



2013 Annual Report

Anglo-Eastern Plantations Plc



Contents

About AEP	2
Financial Highlights	4
Key Information	6
Shareholder Information	7
Chairman's Statement	9
Strategic Report	12
Financial Record	23
Estate Areas	24
Location of Estates	25
Directors' Report	26
Directors' Responsibilities	33
Directors	34
Statement on Corporate Governance	35
Audit Committee Report	38
Directors' Remuneration Report	40
Auditors' Report	44
Consolidated Income Statement	51
Consolidated Statement of Comprehensive Income	52
Consolidated Statement of Financial Position	53
Consolidated Statement of Changes in Equity	54
Consolidated Statement of Cash Flows	55
Notes to the Consolidated Financial Statements	57
Company Balance Sheet	85
Notes to the Company Financial Statements	86
Notice of Annual General Meeting	89
Form of Proxy and Attendance Card	Separate Attachment
Company addresses, advisers and website	Inside Back Cover

About Anglo-Eastern Plantations

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



- 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 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.



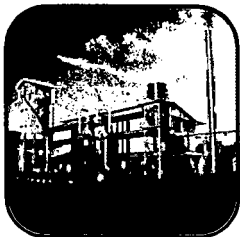
Oil Palm Plantations

The Group has developed 42,200ha of mature oil palm at 13 plantations across Indonesia and Malaysia



Oil Palm Development

An Oil Palm tree will usually take three years from planting to harvest of first crop and will reach full production after five years. The Group has approximately 17,500ha of recently planted immature plantations of which 2,522ha were planted in 2013. Replanting made up 400ha.



Palm Oil Production

The Group operates five palm oil mills in Indonesia, including a mill at Northern Sumatera which will very soon be incorporating advanced waste management treatment for biomass disposal and biogas emission capture. This project will be completed in the second quarter of 2014.



Third party Palm Oil Processing

During 2013 the Group purchased approximately 496,600mt of fresh fruit bunches from third party producers for processing through our own mills.



Rubber Plantations

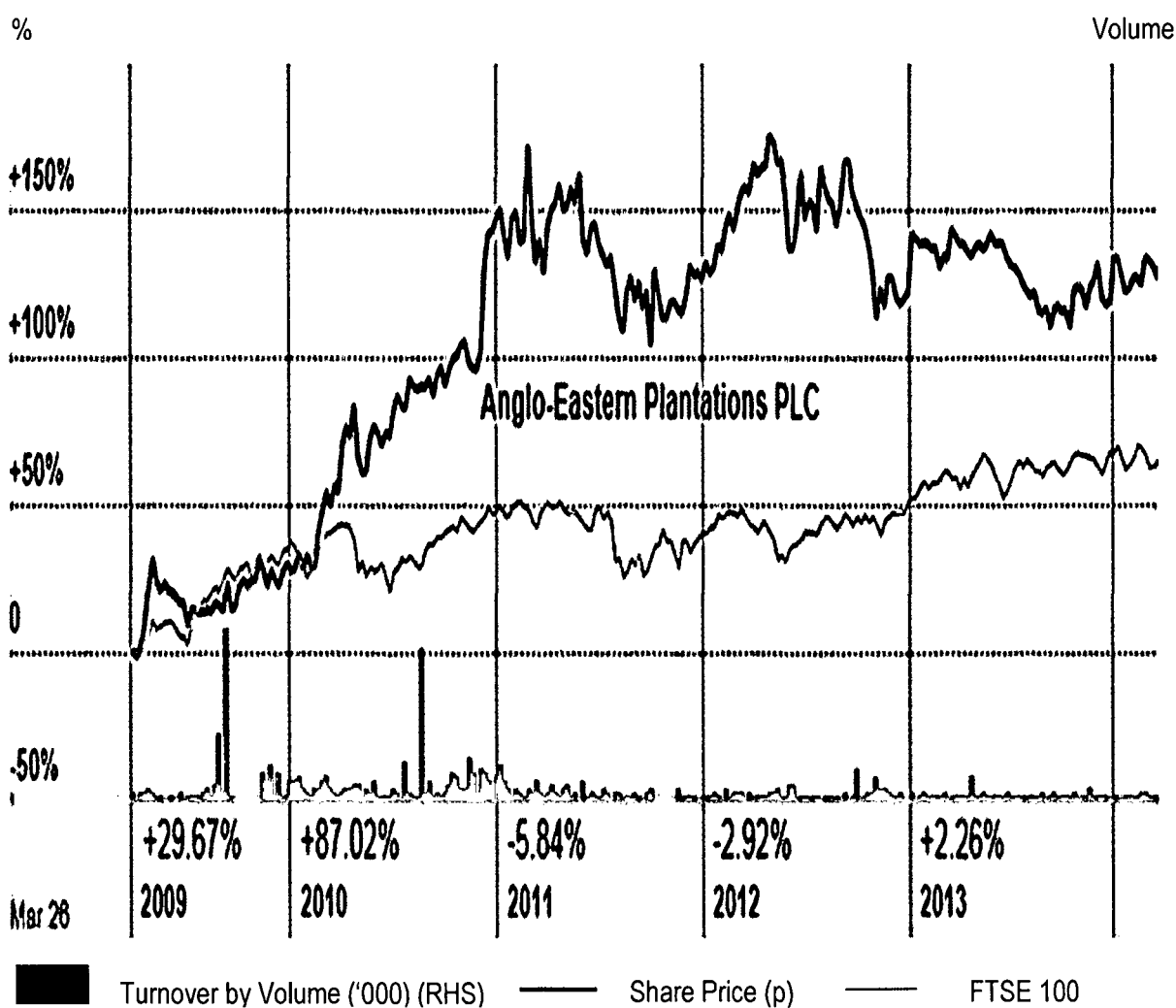
The Group has 678ha of established rubber plantations which, in 2013, produced 1,049mt of raw latex and rubber lumps.

Financial Highlights

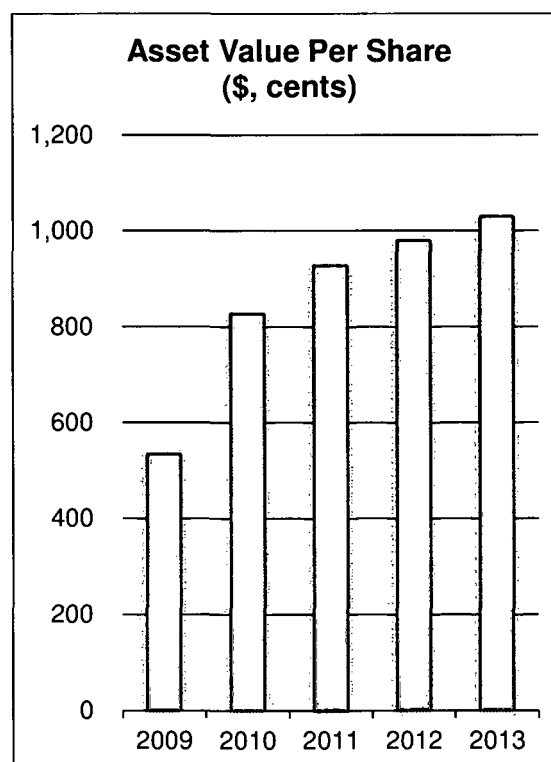
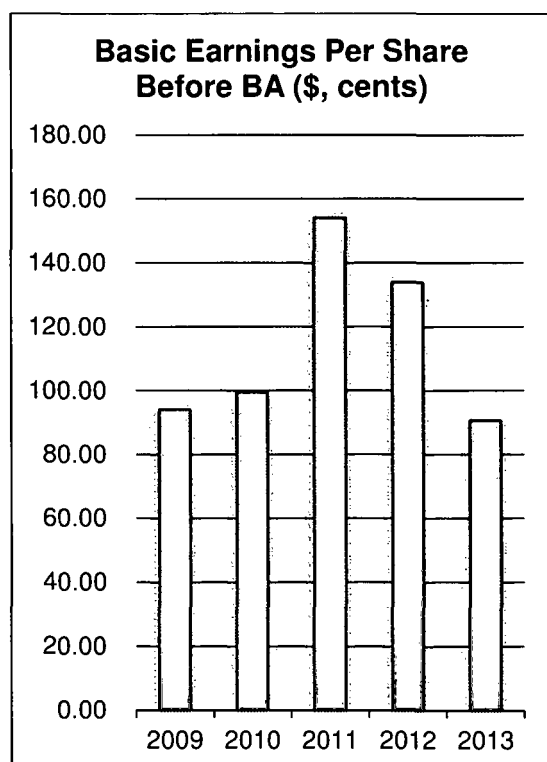
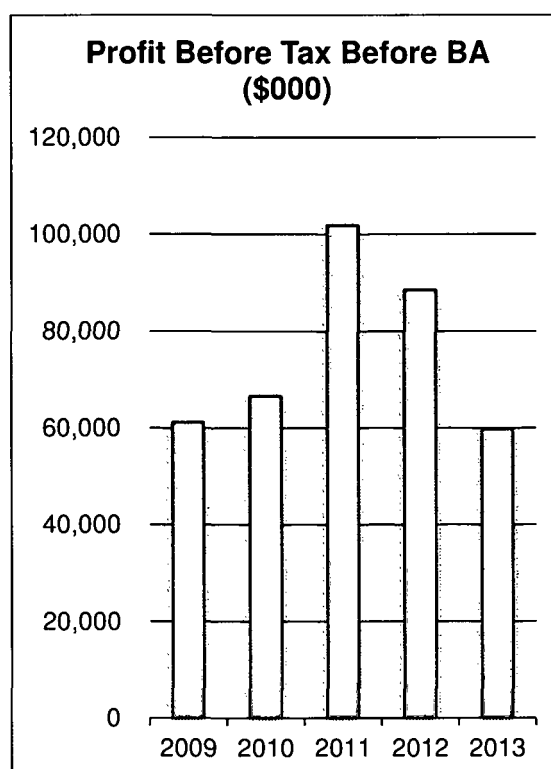
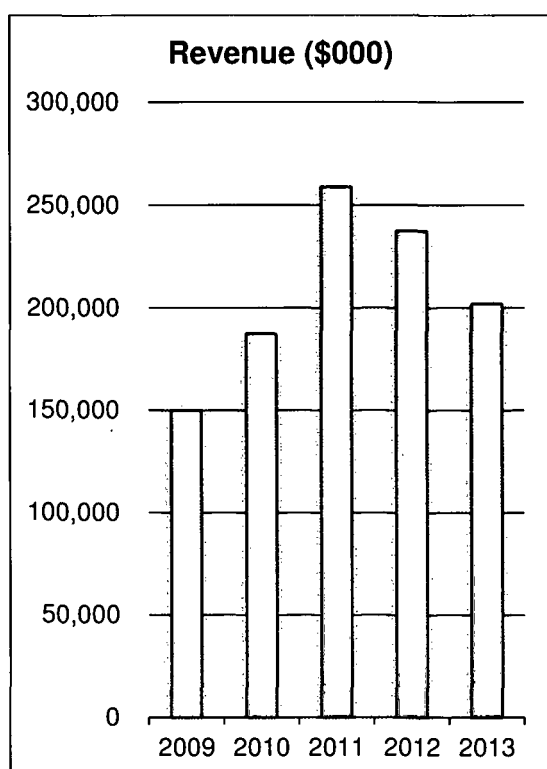
	2013 \$m	Restated 2012 \$m
Revenue	201.9	237.4
Profit before tax		
- before biological asset ("BA") adjustment	59.7	88.6
- after biological asset adjustment	153.4	81.9
EPS before BA adjustment	90.70cts	133.99cts
EPS after BA adjustment	235.95cts	119.41cts
Dividend (pence)	3.0p	2.9p
Dividend (cents)	5.0*cts	4.5cts

Note: * Based on exchange rate at 1 April 2014 of \$1.6638/£

Anglo-Eastern Plantations Plc

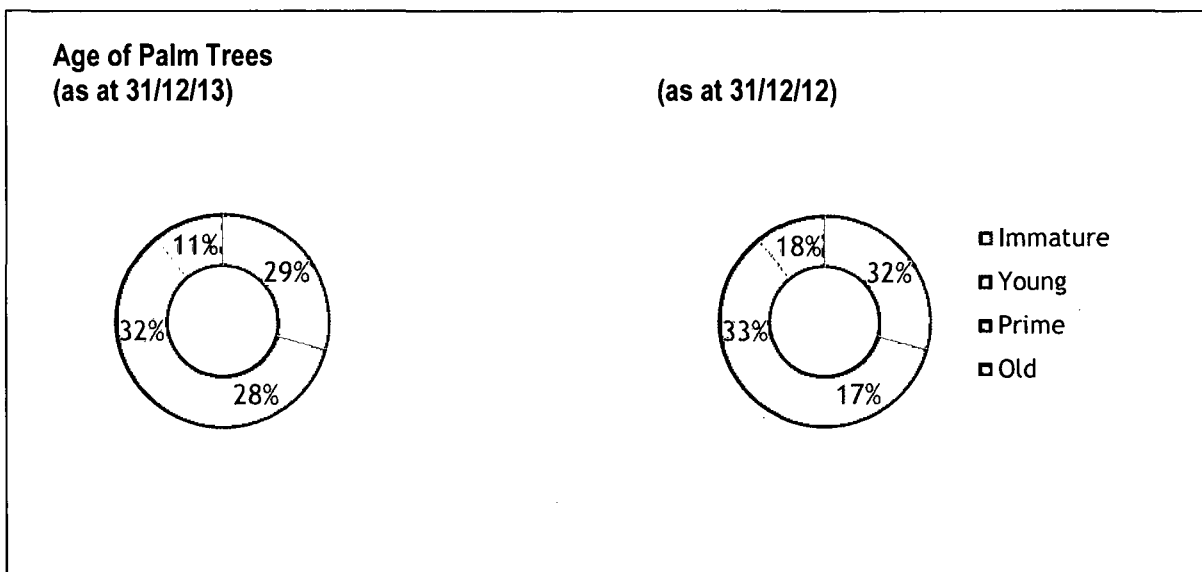
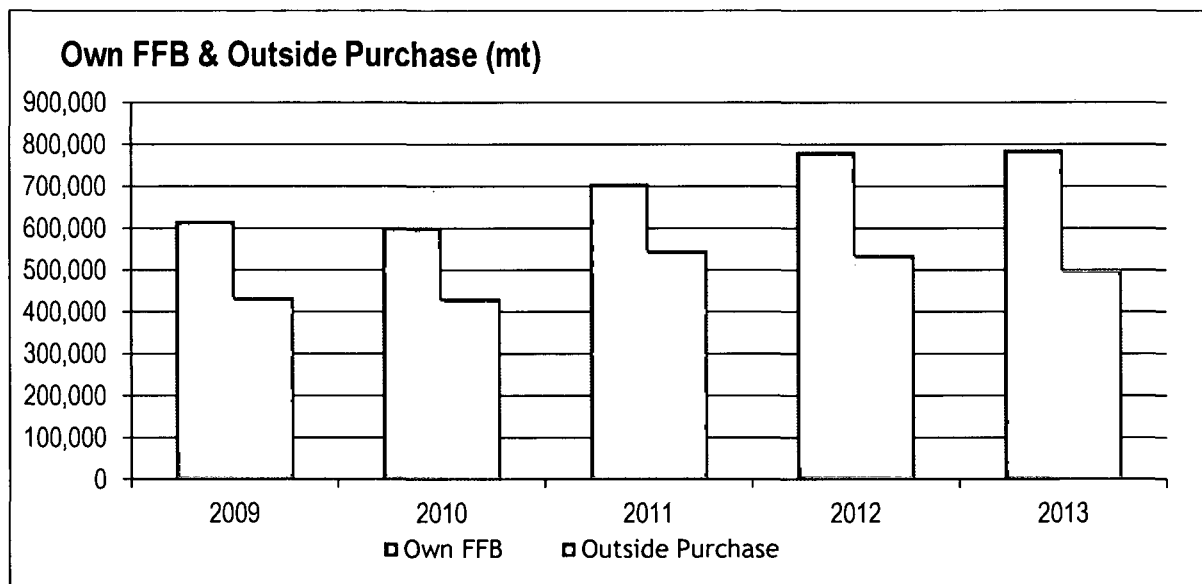
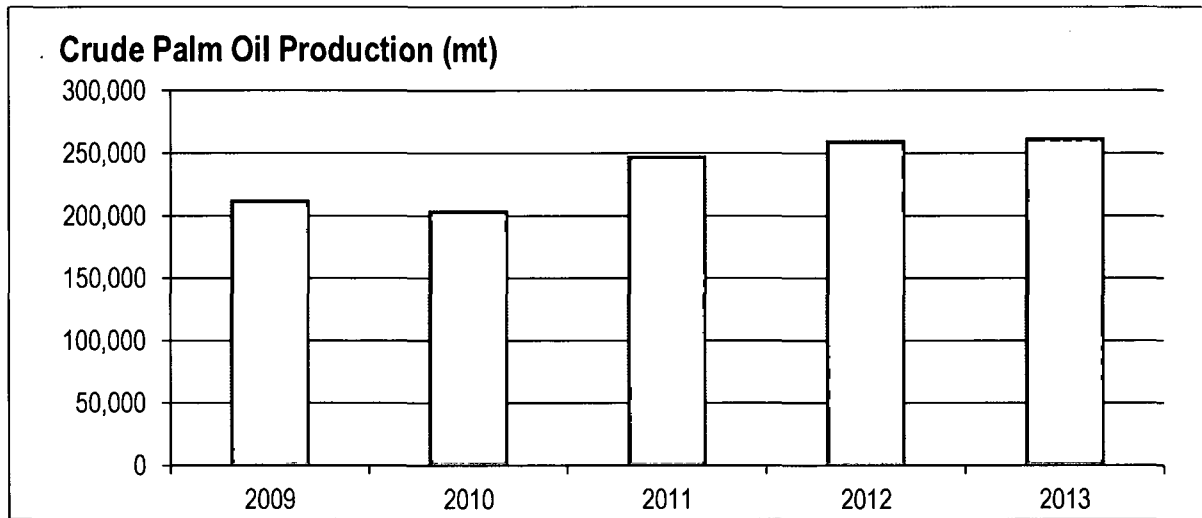


Financial Highlights



Note: The Financial Statements for the years 2010 to 2012 were restated following a change in the measurement of the notional rent used in the valuation of the Group's biological assets as disclosed in note 2 - Prior year restatement on page 63 of these Financial Statements. The Financial Statements for the year 2009 were not restated and were based on the previous accounting policies and measurements.

Key Information



Shareholder Information

Market capitalisation

The market capitalisation of Anglo-Eastern Plantations Plc at 31 December 2013 was £269 million, the ordinary share price at close of business on 1 April 2014 was 695.0 pence giving a market capitalisation of £275 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.

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:

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

Tel: 0871 664 0300 (UK)

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

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

Annual General Meeting

The twenty-ninth Annual General Meeting of the Company will be held at the offices of UHY Hacker Young LLP, Quadrant House, 4 Thomas More Square, London E1W 1YW on 2 June 2014. Notice of the meeting is set out at the end of this Annual Report and pages 89 to 92.

Amalgamation of accounts

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

Shareholder Information

Payment of dividends

The Group's reporting currency is US dollars. While the dividend is declared in Pounds Sterling, shareholders can choose to receive dividends in US dollars. In the absence of any specific instruction up to the date of closing the register, shareholders with addresses in the UK are deemed to have elected to receive their dividends in Sterling and those with addresses outside the UK in US dollars.

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

Electronic communications

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

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

Chairman's Statement

The past year has been extremely challenging. Crude Palm Oil ("CPO") price declined to a 3-year low in January 2013 on expectation of a bumper soybean harvest and rising palm oil inventories. It experienced further volatility as the Indian Rupee tumbled past 64 Rupee per dollar on concerns that foreign outflows would accelerate as the US Federal Reserve prepared to trim monetary stimulus. The depreciation in Rupee put some pressure on the imports of palm oil of which India is the largest importer. The Indian government also raised import duties on CPO and refined bleached and deodorized palm oils ("RBD") after much lobbying by local refiners as former tariffs encouraged the import of larger volumes of RBD for direct sale than CPO for domestic processing.

CPO price gradually recovered some ground in the last quarter of 2013 as higher seasonal rainfall interrupted Fresh Fruit Bunch ("FFB") production in Indonesia and Malaysia resulting in lower CPO inventory.

The Group's revenue was \$201.9 million, compared to \$237.4 million achieved in 2012, a decline of 15% which was accounted largely by the decline in CPO price over the period. The average CPO price in 2013 was \$857/mt, 14% lower than the figure of \$995/mt in 2012, but ended the year at \$905/mt.

FFB production for 2013 was 787,500mt, 1% higher than the previous year (2012: 783,400mt) with a 5% increase in matured trees. Yields remained low due primarily to the lagged effect from dry weather in 2011 affecting trees over 15 years and also heavy monsoon rain in the early and later part of 2013 which caused logistical problems. Lorries were unable to transport FFB to mills as roads were either cut off from flooding or too muddy. FFB bought-in from surrounding smallholders during 2013 was 496,600mt (2012: 537,100mt), 8% lower compared to 2012, due to competition from other millers despite the Group increasing its purchase price of external crops. The unfavourable weather also contributed to a lower crop production in the vicinity of the mills. The Group's mills processed 5% less FFB, but increased CPO production to 262,600mt (2012: 260,500mt) due to higher oil extraction rate from a better quality crop.

The Group operating profit for 2013, before biological asset ("BA") adjustment was \$59.6 million, 30% down on \$85.4 million achieved in 2012. Earnings per share, before BA adjustment decreased to 90.70cts, compared to 133.99cts in 2012 and post BA adjusted earnings per share were 235.95cts compared to 119.41cts for the previous year. The higher biological asset adjustment was due to an increase in the 10 year average CPO price and a reduction in discount rate applied. With the weakening of Rupiah, a foreign exchange loss of \$2.8 million in 2013 (2012: nil) also contributed to a lower profitability.

As at 31 December 2013, the Group had cash and cash equivalents of \$98.7 million and borrowings of \$35.0 million, resulting in a net cash position of \$63.7 million, compared to \$91.2 million at 31 December 2012.

In spite of the challenging market conditions the Board has continued to invest in the development of new assets. The Group planted 2,522ha of oil palms in 2013 of which 400ha comprised of replanting. This was less than planned, due primarily to delays in finalising agreement with villagers for land compensation payments in Bengkulu and Bangka and in securing the necessary land release permits in Kalimantan. The Indonesian government issued a decree effective on 2 October 2013 restricting plantation permits for oil palm planting to 100,000ha for plantation companies that are not state owned, cooperatives or majority publicly owned companies. According to the Indonesian Palm Oil Association, the decree would curtail the expansion and growth of plantation companies in Indonesia. However, based on the lawyers' opinions, it would appear that the decree would not apply to the Group as the Group's ownership of its land bank precedes the issuing of the decree.

Despite the heavy rainfall also disrupting the earthworks for construction of the mill in Central Kalimantan in second quarter of 2013, the earthworks are now almost completed and the construction of mill buildings is in progress. This mill with an initial capacity of 45mt/hr is expected to be operational in second quarter of 2015. As previously reported the construction of another mill in North Sumatera is deferred while the Board considers further the relative cost advantages of two selected sites.

Chairman's Statement

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

The \$5 million biogas and biomass project for one of the mills in North Sumatera is nearing completion with the installation of equipment and commissioning expected in the second quarter of 2014. Redesign of some equipment as well as inclement weather delayed the external works and implementation. When the plant is fully operational, it will result in a significant reduction in the greenhouse gas emissions which are presently discharged from the effluent treatment in the anaerobic lagoons. The biogas reactor tank and covered lagoons will trap the biogas which will be used to generate power in place of fossil fuel. The biomass plant will utilize this power to process the empty fruit bunches into dried long fibres for export. The successful implementation and running of this project will pave the way for further similar undertaking in the Group's other palm oil mills. Although the biogas and biomass project is not a requirement of ISPO, it is nevertheless environmental friendly and is expected to have a return on investment of about six years.

The Indonesian Sustainable Palm Oil ("ISPO") certification of the Group estates and mills will continue in 2014. In 2013 the Group completed and submitted the certification audit of 3 plantations to the ISPO Committee. At the time of reporting, ISPO Committee has approved the certification of the 3 plantations.

The majority of our employees working at the Group's plantations and mills, together with their families and dependents, are housed in self-contained communities constructed by the Group. Employees and their dependents are provided with free housing, clean water and electricity. Within these communities we also build and maintain places of worship, schools and sports facilities. In 2013, the Group spent \$212,000 to build additional facilities and maintain these amenities and will continue to incur community development expenditure in 2014.

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

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

The Board is mindful that given the anticipated further capital commitments the level of dividend needs to be balanced against the planned expenditure. The Board is also mindful of shareholders' sentiment and therefore declared a final dividend of 3.0p per share in respect of the year to 31 December 2013 (2012: 4.5cts) notwithstanding the Group achieved a lower profitability. Subject to approval by shareholders at the Annual General Meeting, the final dividend will be paid on 17 June 2014 to those shareholders on the register on 16 May 2014.

The Board views the prospects for 2014 with cautious optimism. As the continuing rise in income levels and population growth in China, India and Indonesia would be expected to drive the consumption of CPO and likely lead to a gradual recovery in CPO prices. The price differential between CPO and soya oil which has narrowed from a near four-year high of over \$300/mt to just over \$67/mt would nevertheless remain a concern as a smaller spread could prompt CPO buyers to switch to rival soya oil. However, as reported, the Indonesian government efforts to rein in fiscal deficits by introducing mandatory blending of biodiesel up to 10% effective from 1 January 2014 for industrial and commercial purposes may provide some price support.

Chairman's Statement

Rising fertiliser consumption and increasing wage inflation in Indonesia are expected to increase the overall production cost in 2014.

The Board nevertheless hopes that, against a backdrop of a global economic recovery, trading prospects will improve in 2014.

The year saw the resignation of a Board member Drs. Kanaka Puradiredja. The Board thanked him and wish him the best. Mr. Jonathan Law Ngee Song, a lawyer by profession was appointed to the Board on 4 July 2013.

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

8 April 2014

Strategic Report

Business Model

The Group will continue to focus on planting oil palm trees and building mills to process the FFB, its area of strength and expertise. The Group has over the years created value to shareholders through expansion in a responsible way. We have in the last few years bought and invested in new tracts of land and a portion remains to be planted. The Board feels vindicated as price of land appreciates substantially and the Indonesian government has recently moved to introduce law to cap the size of new plantations. The Group remains committed to use its available resources to develop the land bank in Indonesia as regulatory constraints permit.

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

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

Our Strategy

The Group's objectives are to provide an appropriate level of returns to the investors and to enhance shareholder value. Profitability however is very much dependent on the CPO price which is volatile and determined by world supply and demand.

The Group's strategies therefore focus on maximising yield per hectare above 22mt/ha, mill production efficiency of 110%, minimising production costs below \$300/mt and streamlining estate management. For the year under review, the Group achieved a yield of 19.5mt/ha, 102% mill efficiency and production cost of \$276/mt. Despite stiff competition for external crops from surrounding millers, the Group is committed to purchase more external crops from third parties at competitive yet fair prices to maximise the efficiency of the mills.

In line with the commitment to reduce its carbon foot prints, the Group plans for progressive introduction of biogas projects at all its mills to tap methane gas to power its own boilers and at the same time reduces its consumption of fossil fuel. It plans to reduce greenhouse gas emissions per CPO produced.

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

Financial Review

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

For the year ended 31 December 2013, revenue for the Group was \$201.9 million, 15% lower than \$237.4 million reported in 2012 due primarily to lower CPO prices. Expectation of plentiful harvest of soybean, the main competing oil for CPO coupled with a high CPO inventory at the beginning of the year drove CPO prices downward for most of 2013. The price gradually recovered some lost ground in the last quarter of 2013 as higher seasonal rainfall interrupted production in Indonesia and Malaysia resulting in lower CPO inventory.

Group operating profit for 2013 before biological asset adjustment was \$59.6 million, 30% less than \$85.4 million in 2012.

Strategic Report

FFB production for 2013 was 787,500mt, 1% higher than the 783,400mt produced in 2012. The yield remains low and was primarily due to the lagged effect from dry weather in 2011 affecting trees over 15 years and also heavy monsoon rain in the early and later part of 2013 which caused logistical problems. FFB bought-in from local smallholders for 2013 was 496,600mt (2012: 537,100mt), 8% lower compared to 2012. During the year, FFB processed by the Group's mills was 1.2 million mt, 5% lower but CPO production was 1% higher at 262,600mt, compared to 260,500mt in 2012 due to higher oil extraction rate a from better quality crop.

Profit before tax and after BA adjustment for the Group was \$153.4 million, 87% higher compared to \$81.9 million in 2012. The BA adjustment was a credit of \$93.7 million, compared to a debit of \$6.7 million in 2012, reflecting higher biological value. The higher biological value was due to an increase in the 10 year average CPO price to \$700/mt from \$675/mt and a reduction in discount rate applied from 17.5% to 15.8%.

The average CPO price for 2013 was \$857/mt, 14% lower than 2012 of \$995/mt.

Earnings per share before BA adjustment decreased by 32% to 90.70cts compared to 133.99cts in 2012.

The Group's balance sheet remains strong notwithstanding an unrealised exchange loss on translation of foreign subsidiaries of \$112.8 million compensated by a land revaluation gain of \$23.9 million net of deferred tax. As at 31 December 2013, the Group had cash and cash equivalents of \$98.7 million and borrowings of \$35.0 million, giving it a net cash position of \$63.7 million, compared to \$91.2 million in 2012. Net Group's borrowings in the year rose by \$9.9 million to \$35.0 million (2012: \$25.1 million).

On 28 February 2014, the Group restated its prior year operating results for 2012 and 2011 following the conclusion of its discussions with the Financial Reporting Council ("FRC") on the use of current market data to estimate notional rent for the use of land in its discounted cash flow for the determination of biological assets. The following is a chronology of the FRC enquiry.

The FRC wrote to the Company on 14 November 2011 in respect of its policies and methodologies for valuing and accounting for its biological assets and non-biological assets in its accounts for the year ended 31 December 2010.

As a result of discussions with the FRC, the Company's interim accounts for the period ended 30 June 2012, announced on 30 August 2012, stated that the Company had revisited its policies and methodologies for valuing and accounting for its estate assets. The Directors had concluded that the biological and non-biological assets needed to be restated.

Between 19 October 2012 and 14 February 2014 the FRC and the Company exchanged correspondence. Additional information and explanations were provided to the FRC in respect of the restatement of biological assets and land at 31 December 2010 and 2011, including in respect of the measurement of notional rent. In October 2013, the Company engaged a specialist valuation firm in the UK to determine the basis for the measurement of the notional charge for its land. As a result, the Company applied a notional rent equivalent to 9% of the value of planted land in the valuation of its biological assets and this has resulted in a reduction in the valuation of those assets, although the profit before biological asset adjustment of the Group remained unchanged. In February 2014 the FRC confirmed that it regarded its enquiries into the Company's annual report and accounts for the year ended 31 December 2010 as concluded.

Strategic Report

Business Review

Indonesia

FFB production in North Sumatera, which aggregates the estates of Tasik, Anak Tasik, Labuhan Bilik, Blankahan, Rambung, Sg Musam and CPA; produced 339,093mt in 2013 (2012: 346,329mt), 2% lower than 2012. The lower yield was most likely attributed to the lagged effect from the prolonged drought in 2011 affecting trees over 15 years. In 2013, Sg Musam also experienced extreme heavy rain of over 4,000 mm per annum when the ideal rainfall is between 2,500 to 3,000 mm in a year. *Ganoderma fungus* which attacks the root system of palm oil was discovered in Anak Tasik covering 766ha. Good sanitation and high standards of agronomic practices remain the main priority to avoid spreading of the infection. There were two incidences of insect damage by *Oryctes beetle* and *termites* resulting in significant loss of newly planted palm in Labuhan Bilik. Combination of treatment with pheromone-trap and insecticide were carried out to control the insect population. A replanting programme covering 400ha in Tasik was completed in December 2013.

FFB production in Bengkulu (South Sumatera), which aggregates the estates of Puding Mas, Alno, KKST, ELAP and RAA produced 277,831mt (2012: 284,794mt), 2% lower than 2012. Unusual heavy rain at the beginning and later part of the year damaged roads and affected the transport of FFB to the mills. With the delay in processing of FFB, the mills in Bengkulu also faced high Free Fatty Acid ("FAA") which resulted in lower selling price of its CPO. The protracted negotiation with the villagers over land compensation will have an effect on the future planting in Bengkulu.

FFB production in the Riau region, comprising Bina Pitri estates, produced 116,200mt in 2013 (2012: 119,671mt), 3% lower than 2012. Although FFB production is down only marginally, CPO production dropped 16% due to the lower purchase of FFB from smallholders due to the competitiveness for external crops from millers. Our mill has since offered a higher price for external crops raising the mill utilization rate at the expense of a lower operating margin.

FFB production in Kalimantan comprising Sawit Graha Manunggal estates produced 25,395mt in 2013 (2012: 3,574mt) mainly from newly matured oil palm area of 500ha.

Overall bought-in crops for Indonesian operations were 8% lower at 496,600mt for the year 2013 (2012: 537,100mt). The average oil extraction rate from our mills was 21.4% in 2013 (2012: 20.2%). The extraction rate was higher due to better quality crops and implementation of a stricter sorting process.

Malaysia

FFB production in 2013 was marginally lower at 28,950mt, compared to 29,000mt in 2012. The Malaysian operations faced difficulty in recruiting foreign workers hampering harvesting and estate work. In December 2013, the harvest was interrupted for over a week as the estates were inaccessible due to flooding and landslide from incessant rain. The Malaysian plantations was breakeven in 2013 as compared to 2012 of \$0.4 million pre-tax loss.

Commodity Prices

The CPO CIF Rotterdam price started the year at \$835/mt (2012: \$1,045/mt) and reached a low point of \$805/mt in October 2013 before picking some lost ground in the final quarter of 2013. It ended the year at \$905/mt (2012: \$810/mt), averaging \$857/mt for the year (2012: \$995/mt).

The continuing rise in income levels and population growth in China, India and Indonesia would be expected to drive the consumption of CPO and likely lead to a gradual recovery in CPO prices. The price differential between CPO and soya oil which has narrowed from a near four-year high of over \$300/mt to just over \$67/mt would nevertheless remain a concern as a smaller spread could prompt CPO buyers to switch to rival soya oil. However the Indonesian government efforts to rein in fiscal deficits by introducing mandatory blending of biodiesel up to 10% effective from 1 January 2014 for industrial and commercial purposes may provide some price support.

Strategic Report

Rubber prices averaged \$2,361/mt for 2013 (2012: \$2,967/mt). Our small area of 668ha of mature rubber contributed a revenue of \$2.5 million in 2013 (2012: \$2.5 million).

CPO CIF Rotterdam (from year 2004 to 2014)



Corporate Development

In 2013, the Group opened up new land and planted 2,122ha of oil palm mainly in Kalimantan, boosting planted area by 3.6% to 61,099ha (2012: 59,000ha). This excludes the replanting of 400ha of oil palm in North Sumatera. New plantings remain behind schedule due to protracted negotiations over settlement of land compensation with villagers in Bengkulu and Bangka and with delay in the issuance of land release permit (Izin Pelepasan) in Kalimantan. However, the plantation has since obtained the necessary permit and shall proceed to negotiate with villagers for compensation of land before clearing for planting.

The earthworks for construction of the mill in Central Kalimantan were disrupted by heavy rainfall in the second quarter of 2013. The earthworks are now almost completed and construction of mill buildings is in progress. This mill with an initial capacity of 45mt/hr is expected to be operational in second quarter of 2015. As previously reported the construction of another mill in North Sumatera is deferred while the board considers further the relative cost advantages of two selected sites.

The \$5 million biogas and biomass project for one of the mills in North Sumatera is nearing completion with the installation of equipment and commissioning expected in the second quarter of 2014. Redesign of some equipment as well as inclement weather delayed the external works and implementation. When the plant is fully operational, it will result in a significant reduction in greenhouse gas emission which is presently discharged from effluent treatment in the anaerobic lagoons. The biogas reactor tank and covered lagoons will trap biogas which will be used to generate power in place of fossil fuel. The biomass plant will utilize this power to process the empty fruit bunches into dried long fibres for export.

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

Strategic Report

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 repair places of worship for workers of different religious faith as well as schools and sports facilities in these communities. In 2013, the Group spent \$212,000 to build additional facilities and maintain these amenities in 2013 and will continue to incur community development expenditure in 2014.

Staff and selected employees are given the opportunity to be trained and to attend seminars to enhance their working skills and capacity. The Group provides free education for all employees' children in the local plantations and communities where they work. In 2013, 25 scholarships amounting to \$21,000 were provided to children in surrounding villages and selected employees' children to further their tertiary education in collaboration with a university in Bengkulu. In addition the Group provides funding to construct educational facilities such as laboratories, libraries, and computers. The salaries of teachers in the estates and the cost of school buses to transport employees' children to the school are provided by the Group. Over the years a total of 33 schools have been built with 125 teachers currently employed within our Group estates. In 2013, the Group spent some \$574,000 on running the schools.

The Group continues to provide free comprehensive health care for all its workers as we believe that every employee and their dependents should have easy access to health services. We have established 21 clinics operated by qualified doctors, nurses and hospital assistants in the estates. Related healthcare expenses for 2013 were \$696,000.

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

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

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

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

Strategic Report

Indonesian Sustainable Palm Oil

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

A Steering Committee was established to work out a roadmap to support the ISPO implementation at mills and estates. Workshops and training sessions on occupational safety and healthcare were carried out to inculcate a safety culture in workplaces at the estates and mills in North Sumatera and Riau. During the year the Group continued to upgrade its agricultural chemical stores and diesel fuel storage tanks in various plantations and mills to meet safety and environmental standards. Standard operating procedures were refined and documented based on sustainable oil palm best practices. The Group also conducts internal audits using an audit checklist adopted from the above practices to determine level of compliance. The Group worked closely with appointed certification consultants in the implementation of ISPO standard. In 2013, the consultants have completed and submitted the audit of 3 plantations to the ISPO Committee for evaluation. At the time of reporting, ISPO Committee has approved the certification of the 3 plantations. In the first and second quarter of 2014, the consultants will begin certification audits for another 8 plantations.

Care For The Environment and Sustainable Practices

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

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

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

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

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

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

Strategic Report

Two mills in Bengkulu region will be installed with Extended Aeration to enhance treatment of the mill effluents by mechanical aeration. The construction works for these plants are expected to cost more than \$500,000 and will be operational in 2014.

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

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

Principal risks and uncertainties

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

Country

The Group's operations are located substantially in Indonesia and therefore significantly rely on economic and political stability in Indonesia. The country has recently benefited from a period of relative political stability, steady economic growth and stable financial system. Whilst the risks may exist with the impending Presidential election in 2014, the Board perceives that the Group will be able to continue to extract profits from its subsidiaries in Indonesia for the foreseeable future.

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

Exchange Rates

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

Weather and natural disasters

Oil palms rely on regular sunshine and rainfall but these weather patterns can vary and extremes such as unusual dry periods or, conversely, heavy rainfall leading to flooding in some locations do occur. Dry periods, in particular, will affect yields in the short and medium terms but any deficits so caused tend to be made up at a later date. High levels of rainfall can disrupt estate operations and result in harvesting delays with loss of oil palm fruits or deterioration in fruit quality. This high rainfall was experienced by the plantations in Bengkulu at the first and last two months of 2013. It caused floods and damaged the roads resulting in difficulty in transportation of FFB to the mills. Where appropriate, bunding is built around flood prone areas and drainage constructed and adapted either to evacuate surplus water or to maintain water levels in areas quick to dry out. Where practical, natural disasters are covered by insurance policy.

Strategic Report

Cultivation risks

As in any plantations business, there are risks that crops from the Group's estate operations may be affected by pests and diseases. Agricultural best practice and husbandry can to some extent mitigate these risks but they cannot be entirely eliminated.

Other operational factors

The Group's plantation productivity is dependent upon necessary inputs, including, in particular fertilizer, spare-parts, chemicals and fuel. Whilst the Directors have no reason to anticipate shortages of such inputs, Group's operations could be materially disrupted should such shortages occur over an extended period. Increase in prices would significantly increase production costs. The average price of diesel has increased by 13% to Rp10,668/litre from Rp9,417/litre in 2013 and will continue to put pressure on other production inputs.

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

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

There have been substantial increases in governmental directed minimum wage levels in Indonesia. The Group pays not less than the minimum wage and the increase will result in a significant rise in Group's employment costs. The regional hikes in minimum wages for 2014 ranges from 7.1% in Bengkulu to 29.6% in Bangka.

Produce prices

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

CPO is a primary commodity and is affected by the world economy, including levels of inflation. This may lead to significant price swings although, the Directors believe that such swings should be moderated by continuous demand in economies like China, India and Indonesia.

Expansion

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

Strategic Report

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

Environmental and governance practices

The Group's management and Directors take seriously their environmental and social responsibilities. The ISPO which fundamentally aligns with RSPO principles became the mandatory standard for all Indonesian planters in March 2012. The key RSPO principles are set out on page 37 in the "Statement on Corporate Governance".

The estates in North Sumatera are long established. Management follows industry best-practice guidelines and abides by Indonesian law with regard to such matters as application of fertilisers, health and safety. The Group has started to use empty fruit bunches for mulching in the estates which is a form of fertiliser and reduces the consumption of inorganic fertilisers. The liquid effluent from the mills after treatment is applied to trenches in the estates as a form of fertiliser. The Group's \$5 million investment in the biogas and biomass project started for one of the mills in North Sumatera which is expected to be completed in the second quarter of 2014 will enhance the waste management treatment of that mill and at the same time mitigate emissions of biogas. The project is also expected to generate economic returns by the sale of dried long fibres which is processed from empty fruits bunches. The successful implementation and running of this project will pave the way for further similar undertakings for the rest of the Group's mills.

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

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

Social, community and human rights issues

Any material breakdown in relations between the Group and the host population in the vicinity of the operations could disrupt the Group's operations. The Group therefore endeavours to mitigate this risk by liaising regularly with representatives of surrounding villages and by seeking to improve local living standards through mutually beneficial economic and social interaction with the local villages. In particular, the Group, when possible, gives priority to applications for employment from members of the local population and supports specific initiatives to encourage local farmers and tradesmen to act as suppliers to the Group, its employees and their dependents. The Group spends considerable sums of money constructing new roads and bridges and maintaining existing roads used by villagers and the Group for the transportation of FFB. The Group also provides technical and management expertise to villagers to develop oil palm plots or Kebun Kas Desa (village's scheme) surrounding the operating estates. The returns from these plots are used to improve villages' community welfare. As at end of 2013, a total of 22 Kebun Kas Desa plots have been developed. The Group also provides corporate guarantee to cooperatives who borrow from local bank to finance the development of the Plasma scheme mandated by the government.

Strategic Report

Gender diversity

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

Group Headcount	2013 average employed during the year		
	Women	Men	Total
Board	2	9	11
Senior Management (GM and Above)	1	13	14
Managers & Executive	32	360	392
Full Time	152	4,878	5,030
Part-time Field Workers	2,968	7,854	10,822
Total	3,155	13,114	16,269
%	19.4%	80.6%	100%

Although the Group provides equal opportunities for female workers in the plantations, due to the nature of work and the remote location of plantations from the towns and cities, the male workers make up a majority of the field workers.

Employees

In 2013, the number of full time workforce averaged 5,447 while the part-time labour averaged 10,822.

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

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

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

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

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

Strategic Report

Outlook

FFB production for two months to February 2014 was 11% higher against the same period in 2013. Although the weather has been relatively dry so far this year, it is too early to forecast whether the production will be better for the rest of the year.

The CIF (Cost, Insurance, Freight) Rotterdam CPO price opened the year 2014 at \$905/mt and prices are expected to be in the range of \$800/mt to \$1,000/mt for the first half of 2014.

The US dollar appreciated by approximately 26% (2012: 10%) against the Indonesian Rupiah in 2013. There was no adverse fluctuation against the US dollar in early 2014. The Rupiah may be subjected to some degree of volatility with the Presidential election in 2014.

The continuing rise in income levels and population growth in China, India and Indonesia would be expected to drive the consumption of CPO and likely lead to a gradual recovery in CPO prices. The price differential between CPO and soya oil which has narrowed from a near four-year high of over \$300/mt to just over \$67/mt would nevertheless remain a concern as a smaller spread could prompt CPO buyers to switch to rival soya oil. However the Indonesian government efforts to rein in fiscal deficits by introducing mandatory blending of biodiesel up to 10% effective from 1 January 2014 for industrial and commercial purposes would provide some price support.

The rising material costs and wages in Indonesia are expected to increase the overall production cost in 2014. Indonesia's minimum wage has increased at an average rate of between 10% and 15% per annum over the last few years. The Indonesian government recently announced regional hikes in 2014 minimum wage ranging from 7.1% in Bengkulu to 29.6% for Bangka province. These wage hikes will raise overall estate costs and 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 profit level and cash flow for 2014.

By order of the Board


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

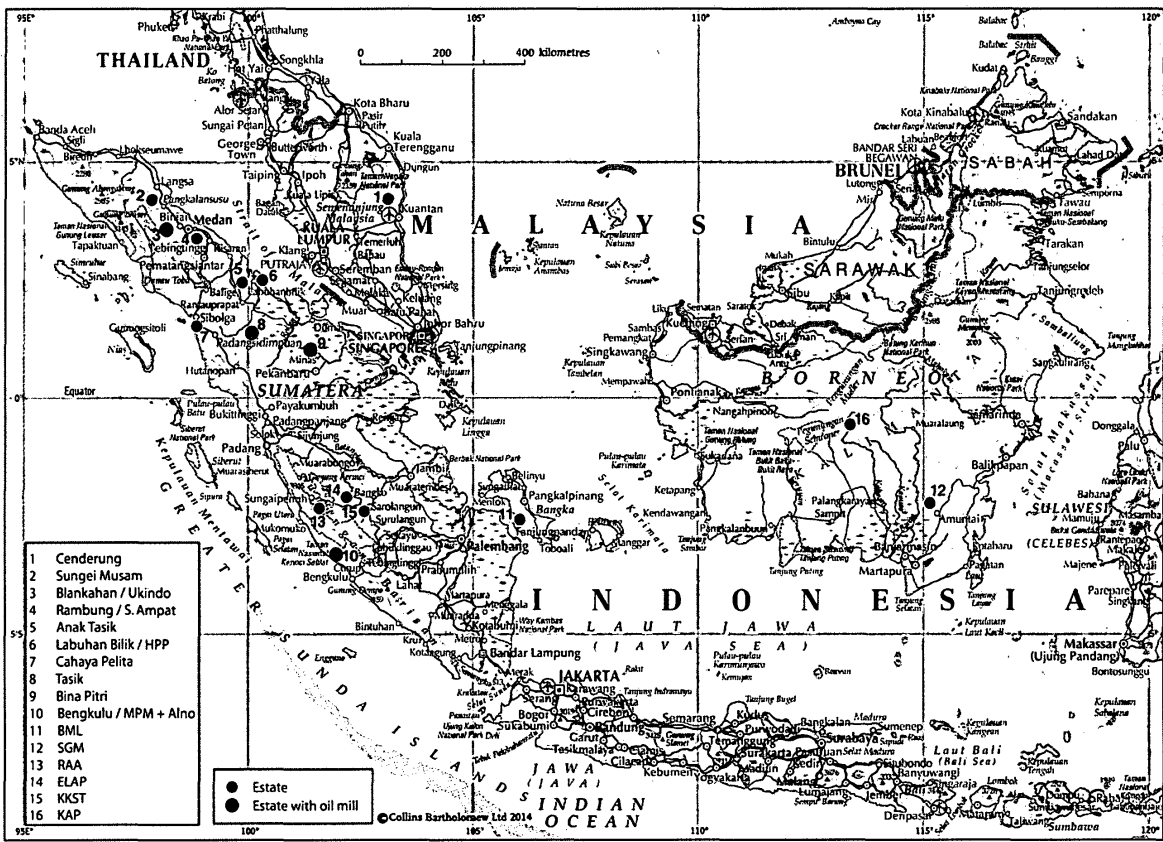
8 April 2014

Financial Record

	2013	(Restated) 2012	(Restated) 2011	(Restated) 2010	2009
	\$000	\$000	\$000	\$000	\$000
Income statement					
Revenue	201,917	237,352	259,037	187,233	150,080
Trading profit before BA	59,619	85,396	98,518	64,937	58,955
Profit attributable to shareholders after BA	93,521	47,331	73,681	106,434	37,494
Dividend proposed for year	(1,969)	(1,784)	(2,372)	(1,977)	(1,973)
Financial position	\$000	\$000	\$000	\$000	\$000
Non-current assets & long term receivables	484,826	424,889	413,801	405,019	249,699
Cash net of short term borrowings	98,654	116,198	84,017	55,221	54,337
Long term loans	(34,937)	(25,026)	(58)	(6,438)	(17,589)
Other working capital	765	(7,460)	(14,076)	(5,087)	285
Deferred tax	(55,298)	(37,236)	(43,098)	(50,982)	(28,772)
	494,010	471,365	440,586	397,733	257,960
Non-controlling interest	(85,964)	(83,043)	(73,533)	(70,553)	(46,989)
Net worth	408,046	388,322	367,053	327,180	210,971
Share capital	15,504	15,504	15,504	15,504	15,504
Treasury shares	(1,171)	(1,171)	(1,507)	(1,507)	(1,744)
Share premium and capital redemption account	25,022	25,022	25,022	25,022	25,022
Revaluation and exchange reserve	(124,340)	(52,039)	(27,880)	3,996	(7,405)
Profit and loss account	493,031	401,006	355,914	284,165	179,594
Equity attributable to shareholders' funds	408,046	388,322	367,053	327,180	210,971
Ordinary shares in issue ('000s)	39,976	39,976	39,976	39,976	39,976
Earnings per share before BA adj. (US cents)	90.70cts	133.99cts	154.15cts	99.59cts	94.11cts
Earnings per share after BA adj. (US cents)	235.95cts	119.41cts	186.35cts	269.19cts	94.99cts
Dividend per share for year (US cents)	5.0cts	4.5cts	6.0cts	5.0cts	5.0cts
Asset value per share (US cents)	1,029cts	980cts	928cts	827cts	535cts
Earnings per share before BA adj (pence equivalent)	58.0p	84.5p	95.5p	64.4p	59.9p
Dividend per share for year (pence)	3.0p	2.9p	3.7p	3.1p	3.3p
Asset value per share (pence equivalent)	622p	603p	597p	529p	331p
Exchange rates – year end					
Rp : \$	12,170	9,638	9,068	9,010	9,400
\$: £	1.66	1.63	1.55	1.57	1.61
RM: \$	3.28	3.06	3.17	3.08	3.42
Exchange rates – average					
Rp : \$	10,445	9,363	8,763	9,080	10,158
\$: £	1.56	1.59	1.61	1.55	1.57
RM: \$	3.15	3.09	3.06	3.22	3.52

GROUP TOTAL	MALAYSIA	INDONESIA TOTAL	NORTH SUMATRA							BENGKULU					RIAU	BANGKA	KALIMANTAN		
			Cenderung	Anek Tasik	Labuhan Bilik (HPP)	Blankahan	Rambung (SA)	Sei Musam	Cahaya Peilita Andhika	Puding Mas	Aino	ELAP	KKST	RAA	Bina Piti	BML	SGM	KAP	
Group interest in total areas below	55%		80%	100%	80%	75%	100%	75%	90%	90%	90%	95%	95%	80%	95%	95%	95%		
Mills Capacities			60 m/h			40 m/h				60 m/h	45 m/h			45 m/h					
Planted at 31 Dec. 2013	Hectares (Ha)	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha		
Oil Palm																			
Mature	42,166	3,380	38,806	5,570	766	4,677	917	149	1,808	2,594	3,670	12,676	-	-	606	4,873	-	500	-
Immature	17,501	316	17,185	409	-	13	-	-	-	1,670	361	220	2,841	1,125	1,258	-	220	8,649	419
Total Oil Palm	59,667	3,696	55,991	5,979	766	4,690	917	149	1,808	4,264	4,031	12,896	2,841	1,125	1,864	4,873	220	9,149	419
Rubber																			
Mature	668	-	668	-	-	-	-	668	-	-	-	-	-	-	-	-	-	-	-
Immature	10	-	10	-	-	-	-	10	-	-	-	-	-	-	-	-	-	-	-
Total Rubber	678	-	678	-	-	-	-	678	-	-	-	-	-	-	-	-	-	-	-
Plasma Mature	382	-	382	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	382
Plasma Immature	352	-	352	-	-	-	-	-	-	-	-	-	41	-	-	-	-	-	311
Total Plasma	734	-	734	-	-	-	-	-	-	-	-	-	41	-	-	-	-	693	-
Total Planted area	61,099	3,696	57,403	5,979	766	4,690	917	827	1,808	4,264	4,031	12,896	2,882	1,125	1,864	4,873	220	9,842	419
Reserves																			
Plantable	52,342	1,364	50,978	-	-	69	-	-	-	-	-	115	11,012	14,803	2,318	-	3,805	7,970	10,886
Unplantable	11,681	1,236	10,445	7	-	256	1	-	53	1,037	201	614	166	48	2,812	84	4,203	963	-
Other	2,672	72	2,600	110	31	392	39	49	63	365	91	577	40	24	206	75	26	432	80
Total Reserves	66,695	2,672	64,023	117	31	717	40	49	116	1,402	292	1,306	11,218	14,875	5,336	159	8,034	9,365	10,966
Total Area at 31 Dec. 2013	127,794	6,368	121,426	6,096	797	5,407	957	876	1,924	5,666	4,323	14,202	14,100	16,000	7,200	5,032	8,254	19,207	11,385
of which																			
Land titles	47,958	6,368	41,590	5,946	791	3,557	957	876	1,924	5,666	4,323	13,292	-	-	-	4,258	-	-	-
Land rights	79,836	-	79,836	150	6	1,850	-	-	-	-	-	910	14,100	16,000	7,200	774	8,254	19,207	11,385

Note : For accounting purposes, area will only be considered mature 4 years after planting as the yield become more significant. However, in practice, palms normally start yielding 3 years after planting.



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 2013.

Accountability and audit

The Group is committed to ensure that the quality of its financial reporting is of a high standard. The Board continually reviews its internal controls and risk management systems to ensure the Group's affairs and the Group's financial reporting comply with the applicable accounting standards as well as good corporate governance. The main features of the Group's internal controls and risk management systems are further disclosed on page 39.

The Board consider 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 performance, business model and strategy.

Results and dividends

The audited financial statements for the year ended 31 December 2013 are set out on pages 51 to 88. The Group profit for the year on ordinary activities before taxation was \$153,401,000 (2012: \$81,862,000) and the profit attributable to ordinary shareholders was \$93,521,000 (2012: \$47,331,000). No interim dividend was paid. The Directors recommend a final dividend of 3.0p (2012: 4.5cts) to be paid to shareholders on 17 June 2014. Shareholders may elect to receive their dividend in US Dollar as described on page 31.

Research and Development

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

Valuation

In 2013, the Group's biological assets were valued by qualified valuers based on discounted cash flow. The assumptions used in the discounted cash flow are described in greater detail in note 12.

Selected land valuation by qualified valuers was carried in 2013 for 6 companies located across North Sumatera, Bengkulu, Riau, Kalimantan and Malaysia to provide indicative fair values and support the valuation for the rest of the estate lands which were previously valued by qualified valuers in 2011. The Directors revalued the rest of the land not covered by the valuation exercise based on the regional appreciation rate quantified by the qualified valuers.

Political donations

During the year the Group made no political donations.

Carbon Reporting

This is the first year the Group is reporting on greenhouse gas emissions ("GHG") as provided under GHG Regulations (Directors' Reports) 2013. The carbon footprint report provides assessment of the GHG emissions associated with the Group's agricultural activities in 2013. The report identifies and quantifies GHG emissions in the production of CPO at the Group's mills and related estate supply base. The Board believes that this report will help the Group plan and facilitate designs and implementation of effective strategies for reducing the Group's GHG emissions in future as well as providing a benchmark to monitor reduction of similar gas. We understand the urgent need for the industry to identify and respond to reducing the environmental risk and impact by developing appropriate sustainable practices. We remain committed to monitoring, targeting and reducing all our environmental impact across the Group.

Directors' Report

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. GHG emissions have been reported by the three WBCSD/WRI scopes. The detailed methodology in calculation the GHG emissions under the three scopes can be viewed at www.ghgprotocol.org.

Scope 1 includes direct GHG emissions from sources that are owned or controlled by the Company such as natural gas combustion and company owned vehicles. Scope 2 accounts for GHG emissions of purchased electricity, heat and steam generated off-site. Scope 3 includes all other indirect emissions such as waste disposal, business travel and staff commuting.

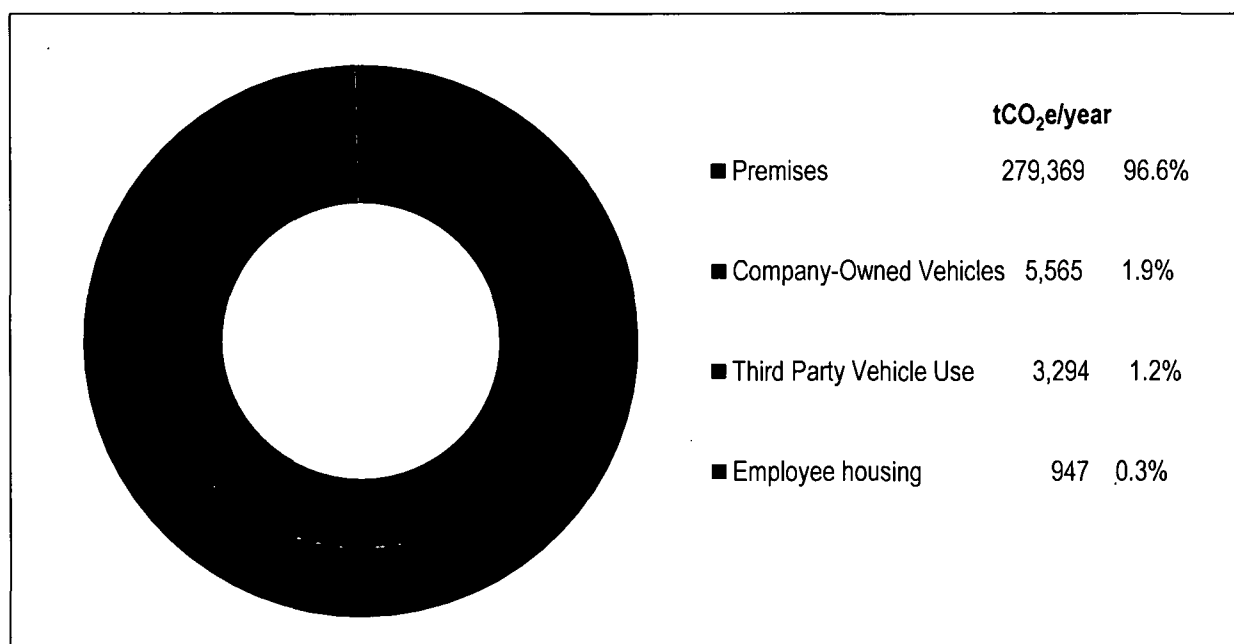
The gross overall emissions computed by the outsourced agent were 289,175 tCO₂e for 2013.

Absolute GHG emissions will vary over time and often correspond to the expansion or contraction of an organization. It is useful therefore to use reporting metrics that take these effects into account and monitor relative GHG emissions intensity. A common emissions intensity metric is tonnes of CO₂e per full time equivalent. Full time equivalent is expressed in CPO, FFB production, revenue and planted area. This has been calculated, along with other relevant metrics, in the below:

Data	Intensity ratio
262,581 Total crude palm oil (CPO) production (tonnes)	1.1 tCO ₂ e per tonne of CPO production
758,378 Total fresh fruit bunch (FFB) production (tonnes)	0.381 tCO ₂ e per tonne of FFB production
154,454 Thousand GBP Revenue (£)	1.87 tCO ₂ e per Thousand GBP Revenue (£)
55,087 Total planted area (hectares)	5.25 tCO ₂ e per hectare of planted area

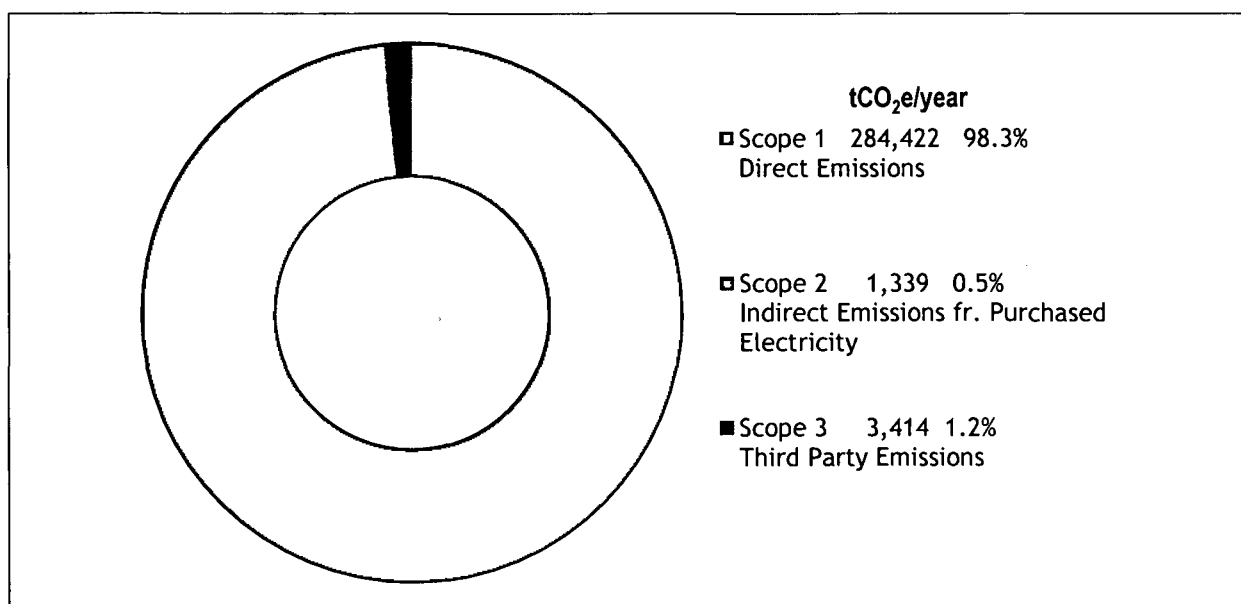
The data used for this report are either estimates or averages for the year.

Summary by Activity (tCO₂e/year)



Directors' Report

Summary by WBCSD/WRI Scope (tCO₂e/year)



Summary by Greenhouse Gas

<u>Greenhouse Gas</u>	<u>GWP</u>	<u>tGHG/year</u>	<u>tCO₂e/year</u>
CO ₂	1	24,985.0	24,985
CH ₄	25	9,879.0	246,976
N ₂ O	298	52.4	15,619
Biogenic CO ₂	-	221,510.0	-
Biogenic CH ₄	24	66.5	1,595
Total			<u>289,175</u>

None of the assessed activities resulted in the emission of hydrofluorocarbons, perfluorocarbons or sulphur hexafluoride.

Key Observations:

- Emissions associated with land use conversion, cultivation of peat soil and the carbon sequestration by oil palm have been excluded from the scope of this assessment as data were not available at the time of emissions calculation. The basis of collection of data required for the calculation of the associated emissions is not practical in 2013 due to a lack of complete and accurate data. Ecometrica have advised Anglo-Eastern Plantations Plc to investigate the possibility of inclusion in future assessments due to the significant impact these emission sources are likely to have on the emissions total.
- Emissions associated with office based activities in the United Kingdom, Indonesia and Malaysia have been excluded from this assessment on the basis that their contribution to total emissions in 2013 was immaterial.
- Emissions associated with the treatment of POME in anaerobic ponds contributed the majority of emissions with 246,945 tonnes of CO₂e, 85% of the total (scopes 1, 2 & 3). The application of fertilisers to soil for crop maintenance contributed the next greatest portion of emissions with 18,813 tonnes of CO₂e, 6.5% of the total (scopes 1, 2 & 3).

Directors' Report

Principal risks

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

Biological assets, property, plant and equipment

Information relating to changes in fixed assets is given in note 12 to the consolidated financial statements.

Directors

Madam Lim Siew Kim and Dato' John Lim Ewe Chuan will be submitting themselves for re-appointment at the forthcoming annual general meeting.

Drs. Kanaka Puradiredja whose contract expired on 31 July 2013, resigned from the Board as Independent Non-Executive Director.

Mr. Jonathan Law Ngee Song, was appointed as Independent Non-Executive Director, with effect from 4 July 2013. Upon joining the Board, Mr. Law was also appointed a member of the Audit Committee, the Remuneration Committee and the Nominations and Corporate Governance Committee. In accordance to Company's Article 94, Mr. Law will be submitting himself for re-appointment at the forthcoming annual general meeting.

Brief profiles of all Directors are set out on page 34 of this Annual Report.

Directors' interests

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

Directors' beneficial interests

at 31 December :

	2013	2012
	Ordinary shares	Ordinary shares
Madam Lim Siew Kim	20,521,314	20,521,314
Dato' John Lim Ewe Chuan	-	-
Nik Din Bin Nik Sulaiman	-	-
Drs. Kanaka Puradiredja (Resigned on 31 July 2013)	-	-
Jonathan Law Ngee Song (Appointed on 4 July 2013)	-	-

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 2013 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. Other than as set out in notes 7 and 22 to the consolidated financial statements, no Director had a material interest in any contract of the Company subsisting during, or at the end of the financial year.

Directors' Report

Substantial share interests

As at 28 February 2014, the following interests had been notified to the Company, being interests in excess of 3% of the issued ordinary share capital of the Company:

Name of holder	Number	Percentage of voting rights held
Genton International Limited	20,247,814	51.08%
Alcatel Bell Pension Fund	6,800,000	17.16%
KBC Securities	1,413,815	3.57%
S N Roditi	1,366,900	3.45%

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 19 June 2013 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 9 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 2 June 2014 (being the latest practicable date before publication of this notice). In accordance with guidance issued by the Association of British Insurers, 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 2 June 2014. 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.

Directors' Report

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 2014, whichever is earlier. Renewal of this authority on similar terms is being sought under Resolution 10 at the forthcoming annual general meeting.

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

At 8 April 2014, the Directors had remaining authority under the shareholders' resolution of 19 June 2013, to make purchases of 3,997,627 of the Company's ordinary shares. This authority expires on 30 June 2014. 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 11 to be proposed at the forthcoming annual general meeting seeks renewed authority to purchase up to a maximum of 3,963,637 ordinary shares of 25p each on the London Stock Exchange, representing 10% of the Company's issued ordinary share capital. The minimum price which may be paid for an ordinary share is 25p. The maximum price which may be paid for an ordinary share on any exercise of the authority will be restricted to the highest of (i) an amount equal to 5% above the average middle market quotations for such shares as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made and (ii) the higher of price of the last independent trade and the highest current independent bid on the London Stock Exchange. The maximum number of shares and the price range are stated for the purpose of compliance with statutory requirements in seeking this authority and should not be taken as an indication of the level of purchases, or the prices thereof, that the Company would intend to make.

Dividends

The Board is mindful that the Group's development programme will require a considerable capital commitment. In this respect, the dividend level needs to be balanced against the planned capital expenditure. The Board is also mindful of shareholders' sentiment and declared a final dividend of 3.0p in respect of 2013 (2012: 4.5cts). Subject to shareholder approval at the AGM, the final dividend will be paid on 17 June 2014 to those shareholders on the register on 16 May 2014. Shareholders choosing to receive their dividend in US dollar will do so at the rate ruling on 16 May 2014, when the register closes. Based on the exchange rate at 1 April 2014 of \$1.6638/£, the proposed dividend would be equivalent to 5.0cts, compared to 4.5cts declared in respect of 2012.

Directors' Report

Liability insurance for Company officers

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

By order of the Board


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

8 April 2014

Directors' Responsibilities

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

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

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

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

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

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

Website publication

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

Directors' responsibilities pursuant to DTR4

All of the Directors listed on page 34 confirm to the best of their knowledge:

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

By order of the Board



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

8 April 2014

Directors

Madam Lim Siew Kim

(Non-Executive Chairman, aged 65)

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

Dato' John Lim Ewe Chuan

(Executive Director, Corporate Finance and Corporate Affairs, member of Nomination and Corporate Governance Committee, Audit and Remuneration Committee, aged 64)

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

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

Nik Din Bin Nik Sulaiman

(Senior Independent Non-Executive Director, Chairman of Audit Committee and Chairman of Nomination & Corporate Governance Committee and member of Remuneration Committee, aged 66)

Appointed 1 April 2009.

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

Jonathan Law Ngee Song

(Independent Non-Executive Director, Chairman of Remuneration Committee, member of Audit Committee and member of Nomination & Corporate Governance Committee, age 48)

Appointed 4 July 2013.

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

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

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

Statement on Corporate Governance

Application of the UK Corporate Governance Code

Anglo-Eastern Plantations Plc is committed to business integrity, appropriately high ethical standards and professionalism in all its activities and operations. This includes a commitment to high standards in corporate governance relating in particular to appropriate systems and controls adopted at a senior level of management of the Group and operation of the Board. The bench-mark standards in this regard are set out in the UK Corporate Governance Code ('the Code'), as most recently revised in September 2012 which forms part of the Listing Rules of the London Stock Exchange. Where provisions of the Code were not met during 2012, particular comment is made in the statements below and in the Directors' remuneration report on pages 40 to 43.

The Board

AEP is led by a strong and experienced Board of Directors (see biographical details set out on page 34). During 2013 the Board comprised the Non-Executive Chairman, one Executive Director and two further Non-Executive Directors, both of whom are considered by the Board to be Independent.

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

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

Independence of the Non-Executive Directors

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

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

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

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

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

Senior Non-Executive Director

Mr. Nik Din Bin Nik Sulaiman acted in the capacity of Senior Non-Executive Director throughout the year.

Statement on Corporate Governance

Operation of the Board

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

Unless warranted by unusual matters, the Board normally meets two to three times each year. Otherwise all other matters are dealt with by written resolution and telephone conference. During 2013, there were three meetings, attended by all the Directors.

The Independent Non-Executive Directors met on their own during 2013. The Chairman met all the Non-Executive Directors, in the absence of the Executive Director, twice in 2013.

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 by interacting with the management and with the internal auditors prior to reaching the Board. 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 capital expenditure and acquisitions. Certain other matters are delegated to Board committees, the details of which are set out below.

During 2013, the Board followed the Group results and the development of the activities of the various subsidiaries by means of reports prepared by management in Malaysia and Indonesia.

There is an agreed Board procedure enabling Directors to take independent advice, in the furtherance of their duties, at the Company's expense. 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. The Company maintained Directors' and officers' liability insurance throughout 2013.

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

Dato' John Lim, the only Executive Director on Board sits on the Audit, Remuneration and Nomination Committees for 2013. The UK Corporate Governance Code 2012 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 Executive Director in the Audit and Remuneration Committees. In practice companies would normally exclude the Executive Director from membership so as not to taint the independence of both the Audit and Remuneration Committees. However the Board felt strongly that given the small composition of the various Committees, they would benefit from Dato' John Lim's wealth of commercial and audit experience. It was also felt that Dato' John Lim being the only Director based in London could only adequately represent the Company in any shareholders and investor relation if he sits in the three Committees. The Board also believes that the Non-Executive Directors, being professionals in their own areas of expertise would maintain their impartiality and independence by their majority presence in all three Committees.

In 2013 the Board conducted a review of its performance by discussion. No major issues arose from this review.

Nomination Committee

The Nomination and Corporate Governance Committee currently comprises Mr. Nik Din Bin Nik Sulaiman (Chairman), Dato' John Lim and Mr. Jonathan Law Ngee Song who was appointed on 4 July 2013. Drs Kanaka Puradiredja resigned from the Committee on 31 July 2013. The committee had four meetings during 2013, attended by all members.

The policy on gender diversity is described in page 21 of the Strategic Report.

Statement on Corporate Governance

During the year, the Nomination Committee reviewed and deliberated on the Statement of Corporate for inclusion in the Annual Report. It also met to discuss and approve the appointment and resignation of Directors. During the year it also outsourced the search for a new Finance Director and Chief Operating Officer to an external recruiting agency in Singapore to strengthen its management in Indonesian operations.

Relations with shareholders

The Executive Director and the Senior Independent Non-Executive Director contacted certain principal shareholders and at all times are pleased to speak to and meet any shareholder. Given the dispersion of Directors and shareholders it is not possible for every Director to meet shareholders in the presence of management. A member of the Audit, Nomination and Remuneration Committees will be available at the 2014 AGM.

The Company maintains a corporate website at <http://www.angloeastern.co.uk>. This website has detailed information on various aspects of the Group's operations. The website is updated regularly and includes information on the Company's share price and the price of crude palm oil.

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

Environmental and corporate responsibility

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

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

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

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

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

Audit Committee Report

Audit Committee

The Audit Committee comprises Mr. Nik Din Bin Nik Sulaiman (Chairman), Dato' John Lim and Mr. Jonathan Law Ngee Song who was appointed on 4 July 2013. Drs. Kanaka Puradiredja resigned from the Committee on 31 July 2013.

Mr. Nik Din Bin Nik Sulaiman is a Fellow member of the Association of Chartered Certified Accountants (FCCA) and a member of the Malaysian Institute of Accountants (MIA), CA(M). He has extensive experience in accounting, auditing and finance. He attended two audit seminars organised by MIA and the Malaysian Stock Exchange in 2013.

Dato' John Lim attended two audit related seminars at UHY conferences.

Overview

The Audit Committee met prior to the completion of the 2013 accounts and four times during 2013 with full attendance.

During the year, the Committee reviewed the 2012 Annual Report, Interim Results, 1st Quarter and 3rd Quarter Interim Management Statement, Prior year restatement for 2012, risks management and the external reports from BDO LLP.

The Committee met with the external auditors twice in 2013 to discuss the audit findings as well as the planning for the 2013 audit. In the planning report to the Committee, BDO has identified the key audit risks areas as valuation of biological assets, valuation of land, prior year restatement, revenue recognition and management override. The Committee has reviewed and streamlined the key assumptions used in the determination of biological assets in accordance with the recommendation of the external UK valuer and taking into account the company's discussions with the FRC. The valuation of land has been carried out by a qualified valuer on an open market value basis for 5 companies located across a geographical spread. The Directors revalued the rest of the land not covered by the valuation exercise based on the regional appreciation rate quantified by the qualified valuers. As a result of the company's discussions with the FRC, the Company announced on 28 February 2014 that it had restated its financial and operating results for 2012 to reflect the notional rent on market basis rather than historical cost. The restatement was reviewed by the Committee before release. The Committee also reviewed the policy on revenue recognition and believe that revenue is recognized when significant risks and rewards of ownership of the FFB and CPO have been transferred to the buyers have been observed. The risks of management override on the other hand is mitigated by the monthly review of management accounts by the Committee and segregation of financial and operational functions.

It also reviewed and recommended to the Board the internal audit plan and revised policy on the purchase of third party crops. It had extensive discussion on IAS41 to revise its notional rent to 9% on fair market value of planted land from the historical cost basis in the determination of biological assets. This was in line with the recommendation of a professional valuer hired in UK to determine an alternative method of calculating notional rent. This change in basis of determination of notional rent resulted in a prior year restatement of its financial statements for 2012.

During the year BDO assisted the management in dealing with the FRC enquiry into the biological assets. BDO is engaged because of their familiarity with the issues raised by the FRC. A non-audit member from the firm's accounting and reporting advisory team provided the services. As BDO's role is restricted to advisory capacity and all judgements and policy decisions are made by management, the Audit Committee believe that this engagement would not affect the objectivity and the independence of the auditor at all times.

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

The Chairman of the Audit Committee also met up with the Finance Director in Medan to discuss various financial and operational issues.

Audit Committee Report

The Committee has recommended to the Board of the Company that it should seek the approval of the Company's shareholders for the reappointment of the Company's current auditors. That recommendation reflected an assessment of the qualifications, expertise, resources and independence of the auditors based upon reports produced by the auditors, the Committee's own dealings with the auditors and feedback from management. Given the current level of audit fees and the costs that a change would likely entail, the Committee did not recommend that the Company's audit be put out to tender. However as the current auditors have been with the Group for more than 10 years, the Committee would be inviting tender for the external audit work the following year.

Responsibility

Audit Committee is responsible for:

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

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

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

Internal control

The Company has followed the Code provisions and Turnbull Committee guidance on internal control since 1999. The Board has overall responsibility for the Group's systems of internal control and risk management and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee reviews and monitors specific risks and internal control procedures and reports to the Board where appropriate. Executive staff and Directors are responsible for implementation of control procedures and for identifying and managing business risks.

The Group has internal auditors who visit operating sites in Indonesia and Malaysia regularly and provide summarized internal audit report to the Audit Committee. The internal audit team provides objective assurance as to the effectiveness of the Group's systems of internal control and risk management of the Group's operating management to the Committee. The internal audit review is a continuous but sequential process and in any one year does not necessarily cover all risks which are significant to the Group. The process aims to provide reasonable assurance against material misstatement or loss but cannot eliminate the risk of loss.

Directors' Remuneration Report

Remuneration Committee Chairman's Statement

I am pleased to present the Remuneration Report for the year ended 31 December 2013.

The Companies Act 2006 governing the disclosures of the Directors' remuneration was revised and came into effect on 1 October 2013. Besides requiring additional disclosures the regulations also provide for the shareholders to approve Directors' Remuneration Report for the year under review and to approve the Directors' Remuneration Policy under Sec 439A of the Companies Act 2006.

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 operating units in Indonesia and Malaysia however have in place variable compensation policy that rewards senior executives and employees bonuses ranging from 2 to 5 months' pay based on individual and operating units' performance. The variable compensation policy has remained unchanged since 2009.

The Directors' remuneration policy includes a capped basic salary at £75,000 per annum or US\$ equivalent for Executive Director.

The Executive Director salary was increased by 20% from £62,400 to £75,000 when his contract was renewed for another 2 years in August 2012.

The Directors' Remuneration Policy for the forthcoming year is set out as above.

The Committee would welcome your support for our Remuneration Report.

Remuneration Committee

The Remuneration Committee comprises of Mr. Jonathan Law Ngee Song (Chairman), Mr. Nik Din Bin Nik Sulaiman and Dato' John Lim. Mr. Jonathan Law Ngee Song was appointed as member of the Remuneration Committee on 4 July 2013 and assumed the Chairmanship of the Committee after Drs Kanaka's resignation on 31 July 2013.

The Committee had two meetings during 2013, attended by all members.

During the year the Remuneration Committee reviewed the annual increment and bonus entitlement of senior management in Indonesia and made the necessary recommendation to the Board. The Committee also deliberated on the 2012 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 Executive Director. It periodically assesses the remuneration of the Non-Executive Directors and submits proposal to the Board.

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

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

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 applied in subsequent years.

Components

Base salary

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

Bonus

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

Share options

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

Individual grants vest over three years. The total grant to each holder is determined by seniority and total market value at 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 2014. The Policy remains unchanged from the year ended 31 December 2013.

Type	Purpose	Maximum payment
Base salary – fixed pay	Contain fixed costs	Cap at £75,000 or US\$ equivalent. The cap is reviewed periodically. The policy permits the cap to be changed if this is deemed necessary to meet business, legislative or regulatory requirements.

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

Directors' Remuneration Report

Executive Director's Remuneration Over 5 Years (audited)

Year ended 31 Dec	Salary	Benefits	Pension	Bonus	Total
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

Service contracts

All Directors, Executive and Non-Executive, have formal appointment letters. The Executive and Non-Executives are appointed for 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 2013, the unexpired term of the retiring Directors are:

Madam Lim Siew Kim	Expiry 31 January 2015
Dato' John Lim Ewe Chuan	Expiry 31 August 2014.
Mr. Jonathan Law Ngee Song	Expiry 3 July 2015

Performance Graph

The performance graph is set out on page 4 and shows the Company's share price performance compared to FTSE 100 index for the period of 2009 to 2013 (last 5 years) to indicate the volatility and trend of the market generally. Our share price performance consistently outperformed the FTSE 100 index throughout these periods. In determining senior management compensation, the Remuneration Committee is influenced by the operating performance of the Company and not directly by the share price.

Directors' Remuneration Report

Directors' remuneration (audited)

The following part provides details of the remuneration and share interests of all the Directors for the year ended 31 December 2013. 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 2013 Fees \$000	Total 2012 Fees \$000
Name of Director		
Executive:		
Dato' John Lim Ewe Chuan ⁽¹⁾	117	105
Non-Executive		
Lim Siew Kim ⁽²⁾	61	61
Nik Din Bin Nik Sulaiman ⁽³⁾	28	28
Drs. Kanaka Puradiredja ⁽⁴⁾	16	28
Jonathan Law Ngee Song ⁽⁵⁾	14	-
Total	236	222

Directors' remuneration comprise 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 1 April 2009.

⁽⁴⁾ Appointed on 1 August 2009 and resigned on 31 July 2013.

⁽⁵⁾ Appointed on 4 July 2013.

On behalf of the Board


Jonathan Law Ngee Song
Chairman, Remuneration Committee

8 April 2014

Auditors' Report

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

We have audited the financial statements of Anglo-Eastern Plantations Plc for the year ended 31 December 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position and Company balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Purpose of report

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Auditors' Report

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

Audit commentary

Our application of materiality

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

We determined materiality for the financial statements as a whole to be US\$2 million, which approximated to 1% of revenues. We consider revenue to be a key indicator of the Group's financial performance and therefore an appropriate basis for materiality.

On the basis of our risk assessment, together with our assessment of the Group's control environment, our judgement is that performance materiality for the financial statements should be 75% of overall materiality, which equates to US\$1.5 million for the financial statements as a whole. 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\$40,000. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group financial statements are a consolidation of twenty five companies made up of two management companies, seventeen trading companies operating plantations and six dormant companies. Sixteen of the operating plantation companies are located in Indonesia and one in Malaysia. The head office and main accounting location is located in Kuala Lumpur, Malaysia, at a location separate from the plantations. Our Group audit scope focused on the principal operating companies, each of which was subject to a full scope local statutory audit for the year ended 31 December 2013. Based on our assessment, we identified four operating plantation companies which, in our view, required an audit of their complete financial information due to their size and thirteen, which required audit procedures on specific areas due to their risk characteristics. This, together with additional procedures performed at Group level, gave us the evidence we needed to form our opinion on the Group financial statements as a whole.

Auditors' Report

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

Audits of the subsidiary companies are performed at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the company concerned. For those companies with mature plantations, a revenue basis of materiality is applied. For companies where the plantation is not yet mature, an asset basis of materiality is applied. The audits of each of the operating companies were performed largely in Malaysia and Indonesia, as well as the audit of corporate accounting function in Malaysia. All audits were conducted by BDO network firms with teams drawn from the UK, Malaysia and Indonesia to materiality levels set by the group audit team. Detailed audit instructions covering the significant audit areas that should be covered by the audits, including the relevant risks of material misstatement detailed below, were sent to the teams outside of the UK. The instructions also set out the information required to be reported back to the group audit team and the local audit teams confirmed their understanding of these instructions during telephone meetings held at the planning stage of the audit. There was continuous communication between the group audit team and local audit teams throughout the audit process and as part of our audit strategy, the Senior Statutory Auditor and other senior members of the team visit Malaysia and Indonesia each year to meet with local management and the Audit Committee and also to review the audit work completed by the local teams.

Our assessment of risks of material misstatement

In preparing the financial statements, the Directors made a number of subjective judgements around significant accounting estimates which include making assumptions on future events which are inherently uncertain. Our assessed risks of material misstatements, which include those areas of particular subjective judgement, had the greatest impact on the audit strategy, the allocation of resources in the audit and the direction of the efforts of the engagement team and subsidiary auditors.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. Our audit evidence was largely obtained through substantive procedures.

The following risks of material misstatement identified were discussed with the Audit Committee and are included within their report on those matters they considered to be significant issues in relation to the financial statements set out on page 38.

Risks of material misstatement

Our response to the risks identified

Revenue recognition

Due to the presumption in the ISA's (UK & Ireland) that there is a risk of fraud in revenue recognition we considered this to be a risk of material misstatement and focused our testing on timing of revenue recognised.

Principally all revenue is derived from the sales of CPO, palm kernel and rubber slab, the revenue from which is recognised when the goods are delivered or allocated to a purchaser, which takes place subsequent to payment as detailed in note 1. We tested, on a sample basis, that sale invoices were raised on or after the delivery date based on the goods dispatched note. We also identified revenue from sales of the above at the end of the current year and the beginning of the new financial year and tested a sample of transactions to ensure that revenue had been recognised in the correct period.

Auditors' Report

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

Risks of material misstatement

Our response to the risks identified

Management override

As the ISA's (UK & Ireland) state the risk of management override of controls is present in all entities and the presence of significant estimates and judgements as detailed in note 1 on page 62 increases this risk, we consider this to be a risk of material misstatement.

We assessed the overall control environment of the group, including staff "whistle-blowing" arrangements. We interviewed senior management in both Malaysia and Indonesia. We remained sceptical and considered the risk of fraud and management bias when evaluating significant accounting estimates and judgements and considered the sensitivities of these estimates and judgements to movements in key assumptions. We also carried out journal entry testing and considered the appropriateness of accounting policy selections for evidence of management override or bias.

Valuation of biological assets

Biological assets are held at fair value less costs to sell determined on the basis of the net present value of cash flows arising in producing fresh fruit bunches (FFB). Management exercise significant judgement in determining the underlying assumptions used in the calculation of fair value. These assumptions include the crude palm oil price (CPO), discount rate, FFB production, estate yield and oil extraction rate. We identified this as a risk due to the inherent uncertainty around the future estimates.

The directors engaged an independent valuer to perform the valuation exercise. We assessed the capabilities, objectivity and competence of the independent valuer and considered them to be satisfactory. We also challenged the assumptions in the input data from management and the valuer through discussions with management and the valuer, comparisons to industry peers and independent external data sources and where available to agreement with supporting documentation and historical trends.

Auditors' Report

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

Risks of material misstatement

Our response to the risks identified

Valuation of estate land

Estate land is carried at fair value, based on periodic valuations on an open market basis by a professionally qualified valuer and a director's valuation is carried out in the intervening periods. The valuation in the current year is based on the director's assessment and in order to execute the valuation the directors engaged an independent valuer to perform a market-based valuation on the land within the four operating plantation companies identified by us as requiring full audit procedures based on their size which gave them geographical coverage over North Sumatra, Bengkulu and Riau. The directors then extended this selection to cover land in both Malaysia and Kalimantan. The directors calculated the percentage movement on the valued land from the last professional valuation in 2011 and applied the same percentage movements to the rest of the land on a regional basis. We identified the valuation of estate land as a risk due to the subjective judgements involved in the estimation.

We considered the sample of land selected for professional valuation to provide sufficient geographical coverage to enable the directors to perform an appropriate valuation on total land. In reviewing the valuation we assessed the capabilities, objectivity and competence of the independent valuer and considered them to be satisfactory. For the land valued professionally we challenged the assumptions in the input data from the valuer based on the profile of the land and on comparison to market valuation trends based on publicly available information. We then assessed the application of the director's valuation of land on an estate by estate basis in light of movements in plantation land area.

Prior year restatement

Following the conclusion in February 2014 to an enquiry from the Financial Reporting Council's (FRC's) Conduct Committee, the Group restated its results for the year ended 31 December 2012 to include an estimate of the cost of land ('notional rent') based on the current market value of land as opposed to estimating the cost based on the historic value of land as previously included.

The directors engaged an independent UK valuer to provide an opinion on the annual notional rent charge to be attributed to the company's planted land. We assessed the capabilities, objectivity and competence of the independent valuer and considered them to be satisfactory. We have reviewed the calculations performed by management to derive the restated figures and the current year valuation and are satisfied they include the notional rent charge on the basis recommended by the valuer. We have also confirmed that appropriate additional disclosures have been made on the sensitivity of the biological asset valuation to this assumption in note 12.

Auditors' Report

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

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

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

Our duty to read other information in the annual report

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 33, in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report arising from our review.

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

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

Auditors' Report

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

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

We confirm that we have not identified any such matters.



David Eagle (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom
8 April 2014

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 2013

Continuing operations	Note	2013			(Restated) 2012		
		Result before BA adjustment	BA adjustment	Total	Result before BA adjustment	BA adjustment	Total
		\$000	\$000	\$000	\$000	\$000	\$000
Revenue	3	201,917	-	201,917	237,352	-	237,352
Cost of sales		(133,400)	-	(133,400)	(142,755)	-	(142,755)
Gross profit		68,517	-	68,517	94,597	-	94,597
Biological asset revaluation movement		-	93,661	93,661	-	(6,729)	(6,729)
Administration expenses		(8,898)	-	(8,898)	(9,201)	-	(9,201)
Operating profit		59,619	93,661	153,280	85,396	(6,729)	78,667
Exchange losses		(2,781)	-	(2,781)	(24)	-	(24)
Finance income	4	4,676	-	4,676	3,336	-	3,336
Finance expense	4	(1,774)	-	(1,774)	(117)	-	(117)
Profit before tax	5	59,740	93,661	153,401	88,591	(6,729)	81,862
Tax expense	8	(16,178)	(23,415)	(39,593)	(22,476)	1,682	(20,794)
Profit for the year		43,562	70,246	113,808	66,115	(5,047)	61,068
Attributable to:							
- Owners of the parent		35,950	57,571	93,521	53,108	(5,777)	47,331
- Non-controlling interests		7,612	12,675	20,287	13,007	730	13,737
		43,562	70,246	113,808	66,115	(5,047)	61,068
Earnings per share for profit attributable to the owners of the parent during the year							
- basic	9			235.95cts			119.41cts
- diluted	9			235.67cts			119.27cts

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

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 \$000	(Restated) 2012 \$000
Profit for the year	113,808	61,068
Other comprehensive income:		
<i>Items may be reclassified to profit or loss:</i>		
Loss on exchange translation of foreign operations	(112,824)	(25,337)
Net other comprehensive expense may be reclassified to profit or loss	(112,824)	(25,337)
<i>Items not to be reclassified to profit or loss:</i>		
Unrealised gain / (loss) on revaluation of the estates	31,807	(4,064)
Deferred tax on revaluation of assets	(7,951)	1,015
Remeasurement of retirement benefit plan	278	-
Deferred tax on retirement benefit	(71)	-
Net other comprehensive income / (expense) not being reclassified to profit or loss	24,063	(3,049)
Total other comprehensive expenses for the year, net of tax	(88,761)	(28,386)
Total comprehensive income for the year	25,047	32,682
Attributable to:		
- Owners of the parent	21,508	23,172
- Non-controlling interests	3,539	9,510
	25,047	32,682

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

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	2013 \$000	(Restated) 2012 \$000	(Restated) 2011 \$000
Non-current assets				
Biological assets	12	265,835	207,679	197,410
Property, plant and equipment	12	213,342	212,177	214,840
Receivables	13	5,649	5,033	1,551
		484,826	424,889	413,801
Current assets				
Inventories	14	8,448	6,075	9,439
Tax receivables		8,464	4,734	5,098
Trade and other receivables	15	7,271	7,419	4,877
Cash and cash equivalents		98,738	116,250	90,482
		122,921	134,478	109,896
Current liabilities				
Loans and borrowings	16	(84)	(52)	(6,465)
Trade and other payables	17	(15,331)	(15,635)	(20,878)
Tax liabilities		(4,988)	(6,996)	(11,019)
		(20,403)	(22,683)	(38,362)
Net current assets		102,518	111,795	71,534
Non-current liabilities				
Loans and borrowings	16	(34,937)	(25,026)	(58)
Deferred tax liabilities	18	(55,298)	(37,236)	(43,098)
Retirement benefits - net liabilities	19	(3,099)	(3,057)	(1,593)
Net assets		494,010	471,365	440,586
Issued capital and reserves attributable to owners of the parent				
Share capital	20	15,504	15,504	15,504
Treasury shares	20	(1,171)	(1,171)	(1,507)
Share premium		23,935	23,935	23,935
Capital redemption reserve		1,087	1,087	1,087
Revaluation reserves		56,767	36,799	39,480
Exchange reserves		(181,107)	(88,838)	(67,360)
Retained earnings		493,031	401,006	355,914
		408,046	388,322	367,053
Non-controlling interests		85,964	83,043	73,533
Total equity		494,010	471,365	440,586

The financial statements were approved by the Board of Directors and authorised for issue on 8 April 2014 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 2013

	Share capital \$000	Treasury shares \$000	Share premium \$000	Capital redemption reserve \$000	Revaluation reserve \$000	Foreign exchange reserve \$000	Retained earnings \$000	Total \$000	Non-controlling interests \$000	Total equity \$000
Balance as at 31 December 2011	15,504	(1,507)	23,935	1,087	39,480	(67,602)	380,633	391,530	77,369	468,899
Restatement (note 2)	-	-	-	-	-	242	(24,719)	(24,477)	(3,836)	(28,313)
Balance at 31 December 2011 after restatement	15,504	(1,507)	23,935	1,087	39,480	(67,360)	355,914	367,053	73,533	440,586
Items of other comprehensive income										
-Unrealised loss on revaluation of estates, net of tax	-	-	-	-	(2,681)	-	-	(2,681)	(368)	(3,049)
-Loss on exchange translation	-	-	-	-	-	(21,478)	-	(21,478)	(3,859)	(25,337)
Total other comprehensive expenses	-	-	-	-	(2,681)	(21,478)	-	(24,159)	(4,227)	(28,386)
Profit for year	-	-	-	-	-	-	47,331	47,331	13,737	61,068
Total comprehensive income and expenses for the year	-	-	-	-	(2,681)	(21,478)	47,331	23,172	9,510	32,682
Share options exercised	-	336	-	-	-	-	133	469	-	469
Dividends paid	-	-	-	-	-	-	(2,372)	(2,372)	-	(2,372)
Balance at 31 December 2012 after restatement	15,504	(1,171)	23,935	1,087	36,799	(88,838)	401,006	388,322	83,043	471,365
Items of other comprehensive income										
-Unrealised gain on revaluation of estates, net of tax	-	-	-	-	20,062	-	-	20,062	3,794	23,856
-Disposal of land	-	-	-	-	(94)	-	94	-	-	-
-Remeasurement of retirement benefit plan, net of tax	-	-	-	-	-	-	194	194	13	207
-Loss on exchange translation of foreign operations	-	-	-	-	-	(92,269)	-	(92,269)	(20,555)	(112,824)
Total other comprehensive income / (expenses)	-	-	-	-	19,968	(92,269)	288	(72,013)	(16,748)	(88,761)
Profit for year	-	-	-	-	-	-	93,521	93,521	20,287	113,808
Total comprehensive income and expenses for the year	-	-	-	-	19,968	(92,269)	93,809	21,508	3,539	25,047
Dividends paid	-	-	-	-	-	-	(1,784)	(1,784)	(618)	(2,402)
Balance at 31 December 2013	15,504	(1,171)	23,935	1,087	56,767	(181,107)	493,031	408,046	85,964	494,010

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 \$000	(Restated) 2012 \$000
Cash flows from operating activities		
Profit before tax	153,401	*81,862
Adjustments for:		
BA adjustment	(93,661)	*6,729
(Profit) / Loss on disposal of tangible fixed assets	(319)	19
Depreciation	6,406	6,135
Retirement benefit provisions	1,325	1,898
Net finance income	(2,902)	(3,219)
Unrealised loss in foreign exchange	2,781	24
Property, plant and equipment written off	97	-
Operating cash flow before changes in working capital	67,128	93,448
(Increase) / Decrease in inventories	(3,591)	2,821
Decrease / (Increase) in non-current, trade and other receivables	2,456	(6,646)
Increase / (Decrease) in trade and other payables	2,400	(4,143)
Cash inflow from operations	68,393	85,480
Interest paid	(1,774)	(144)
Retirement benefit paid	(244)	(294)
Overseas tax paid	(23,981)	(26,622)
Net cash flow from operations	42,394	58,420
Investing activities		
Property, plant and equipment		
- purchase	(49,938)	(49,054)
- sale	641	786
Interest received	4,676	3,336
Net cash used in investing activities	(44,621)	(44,932)

Note:

* The restatement has no change to the operating or total cash flows of the Group but rather a reclassification of accounts.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 \$000	(Restated) 2012 \$000
Financing activities		
Dividends paid by Company	(1,784)	(2,372)
Drawdown of long term loans	10,000	25,000
Finance lease repayment	(30)	(27)
Dividends paid to minority shareholders	(618)	-
Repayment of existing long term loans	-	(6,438)
Share options exercised	-	469
Net cash used in financing activities	7,568	16,632
Increase in cash and cash equivalents	5,341	30,120
Cash and cash equivalents		
At beginning of year	116,250	90,482
Foreign exchange	(22,853)	(4,352)
At end of year	98,738	116,250
Comprising:		
Cash at end of year	98,738	116,250

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.

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.

The 2012 Annual Report stated that the Company was in the process of resolving a query from the Financial Reporting Council ("FRC") concerning the measurement of the notional rent used in the valuation of the Group's biological assets. Following further discussion with the FRC, the Group has changed the determination of notional rent, one of the assumptions used in the valuation of the Group's biological assets in accordance with its stated policy to reflect current market data in the estimate of the cost for the use of the land. The change in measurement of the notional rent has significant impact on the carrying amount of biological asset and thus the accounts for the years ended 31 December 2012 and 2011 were restated. The restatements and related adjustments are disclosed in these accounts in note 2.

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 EU and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

Changes in accounting standards

- a) The following new standards, interpretations and amendments are effective for the first time in these financial statements.
- IFRS 13 Fair Value Measurement
 - IAS 1 Amendments - Presentation of Items of Other Comprehensive Income
 - IAS 19 Amendments - Employee Benefits

The nature and the impact of each new standard/amendment are described below.

IAS 1 Amendments - Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified to profit or loss at a future point in time have to be presented separately from items that will never be reclassified to profit and loss. The amendment affected presentation only and had no impact on the Group's financial position or performance.

IFRS 13 Fair Value Measurement

The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group but has resulted in additional disclosures. See note 11.

IAS 19 Amendments - Employee Benefits

IAS 19 amends the accounting for employment benefits and the impact on the Group has been in the following areas:

- The standard requires past service cost to be recognised immediately in profit or loss. This has resulted in unrecognised past service cost at 1 January 2013 of \$197,000 being recognised in Income Statement during the period.

Reconciliation of current service cost:

	\$000
Current service cost - prior year	197
Current service cost - current	936
Current service cost (note 19)	<u>1,133</u>

- The standard introduces a new term called "remeasurements". This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost which should be recognised in Other Comprehensive Income. This has resulted in actuarial loss on defined benefit plan at 1 January 2013 of \$1,839,000 and return on plan asset of \$70,000 being charged to other comprehensive income during the period.

Reconciliation of remeasurement of retirement benefit plan:

	\$000
Actuarial loss / (gain) - prior year	1,839
Actuarial loss / (gain) - current	(1,413)
Actuarial loss / (gain) (note 19)	426
Return on plan asset - prior year	70
Return on plan asset - current	(218)
Return on plan asset (note 19)	(148)
Remeasurement of retirement benefit plan as per other comprehensive income	<u>278</u>

Notes to the Consolidated Financial Statements

1 Accounting policies – continued

Changes in accounting standards – continued

a) *IAS 19 Amendments - Employee Benefits - continued*

The impact on the prior year's comprehensive income and other comprehensive income (as shown in previous page) as a result of the change in accounting policy is immaterial. Thus, the comparative figures have not been restated and the impact has been accounted for in the current year.

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

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Group's future financial statements but this is not expected to be material:

- IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2015)*
- IFRS 10 Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2014)
- IFRS 11 Joint Arrangements (effective for accounting periods beginning on or after 1 January 2014)
- IFRS 12 Disclosures of Interest in Other Entities (effective for accounting periods beginning on or after 1 January 2014)
- IAS 27 Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2014)
- IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2014)
- IAS 32 Amendments - Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2014)
- IAS 36 Amendments - Recoverable Amounts Disclosures for Non-financial Assets (effective for accounting periods beginning on or after 1 January 2014)
- IAS 39 Amendments - Defined Benefit Plans: Employee Contributions (effective for accounting periods beginning on or after 1 July 2014)
- IFRIC 21 Levies (effective for accounting periods beginning on or after 1 January 2014)

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

None of the new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2014 and which have not been adopted early, are expected to have a material effect on the Group's future financial statements.

Basis of consolidation

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

Business combinations

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

Foreign currency

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

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

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

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

Revenue recognition

Revenue includes

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

Notes to the Consolidated Financial Statements

1 Accounting policies - continued

Revenue recognition - continued

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

Share based payments

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

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

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

Capitalisation on development activities

Interest capitalisation

Interest on third party loans directly related to field development is capitalised in the proportion that the opening immature area bears to the total planted area of the relevant estate. Interest on loans related to construction in progress (such as an oil mill) is capitalised up to the commissioning of that asset. These interest rates are booked at the rate prevailing at the time.

Plantation development

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

Tax

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

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.

Property, plant and equipment

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

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

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

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

Buildings - 5% to 10% per annum

Oil Mill - 5% per annum

Estate plant, equipment & vehicle - 12.5% to 50% per annum

Office plant, equipment & vehicle - 25% to 50% per annum

Notes to the Consolidated Financial Statements

1 Accounting policies - continued

Biological assets

During the year the Company has changed one of its assumptions, notional rent, used in the valuation of the Group's biological assets. The details of the change are disclosed in note 2 - Prior year restatement.

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

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

Leased assets

Assets financed by leasing agreements which give rights approximating to ownership (finance leases) are capitalised at amounts equal to the original cost of the asset to the lessors and depreciation is provided on the asset over the shorter of the lease term or its useful economic life in accordance with Group depreciation policy for those held at cost. Land rights are held at fair value and revalued at the balance sheet date. The capital elements of future obligations under finance leases are included as liabilities in the balance sheet and the current year's interest element is charged to the income statement to produce a constant rate of charge on the balance of capital repayments outstanding. There are no operating leases.

Impairment

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

Inventories

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

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

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

Financial assets

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

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

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

Financial liabilities

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

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

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

Notes to the Consolidated Financial Statements

1 Accounting policies - continued

Deferred tax

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

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

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

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

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

Retirement benefits

Defined contribution schemes

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

Defined benefit schemes

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

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

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

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

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

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

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

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

Prior to 1 January 2013, the difference between the fair value of the assets held in the Group's defined benefit schemes and the schemes' liabilities measured on an actuarial basis using the projected unit method are recognised in the Group's balance sheet as retirement benefits assets or liabilities as appropriate. The carrying value of any resulting defined benefit schemes' assets is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the schemes. Changes in the defined benefit schemes' assets or liabilities arising from factors other than cash contribution by the Group are charged to the comprehensive income.

Treasury shares

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

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

Notes to the Consolidated Financial Statements

1 Accounting policies - continued

Critical accounting estimates and judgements

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

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

Assumptions regarding the valuation of biological assets, property, plant and equipment are set out in note 12. Assumptions regarding the valuation of agricultural produce at the point of harvest less costs to sell are set out in the inventories accounting policy. The Group's policy with regard to impairment of such assets is set out above.

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

Financial guarantee contracts

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

Notes to the Consolidated Financial Statements

2 Prior year restatement

The 2012 Annual Report stated that the Company was in the process of resolving a query from the Financial Reporting Council ("FRC") concerning the measurement of the notional rent used in the valuation of the Group's biological assets. In October 2013, the Group engaged a professional valuer in United Kingdom ("UK valuer") for an independent opinion on the measurement of the notional rent. As a result, the Group has adopted a notional rent equivalent to 9% of the value of planted land as proposed by the UK valuer in valuing its biological asset. This resulted in the accounts for the years ended 31 December 2012 and 2011 being restated and the closure of the discussions with the FRC. The effect of the restatements is summarised below.

The impact of these prior year adjustments:-

	\$000	(Restated) 2012 \$000
After Biological Assets		
Profit for the year before restatement		62,703
Effect of change in restatement:		
Biological asset revaluation movement	(2,180)	
Tax expense	545	
		(1,635)
Profit for the year after restatement		61,068
Other comprehensive expenses for the year before restatement		(30,108)
Effect of change in restatement:		
Profit on exchange translation of foreign operations		1,722
Other comprehensive expenses for the year after restatement		(28,386)

The effect of these prior year adjustments had a negative impact on the earnings per share of 3.69cts for the year to 31 December 2012.

The following table summarises the impact of these prior year adjustments on the Consolidated Statement of Financial Position:-

	Biological assets \$000	Deferred tax liabilities \$000	Exchange reserve \$000	Retained earnings \$000	Non-controlling interest \$000
Balance as reported 1 January 2012	235,158	(52,533)	(67,602)	380,633	77,369
Effect of restatement	(37,748)	9,435	242	(24,719)	(3,836)
Restated balance as at 1 January 2012	197,410	(43,098)	(67,360)	355,914	73,533
Balance as reported 31 December 2012	245,313	(46,644)	(90,571)	427,186	86,822
Effect of restatement up to 1 January 2012	(37,748)	9,435	242	(24,719)	(3,836)
Effect of restatement during the year	114	(27)	1,491	(1,461)	57
Restated balance as at 31 December 2012	207,679	(37,236)	(88,838)	401,006	83,043

Notes to the Consolidated Financial Statements

3 Revenue

	2013 \$000	2012 \$000
Sales of produce:		
– CPO	198,803	232,717
– Rubber	2,497	2,527
Other income	617	2,108
	<u>201,917</u>	<u>237,352</u>

4 Finance income and expense

	2013 \$000	2012 \$000
<u>Finance income</u>		
Interest receivable on:		
Credit bank balances and time deposits	4,676	3,336
<u>Finance expense</u>		
Interest payable on:		
Development loans - (note 16)	(1,774)	(117)
Net finance income recognised in income statement	<u>2,902</u>	<u>3,219</u>

5 Profit before tax

	2013 \$000	2012 \$000
Profit before tax is stated after charging		
Depreciation (note 12)	6,406	6,135
Exchange losses	2,781	24
Operating lease expense		
– Property	410	429
Professional fees	1,015	2,080
Staff costs (note 7)	28,698	23,545
Remuneration received by the group's auditor or associates of the group's auditor:		
Audit of parent company	6	6
Audit of consolidated financial statement	155	151
Total audit services	<u>161</u>	<u>157</u>
Audit of overseas subsidiaries		
– Malaysia	23	22
– Indonesia	71	64
Total audit services	<u>94</u>	<u>86</u>
Fees payable to the group's auditor for other services	170	59
Total auditors' remuneration	<u>425</u>	<u>302</u>

6 Segment information

Measurement of operating segment profit or loss, assets and liabilities

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

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

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

Notes to the Consolidated Financial Statements

6 Segment information - continued

	North Sumatra \$000	Bengkulu \$000	South Sumatra \$000	Riau \$000	Bangka \$000	Kalimantan \$000	Total Indonesia \$000	Malaysia \$000	UK \$000	Total \$000
2013										
Total sales revenue (all external)										
- CPO	90,764	63,019	18	38,166	-	2,516	194,483	4,318	2	198,803
- Rubber	2,497	-	-	-	-	-	2,497	-	-	2,497
Other income	827	112	6	91	-	(419)	617	-	-	617
Total revenue	94,088	63,131	24	38,257	-	2,097	197,597	4,318	2	201,917
Profit/(loss) before tax	33,879	15,700	(443)	19,017	1	(6,633)	61,521	206	(1,987)	59,740
BA movement										93,661
Profit for the year before tax per consolidated income statement										153,401
Depreciation	(2,248)	(2,268)	(475)	(585)	(32)	(540)	(6,148)	(258)	-	(6,406)
Inter-Segment Transactions	2,821	(2,236)	(242)	(656)	-	(1,512)	(1,825)	845	980	-
Income tax	(24,567)	(8,086)	(554)	(6,542)	79	(288)	(39,958)	585	(220)	(39,593)
Total Assets	195,447	148,268	59,285	67,739	12,744	89,882	573,365	29,720	4,662	607,747
Non-Current Assets	153,524	122,485	57,673	38,726	12,462	76,259	461,129	22,334	1,363	484,826
Non-Current Assets - Additions	13,164	5,952	10,172	1,513	1,069	17,828	49,698	240	-	49,938
2012 (restated)										
Total sales revenue (all external)										
- CPO	95,755	78,385	-	52,915	-	322	227,377	5,340	-	232,717
- Rubber	2,527	-	-	-	-	-	2,527	-	-	2,527
Other income	1,030	359	-	712	-	7	2,108	-	-	2,108
Total revenue	99,312	78,744	-	53,627	-	329	232,012	5,340	-	237,352
Profit/(loss) before tax	44,456	25,609	(52)	20,422	(2)	(73)	90,360	555	(2,324)	88,591
BA movement										(6,729)
Profit for the year before tax per consolidated income statement										81,862
Depreciation	(1,899)	(2,430)	(489)	(629)	(19)	(421)	(5,887)	(248)	-	(6,135)
Inter-Segment Transactions	1,487	(1,714)	(168)	(503)	-	(1,123)	(2,021)	1,771	250	-
Income tax	(12,637)	(2,052)	645	(7,932)	115	887	(20,974)	180	-	(20,794)
Total Assets	170,233	138,552	54,889	72,908	11,495	83,405	531,482	22,577	5,308	559,367
Non-Current Assets	120,603	118,984	52,770	38,959	10,960	66,104	408,380	15,146	1,363	424,889
Non-Current Assets - Additions	9,770	7,615	14,168	1,409	497	15,229	48,688	390	-	49,078

Notes to the Consolidated Financial Statements

6 Segment information - continued

In year 2013, revenues from 4 customers of the Indonesian segment represent approximately \$110.1m (2012: \$128.1m) of the Group's total revenue. An analysis of these revenues is provided as below. Although customer 1 to 4 are over 10% of the Group total revenue, there is no over reliance on these Customers as tenders are performed on a monthly basis.

	North Sumatra \$000	Bengkulu \$000	South Sumatra \$000	Riau \$000	Bangka \$000	Kalimantan \$000	Total Indonesia \$000	Malaysia \$000	UK \$000	Total \$000
2013										
Customer 1	22,958	-	-	8,408	-	-	31,366	-	-	31,366
Customer 2	9,100	16,139	-	5,270	-	-	30,509	-	-	30,509
Customer 3	23,617	1,182	-	813	-	-	25,612	-	-	25,612
Customer 4	11,206	-	-	11,374	-	-	22,580	-	-	22,580
	66,881	17,321	-	25,865	-	-	110,067	-	-	110,067
2012										
Customer 1	-	33,999	-	-	-	-	33,999	-	-	33,999
Customer 2	15,976	1,890	-	13,749	-	-	31,615	-	-	31,615
Customer 3	17,907	-	-	13,326	-	-	31,233	-	-	31,233
Customer 4	31,205	-	-	-	-	-	31,205	-	-	31,205
	65,088	35,889	-	27,075	-	-	128,052	-	-	128,052
2013	%	%	%	%	%	%	%	%	%	%
Customer 1	11.4	-	-	4.2	-	-	15.6	-	-	15.6
Customer 2	4.5	8.0	-	2.6	-	-	15.1	-	-	15.1
Customer 3	11.7	0.6	-	0.4	-	-	12.7	-	-	12.7
Customer 4	5.5	-	-	5.6	-	-	11.1	-	-	11.1
	33.1	8.6	-	12.8	-	-	54.5	-	-	54.5
2012										
Customer 1	-	14.3	-	-	-	-	14.3	-	-	14.3
Customer 2	6.7	0.8	-	5.8	-	-	13.3	-	-	13.3
Customer 3	7.5	-	-	5.6	-	-	13.1	-	-	13.1
Customer 4	13.1	-	-	-	-	-	13.1	-	-	13.1
	27.3	15.1	-	11.4	-	-	53.8	-	-	53.8

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

Notes to the Consolidated Financial Statements

7 Employees' and Directors' remuneration

	2013 number	2012 number
Average numbers employed (primarily overseas) during the year		
- full time	5,447	4,819
- part-time field workers	10,822	9,012
	<u>16,269</u>	<u>13,831</u>
	2013 \$000	2012 \$000
Staff costs (including Directors) comprise:		
Wages and salaries	27,422	21,106
Social security costs	976	774
Retirement benefit costs/(credit) (note 19)	300	1,749
Share option exercised	-	(84)
	<u>28,698</u>	<u>23,545</u>

The information required by the Companies Act and the listing rules of the Financial Conduct Authority is contained in the Directors' remuneration report on pages 40 - 43 of which certain information on page 43 has been audited.

	2013 \$000	2012 \$000
Directors emoluments	<u>236</u>	<u>222</u>
Remuneration expense for key management personnel	<u>236</u>	<u>222</u>

The Executive Director and Non-Executive Director are considered to be the key management personnel: their remuneration is shown on page 43.

8 Tax expense

	2013 \$000	(Restated) 2012 \$000
Foreign corporation tax - current year	17,804	23,130
Foreign corporation tax - prior year	(61)	45
Deferred tax adjustment - current year	22,143	(2,381)
Deferred tax adjustment - prior year	(293)	-
Total tax charge for year	<u>39,593</u>	<u>20,794</u>

Both corporation tax rates in Indonesia and Malaysia are at 25%. The standard rate of corporation tax in the UK for the current year is 23%. The Group's charge for the year differs from the standard UK rate of corporation tax for the reasons below.

	2013 \$000	(Restated) 2012 \$000
Profit before tax	<u>153,401</u>	<u>81,862</u>
Profit before tax multiplied by standard rate of UK corporation tax of 23% (2012: 24.5%)	35,282	20,056
Effects of:		
Rate adjustment relating to overseas profits	2,829	295
Group accounting adjustments not subject to tax	(1,805)	(2,071)
Expenses not allowable for tax	1,134	(373)
Temporary differences	2,348	-
Deferred tax assets not recognised	39	2,895
Income not subject to tax	(280)	-
(Over) / Under provision of prior year income tax	(86)	23
Under provision of prior year deferred tax assets	-	(44)
Other	132	13
Total tax charge for year	<u>39,593</u>	<u>20,794</u>

Notes to the Consolidated Financial Statements

9 Earnings per ordinary share (EPS)

	2013 \$000	(Restated) 2012 \$000
Profit for the year attributable to owners of the Company before BA adjustment	35,950	53,108
Net BA adjustment	<u>57,571</u>	<u>(5,777)</u>
Earnings used in basic and diluted EPS	<u>93,521</u>	<u>47,331</u>
	Number '000	Number '000
Weighted average number of shares in issue in year		
- used in basic EPS	39,636	39,636
- dilutive effect of outstanding share options	<u>48</u>	<u>48</u>
- used in diluted EPS	<u>39,684</u>	<u>39,684</u>
Basic EPS before BA adjustment	90.70cts	133.99cts
Basic EPS after BA adjustment	235.95cts	119.41cts
Dilutive EPS before BA adjustment	90.59cts	133.83cts
Dilutive EPS after BA adjustment	235.67cts	119.27cts

10 Dividends

	2013 \$000	2012 \$000
Paid during the year		
Final dividend of 4.5cts per ordinary share for the year ended 31 December 2012 (2011: 6.0cts)	<u>1,784</u>	<u>2,372</u>
Proposed final dividend of 3.0p per ordinary share for the year ended 31 December 2013 (2012: 4.5cts)	<u>1,969</u>	<u>1,784</u>

The proposed dividend for 2013 is subject to shareholders' approval at the forthcoming annual general meeting and has not been included as a liability in these financial statements.

Notes to the Consolidated Financial Statements

11 Fair value measurement of financial instruments

IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. These disclosures include the classification of fair values within a three-level hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- 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 Group's biological assets and land are stated at fair value. Details of the information about the fair value hierarchy in relation to biological assets and land at 31 December 2013 are as follows:

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair value \$000
Biological assets	-	-	265,835	265,835
Land	-	-	149,871	149,871

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

The following table set out the valuation technique used in determination of the fair value of the land including the key inputs used:

<u>Item</u>	<u>Valuation approach and inputs used</u>
Land	The fair values of the land for five major companies in Indonesia and a Malaysia company are derived using the sale comparison approach. Although there is observable market data, there is a significant degree of judgement in determining the adjustments required in deriving at the final land valuation. Sale prices of comparable land in similar location are adjusted for differences in key attributes such as location, legal title, land area, land type and topography. The valuation model is based on price per hectare. The growth rates per hectare obtained by comparing the current valuation against the valuation undertaken in year 2011 were then applied to the 2011 land value of the remaining companies in the same geographical location to derive year 2013 fair value of land. Unplantable land was excluded in this exercise since it has zero value.

The valuation methodology of biological assets is disclosed in note 12. The significant unobservable inputs used in the fair value measurement of biological assets and its relationship to fair value are exhibited below:

<u>Significant unobservable inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
CPO selling price	The higher the CPO selling price, the higher the fair value
Discount rate	The higher the discount rate, the lower the fair value
Notional rent	The higher the notional rent, the lower the fair value

The derivation of the above unobservable inputs and the sensitivity of the Group's biological assets to the fluctuation in these unobservable inputs are disclosed in note 12.

There is no financial instrument that is measured at fair value at the balance sheet date.

The fair value of the following financial assets and liabilities approximate their carrying amounts at the balance sheet date:

- Non-current receivables
- Trade and other receivables
- Cash and cash equivalents
- Borrowings
- Trade and other payables

Notes to the Consolidated Financial Statements

12 Biological assets, property, plant and equipment

	Biological assets \$000	Mill \$000	Land \$000	Buildings \$000	Estate plant, equipment & vehicle \$000	Office plant, equipment & vehicle \$000	Construction in progress \$000	PPE Total \$000	Total \$000
Cost or valuation									
At 1 January 2012 (restated)	197,410	41,887	157,390	22,574	14,251	1,351	2,979	240,432	437,842
Exchange translations	(11,531)	(2,546)	(8,643)	(1,527)	(769)	(30)	(156)	(13,671)	(25,202)
Reclassification	848	-	(848)	4,350	-	-	(4,350)	(848)	-
Decrease due to harvest	(20,522)	-	-	-	-	-	-	-	(20,522)
Revaluations	13,793	-	(4,064)	-	-	-	-	(4,064)	9,729
Additions	3,749	2,509	4,246	7,674	2,571	81	2,165	19,246	22,995
Development costs capitalised	23,932	-	-	-	-	-	2,151	2,151	26,083
Disposals	-	(97)	-	(142)	(462)	(2)	(690)	(1,393)	(1,393)
At 31 December 2012 (restated)	207,679	41,753	148,081	32,929	15,591	1,400	2,099	241,853	449,532
Exchange translations	(58,857)	(9,762)	(33,978)	(8,011)	(3,354)	(228)	(505)	(55,838)	(114,695)
Reclassification	(1,194)	106	(2)	9,991	-	-	(10,095)	-	(1,194)
Decrease due to harvest	(14,092)	-	-	-	-	-	-	-	(14,092)
Revaluations	107,753	-	31,807	-	-	-	-	31,807	139,560
Additions	105	6,546	2,712	53	2,383	125	7,157	18,976	19,081
Development costs capitalised	24,770	1,206	1,460	-	-	-	3,421	6,087	30,857
Disposals / Written off	(329)	(286)	(209)	(226)	23	(1)	-	(699)	(1,028)
At 31 December 2013	265,835	39,563	149,871	34,736	14,643	1,296	2,077	242,186	508,021
Accumulated depreciation and impairment									
At 1 January 2012	-	10,812	-	5,599	8,437	744	-	25,592	25,592
Exchange translations	-	(704)	-	(305)	(431)	(23)	-	(1,463)	(1,463)
Charge for the year	-	2,344	-	1,640	1,963	188	-	6,135	6,135
Disposal	-	(77)	-	(102)	(408)	(1)	-	(588)	(588)
At 31 December 2012	-	12,375	-	6,832	9,561	908	-	29,676	29,676
Exchange translations	-	(2,864)	-	(1,573)	(2,031)	(161)	-	(6,629)	(6,629)
Charge for the year	-	2,305	-	2,044	1,867	190	-	6,406	6,406
Disposal / Written off	-	(264)	-	(118)	(226)	(1)	-	(609)	(609)
At 31 December 2013	-	11,552	-	7,185	9,171	936	-	28,844	28,844
Carrying amount									
At 31 December 2011 (restated)	197,410	31,075	157,390	16,975	5,814	607	2,979	214,840	412,250
At 31 December 2012 (restated)	207,679	29,378	148,081	26,097	6,030	492	2,099	212,177	419,856
At 31 December 2013	265,835	28,011	149,871	27,551	5,472	360	2,077	213,342	479,177
Net (loss) / gain arising from changes in fair value of biological assets									
At 31 December 2012 (restated)	(6,729)	-	-	-	-	-	-	-	(6,729)
At 31 December 2013	93,661	-	-	-	-	-	-	-	93,661

Notes to the Consolidated Financial Statements

12 Biological assets, property, plant and equipment - continued

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

	2013	2012
<u>Fair value of FFB</u>		
Crop production and yield - FFB (mt)	787,000	783,000
Fair value of FFB (\$000)	116,578	128,750
Fair value of FFB less costs to sell (\$000)	106,889	122,783

As referred to on page 60, the gain arising on the fair value of FFB at the point of harvest is recognised in the income statement within the biological asset revaluation. A reconciliation of the amount included within the income statement and the biological asset has been included below:

	2013	(Restated) 2012
	\$000	\$000
Harvest included in the biological asset valuation from estimated production and pricing assumptions less costs to sell in the prior year	14,092	20,522
Gain from actual production and pricing	92,797	102,261
Fair value of FFB harvested from own production	<u>106,889</u>	<u>122,783</u>

The decrease of \$14,092,000 (2012: \$20,522,000) from harvest was included in the prior year valuation for the current year and is therefore deducted from biological asset valuation in the current year as the FFB is harvested. The actual fair value of harvested FFB varies to forecast due to the changes in actual production, actual FFB price and actual costs incurred. The gain on fair value of the harvested FFB is written off as the FFB is processed in to CPO.

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

	2013	(Restated) 2012
	\$000	\$000
Decrease due to harvest	(14,092)	(20,522)
Revaluations	107,753	13,793
Net gain / (loss) arising in the income statement from changes in fair value of biological assets	<u>93,661</u>	<u>(6,729)</u>

During the year, the Group has engaged a new firm, Muttaqin Bambang Purwanto Rozak Uswatun & Rekan with its head office located in Jakarta, Indonesia, to undertake the valuation of biological assets. The carrying amount of the Group's biological assets as at 31 December 2012 was based on valuations undertaken by independent valuers, Doli Siregar & Rekan with its head office located in Jakarta, Indonesia. Except for an adjustment on discount rate and the measurement of the notional rent which is determined by the Directors and the UK valuer respectively, the valuation was carried out independently by the Indonesian valuers. All the three firms have the appropriate professional qualifications and recent experience in the location and category of the properties being valued. Further information of the Indonesian firms can be obtained from 'www.ds-r.co.id' and 'www.kjpp-mbpru.com' respectively. In the year 2013, independent land valuation was undertaken for five major companies in Indonesia and a Malaysia company. The growth rates per hectare obtained by comparing the current valuation against the valuation undertaken in year 2011 were then applied to the 2011 land value of the remaining companies in the same geographical location to derive year 2013 fair value of land. Unplantable land was excluded in this exercise since it has zero value. The Group's land as at 31 December 2012 has been valued by the Directors with reference to independent valuation undertaken as at 31 December 2011. Had the revalued land been measured on a historical cost basis, their net book value would have been US\$44,848,000 (2012: US\$49,853,000). Refer to note 11 for further disclosure of the fair value measurement of land.

The methodology of the biological asset valuations was using discounted cash flow ("DCF") over the expected 20-year economic life of the asset. The assumption applied in the valuation were, inter alia, an assumed CPO selling price of \$700/mt (2012: \$675/mt), discount rate of 15.8% (2012: 17.5%) and notional rent equivalent to 9% (2012: 9%) of the value of planted land. The discount rates were determined by the Directors based on their assessment of various risks including financial, business and country risk of where the plantations are located as well as taking into account the Company's weighted average cost of capital. The CPO price is taken to be the 10-year average (2012: 10-year average) rounded to the nearest \$25 based on historical widely-quoted commodity price for CPO and represents the Directors' best estimate of the price sustainable over the longer term. An inflation rate of 5% (2012: 5%) was applied to the second to sixth years of the DCF. The notional rent charge is based on key capital market and property indicators in the countries and regions of operations. Refer to note 11 for further disclosure of the fair value measurement of biological asset.

Notes to the Consolidated Financial Statements

12 Biological assets, property, plant and equipment - continued

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

	2013 \$000	2012 \$000 (Restated)
A change of \$50 in the price assumption for CPO		
- \$50 in the price assumption	(53,411)	(43,991)
+ \$50 in the price assumption	53,381	45,273
A change of 1% in the discount rate		
- 1% in the discount rate	15,687	12,079
+ 1% in the discount rate	(14,363)	(11,084)
A change of notional rent equivalent to 1% of the value of planted land		
- 1% in the value of planted land	5,192	4,840
+ 1% in the value of planted land	(5,192)	(4,716)

Included within reclassifications in the current year is an amount of \$1,194,000 in biological assets that has been reclassified to non-current receivables - Due from cooperatives under Plasma Programme in relation to planted land transferred to smallholders under the plasma scheme, see note 13.

The estates include \$1,427,000 (2012: \$276,000) of interest and \$5,606,000 (2012: \$9,308,000) 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 Sumatra 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.

13 Receivables: non-current

	2013 \$000	2012 \$000
Due from non-controlling interests	1,363	1,363
Due from cooperatives under Plasma Programme	4,049	3,435
Due from village smallholder schemes	237	235
	<u>5,649</u>	<u>5,033</u>

The non-controlling interests in PT Alno Agro Utama and PT Cahaya Pelita Andhika have acquired their interests on deferred terms (see note 25, Credit risk).

Plasma Programme 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 \$4,049,000 (2012: \$3,435,000) for the land allocated to the cooperatives which will be recoverable from them.

Amount due from village smallholder schemes represents expenditure on planting and maintaining to maturity oil palms on communal land owned by 22 (2012: 19) separate villages neighbouring the Group's estates.

The book values of the amounts due from non-controlling interests, cooperatives under Plasma Programme and village smallholder schemes approximate to their fair values.

14 Inventories

	2013 \$000	2012 \$000
Estate and mill consumables	3,703	5,267
Processed produce for sale	4,745	808
	<u>8,448</u>	<u>6,075</u>

Notes to the Consolidated Financial Statements

15 Trade and other receivables

	2013 \$000	2012 \$000
Trade receivables	841	544
Other receivables	6,212	6,555
Prepayments and accrued income	218	320
	<u>7,271</u>	<u>7,419</u>

The carrying amount of trade and other receivables approximates their fair value.

16 Loans and borrowings

	2013		2012	
	under one year \$000	more than one year \$000	under one year \$000	more than one year \$000
Long term loan (a)	63	4,937	-	5,000
Long term loan (b)	-	30,000	-	20,000
Finance lease (c)	21	-	28	26
Finance lease (d)	-	-	12	-
Finance lease (e)	-	-	12	-
Total loans and borrowings	<u>84</u>	<u>34,937</u>	<u>52</u>	<u>25,026</u>

Amounts repayable after more than one year, as follows:

in more than one year but not more than two years	2,066	89
in more than two years but not more than five years	25,031	5,456
in more five years	7,840	19,481
	<u>34,937</u>	<u>25,026</u>

- (a) A subsidiary company, PT Hijau Pryan Perdana, has obtained a long term loan of \$10,000,000 for a period of seven years (including two years grace period) to support the capital expenditures requirement for planting, development and maintenance of oil palm estate and to finance mill construction and other fixed assets owned by the subsidiary company as well as utilise to repay the amount due to related parties. It is secured by the subsidiary company's land and is guaranteed by PT Tasik Raja and by the Company. This loan bears interest rate based on Base Lending Rate which is payable quarterly in arrears. Average interest in 2013 was about 5.25% (2012: 5.25%). The loan is repayable from 30 November 2014 to 30 August 2019.
- (b) Another subsidiary company, PT Sawit Graha Manunggal, has obtained a long term loan of \$35,000,000 for a period of eight years (including four years grace period) to support the capital expenditures requirement for planting, development and maintenance of oil palm estate and to finance oil mill construction and other fixed assets owned by the subsidiary company. It is secured by the subsidiary company's land and is guaranteed by the Company. This loan bears interest rate based on SIBOR + 4.5% + Liquidity Premium which is payable quarterly in arrears. Average interest in 2013 was about 5.57% (2012: 5.57%). The loan is repayable from 30 December 2016 to 30 September 2020.
- (c) The long-term leasing facility with a total principal amounting to Rp807 million was obtained to finance the purchase of a vehicle. Total interest payable amounting to Rp139 million for a period of three years starting from November 2011 to October 2014 with fixed repayment basis. The carrying amount of the finance lease approximates the present value of future lease payments.
- (d) The leasing facility with a total principal amounting to Rp234 million was obtained to finance the purchase of vehicles. Total interest payable amounting to Rp117 million for a period of one year starting from May 2012 to April 2013 with fixed repayment basis.
- (e) The leasing facility with a total principal amounting to Rp219.2 million was obtained to finance the purchase of vehicles. Total interest payable amounting to Rp109.6 million for a period of one year starting from May 2012 to April 2013 with fixed repayment basis.

17 Trade and other payables

	2013 \$000	2012 \$000
Trade payables	4,312	5,176
Other payables	5,133	5,478
Accruals	5,886	4,981
	<u>15,331</u>	<u>15,635</u>

Notes to the Consolidated Financial Statements

18 Deferred tax liabilities

	2013 \$000	(Restated) 2012 \$000
Year end (liability) relates to		
Revaluation surplus	(57,022)	(37,985)
Unutilised tax losses	1,652	848
Other temporary differences	72	(99)
	<u>(55,298)</u>	<u>(37,236)</u>
Movement:		
At beginning of year (liability)	(37,236)	(43,098)
(Charge) to		
- income statement	(21,850)	2,381
- equity: revaluation and exchange reserve	(7,951)	1,015
Exchange adjustment	11,739	2,466
At end of year (liability)	<u>(55,298)</u>	<u>(37,236)</u>
	(Liability) \$000	(Charged)/ credited to income \$000
Details of movement in 2013		(Charged)/ credited to reserve \$000
Revaluation surplus	(57,022)	(23,408)
Accelerated capital allowances	(697)	198
Employee pension liabilities	769	(246)
Available losses	1,652	1,137
Other	-	469
	<u>(55,298)</u>	<u>(21,850)</u>
Details of movement in 2012 (restated)		
Revaluation surplus	(37,985)	1,690
Accelerated capital allowances	(1,412)	34
Employee pension liabilities	1,313	526
Available losses	848	(171)
Other	-	302
	<u>(37,236)</u>	<u>2,381</u>
		2013 \$000
A deferred tax asset has not been recognised for the following items:		2012 \$000
Unutilised tax losses	3,024	2,947

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

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was \$11,042,800 (2012: \$7,630,623). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences, or because such a reversal would not give rise to an additional liability.

Notes to the Consolidated Financial Statements

19 Retirement benefits

The Group operates two defined benefit schemes in respect of its Indonesian operations in accordance with Indonesia Labour Law No. 13/2003 ("the Law") dated 25 March 2003. The law does not impose funding requirement on 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, death or disable, the Group shall pay the higher between benefit from the pension scheme and the benefit calculated under the Law. The assets value of the pension scheme is adequate to fund the annual payment of benefits.

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

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

	2013	2012
Inflation	5.5%	4.3%
Rate of increase in wages	8.0%	8.0%
Rate of return on scheme assets	7.1%	7.0%
Discount rate	9.0%	6.0%

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

Notes to the Consolidated Financial Statements

19 Retirement benefits - continued

Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation			Fair value of scheme assets			Net defined scheme liability		
	Funded 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 2012	(4,006)	(1,372)	(5,378)	3,785	-	3,785	(221)	(1,372)	(1,593)
Service cost – current	(695)	(522)	(1,217)	-	-	-	(695)	(522)	(1,217)
Interest cost / (income)	(147)	(117)	(264)	-	-	-	(147)	(117)	(264)
Actuarial loss / (gain)	(413)	85	(328)	(17)	-	(17)	(430)	85	(345)
Return on plan assets	-	-	-	221	-	221	221	-	221
Included in comprehensive income	(1,255)	(554)	(1,809)	204	-	204	(1,051)	(554)	(1,605)
Effect of movements in exchange rates	319	125	444	(232)	-	(232)	87	125	212
Employer contributions	-	-	-	260	-	260	260	-	260
Benefits paid	14	34	48	(164)	-	(164)	(150)	34	(116)
Mutation	(104)	-	(104)	-	-	-	(104)	-	(104)
Unrecognised costs	19	(130)	(111)	-	-	-	19	(130)	(111)
Other movements	248	29	277	(136)	-	(136)	112	29	141
At 31 December 2012	(5,013)	(1,897)	(6,910)	3,853	-	3,853	(1,160)	(1,897)	(3,057)
Service cost – current	(660)	(473)	(1,133)	-	-	-	(660)	(473)	(1,133)
Interest cost / (income)	(345)	(140)	(485)	213	-	213	(132)	(140)	(272)
Included in comprehensive income	(1,005)	(613)	(1,618)	213	-	213	(792)	(613)	(1,405)
Remeasurement loss / (gain)									
Actuarial loss / (gain) from:									
Adjustments (experience)	(879)	106	(773)	-	-	-	(879)	106	(773)
Financial assumptions	792	407	1,199	-	-	-	792	407	1,199
Return on plan assets (exclude interest)	-	-	-	(148)	-	(148)	(148)	-	(148)
Included in other comprehensive income	(87)	513	426	(148)	-	(148)	(235)	513	278
Effect of movements in exchange rates	1,166	403	1,569	(820)	-	(820)	346	403	749
Employer contributions	-	-	-	284	-	284	284	-	284
Benefits paid	225	43	268	(216)	-	(216)	9	43	52
Other movements	1,391	446	1,837	(752)	-	(752)	639	446	1,085
At 31 December 2013	(4,714)	(1,551)	(6,265)	3,166	-	3,166	(1,548)	(1,551)	(3,099)

Notes to the Consolidated Financial Statements

19 Retirement benefits - continued

The impact on the prior year's comprehensive income and other comprehensive income as a result of the change in accounting policy is immaterial. Thus, the comparative figures have not been restated and the impact has been accounted for in the current year.

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

	2013 \$000
A change of 1% in the rate of return on scheme assets	
-1% in return rate	(9)
+1% in return rate	9
A change of 1% in the discount rate	
-1% in discount rate	665
+1% in discount rate	(657)
A change of 1% in wages	
-1% in wages	(690)
+1% in wages	692

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

Year	\$000
2014	255
2015	247
2016	226
2017	832
2018	551
2019 to 2023	5,307
Total	<u>7,418</u>

20 Share capital and treasury shares

	Authorised Number	Issued and fully paid Number	Authorised £000	Issued and fully paid £000	Authorised \$000	Issued and fully paid \$000
Ordinary shares of 25p each Beginning and end of year	<u>60,000,000</u>	<u>39,976,272</u>	<u>15,000</u>	<u>9,994</u>	<u>23,865</u>	<u>15,504</u>
		2013 Number	2012 Number		Cost 2013 \$'000	Cost 2012 \$'000
Treasury shares:						
Beginning of year		339,900	437,200		(1,171)	(1,507)
Share options exercised		-	(97,300)		-	336
End of year		<u>339,900</u>	<u>339,900</u>		<u>(1,171)</u>	<u>(1,171)</u>
Market value of treasury shares:						\$'000
Beginning of year (670.0p/share)						3,702
End of year (672.5p/share)						3,786

No treasury shares were purchased in 2013 (2012: Nil).

21 Ultimate controlling shareholder

At 31 December 2013, Genton International Limited, a company registered in Hong Kong, held 20,247,814 (2012: 20,247,814) shares of the Company representing 51.1% (2012: 51.1%) of the issued share capital of the Company. Together with other deemed interested parties, the Genton's shareholding totals 20,521,314 or 51.8%. Madam Lim, a Director of the Company, has advised the Company that she is the controlling shareholder of Genton International Limited.

22 Related party transactions

During the year the Company engaged UHY Hacker Young, an accounting firm of which Dato' John Lim Ewe Chuan is a partner, to provide company secretarial and taxation services for a fee of \$24,543 (2012: \$9,216). This contract is on an arm's length basis. There is no balance outstanding at year end (2012: Nil).

Notes to the Consolidated Financial Statements

22 Related party transactions - continued

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 \$137,976 (2012: \$Nil). There is no balance outstanding at year end (2012: Nil).

23 Reserves

Nature and purpose of each reserve:

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

24 Guarantees and other financial commitments

	2013 \$000	2012 \$000
Capital commitments at 31 December		
Contracted but not provided - normal estate operations	1,144	1,820
Authorised but not contracted - plantation and mill development	63,153	77,671

During the year, a subsidiary company, PT Sawit Graha Manunggal has provided a corporate guarantee to Koperasi Bartim Sawit Sejahtera ("KBSS"), a party under Plasma Programme as disclosed in note 13, in relation to a loan undertaken by KBSS from PT Bank Mandiri (Persero) Tbk. of Rp226.02 billion (\$18.6 million). The corporate guarantee is remain in full force and effect until the loan is fully settled by 23 December 2027.

25 Disclosure of financial instruments and other risks

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

The Group's accounting classification of each class of financial asset and liability at 31 December 2013 and 2012 were:

	Loans and receivables	Financial liabilities at amortised cost	Total carrying value and fair value
2013	\$000	\$000	\$000
Non-current receivables	5,649	-	5,649
Trade and other receivables	7,271	-	7,271
Cash and cash equivalent	98,738	-	98,738
Borrowings due within one year	-	(84)	(84)
Trade and other payables	-	(15,331)	(15,331)
Borrowings due after one year	-	(34,937)	(34,937)
	111,658	(50,352)	61,306
2012	\$000	\$000	\$000
Non-current receivables	5,033	-	5,033
Trade and other receivables	7,419	-	7,419
Cash and cash equivalent	116,250	-	116,250
Borrowings due within one year	-	(52)	(52)
Trade and other payables	-	(15,635)	(15,635)
Borrowings due after one year	-	(25,026)	(25,026)
	128,702	(40,713)	87,989

Notes to the Consolidated Financial Statements

25 Disclosure of financial instruments and other risks - continued

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 dollars which is not the functional currency of the operating subsidiaries. The Group does not hedge its net investment in its overseas subsidiaries and is therefore exposed to a currency risk on that investment. The historic cost of investment (including intercompany loans) by the parent in its subsidiaries amounted to \$65,896,000 (2012: \$67,992,000), while the fair value of the Group's share of underlying assets at 31 December 2013 amounted to \$441,968,000 (2012: \$433,695,000).

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

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

The Group's subsidiaries which are borrowing in US dollars, 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 dollar denominated cash balances in those subsidiaries. While the Company was in a position to match dollar cash balances with dollar financial liabilities throughout 2012 and 2013, the policy has been for only a partial but increasing match because average interest rate on local currency deposits was 5.80% higher than on dollar deposits whereas interest rate for local currency borrowing was about 6.48% higher as compared to US dollars borrowing. The unmatched balance at 31 December 2013 is represented by the \$13,524,000 shown in the table below (2012: \$2,315,000). If the Group's net cash position continues to improve then dollar cash balances will continue to increase through 2014.

The table below shows the net monetary assets and liabilities of the Group at 31 December 2013 and 2012 that were not denominated in the operating or functional currency of the operating unit involved.

Functional currency of Group operation	Net foreign currency assets/(liabilities)		
	US dollar \$000	Sterling \$000	Total \$000
2013			
Indonesian rupiah	(13,524)	-	(13,524)
US dollar	-	209	209
Total	(13,524)	209	(13,315)
2012			
Indonesian rupiah	(2,315)	-	(2,315)
US dollar	-	734	734
Total	(2,315)	734	(1,581)

Notes to the Consolidated Financial Statements

25 Disclosure of financial instruments and other risks - continued

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

	Carrying Amount US\$ \$000	2013		Carrying Amount US\$ \$000	2012	
		-10% in Rp : \$ and RM : \$ \$000	+10% in Rp : \$ and RM : \$ \$000		-10% in Rp : \$ and RM : \$ \$000	+10% in Rp : \$ and RM : \$ \$000
		Financial Assets				
Non-current receivable	5,649	(390)	476	5,033	(334)	408
Trade and other receivables	7,271	(476)	582	7,419	(492)	601
Cash and cash equivalents	98,738	(8,861)	10,830	116,250	(10,392)	12,701
Financial Liabilities						
Borrowings due within one year	(84)	2	(2)	(52)	5	(6)
Trade and other payables	(15,331)	1,243	(1,519)	(15,635)	1,239	(1,514)
Borrowings due after one year	(34,937)	-	-	(25,026)	2	(3)
Total increase / (decrease)		<u>(8,482)</u>	<u>10,367</u>		<u>(9,972)</u>	<u>12,187</u>

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 about twice a year for review by the Board. In the event that falling commodity prices reduce self-generated funds below expectations and to a level where Group resources may be insufficient, further new planting may be restricted. Consideration is given to the funds continued to be required to bring existing immature plantings to maturity.

The Group's trade and tax payables are all due for settlement within a year. At 31 December 2013 the Group had the following loans and facilities.

	Borrowings \$000	Facilities \$000	Repayable
Indonesia:			
US dollar denominated – long term loan	35,000	45,000	2014 – 2020 (note 16)
RP denominated – finance lease	21	66	2011 – 2014 (note 16)

The total loan borrowings of \$35,021,000 together with interest at current rates is repayable as follows:

	2014 \$000	2015 \$000	2016 and after \$000
Principal	84	2,066	32,871
Interest	1,378	1,114	3,156
Total	<u>1,462</u>	<u>3,180</u>	<u>36,027</u>

Forecasts prepared in December 2013 indicate that the Group has sufficient funds to meet its development plans and financial commitments through 2014.

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

Notes to the Consolidated Financial Statements

25 Disclosure of financial instruments and other risks - continued

Interest rate risk

Both the Group's surplus cash and its borrowings are subject to variable interest rates. The Group had net cash throughout 2013, so the effect of variations in borrowing rates is more than offset. A 1% change in the borrowing or deposit interest rate would not have a significant impact on the Group's reported results as shown in table below. The rates on borrowings are set out in note 16.

	Carrying amount \$000	2013		Carrying amount \$000	2012	
		-1% in interest rate \$000	+1% in interest rate \$000		-1% in interest rate \$000	+1% in interest rate \$000
Financial Assets						
Cash and cash equivalents	98,738	(774)	774	116,250	(870)	870
Financial Liabilities						
Borrowings due within one year	(84)	-	-	(52)	-	-
Borrowings due after one year	(34,937)	350	(350)	(25,026)	251	(251)
Total increase / (decrease)		(424)	424		(619)	619

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

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

	Total \$000	Fixed rate \$000	Variable rate \$000	No interest \$000
2013				
Sterling	209	-	25	184
US dollar	25,929	1,363	20,797	3,769
Rupiah	78,270	-	49,814	28,456
Ringgit	7,250	-	6,804	446
Total	111,658	1,363	77,440	32,855
2012				
Sterling	734	-	512	222
US dollar	27,259	1,363	11,591	14,305
Rupiah	93,604	-	68,779	24,825
Ringgit	7,105	-	6,595	510
Total	128,702	1,363	87,477	39,862

Long term receivables of \$1,363,000 (2012: \$1,363,000) comprise dollar denominated amounts due from minority shareholders as described in note 13 on which interest is due at a fixed rate of 6%.

Average US dollar deposit rate in 2013 was 1.99% (2012: 2.63%) and rupiah deposit rate was 7.79% (2012: 6.15%).

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

	Total \$000	Fixed rate \$000	Variable rate \$000	No interest \$000
2013				
Sterling	-	-	-	-
US dollar	(36,527)	-	(35,000)	(1,527)
Rupiah	(13,355)	-	(21)	(13,334)
Ringgit	(470)	-	-	(470)
Total	(50,352)	-	(35,021)	(15,331)
2012				
Sterling	-	-	-	-
US dollar	(26,872)	-	(25,000)	(1,872)
Rupiah	(12,984)	-	(78)	(12,906)
Ringgit	(857)	-	-	(857)
Total	(40,713)	-	(25,078)	(15,635)

Notes to the Consolidated Financial Statements

25 Disclosure of financial instruments and other risks - continued

Weighted average interest rate on variable rate borrowings was 5.52% in 2013 (2012: 5.51%).

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 2013 (2012: Nil).

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

Amounts receivable from local partners, amounting to \$1,363,000 (2012: \$1,363,000), in relation to their investments in operating subsidiaries are secured on those investments and are repayable from their share of dividends from those subsidiaries. Amounts due from village smallholder schemes are unsecured and are to be repaid from FFB supplied.

Amount receivable due from cooperatives under Plasma Programme, which the details are disclosed in note 13, are unsecured and are to be repaid from FFB supplied in the case that the subsidiary companies financed the plantation development cost. A subsidiary company has assisted one of the cooperatives in obtaining bank loan at year end and thus the amount will be recovered from the drawdown of loan. Corporate guarantee was provided to secure the loan. See note 24.

Capital

The Group defines its Capital as Share capital and Reserves, shown in the statement of financial position as "Issued capital attributable to owners of the parent" and amounting to \$408,046,000 at 31 December 2013 (2012: \$388,322,000).

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

Group policy is presently to attempt to fund development from self-generated funds and loans and not from issue of new share capital. At 31 December 2013 (2012: Nil) the Group had no net borrowings but, depending market conditions, the Board is prepared for the Group to have net borrowings.

Plantation industry risk

Weather and natural disasters

Oil palms rely on regular sunshine and rainfall but these weather patterns can vary and extremes such as unusual dry periods or, conversely, heavy rainfall leading to flooding in some locations do occur. Dry periods, in particular, will affect yields in the short and medium terms but any deficits so caused tend to be made up at a later date. High levels of rainfall can disrupt estate operations and result in harvesting delays with loss of oil palm fruits or deterioration in fruit quality. Where appropriate, bunding is built around flood prone areas and drainage constructed and adapted either to evacuate surplus water or to maintain water levels in areas quick to dry out. Where practical, natural disasters are covered by insurance policy.

Cultivation risks

As in any plantations business, there are risks that crops from the Group's estate operations may be affected by pests and diseases. Agricultural best practice and husbandry can to some extent mitigate these risks but they cannot be entirely eliminated.

Other operational factors

The Group's plantation productivity is dependent upon necessary inputs, including, in particular fertilizer, spare-parts, chemicals and fuel. Whilst the Directors have no reason to anticipate shortages of such inputs, Group's operations could be materially disrupted should such shortages occur over an extended period. Increase in prices would significantly increase production costs. The Group has bulk storage facilities located within its mills which are adequate to meet the Group's requirements for CPO storage. Nevertheless, delays in collection of CPO sold could result in CPO production exceeding the available CPO storage capacity. This would likely force a temporary halt in FFB processing resulting in loss of crop.

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

There has been substantial increases in governmental directed minimum wage levels especially in Indonesia. The Group pays not less than the minimum wages and the increases will result in a significant rise in Group's employment costs.

Produce prices

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

CPO is a primary commodity and is affected by the world economy, including levels of inflation. This may lead to significant price swings although, the Directors believe that such swings should be moderated by continuous demand in economies like China, India and Indonesia.

Notes to the Consolidated Financial Statements

25 Disclosure of financial instruments and other risks - continued

Expansion

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

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

Environmental and governance practices

The Group's management and Directors take seriously of their environmental and social responsibilities. The ISPO which fundamentally aligns with RSPO principles became the mandatory standard for all Indonesian planters in March 2012. The key RSPO principles are set out on page 37 in the "Statement on Corporate Governance".

The estates in North Sumatera are long established. Management follows industry best-practice guidelines and abides by Indonesian law with regard to such matters as application of fertilisers, health and safety. The Group has started to use empty fruit bunches for mulching in the estates which is a form of fertiliser and reduces the consumption of inorganic fertilisers. The liquid effluent from the mills after treatment is applied to trenches in the estates as a form of fertiliser. The Group's \$5 million investment in the biogas and biomass project started for one of the mills in North Sumatera which is expected to be completed in the second quarter of 2014 will enhance the waste management treatment of that mill and at the same time mitigate emissions of biogas. The project is also expected to generate economic returns by the sale of dried long fibres which is processed from empty fruits bunches. The successful implementation and running of this project will pave the way for further similar undertakings for the rest of the Group's mills.

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

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

Social, community and human rights issues

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

Notes to the Consolidated Financial Statements

26 Subsidiary companies

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

Name	Country of incorporation and principal place of business	Proportion of ownership interest at 31 December		Non-controlling interests ownership / voting interest at 31 December	
		2013	2012	2013	2012
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 Empat	Indonesia	100%	100%	-	-
PT Tasik Raja	Indonesia	80%	80%	20%	20%
PT United Kingdom Indonesia Plantations	Indonesia	75%	75%	25%	25%
PT Anglo-Eastern Plantations Management Indonesia	Indonesia	100%	100%	-	-
Dormant companies					
The Ampat (Sumatra) Rubber Estate (1913) Limited	United Kingdom	100%	100%	-	-
Gadek Indonesia (1975) Limited	United Kingdom	100%	100%	-	-
Mergeset (1980) Limited	United Kingdom	100%	100%	-	-
Musam Indonesia Limited	United Kingdom	100%	100%	-	-

The principal United Kingdom sub-holding company, UK management company and UK dormant companies are registered in England and Wales and are direct subsidiaries of the Company. The Malaysian operating companies are incorporated in Malaysia and are direct subsidiaries of the Company. The Indonesian operating companies are incorporated in Indonesia and are direct subsidiaries of the principal sub-holding company. The principal activity of the operating companies is plantation agriculture.

Company Balance Sheet

As at 31 December 2013

	Note	2013 \$000	2012 \$000
Non-current assets			
Investment in subsidiaries	2	65,896	67,992
		65,896	67,992
Current assets			
Other receivables	3	6,194	6,168
Cash and cash equivalents		1,265	1,937
		7,459	8,105
Current liabilities			
Other payables	5	(1,527)	(1,424)
Net current assets		5,932	6,681
Net assets		71,828	74,673
Capital and reserves			
Share capital	6	15,504	15,504
Treasury shares	6	(1,171)	(1,171)
Share premium	7	23,935	23,935
Capital redemption reserve	7	1,087	1,087
Exchange reserve	7	3,872	3,872
Retained earnings	7	28,601	31,446
Shareholders' funds		71,828	74,673

The financial statements were approved by the Board of Directors and authorised for issue on 8 April 2014 and were signed on its behalf by


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

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

Notes to the Company Financial Statements

1 Accounting policies

Basis of accounting

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

Foreign currency

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

Investments

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

Dividends

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

Share based payments

As set out under Group accounting policies on page 59.

Deferred tax

A deferred tax asset has not been recognised in relation to brought forward tax losses of \$8.5m (2012: \$7.4m) because it is not certain those losses can be utilised in the foreseeable future.

Treasury shares

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

Financial guarantee contracts

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

2 Investments in subsidiaries

	Investments in subsidiary undertakings \$000	Loans to subsidiary undertakings \$000	Total \$000
At beginning of year	874	67,118	67,992
Movements in year	-	(2,096)	(2,096)
At end of year	<u>874</u>	<u>65,022</u>	<u>65,896</u>

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

The holding of preference shares in a subsidiary of \$6.146m was due for full redemption in January 2012. On 21 May and 5 December 2012, the Company sent letters to the subsidiary seeking full redemption of the preference shares. On 15 January 2014, the shareholders of the subsidiary at EGM voted in favour of a capital reduction of its preference shares to enable partial redemption. The proposed capital reduction and partial repayment of preference shares will be submitted to the court for approval.

The principal subsidiaries of the Company are listed in note 26 to the consolidated financial statements on page 84.

3 Other receivables

	2013 \$000	2012 \$000
Other receivables	48	22
Preference shares due for redemption	<u>6,146</u>	<u>6,146</u>
	<u>6,194</u>	<u>6,168</u>

Notes to the Company Financial Statements

4 Dividends

	2013 \$000	2012 \$000
Paid during the year		
Final dividend of 4.5cts for the year ended 31 December 2012 (2011: 6.0cts)	1,784	2,372
Proposed final dividend of 3.0p for the year ended 31 December 2013 (2012: 4.5cts)	1,969	1,784

The proposed dividend for 2013 is subject to shareholder approval at the forthcoming annual general meeting and has not been included as a liability in these financial statements.

5. Other payables

	2013 \$000	2012 \$000
Accruals	1,527	1,424

6 Share capital and treasury shares

	Issued and fully paid Number	Issued and fully paid £000	Issued and fully paid \$000
Ordinary shares of 25p each Beginning and end of year	39,976,272	9,994	15,504
		Cost 2013 \$'000	Cost 2012 \$'000
Treasury shares	2013 Number	2012 Number	
Beginning of year	339,900	437,200	(1,171)
Share options exercised	-	(97,300)	336
End of year	339,900	339,900	(1,171)
Market value of treasury shares:			\$000
Beginning of year (670.0p /share)			3,702
End of year (672.5p/share)			3,786

7 Reserves

Company balance sheet

	Share premium account \$000	Treasury shares \$000	Capital redemption reserve \$000	Exchange reserve \$000	(Distributable) Retained earnings \$000
Beginning of year	23,935	(1,171)	1,087	3,872	31,446
Loss for the financial year	-	-	-	-	(1,061)
Dividend paid	-	-	-	-	(1,784)
End of year	23,935	(1,171)	1,087	3,872	28,601

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account dealing with the results of the Company has not been presented. The loss before tax of the Company for the year was \$1,001,000 (2012 loss before tax: \$2,172,000) and loss for the year was \$1,061,000 (2012 loss for the year: \$2,172,000). The exchange reserve arose on the initial transition from sterling to US dollars as the Company's functional currency.

Notes to the Company Financial Statements

8 Employees' and Directors' remuneration

	2013 Number	2012 number
Average numbers employed during the year		
- directors	4	4
- staff	-	2
	<u>4</u>	<u>6</u>
	2013 \$000	2012 \$000
Staff costs		
Wages and salaries	-	70
Social security costs	-	8
	<u>-</u>	<u>78</u>

The information required by the Companies Act and the Listing Rules of the Financial Conduct Authority is contained in the Directors' remuneration report on pages 40 to 43 of which certain information on page 43 has been audited.

	2013 \$000	2012 \$000
Directors' emoluments	<u>236</u>	<u>222</u>

9 Guarantees and other financial commitments

The Company has provided guarantees for loans to subsidiaries totalling \$45,000,000 (2012: \$45,000,000) as set out in note 16 of the consolidated financial statements.

10 Related Party Transactions

	2013 \$000	2012 \$000
Intercompany Receivables		
Anglo-Eastern Plantations Management Sdn Bhd	248	773
Anglo-Eastern Plantations (M) Sdn Bhd	400	428
Anglo-Indonesian Oil Palms Limited	74,396	76,167
Indopalm Services Limited	1	-
Musam Indonesia Limited	1,068	1,068
PT Alno Agro Utama	142	142
PT Anak Tasik	51	51
PT Bina Pitri Jaya	32	32
PT Mitra Puding Mas	80	80
PT Simpang Ampat	1,536	1,536
PT Anglo-Eastern Plantations Management Indonesia	42	42
PT Hijau Pryan Perdana	-	50
PT Sawit Graha Manunggal	-	175
	<u>77,996</u>	<u>80,544</u>
Intercompany Payables		
The Ampat (Sumatra) Rubber Estate (1913) Limited	782	782
Gadek Indonesia (1975) Limited	226	226
Mergeset (1980) Limited	9,254	9,255
PT Musam Utjing	121	122
PT Tasik Raja	2,591	3,041
	<u>12,974</u>	<u>13,426</u>

The intercompany balances arise as a result of advances from/to subsidiaries and expenses payable on their behalf. The terms of the intercompany receivables/payables are disclosed in note 2 of the Company financial statements.

Notice of Annual General Meeting

Notice is hereby given that the twenty-ninth 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, 2 June 2014 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 2013.
- 2 To approve the Directors' Remuneration Report, other than the part containing the directors' remuneration policy, in the form set out in the Company's annual report and accounts for the year ended 31 December 2013.
- 3 To approve the directors' remuneration policy in the form set out in the Directors' Remuneration Report in the Company's annual report and accounts for the year ended 31 December 2013.
- 4 To declare a final dividend.
- 5 To re-elect Dato' John Lim Ewe Chuan as a director.
- 6 To re-appoint Mr Jonathan Law Ngee Song as a director, having been appointed since the last Annual General Meeting.
- 7 To re-elect Madam Lim Siew Kim, a Non-Executive Director, who has served more than nine years.
- 8 To re-appoint BDO LLP as auditors and to authorise the directors to fix their remuneration.
- 9 To consider the following resolution as special resolution:

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

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

provided that this authority shall expire on the date of the next annual general meeting after the passing of this resolution or 30 June 2015 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)

- 10 To consider the following resolution as a special resolution

That subject to and conditional on the passing of resolution 9, 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 9 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 9, 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 9 and/or the sale of treasury shares for cash, to the allotment of equity shares or sale of treasury shares up to an aggregate nominal amount of £495,454.

Notice of Annual General Meeting

Such power shall apply during the period expiring on the date of the next annual general meeting or on 30 June 2015 (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.

11 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 2015 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.

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

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

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

29 April 2014

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 11.00 a.m. on 29 May 2014 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after 11.00 a.m. on 29 May 2014 or, if the meeting is adjourned, in the register of members at 6.00 p.m. on the date which is two days before the day of the adjourned meeting shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. As at 8 April 2014 (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 8 April 2014 is 39,636,372.
3. A member of the Company entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and vote at the meeting. Where more than one proxy is appointed in relation to the meeting, each proxy must be appointed to exercise rights attaching to a different share or shares. You may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a member of the Company.
4. The instrument appointing a proxy must be deposited at the office of the registrars not less than forty-eight hours before the time appointed for holding the meeting (or any adjournment thereof).
5. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting to be held on 2 June 2014 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 Capita Registrars [CREST ID: RA10] by 29 May 2014. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. You may submit your proxy electronically using The Share Portal service at www.capitashareportal.com. 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. As at 8 April 2014, no such statement has been received by the Company. 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. The following documents are available for inspection by members at the registered office of the Company during normal business hours (except Bank Holidays) and at the place of the meeting not less than 15 minutes prior to and during the meeting:

Copies of the Director's service agreements and letters of appointment.
13. A copy of this notice and the other information required by section 311A of the Companies Act 2006 can be found at www.angloeastern.co.uk.
14. If you are in any doubt as to any aspect of Resolutions 9 to 12 or as to the action you should take, you should immediately take your own advice from a stockbroker, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000. The Board believes that these Resolutions are in the best interests of the Company and shareholders as a whole.

Notice of Annual General Meeting

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

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Secretary and registered office

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