revenue. An analysis of this 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
2017										
Customer 1	**-**	**44,936**	**-**	**-**	**-**	**-**	**44,936**	**-**	**-**	**44,936**
Customer 2	**2,689**	**21,565**	**-**	**2,207**	**-**	**4,075**	**30,536**	**-**	**-**	**30,536**
Customer 3	**27,101**	**-**	**-**	**-**	**-**	**1,455**	**28,556**	**-**	**-**	**28,556**
Customer 4	**26,998**	**-**	**-**	**-**	**-**	**-**	**26,998**	**-**	**-**	**26,998**
	56,788	**66,501**	**-**	**2,207**	**-**	**5,530**	**131,026**	**-**	**-**	**131,026**
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
	32,877	44,678	-	18,354	-	18,219	114,128	-	-	114,128
	%	%	%	%	%	%	%	%	%	%
2017										
Customer 1	**-**	**15.4**	**-**	**-**	**-**	**-**	**15.4**	**-**	**-**	**15.4**
Customer 2	**0.9**	**7.4**	**-**	**0.8**	**-**	**1.4**	**10.5**	**-**	**-**	**10.5**
Customer 3	**9.3**	**-**	**-**	**-**	**-**	**0.5**	**9.8**	**-**	**-**	**9.8**
Customer 4	**9.2**	**-**	**-**	**-**	**-**	**-**	**9.2**	**-**	**-**	**9.2**
	19.4	**22.8**	**-**	**0.8**	**-**	**1.9**	**44.9**	**-**	**-**	**44.9**
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
	13.4	18.2	-	7.5	-	7.4	46.5	-	-	46.5

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.

6 Employees' and Directors' remuneration

	2017 Number	2016 Number
Average numbers employed (primarily overseas) during the year:		
- full time	**5,694**	5,838
- part-time field workers	**9,997**	10,934
	15,691	16,772

	2017 $000	2016 $000
Staff costs (including Directors) comprise:		
Wages and salaries	**31,608**	28,764
Social security costs	**1,282**	773
Retirement benefit costs		
- United Kingdom	**62**	64
- Indonesia (note 18)	**1,922**	1,911
- Malaysia	**52**	52
	34,926	31,564

The information required by the Companies Act and the Listing Rules of the Financial Conduct Authority are contained in the Directors' remuneration report on pages 47 – 51 of which certain information on page 51 has been audited.

	2017 $000	2016 $000
Directors emoluments	**208**	228

	2017 $000	2016 $000
Remuneration expense for key management personnel comprise:		
Salaries	**1,790**	1,888
Social security costs	**-**	-
Retirement benefit costs	**5**	156
	1,795	2,044

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 51.

7 Tax expense

	2017 $000	2016 $000
Foreign corporation tax - current year	**22,796**	20,438
Foreign corporation tax - prior year	**365**	(30)
Deferred tax adjustment - origination and reversal of temporary differences	**217**	(3,543)
Total tax charge for year	**23,378**	16,865

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 19%. The Group's charge for the year differs from the standard UK rate of corporation tax is explained below.

	2017 $000	2016 $000
Profit before tax	**69,691**	60,846
Profit before tax multiplied by standard rate of UK corporation tax of 19% (2016: 20%)	**13,241**	12,169
Effects of:		
Rate adjustment relating to overseas profits	**4,093**	2,301
Group accounting adjustments not subject to tax	**167**	4,810
Expenses not allowable for tax	**4,474**	309
Income not subject to tax	**(1,473)**	(2,656)
Under / (Over) provision of prior year income tax	**365**	(30)
Utilisation of tax losses brought forward	**36**	(38)
Under provision of prior year deferred tax assets	**2,475**	-
Total tax charge for year	**23,378**	16,865

7 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 do not attract output VAT and thus the input VAT incurred is claimable. Upon submission of a tax return (for CIT) or a request letter (for VAT refund), a tax audit will be conducted by the tax authority and the refund process takes up to 12 months.

8 Earnings per ordinary share ("EPS")

	2017	2016
	$000	$000
Profit for the year attributable to owners of the Company before BA movement	**36,386**	32,563
BA movement	**(172)**	2,150
Earnings used in basic and diluted EPS	**36,214**	34,713
	Number	Number
	'000	'000
Weighted average number of shares in issue in year		
- used in basic EPS	**39,636**	39,636
- dilutive effect of outstanding share options	**33**	-
- used in diluted EPS	**39,669**	39,636
Basic EPS before BA movement	**91.80cts**	82.16cts
Basic EPS after BA movement	**91.37cts**	87.58cts
Dilutive EPS before BA movement	**91.72cts**	82.16cts
Dilutive EPS after BA movement	**91.29cts**	87.58cts

9 Dividends

	2017	2016
	$000	$000
Paid during the year		
Final dividend of 3.0p per ordinary share for the year ended 31 December 2016 (2015: 1.75p)	**1,515**	1,003
Proposed final dividend of 4.0cts per ordinary share for the year ended 31 December 2017 (2016: 3.8cts equivalent)	**1,585**	1,463

The proposed dividend for 2017 is subject to shareholders' approval at the forthcoming annual general meeting and has not been included as a liability in these financial statements.

Notes to the Consolidated Financial Statements

10 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
Cost or valuation								
At 1 January 2016	171,915	56,912	140,689	42,102	14,154	1,088	1,340	428,200
Exchange translations	3,720	1,440	2,773	998	287	1	37	9,256
Reclassification	-	1	-	3,608	-	-	(3,609)	-
Revaluations	-	-	2,246	-	-	-	-	2,246
Additions	57	8,665	2,001	765	927	36	2,846	15,297
Development costs capitalised	13,393	-	933	-	-	-	861	15,187
Disposal / Written off	(2,042)	(225)	(65)	(229)	(540)	(142)	-	(3,243)
At 31 December 2016	**187,043**	**66,793**	**148,577**	**47,244**	**14,828**	**983**	**1,475**	**466,943**
Exchange translations	**(516)**	**(580)**	**459**	**(306)**	**8**	**36**	**(9)**	**(908)**
Reclassification	**-**	**-**	**-**	**4,681**	**1**	**-**	**(4,682)**	**-**
Revaluations	**-**	**-**	**(13,273)**	**-**	**-**	**-**	**-**	**(13,273)**
Additions	**31**	**3,486**	**2,585**	**62**	**1,100**	**85**	**4,395**	**11,744**
Development costs capitalised	**15,641**	**-**	**-**	**-**	**-**	**-**	**-**	**15,641**
Disposals / Written off	**(1,102)**	**(1,293)**	**-**	**(297)**	**(401)**	**(16)**	**-**	**(3,109)**
At 31 December 2017	**201,097**	**68,406**	**138,348**	**51,384**	**15,536**	**1,088**	**1,179**	**477,038**
Accumulated depreciation and impairment								
At 1 January 2016	55,461	15,031	-	10,219	10,152	893	-	91,756
Exchange translations	833	371	-	190	182	(2)	-	1,574
Charge for the year	8,260	3,371	-	2,685	1,286	75	-	15,677
Impairment losses	2,740	-	-	-	-	-	-	2,740
Disposal / Written off	(636)	(215)	-	(141)	(466)	(136)	-	(1,594)
At 31 December 2016	**66,658**	**18,558**	**-**	**12,953**	**11,154**	**830**	**-**	**110,153**
Exchange translations	**289**	**(183)**	**(10)**	**(44)**	**32**	**35**	**-**	**119**
Charge for the year	**8,734**	**3,462**	**-**	**2,854**	**1,168**	**66**	**-**	**16,284**
(Reversal of impairment) / impairment losses	**(1,738)**	**-**	**815**	**-**	**-**	**-**	**-**	**(923)**
Disposal / Written off	**(666)**	**(1,062)**	**-**	**(182)**	**(354)**	**(11)**	**-**	**(2,275)**
At 31 December 2017	**73,277**	**20,775**	**805**	**15,581**	**12,000**	**920**	**-**	**123,358**
Carrying amount								
At 31 December 2015	116,454	41,881	140,689	31,883	4,002	195	1,340	336,444
At 31 December 2016	120,385	48,235	148,577	34,291	3,674	153	1,475	356,790
At 31 December 2017	**127,820**	**47,631**	**137,543**	**35,803**	**3,536**	**168**	**1,179**	**353,680**

10 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'. For the year ended 31 December 2017, valuations were undertaken on the land of twelve 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 the fair value of land as at 31 December 2017. For the year ended 31 December 2016, independent land valuations were undertaken for eight 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 2016. Unplantable land was excluded in this exercise since it has zero value. Land is valued on a rotational basis and all the 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 $50,336,000 (2016: $46,982,000).

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
Land				
At 31 December 2017	-	-	137,543	137,543
At 31 December 2016	-	-	148,577	148,577

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 $235,000 (2016: $325,000) of interest and $3,727,000 (2016: $3,930,000) 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 $2,740,000 recognised in 2016 was primarily due to the higher cost of new planting. In 2017, the impairment surplus of $1,738,000 was due to the increase in CPO price.

10 Property, plant and equipment - continued

The recoverable amount of the Group's plantations in 2017 was based on value in use calculation on the basis that it will be higher than fair value less cost to sell, given the mechanics of the two calculations and the nature of the business. The recoverable amount of the Group's plantations carried at value in use was $27,224,000 (2016: $19,739,000).

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 17.4% (2016: 15.0%). Projected future cash flows are calculated based on historical data, industry performance, economic conditions and any other readily available information.

The value in use is computed by the 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:

	2017	2016
CPO selling price	**$725/mt**	$700/mt
Inflation rate	**5.41%**	5.2%
Overhead cost as a percentage of revenue	**10%**	10%
Income tax rate	**25%**	25%
Pre-tax discount rate	**17.4%**	15.0%

The plantations carried at value in use are classified as Level 3 in the fair value hierarchy.

11 Receivables: non-current

	2017		2016	
	Book value $000	**Fair value $000**	Book value $000	Fair value $000
Due from non-controlling interests	**3,161**	**1,882**	578	424
Due from cooperatives under Plasma scheme	**5,197**	**4,621**	3,313	2,973
	8,358	**6,503**	3,891	3,397

The non-controlling interests in PT Alno Agro Utama and PT Cahaya Pelita Andhika have acquired their interests on deferred terms (see note 24, Credit risk). In 2017, there is a change in the ownership of the non-controlling interests in PT Sawit Graha Manunggal, PT Karya Kencana Sentosa Tiga, PT Riau Agrindo Agung and PT Empat Lawang Agro Plantation. The non-controlling interests have acquired their interests on deferred terms (see note 24, 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 $5,197,000 (2016: $3,313,000) for the land allocated to the cooperatives which the cooperatives will repay.

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% (2016: 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 6.05% (2016: 5.56%)	Discount rate	The higher the discount rate, the lower the fair value

12 Inventories

	2017	2016
	$000	$000
Estate and mill consumables	4,252	4,720
Processed produce for sale	5,146	4,499
	9,398	9,219

13 Biological assets

	2017	2016
	$000	$000
At 1 January	7,107	3,673
Changes in fair value less cost to sell	111,419	108,013
Decreases due to harvest	(111,716)	(104,630)
Exchange translations	(38)	51
At 31 December	6,772	7,107

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 by 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

14 Trade and other receivables

	2017	2016
	$000	$000
Trade receivables	1,574	778
Other receivables	3,308	4,683
Prepayments and accrued income	302	306
	5,184	5,767

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

As at 31 December 2017, trade receivables of $637,000 (2016: $114,000) were past due but not impaired. They were related to the customers with no default history. The ageing analysis of trade receivables of the Group are as follows:

	2017	2016
	$000	$000
Neither past due nor impaired	937	664
Past due but not impaired		
31 to 60 days	378	52
61 to 90 days	259	62
91 to 120 days	-	-
	637	114
	1,574	778

15 Loans and borrowings

	2017 Book value $000	2017 Fair value $000	2016 Book value $000	2016 Fair value $000
Non-current				
Long term loan (a)	**1,312**	**1,233**	2,875	2,782
Long term loan (b)	**17,969**	**17,428**	25,000	24,426
	19,281	**18,661**	27,875	27,208
Current				
Long term loan (a)	**1,563**	**1,563**	1,125	1,125
Long term loan (b)	**7,031**	**7,031**	5,078	5,078
	8,594	**8,594**	6,203	6,203
Total loans and borrowings	**27,875**	**27,255**	34,078	33,411
Amounts repayable after more than one year, as follows:				
in more than one year but not more than two years	**11,078**		8,594	
in more than two years but not more than five years	**8,203**		19,281	
	19,281		27,875	

(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 property, plant and equipment 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 with a carrying amount of $6.3 million measured in fair value and its plantation with a carrying amount of $7.7 million as at 31 December 2017 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 2017 was about 5.91% (2016: 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 property, plant and equipment owned by the subsidiary company. It is secured by the subsidiary company's land with a carrying amount of $5.7 million measured in fair value and its plantation with a carrying amount of $25.5 million as at 31 December 2017 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 2017 was about 6.18% (2016: 5.73%). The loan is repayable from 30 December 2016 to 30 September 2020.

All the loans and borrowings are denominated in USD, hence, no effect of changes in foreign exchange rates.

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:

	2017 Book value $000	2017 Fair value $000	2016 Book value $000	2016 Fair value $000
Loans and borrowings	**27,875**	**27,255**	34,078	33,411

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.

16 Trade and other payables

	2017 $000	2016 $000
Trade payables	**6,028**	5,950
Other payables	**3,443**	3,234
Accruals	**7,334**	6,870
	16,805	16,054

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

17 Deferred tax

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

	2017	2016
	$000	$000
At 1 January	**(16,612)**	(19,373)
Recognised in profit and loss:		
Tax expense	**(494)**	4,387
BA movement	**73**	(844)
Revaluation of leasehold land	**204**	-
Recognised in other comprehensive income:		
Revaluation of leasehold land	**3,325**	(494)
Retirement benefits	**424**	188
Exchange differences	**(1)**	(476)
At 31 December	**(13,081)**	(16,612)

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
2017					
Revaluation surplus	**-**	**(23,953)**	**(23,953)**	**204**	**3,325**
Retirement benefits	**2,250**	**-**	**2,250**	**187**	**424**
BA movement	**-**	**(1,692)**	**(1,692)**	**73**	**-**
Unutilised tax losses	**10,524**	**-**	**10,524**	**(950)**	**-**
Unremitted earnings	**-**	**(403)**	**(403)**	**-**	**-**
Other temporary differences	**194**	**(1)**	**193**	**269**	**-**
Tax assets / (liabilities)	**12,968**	**(26,049)**	**(13,081)**	**(217)**	**3,749**
Set off of tax	**(3,659)**	**3,659**	**-**	**-**	**-**
Net tax assets / (liabilities)	**9,309**	**(22,390)**	**(13,081)**	**(217)**	**3,749**
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)	13,451	(30,063)	(16,612)	3,543	(306)
Set off of tax	-	-	-	-	-
Net tax assets / (liabilities)	13,451	(30,063)	(16,612)	3,543	(306)

	2017	2016
	$000	$000
A deferred tax asset has not been recognised for the following items:		
Unutilised tax losses	**2,892**	2,832

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.

18 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:

	2017	2016
Rate of increase in wages	**8.0%**	8.0%
Rate of return on scheme assets	**8.5%**	9.0%
Discount rate	**7.5%**	8.5%
Mortality rate*	**100% TMI3**	100% TMI3
Disability rate	**10% TMI3**	10% TMI3

* Mortality rate was derived from observation of Indonesian life insurance policyholders released in 2011 and load 10% to allow for disability.

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 benefits are 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 benefits 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.

	2017 $000	2016 $000
Service cost		
Current service cost	**1,339**	1,076
Past service cost	**(71)**	385
Net interest expense	**587**	465
Actuarial gain	**67**	(15)
Total employee benefits expense	**1,922**	1,911

18 Retirement benefits - continued

(i) Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation			Fair value of scheme assets			Net defined scheme liability		
	Funded scheme $000	Unfunded scheme $000	Total $000	Funded scheme $000	Unfunded scheme $000	Total $000	Funded scheme $000	Unfunded scheme $000	Total $000
At 1 January 2016	(5,616)	(2,408)	(8,024)	3,496	-	3,496	(2,120)	(2,408)	(4,528)
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)
Remeasurement (loss) / gain									
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)
Effect of movements in exchange rates	(139)	(51)	(190)	89	-	89	(50)	(51)	(101)
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
At 31 December 2016	(6,871)	(3,806)	(10,677)	4,011	-	4,011	(2,860)	(3,806)	(6,666)

18 Retirement benefits – continued

(i) Reconciliation of defined benefit obligation and fair value of scheme assets (continued)

	Defined benefit obligation			Fair value of scheme assets			Net defined scheme liability		
	Funded scheme $000	Unfunded scheme $000	Total $000	Funded scheme $000	Unfunded scheme $000	Total $000	Funded scheme $000	Unfunded scheme $000	Total $000
At 31 December 2016	**(6,871)**	**(3,806)**	**(10,677)**	**4,011**	**-**	**4,011**	**(2,860)**	**(3,806)**	**(6,666)**
Service cost - current	**(599)**	**(740)**	**(1,339)**	**-**	**-**	**-**	**(599)**	**(740)**	**(1,339)**
Service cost - past	**53**	**18**	**71**	**-**	**-**	**-**	**53**	**18**	**71**
Interest (cost) / income	**(587)**	**(347)**	**(934)**	**347**	**-**	**347**	**(240)**	**(347)**	**(587)**
Actuarial loss	**-**	**(67)**	**(67)**	**-**	**-**	**-**	**-**	**(67)**	**(67)**
Included in comprehensive income	**(1,133)**	**(1,136)**	**(2,269)**	**347**	**-**	**347**	**(786)**	**(1,136)**	**(1,922)**
Remeasurement (loss) / gain									
Actuarial (loss) / gain from:									
Adjustments (experience)	**(229)**	**(77)**	**(306)**	**-**	**-**	**-**	**(229)**	**(77)**	**(306)**
Financial assumptions	**(676)**	**(595)**	**(1,271)**	**-**	**-**	**-**	**(676)**	**(595)**	**(1,271)**
Return on plan assets (exclude interest)	**-**	**-**	**-**	**(118)**	**-**	**(118)**	**(118)**	**-**	**(118)**
Included in other comprehensive income	**(905)**	**(672)**	**(1,577)**	**(118)**	**-**	**(118)**	**(1,023)**	**(672)**	**(1,695)**
Effect of movements in exchange rates	**71**	**51**	**122**	**(37)**	**-**	**(37)**	**34**	**51**	**85**
Employer contributions	**-**	**-**	**-**	**402**	**-**	**402**	**402**	**-**	**402**
Benefits paid	**881**	**184**	**1,065**	**(291)**	**-**	**(291)**	**590**	**184**	**774**
Other movements	**952**	**235**	**1,187**	**74**	**-**	**74**	**1,026**	**235**	**1,261**
At 31 December 2017	**(7,957)**	**(5,379)**	**(13,336)**	**4,314**	**-**	**4,314**	**(3,643)**	**(5,379)**	**(9,022)**

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18 Retirement benefits - continued

(ii) Disaggregation of defined benefit scheme assets

The fair value of the funded assets is analysed as follows:

	2017 $000	2016 $000
Bonds		
- Corporate bonds	**108**	73
- Government bonds	**80**	51
- Mutual fund bonds	**233**	216
	421	340
Cash / deposits	**3,893**	3,671
	4,314	4,011

(iii) Defined benefit obligation – sensitivity analysis

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

	Reasonably Possible Change	Defined benefit obligation Increase $000	Decrease $000
Discount rate	**(+ / - 1.00%)**	**(1,311)**	**1,509**
Growth in wages	**(+ / - 1.00%)**	**1,545**	**(1,363)**
Future mortality rate	**(+ / - 10.00%)**	**56**	**(57)**

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

Year	$000
2018	509
2019 to 2022	3,737
2023 to 2027	10,185
after 2027	102,577
Total	117,008

19 Share capital and treasury shares

	Authorised Number	Issued and fully paid Number	Authorised £000	Issued and fully paid £000	Authorised $000	Issued and fully paid $000
Ordinary shares of 25p each						
Beginning and end of year	**60,000,000**	**39,976,272**	**15,000**	**9,994**	**23,865**	**15,504**

Treasury shares:	2017 Number	2016 Number	Cost 2017 $'000	Cost 2016 $'000
Beginning of year	**339,900**	339,900	**(1,171)**	(1,171)
Share options exercised	**-**	-	**-**	-
End of year	**339,900**	339,900	**(1,171)**	(1,171)

Market value of treasury shares:	$'000
Beginning of year (674.5p/share)	2,821
End of year (769.0p/share)	**3,531**

No treasury shares were purchased in 2017 (2016: Nil).

All the fully paid ordinary shares have full voting rights, as well as to receive the distribution of dividends and repayment of capital upon winding up of company.

20 Ultimate controlling shareholder

At 31 December 2017, Genton International Limited, a company registered in Hong Kong, held 20,247,814 (2016: 20,247,814) shares of the Company representing 51.1% (2016: 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.

21 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 LLP, an accounting firm of which Dato' John Lim Ewe Chuan is a partner, to provide company secretarial and taxation services for a fee of $34,809 (2016: $21,348). The fee for the services provided is on an arm's length basis. There was no outstanding fee at the year end (2016: Nil).

An office premises lease agreement was entered with Infra Sari Sdn Bhd, a company controlled by Madam Lim Siew Kim. The rental paid during the year was $281,664 (2016: $275,610). There was no balance outstanding at the year end (2016: Nil).

22 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 reserves	Gains/losses arising on the revaluation of the Group's property.
Exchange reserves	Gains/losses arising from translating the net assets of overseas operations into US Dollar.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

23 Guarantees and other financial commitments

	2017	2016
	$000	$000
Capital commitments at 31 December		
Contracted but not provided - normal estate operations	**183**	755
Authorised but not contracted - plantation and mill development	**41,583**	32,034

A subsidiary company, PT Sawit Graha Manunggal ("SGM") has provided a corporate guarantee to Koperasi Bartim Sawit Sejahtera ("KBSS"), a party under Plasma scheme as disclosed in note 11, in relation to a loan taken by KBSS from PT Bank Mandiri (Persero) Tbk. of Rp226.02 billion ($16.7 million) (2016: Rp226.02 billion, $16.8 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 and its plantation with a carrying amount of $13.4 million as at 31 December 2017 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.

On 3 February 2017, a subsidiary company, PT Alno Agro Utama and Koperasi Perkebunan Plasma Maju Sejahtera ("KPPM") signed a Refinancing Agreement with PT Bank Syariah Mandiri ("BSM") to fund its plasma development. The Agreement provides a loan of Rp 8.75 billion ($0.6 million), with 10 (Ten) years maturity period effective from 24 July 2017 with an interest rate of 13.25% per annum. KPPM pledges its 147.04 hectares oil palm plantation located in Desa Serami Baru, Kecamatan Malin Deman, Kabupaten Mukomuko, Bengkulu and its plantation with a carrying amount of $0.8 million as at 31 December 2017 as security under the agreement while the Company provides corporate guarantee amounting to Rp 8.75 billion ($0.6 million).

24 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 2017 and 2016 were:

	Loans and receivables $000	**Financial liabilities at amortised cost $000**	**Total carrying value $000**
2017			
Non-current receivables	**8,358**	**-**	**8,358**
Trade and other receivables	**4,882**	**-**	**4,882**
Cash and cash equivalent	**139,489**	**-**	**139,489**
Loans and borrowings due within one year	**-**	**(8,594)**	**(8,594)**
Trade and other payables	**-**	**(16,805)**	**(16,805)**
Loans and borrowings due after one year	**-**	**(19,281)**	**(19,281)**
	152,729	**(44,680)**	**108,049**

	Loans and receivables $000	Financial liabilities at amortised cost $000	Total carrying value $000
2016			
Non-current receivables	3,891	-	3,891
Trade and other receivables	5,461	-	5,461
Cash and cash equivalent	118,176	-	118,176
Loans and borrowings due within one year	-	(6,203)	(6,203)
Trade and other payables	-	(16,054)	(16,054)
Loans and borrowings due after one year	-	(27,875)	(27,875)
	127,528	(50,132)	77,396

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

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

Please refer to the applicable notes for details of the fair value hierarchy, valuation techniques, and significant unobservable inputs related to determining the fair value of the following items:
- Non-current receivables (note 11); and
- Loans and borrowings (note 15).

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 historical cost of investment (including intercompany loans) by the parent in its subsidiaries amounted to $61,876,000 (2016: $66,971,000), while the balance sheet value of the Group's share of underlying assets at 31 December 2017 amounted to $385,092,000 (2016: $363,111,000).

24 Disclosure of financial instruments and other risks - continued

Currency risk - continued
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 3.31% higher than on US Dollar deposits whereas interest rate for local currency borrowing was about 4.84% higher as compared to US Dollar borrowing. The unmatched balance at 31 December 2017 is represented by the $11,619,000 shown in the table below (2016: $20,991,000). If the Group's net cash position continues to improve then US Dollar cash balances will continue to increase through 2018.

The table below shows the net monetary assets and liabilities of the Group as at 31 December 2017 and 2016 that were not denominated in the operating or functional currency of the operating unit involved.

	Net foreign currency assets/(liabilities)		
	US Dollar	**Sterling**	**Total**
Functional currency of Group operation	**$000**	**$000**	**$000**
2017			
Indonesian Rupiah	**(11,619)**	**-**	**(11,619)**
US Dollar	**-**	**1,663**	**1,663**
Total	**(11,619)**	**1,663**	**(9,956)**
2016			
Indonesian Rupiah	(20,991)	-	(20,991)
US Dollar	-	63	63
Total	(20,991)	63	(20,928)

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:

		2017			2016	
	Carrying Amount US$ $000	**-10% in Rp : $ and RM : $ $000**	**+10% in Rp : $ and RM : $ $000**	Carrying Amount US$ $000	-10% in Rp : $ and RM : $ $000	+10% in Rp : $ and RM : $ $000
Financial Assets						
Non-current receivables	**8,358**	**(472)**	**577**	3,891	(301)	368
Trade and other receivables	**4,882**	**(261)**	**319**	5,461	(245)	300
Cash and cash equivalents	**139,489**	**(12,512)**	**15,292**	118,176	(10,721)	13,103
Financial Liabilities						
Borrowings due within one year	**(8,594)**	**781**	**(955)**	(6,203)	564	(689)
Trade and other payables	**(16,805)**	**1,425**	**(1,742)**	(16,054)	1,373	(1,679)
Borrowings due after one year	**(19,281)**	**1,753**	**(2,142)**	(27,875)	2,534	(3,097)
Total (decrease) / increase		**(9,286)**	**11,349**		(6,796)	8,306

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.

24 Disclosure of financial instruments and other risks - continued

Liquidity risk - continued
The Group's trade and tax payables are all due for settlement within a year. At 31 December 2017, the Group had the following loans and facilities.

	Borrowings $000	Facilities $000	Repayable
Indonesia:			
US Dollar denominated - long term loan	27,875	45,000	2018 - 2020 (note 15)

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

	2017 $000	2016 $000
Principal	**27,875**	34,078
Interest	**2,710**	3,890
Total	**30,585**	37,968
Amount repayable within one year	**9,121**	6,555
Amount repayable after one year but not more than two years	**1,003**	1,388
Amount repayable after two years but not more than five years	**20,461**	30,025
Amount repayable after five years	**-**	-
	30,585	37,968

Forecasts prepared in December 2017 indicate that the Group has sufficient funds to meet its development plans and financial commitments through 2018.

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.

Interest rate risk
Both the Group's surplus cash and its borrowings are subject to variable interest rates. The Group had net cash throughout 2017, 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 the table below. The rates on borrowings are set out in note 15.

		2017			2016	
	Carrying amount $000	**-1% in interest rate $000**	**+1% in interest rate $000**	Carrying amount $000	-1% in interest rate $000	+1% in interest rate $000
Financial Assets						
Cash and cash equivalents	**139,489**	**(987)**	**1,046**	118,176	(820)	865
Financial Liabilities						
Borrowings due within one year	**(8,594)**	**-**	**-**	(6,203)	-	-
Borrowings due after one year	**(19,281)**	**279**	**(279)**	(27,875)	341	(341)
Total (decrease) / increase		**(708)**	**767**		(479)	524

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

24 Disclosure of financial instruments and other risks - continued

Interest rate risk - continued
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
2017				
Sterling	**1,663**	**-**	**20**	**1,643**
US Dollar	**20,214**	**3,161**	**6,042**	**11,011**
Rupiah	**124,648**	**-**	**93,698**	**30,950**
Ringgit	**6,204**	**-**	**4,867**	**1,337**
Total	**152,729**	**3,161**	**104,627**	**44,941**
2016				
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
Total	127,528	578	86,527	40,423

Long term receivables of $3,161,000 (2016: $578,000) comprise US Dollar denominated amounts due from non-controlling interests as described in note 11 on which interest is due at a fixed rate of 6%.

Average US Dollar deposit rate in 2017 was 1.25% (2016: 1.25%) and Rupiah deposit rate was 4.56% (2016: 5.15%).

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
2017				
Sterling	**-**	**-**	**-**	**-**
US Dollar	**(28,869)**	**-**	**(27,875)**	**(994)**
Rupiah	**(15,470)**	**-**	**-**	**(15,470)**
Ringgit	**(341)**	**-**	**-**	**(341)**
Total	**(44,680)**	**-**	**(27,875)**	**(16,805)**
2016				
Sterling	-	-	-	-
US Dollar	(34,890)	-	(34,078)	(812)
Rupiah	(14,942)	-	-	(14,942)
Ringgit	(300)	-	-	(300)
Total	(50,132)	-	(34,078)	(16,054)

Weighted average interest rate on variable rate borrowings was 6.16% in 2017 (2016: 5.69%).

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 2017 (2016: 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, and particularly in Indonesia independently rated banks with minimum rating of “A”. 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 $3,161,000 (2016: $578,000), in relation to their investments in operating subsidiaries are secured on those investments and are repayable from their share of dividends from those subsidiaries.

Amount receivable due from cooperatives under Plasma scheme as disclosed in note 11, are unsecured and are to be repaid from FFB supplied by the cooperatives. Two subsidiaries have provided corporate guarantee for two cooperatives in obtaining bank loans in 2013 and 2017. The amount drawdown from this loan was used to repay the advances made by the subsidiaries. See note 23.

24 Disclosure of financial instruments and other risks – continued

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 $385,092,000 at 31 December 2017 (2016: $363,111,000).

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 presently to attempt to fund development from self-generated funds and loans and not from the issue of new share capital. At 31 December 2017 (2016: Nil) the Group had no net borrowings but, depending on market conditions, the Board is prepared for the Group to have net borrowings.

Plantation industry risk
Please refer to pages 19 - 23.

25 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	
		2017	2016	**2017**	2016
Principal sub-holding company					
Anglo-Indonesian Oil Palms Limited	United Kingdom	**100%**	100%	**-**	-
Management company					
Indopalm Services Limited	United Kingdom	**100%**	100%	**-**	-
Operating companies					
Anglo-Eastern Plantations (M) Sdn Bhd	Malaysia	**55%**	55%	**45%**	45%
Anglo-Eastern Plantations Management Sdn Bhd	Malaysia	**100%**	100%	**-**	-
PT Alno Agro Utama	Indonesia	**90%**	90%	**10%**	10%
PT Anak Tasik	Indonesia	**100%**	100%	**-**	-
PT Bangka Malindo Lestari	Indonesia	**95%**	95%	**5%**	5%
PT Bina Pitri Jaya	Indonesia	**80%**	80%	**20%**	20%
PT Cahaya Pelita Andhika	Indonesia	**90%**	90%	**10%**	10%
PT Empat Lawang Agro Perkasa	Indonesia	**95%**	95%	**5%**	5%
PT Hijau Pryan Perdana	Indonesia	**80%**	80%	**20%**	20%
PT Kahayan Agro Plantation	Indonesia	**95%**	95%	**5%**	5%
PT Karya Kencana Sentosa Tiga	Indonesia	**95%**	95%	**5%**	5%
PT Mitra Puding Mas	Indonesia	**90%**	90%	**10%**	10%
PT Musam Utjing	Indonesia	**75%**	75%	**25%**	25%
PT Riau Agrindo Agung	Indonesia	**95%**	95%	**5%**	5%
PT Sawit Graha Manunggal	Indonesia	**82%**	82%	**18%**	18%
PT Simpang Ampat	Indonesia	**100%**	100%	**-**	-
PT Tasik Raja	Indonesia	**80%**	80%	**20%**	20%
PT United Kingdom Indonesia Plantations	Indonesia	**75%**	75%	**25%**	25%
PT Anglo-Eastern Plantations Management Indonesia	Indonesia	**100%**	100%	**-**	-
Dormant companies					
The Ampat (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, 6th Floor 4 Thomas More Square London E1W 1YW United Kingdom
Malaysia registered subsidiaries	7th Floor, Wisma Equity 150 Jalan Ampang 50450 Kuala Lumpur Malaysia
Indonesia registered subsidiaries	3rd Floor, Wisma HSBC, Jalan Diponegoro, Kav 11 Medan 20152 North Sumatera Indonesia

26 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%
Summarised income statement										
For the year ended 31 December	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000
Revenue	**53,895**	48,600	**38,798**	33,885	**61,675**	53,943	**54,074**	40,169	**31,828**	24,342
Profit / (Loss) after tax	**13,228**	13,065	**8,218**	7,959	**12,086**	10,327	**17,158**	14,011	**(273)**	(725)
Other comprehensive (expenses) / income	**(1,727)**	4,505	**(572)**	1,973	**(640)**	2,461	**(1,033)**	2,824	**(491)**	(268)
Total comprehensive income / (expenses)	**11,501**	17,570	**7,646**	9,932	**11,446**	12,788	**16,125**	16,835	**(764)**	(993)
Profit / (Loss) allocated to NCI	**2,646**	2,613	**822**	796	**1,209**	1,033	**3,432**	2,802	**(50)**	(132)
Other comprehensive (expenses) / income allocated to NCI	**(345)**	901	**(57)**	197	**(64)**	246	**(207)**	565	**(89)**	(49)
Total comprehensive income / (expenses) allocated to NCI	**2,301**	3,514	**765**	993	**1,145**	1,279	**3,225**	3,367	**(139)**	(181)
Dividends paid to NCI	**-**	501	**50**	475	**50**	300	**95**	441	**-**	-
Summarised statement of financial position										
As at 31 December	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000
Non-current assets	**249,215**	217,483	**38,294**	38,535	**52,586**	54,059	**93,291**	78,780	**81,651**	79,559
Current assets	**15,899**	18,188	**38,087**	30,929	**35,275**	22,580	**28,929**	28,541	**8,141**	7,371
Non-current liabilities	**(105,371)**	(86,157)	**(3,768)**	(3,601)	**(8,023)**	(7,462)	**(3,600)**	(3,204)	**(80,517)**	(78,594)
Current liabilities	**(4,771)**	(6,342)	**(5,455)**	(5,927)	**(5,210)**	(5,603)	**(3,505)**	(4,873)	**(9,951)**	(8,245)
Net assets	**154,972**	143,172	**67,158**	59,936	**74,628**	63,574	**115,115**	99,244	**(676)**	91
Accumulated NCI	**30,994**	28,634	**6,716**	5,994	**7,463**	6,357	**23,023**	19,849	**(123)**	17
Summarised cash flows										
For the year ended 31 December	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000
Cash flows from / (used in) operating activities	**12,287**	18,180	**8,001**	9,910	**16,380**	13,716	**18,482**	11,563	**2,535**	(214)
Cash flows from / (used in) investing activities	**(6,447)**	3,492	**(1,052)**	(3,758)	**(1,872)**	1,290	**194**	(105)	**(7,450)**	(9,216)
Cash flows from / (used in) financing activities	**(8,356)**	(19,020)	**2,894**	9,630	**(1,539)**	(1,513)	**(17,223)**	(28,167)	**4,324**	10,498
Net cash inflows / (outflows)	**(2,516)**	2,652	**9,843**	15,782	**12,969**	13,493	**1,453**	(16,709)	**(591)**	1,068

Notes to the Consolidated Financial Statements

27 Notes supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	2017 $000
Cash at bank available on demand	26,533
Short-term deposits	112,937
Cash in hand	19
	139,489

Significant non-cash transactions from investing activities are as follows:

	2017 $000
Property, plant and equipment purchased but not yet paid at year end	193

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions as follows:

	Non-current loans and borrowings $000	Current loans and borrowings $000	Total $000
At 1 January 2017	(27,875)	(6,203)	(34,078)
Cash Flows	-	6,197	6,197
Non-cash flows			
- Effect of foreign exchange	-	6	6
- New finance lease	-	-	-
- Loans and borrowings classified as non-current at 31 December 2016 becoming current during 2017	8,594	(8,594)	-
-Interest accruing during the year	-	-	-
	(19,281)	(8,594)	(27,875)

Company Balance Sheet
As at 31 December 2017

Company Number: 1884630

	Note	2017 $000	2016 $000
Non-current assets			
Property, plant & equipment		**12**	-
Investments in subsidiaries	3	**61,876**	66,971
		61,888	66,971
Current assets			
Debtors	4	**2,797**	1,837
Cash at bank and in hand		**1,860**	245
		4,657	2,082
Creditors: amount falling due within one year	5	**(3,403)**	(3,221)
Net current assets / (liabilities)		**1,254**	(1,139)
Net assets		**63,142**	65,832
Capital and reserves			
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 reserves		**3,872**	3,872
Retained earnings at 1 January		**22,605**	23,719
Loss for the year		**(1,175)**	(111)
Dividends paid		**(1,515)**	(1,003)
Retained earnings		**19,915**	22,605
Shareholders' funds		**63,142**	65,832

The loss after tax for the year for the Company dealt with in the consolidated financial statements of the Company was $1,175,000 (2016: $111,000).

The financial statements were approved by the Board of Directors and authorised for issue on 24 April 2018 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 2017

	Share capital $000	Treasury shares $000	Share premium $000	Capital redemption reserve $000	Exchange reserves $000	Retained earnings $000	Total $000
Balance at 31 December 2015	15,504	(1,171)	23,935	1,087	3,872	23,719	66,946
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)
Balance at 31 December 2016	**15,504**	**(1,171)**	**23,935**	**1,087**	**3,872**	**22,605**	**65,832**
Comprehensive income for the year							
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(1,175)**	**(1,175)**
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**(1,175)**	**(1,175)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(1,515)**	**(1,515)**
Balance at 31 December 2017	**15,504**	**(1,171)**	**23,935**	**1,087**	**3,872**	**19,915**	**63,142**

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 cost convention. 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.

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.

Office plant and equipment is depreciated using the straight-line method. The yearly rate of depreciation is as follows:
Office plant, equipment & vehicle - 20% per annum

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 67.

Deferred taxation
A deferred tax asset has not been recognised in relation to brought forward tax losses of $10.7m (2016: 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 shares. 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.

Notes to the Company Financial Statements

1 Accounting policies - continued

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

2 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 $1,172,000 (2016: $97,000) and loss after tax for the year was $1,175,000 (2016: $111,000).

The remuneration of the directors of the Company is disclosed in note 6 to the consolidated financial statements. Auditor's remuneration is disclosed in note 4 to the consolidated financial statements.

3 Investments in subsidiaries

	Investments in subsidiaries undertakings $000	Loans to subsidiaries undertakings $000	Total $000
At 1 January 2016	2,810	64,781	67,591
Movements during the year			
Reclassification	11,378	(11,378)	-
Repayment	-	(620)	(620)
At 31 December 2016	**14,188**	**52,783**	**66,971**
Movements during the year:			
Repayment	**-**	**(5,095)**	**(5,095)**
At 31 December 2017	**14,188**	**47,688**	**61,876**

	2017 $000	2016 $000
Net carrying amount		
At 31 December	**61,876**	66,971

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 as investments in subsidiaries.

On 5 December 2017, the shareholders of Anglo-Eastern Plantations (M) Sdn Bhd, subject to the approval from the Companies Commission of Malaysia, resolved to fully redeemed the 8.4% Cumulative Preference Shares of 7,356,000 issued to Anglo-Eastern Plantation Plc for $1,818,000.

The details of the subsidiaries are disclosed in Note 25 of the consolidated financial statements.

Notes to the Company Financial Statements

4 Debtors

	2017	2016
	$000	$000
Amounts owed by group undertakings:		
Anglo-Eastern Plantations Management Sdn Bhd	**2,319**	1,299
Anglo-Eastern Plantations (M) Sdn Bhd	**-**	291
PT Hijau Pyran Perdana	**100**	50
PT Sawit Graha Manunggal	**350**	175
	2,769	1,815
Other debtors	**28**	22
	2,797	1,837

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

	2017	2016
	$000	$000
Amounts owed to group undertakings		
Mergerset (1980) Limited	**2,163**	2,163
Musam Indonesia Limited	**246**	246
	2,409	2,409
Accruals	**994**	812
	3,403	3,221

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.

6 Share capital and treasury shares

The details of the share capital and treasury shares are disclosed in Note 19 of the consolidated financial statements.

7 Related party transactions

The details of the related party transactions for UHY Hacker Young LLP are disclosed in Note 21 of the consolidated financial statements.

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 $210,264 (2016: $203,896). There was no balance outstanding at the year end (2015: Nil).

Transactions between the Company and its subsidiaries are disclosed below:

Nature of transactions	Name	2017 $000	2016 $000
Management fees from	Anglo-Eastern Plantations Malaysia Sdn Bhd	**44**	65
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)	**2,769**	1,815
Payable to	Subsidiaries (note 5)	**2,409**	2,409

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

	2017 Number	2016 Number
Average numbers employed during the year		
- directors	**4**	4
- staff	**-**	-
	4	4

	2017 $000	2016 $000
Staff costs		
Wages and salaries	**-**	(481)
Social security costs	**-**	-
Retirement benefits	**62**	64
	62	(417)

The information required by the Companies Act and the Listing Rules of the Financial Conduct Authority are contained in the Directors' remuneration report on pages 47 - 51 of which certain information on page 51 has been audited.

	2017 $000	2016 $000
Directors' emoluments	**208**	228

9 Dividends

The details of the dividends are disclosed in Note 9 of the consolidated financial statements.

10 Guarantees and other financial commitments

The Company has provided guarantees for loans to subsidiaries totalling $45,000,000 (2016: $45,000,000) as set out in note 15 of the consolidated financial statements.

Notice of Annual General Meeting

Notice is hereby given that the thirty-third 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 Monday 25 June 2018 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 2017.

2 To approve the Directors' Remuneration Report (excluding the part containing the remuneration policy) as set out in the Company's annual report and accounts for the year ended 31 December 2017.

3 To declare a final dividend.

4 To re-elect Madam Lim Siew Kim, a Non-Executive Director, who has served more than nine years.

5 To re-elect Dato' John Lim Ewe Chuan as a director.

6 To re-elect Mr Lim Tian Huat as a Non-Executive Director.

7 To re-elect Mr Jonathan Law Ngee Song as a Non-Executive Director

8 To re-appoint BDO LLP as auditors.

9 To authorise the directors to fix the remuneration of the auditors.

10 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 2019 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).

11 To consider the following resolution as a special resolution:

That subject to and conditional on the passing of Resolution 10, 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 10 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 10 by way of a rights issue only);

(a) ordinary shareholders in proportion (as nearly may be practicable) to their existing holdings: and

(b) holders of other equity securities, as required by the rights of those securities, or as the directors otherwise consider necessary,

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

(ii) in the case of the authority granted under paragraph (i) of Resolution 10 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 2019 (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.

12 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 2019 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.

13 To consider the following resolution as a special resolution:

That with effect from the conclusion of the meeting the draft articles of association produced to the meeting and, for the purposes of identification, initialled by the Chairman be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the Company's existing articles of association.

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
18 May 2018

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 21 June 2018 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 21 June 2018 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 18 May 2018 (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 18 May 2018 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 21 June 2018 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 25 June 2018 and any adjournment thereof by using the procedures described in the CREST Manual on the Euroclear website (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 Link Asset Services [CREST ID: RA10] by 11.00 a.m. on 21 June 2018. 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.signalshares.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. In those circumstances the Company would be under an obligation to forward a copy of the statement to the auditors forthwith and the statement would form part of the business which may be dealt with at this meeting.

11. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such questions relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation of the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

12. 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.

13. 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.

14. 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.

15. Resolution 13 proposes that the Company's articles of association (the 'Existing Articles') be replaced by new articles of association (the 'New Articles'). Some of the defined terms have been updated to ensure consistency with changes to the law (and a number of articles have been amended to ensure consistent use of definitions throughout the New Articles). For example, article 12 relating to bearer shares has been deleted entirely as the use of bearer shares was abolished on 26 May 2015. Additionally, the language contained in article 9.2 regarding the disapplication of pre-emption rights has been amended to include a reference to treasury shares and to be set out in a more common format and article 79 (defining 'mental incapacity') and article 103 (relating to a director's termination) have been amended to comply with the Equality Act 2010 and the discrimination provisions relating to mental health. A number of formatting changes have also been made.

Further to the above explanation of the proposed changes, the main amendments to the Existing Articles are as follows:

1.1 deleting the whole of Article 9.2 and replacing it with a new Article 9.2 as follows:

9.2 Subject to the provisions of this Article 9, and where the Board has general authority under Article 9.1, the Company may pass a special resolution in accordance with section 570 of the Companies Act 2006 authorising the Directors to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash:

(a) in connection with a rights issue; and

(b) otherwise than in connection with a rights issue up to an aggregate nominal value not exceeding the sum specified in the special resolution, as if section 561 of the Companies Act 2006 (existing shareholders' right of pre-emption) did not apply to the allotment or applied to the allotment with such modifications as the directors may determine.

1.2 deleting the whole of Article 9.3 and replacing it with a new Article 9.3 as follows:

9.3 For the purposes of this Article 9:

(a) rights issue means an offer of equity securities (as defined by the Companies Act 2006) open for acceptance for a period fixed by the Board to holders of equity securities on the Register on a fixed record date in proportion to their respective holdings of such securities or in accordance with the rights attached to them but subject to such exclusions or other arrangements as the Board may deem necessary or expedient with regard to treasury shares, fractional entitlements or legal or practical problems under the laws of any territory or under the requirements of any recognised regulatory body or stock exchange in any territory; and

(b) the nominal value of any securities shall be taken to be, in the case of rights to subscribe for or to convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.

1.3 deleting the whole of Article 12 (Issue of share warrants to the bearer) and re-numbering all the subsequent Articles and cross-references accordingly,

1.4 deleting the whole of Article 79 (formerly Article 80) and replacing it with a new Article 79 as follows:

79. Member who lacks mental capacity
A Member who is a patient for any purpose of any statute relating to mental health or in respect of whom an order has been made by any court having jurisdiction for the protection or management of the affairs of Persons incapable of managing their own affairs may vote, whether on a show of hands or on a poll, by his committee, deputy, receiver, curator bonis or other Person appointed by that court. That committee, deputy, receiver, curator bonis or other Person may on a poll vote by proxy. The right to vote is exercisable only if evidence satisfactory to the Board of the authority of the Person claiming to vote has been deposited at the Office or at such other place within the United Kingdom as is specified in the notice of meeting not less than 48 hours before the time for holding the meeting or adjourned meeting at which that Person claims to vote.

1.5 replacing the word "insanity" wherever it occurs in Article 87 (formerly Article 88) with the words "mental incapacity",

1.6 deleting Article 103 (d) (formerly Article 104 (d)) in its entirety and replacing it with a new Article 103 (d) as follows:

(d) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that person has become physically or mentally incapable of acting as a director and may remain so for more than three months, or he is or has been suffering from mental or physical ill health and the Board resolves that his office be vacated;

16. 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 Existing Articles and the New Articles and a blackline showing the amendments made to the Existing Articles.

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Indonesia
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