



# **Anglo-Eastern Plantations Plc**

**INTERIM REPORT  
30 JUNE 2014**

## **Company addresses**

### **London Office**

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

### **Malaysian Office**

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

### **Indonesian Office**

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

### **Secretary and registered office**

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

## **Company website**

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

## **Company advisers**

### **Auditors**

BDO LLP  
55 Baker Street  
London W1U 7EU  
United Kingdom

### **Principal Bankers**

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

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

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

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

### **Registrars**

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

### **Solicitors**

Withers LLP  
16 Old Bailey  
London EC4M 7EG  
United Kingdom

### **Sponsor/Broker**

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

## Chairman's Interim Statement

I am pleased to present the interim results for the Company for the six months to 30 June 2014. The Group performance improved significantly compared to last year due to improved Crude Palm Oil ("CPO") prices, higher Fresh Fruit Bunches ("FFB") production and increased purchase of external crops by the mills.

Despite the relatively good performance in the first half the Board emphasises that challenging times are ahead for the Group and the palm oil industry in general. Of late CPO price has weakened mainly due to the prospect of a record soybean production in North and South America on the back of favourable weather expectations and increased planting acreage.

Demand remains soft as top buyers in India and China purchase a greater proportion of soybean as the price differential between the two edible oils continues to narrow. The spread was about \$98 per metric tonne on 4 July 2014 down from an average of \$244/mt on the same date in 2013. Pressure on the CPO price is exacerbated further by a good supply of sunflower oil in the market at very competitive prices. A slowly deflating energy market due to the poor infrastructure for oil distribution and biodiesel blending in some developing countries has also undermined earlier widely held expectations for biodiesel to absorb surplus CPO.

### Operational and financial performance

For the six months ended 30 June 2014, revenue was \$130.0 million, an increase of 56% (1H 2013: \$83.5 million). Gross margins for the period increased from 25% to 35% reflecting a 6% increase in average CPO price in the first half of 2014 compared to the same period in the previous year. This was on top of 20% weakening of Indonesian Rupiah against the US Dollar for the same period.

The Group benefited from a \$23.1 million revaluation of its biological assets ("BA valuation") (1H 2013: \$2.5 million). With this contribution operating profits for the period increased by 259% to \$63.9 million (1H 2013: \$17.8 million) while profit before tax was \$66.3 million, 262% higher than the \$18.3 million achieved for the same period in 2013.

The resulting earnings per share for the period were up 391% at 103.66cts (1H 2013: 21.11cts).

During the first six months of 2014 the CPO price averaged at \$895/mt compared to \$847/mt for 1H 2013. FFB production for the first six months of 2014 was 393,900mt, 17% higher compared to 335,900mt for 1H 2013. Bought-in crops for the same period was 310,900mt, 62% higher than last year of 191,900mt due to better prices offered for external crops.

The Group's balance sheet remains strong and cash flow remains healthy even after our capital expenditure necessary to maintain immature trees and new planting.

## Chairman's Interim Statement

The BA valuation is determined using discounted cash flow over the expected 20-year economic life of the assets. Among the assumption used in the valuation includes the 10-year average CPO price. The BA valuation increased by \$23.1 million for 30 June 2014 was due primarily to the increase in the 10-year average CPO price from \$700/mt to \$725/mt.

As at 30 June 2014 the Group's total cash balance was \$115.8 million (1H 2013: \$98.7 million) with total borrowings of \$35.0 million (1H 2013: \$35.0 million), giving a net cash position of \$80.8 million, compared to \$63.7million as at 30 June 2013.

### Operating costs

The operating costs for the Indonesian operations were higher in 1H 2014 compared to the same period in 2013 mainly due to the increase in wages, fertilisers, fuel and general upkeep of plantations. Higher operating costs were also partly attributed to 13% increase in matured areas.

### Production and Sales

	<b>2014</b>	2013	2013
	<b>6 months</b>	6 months	Year
	<b>to 30 June</b>	to 30 June	to 31 December
	<b>(unaudited)</b>	(unaudited)	(audited)
	<b>mt</b>	mt	mt
<b>Oil palm production</b>			
FFB			
- all estates	<b>393,900</b>	335,900	787,500
- bought-in or processed for third parties	<b>310,900</b>	191,900	496,600
Saleable CPO	<b>141,700</b>	109,900	262,600
Saleable palm kernels	<b>33,100</b>	25,400	61,500
<b>Oil palm sales</b>			
CPO	<b>145,000</b>	108,700	253,200
Palm kernels	<b>31,600</b>	24,900	60,800
FFB sold outside	<b>37,300</b>	12,300	54,300
<b>Rubber production</b>	<b>480</b>	450	1,049

The Group's five mills processed a total of 667,500mt in FFB for the 1H 2014, a 29% increase compared to 515,500mt for the same period last year.

Internal crop production was higher by 17% in line with an increase in matured plantations in the Bengkulu and Central Kalimantan.

## Chairman's Interim Statement

Bought-in crops were 62% higher than last year due to additional sources of FFB supplies and improved pricing.

Capital outlay is required to improve road conditions in Bengkulu, easing the FFB transportation especially during rainy season. Significant capital expenditure is expected in the replanting of 1,029ha of old palms in North Sumatra.

### Commodity prices

CPO price was fairly strong for the 1H 2014 and hit a high of \$993/mt in March 2014. The average CPO price for 1H 2014 was \$895/mt (1H 2013: \$847/mt). The higher CPO price in the first three months of 2014 was due to initial concerns over dry weather that hit Peninsular Malaysia and parts of Indonesia which delayed the ripening of fruits.

Rubber price averaged \$1,823/mt, 30% lower than 2013 (1H 2013: \$2,599/mt).

### Development

The Group's planted areas at 30 June 2014 comprised:

	<b>Total ha</b>	<b>Mature ha</b>	<b>Immature ha</b>
North Sumatra	19,249	17,702	1,547
Bengkulu	18,819	17,717	1,102
Riau	4,873	4,873	-
South Sumatra	3,969	159	3,810
Kalimantan	10,391	4,651	5,740
Bangka	307	-	307
Plasma	734	510	224
Indonesia	58,342	45,612	12,730
Malaysia	3,695	3,379	316
<b>Total : 30 June 2014</b>	<b>62,037</b>	<b>48,991</b>	<b>13,046</b>
Total : 31 December 2013	61,099	43,236	17,863
Total : 30 June 2013	59,715	43,483	16,232

The Group's new planting for the first six months ended 30 June 2014 totalled 941ha. The slow rate of new planting is due to protracted land compensation negotiations.

The Group is optimistic that planting will pick up in the second half of 2014. The Group's total landholding comprises some 127,794ha, of which the planted area stands around 62,037ha (1H 2013: 59,715ha).

## Chairman's Interim Statement

The biogas purification equipment and biomass plant for the mill in North Sumatra are in final stages of testing and commissioning in early Q3 2014. This mill will enhance the treatment of the effluent and at the same time mitigate the emission of biogas. Under this project, the empty fruit bunches will be processed into dried long fibres for export.

The earthworks for the construction of the 45mt/hr palm oil mill in Central Kalimantan are 85% completed while civil and mechanical works is progressing as scheduled with the mill expected to be completed and operational in Q2 2015.

### Dividend

As in previous years no interim dividend has been declared. A final dividend of 3.0 pence per share in respect of the year to 31 December 2013 was paid on 17 June 2014.

### Outlook

It has been reported in the Public Ledger that many buyers of refined palm oil in China struggled for funding as the country crackdown on commodity financing in the face of slowing domestic demand. This may lead to lower CPO imports as a result of tighter access to credit. However, the industry believe CPO price is expected to be resilient due to concerns on weaker FFB production in Malaysia and parts of Indonesia in the fourth quarter of 2014 due to a prolonged dry spell in the first three months of the year. Parts of some growing areas in Malaysia and Indonesia received less than 50 millimetres of rain in January and February, the driest period since 1997. El Nino weather phenomenon is also forecasted this year and if materialises could induce droughts which would curb production and yield.

The Board remains cautiously confident of reporting a satisfactory level of profitability. Cash generation is expected to remain strong and the Board looks forward to reporting further progress in its next Interim Management Statement.

### Principal risks and uncertainties

The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2013.

A more detailed explanation of the risks relevant to the Group is on pages 18 to 20 and from pages 78 to 83 of the 2013 annual report which is available at [www.angloeastern.co.uk](http://www.angloeastern.co.uk).

## Chairman's Interim Statement

Following the conclusion of the discussions with the Financial Reporting Council (“FRC”) regarding 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, details of which were set out in the 2013 Annual Report and Accounts, the Group has adopted a notional rent equivalent to 9% of the value of planted land in valuing its biological asset and resulted in the accounts for the period ended 30 June 2013 being restated. The details of the restatement are disclosed in Note 2 – Prior period restatement on page 15.

Madam Lim Siew Kim  
Chairman

27 August 2014

## Responsibility Statements

We confirm that to the best of our knowledge:

- a) The unaudited interim financial statements have been prepared in accordance with IAS34: Interim Financial Reporting as adopted by the European Union;
- b) The Chairman's statement includes a fair review of the information required by DTR 4.2.7R (an indication of important events during the first six months and a description of the principal risks and uncertainties for the remaining six months of the year); and
- c) The interim financial statements include a fair review of the information required by DTR 4.2.8R (material related party transactions in the six months ended 30 June 2014 and any material changes in the related party transactions described in the last Annual Report) of the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority.

By order of the Board  
Dato' John Lim Ewe Chuan

27 August 2014

## Condensed Consolidated Income Statement

	Notes	2014 6 months to 30 June (unaudited)			2013 6 months to 30 June (unaudited & restated)			2013 Year to 31 December (audited)		
		Result before BA adjustment \$000	BA adjustment \$000	Total \$000	Result before BA adjustment \$000	BA adjustment \$000	Total \$000	Result before BA adjustment \$000	BA adjustment \$000	Total \$000
<b>Continuing operations</b>										
<b>Revenue</b>		<b>130,006</b>	-	<b>130,006</b>	83,528	-	83,528	201,917	-	201,917
Cost of sales		(84,892)	-	(84,892)	(62,408)	-	(62,408)	(133,400)	-	(133,400)
Gross profit		45,114	-	45,114	21,120	-	21,120	68,517	-	68,517
Biological asset revaluation movement (BA adjustment)		-	23,103	23,103	-	2,503	2,503	-	93,661	93,661
Administration expenses		(4,300)	-	(4,300)	(5,795)	-	(5,795)	(8,898)	-	(8,898)
Operating profit		40,814	23,103	63,917	15,325	2,503	17,828	59,619	93,661	153,280
Exchange loss		413	-	413	(512)	-	(512)	(2,781)	-	(2,781)
Finance income		2,942	-	2,942	1,763	-	1,763	4,676	-	4,676
Finance expense	4	(1,003)	-	(1,003)	(784)	-	(784)	(1,774)	-	(1,774)
<b>Profit before tax</b>	5	<b>43,166</b>	<b>23,103</b>	<b>66,269</b>	15,792	2,503	18,295	59,740	93,661	153,401
Tax expense	6	(11,918)	(5,776)	(17,694)	(5,926)	(626)	(6,552)	(16,178)	(23,415)	(39,593)
<b>Profit for the period</b>		<b>31,248</b>	<b>17,327</b>	<b>48,575</b>	9,866	1,877	11,743	43,562	70,246	113,808
Attributable to:										
- Owners of the parent		25,879	15,209	41,088	6,859	1,509	8,368	35,950	57,571	93,521
- Non-controlling interests		5,369	2,118	7,487	3,007	368	3,375	7,612	12,675	20,287
		<b>31,248</b>	<b>17,327</b>	<b>48,575</b>	9,866	1,877	11,743	43,562	70,246	113,808
<b>Earnings per share for profit attributable to the owners of the parent during the period</b>										
- basic	8			<b>103.66cts</b>			21.11cts			235.95cts
- diluted	8			<b>103.54cts</b>			21.09cts			235.67cts

Anglo-Eastern Plantations Plc

## Condensed Consolidated Statement of Comprehensive Income

	2014 6 months to 30 June  (unaudited) \$000	2013 6 months to 30 June (unaudited & restated) \$000	2013 Year to 31 December  (audited) \$000
<b>Profit for the period</b>	<b>48,575</b>	11,743	113,808
<b>Other comprehensive income</b>			
<i>Items may be reclassified to profit or loss in subsequent periods:</i>			
Profit / (Loss) on exchange translation of foreign operations	12,403	(13,845)	(112,824)
<b>Net other comprehensive income may be reclassified to profit or loss in subsequent periods</b>	<b>12,403</b>	(13,845)	(112,824)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Unrealised (loss) / gain on revaluation of the estates	(704)	(3,057)	31,807
Deferred tax on revaluation	177	765	(7,951)
Remeasurements of retirement benefit plan	-	(1,414)	278
Deferred tax on retirement benefit	-	-	(71)
<b>Net other comprehensive (expense) / income not being reclassified to profit or loss in subsequent periods</b>	<b>(527)</b>	(3,706)	24,063
<b>Total other comprehensive income / (expenses) for the period, net of tax</b>	<b>11,876</b>	(17,551)	(88,761)
<b>Total comprehensive income / (expenses) for the period</b>	<b>60,451</b>	(5,808)	25,047
Attributable to:			
- Owners of the parent	50,718	(6,396)	21,508
- Non-controlling interests	9,733	588	3,539
	<b>60,451</b>	(5,808)	25,047

## Condensed Consolidated Statement of Financial Position

Notes	2014 as at 30 June (unaudited) \$000	2013 as at 30 June (unaudited & restated) \$000	2013 as at 31 December (audited) \$000
<b>Non-current assets</b>			
	304,156	215,117	265,835
Biological assets			
Property, plant and equipment	224,030	210,865	213,342
Receivables	5,857	5,216	5,649
	<b>534,043</b>	<b>431,198</b>	<b>484,826</b>
<b>Current assets</b>			
	9,817	6,987	8,448
Inventories			
Tax receivables	9,333	9,427	8,464
Trade and other receivables	10,261	12,181	7,271
Cash and cash equivalents	115,831	98,671	98,738
	<b>145,242</b>	<b>127,266</b>	<b>122,921</b>
<b>Current liabilities</b>			
	(196)	(29)	(84)
Loans and borrowings			
Trade and other payables	(18,990)	(14,710)	(15,331)
Tax liabilities	(7,845)	(2,794)	(4,988)
Dividend payables	(20)	(1,784)	-
	<b>(27,051)</b>	<b>(19,317)</b>	<b>(20,403)</b>
Net current assets	<b>118,191</b>	<b>107,949</b>	<b>102,518</b>
<b>Non-current liabilities</b>			
	(34,813)	(35,010)	(34,937)
Loans and borrowings			
Deferred tax liabilities	(61,787)	(35,894)	(55,298)
Retirement benefits - net liabilities	(3,593)	(5,091)	(3,099)
	<b>(100,193)</b>	<b>(75,995)</b>	<b>(93,334)</b>
<b>Net assets</b>	<b>552,041</b>	<b>463,152</b>	<b>494,010</b>

## Condensed Consolidated Statement of Financial Position (continued)

	Notes	2014 as at 30 June (unaudited) \$000	2013 as at 30 June (unaudited & restated) \$000	2013 as at 31 December (audited) \$000
<b>Issued capital and reserves attributable to owners of the parent</b>				
Share capital		15,504	15,504	15,504
Treasury shares		(1,171)	(1,171)	(1,171)
Share premium reserve		23,935	23,935	23,935
Share capital redemption reserve		1,087	1,087	1,087
Revaluation reserves		56,297	34,632	56,767
Exchange reserves		(171,007)	(100,194)	(181,107)
Retained earnings		532,121	406,349	493,031
		<b>456,766</b>	<b>380,142</b>	<b>408,046</b>
Non-controlling interests		95,275	83,010	85,964
<b>Total equity</b>		<b>552,041</b>	<b>463,152</b>	<b>494,010</b>

## Condensed Consolidated Statement of Changes in Equity

Attributable to owners of the parent

	Share capital \$000	Treasury shares \$000	Share premium \$000	Share redemption reserve \$000	Revaluation reserve \$000	Foreign exchange reserve \$000	Retained earnings \$000	Total \$000	Non- controlling interests \$000	Total equity \$000
<b>Balance at 31 December 2012</b>	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)
<b>Balance at 31 December 2013</b>	<b>15,504</b>	<b>(1,171)</b>	<b>23,935</b>	<b>1,087</b>	<b>56,767</b>	<b>(181,107)</b>	<b>493,031</b>	<b>408,046</b>	<b>85,964</b>	<b>494,010</b>
Items of other comprehensive income										
-Unrealised loss on revaluation of estates, net of tax	-	-	-	-	(470)	-	-	(470)	(57)	(527)
-Gain on exchange translation of foreign operations	-	-	-	-	-	10,100	-	10,100	2,303	12,403
Total other comprehensive (expenses) / income	-	-	-	-	(470)	10,100	-	9,630	2,246	11,876
Profit for period	-	-	-	-	-	-	41,088	41,088	7,487	48,575
Total comprehensive income and expenses for the period	-	-	-	-	(470)	10,100	41,088	50,718	9,733	60,451
Dividend paid	-	-	-	-	-	-	(1,998)	(1,998)	(422)	(2,420)
<b>Balance at 30 June 2014</b>	<b>15,504</b>	<b>(1,171)</b>	<b>23,935</b>	<b>1,087</b>	<b>56,297</b>	<b>(171,007)</b>	<b>532,121</b>	<b>456,766</b>	<b>95,275</b>	<b>552,041</b>

## Condensed Consolidated Statement of Changes in Equity (continued)

	Attributable to owners of the parent									Total Equity \$000
	Share capital \$000	Treasury shares \$000	Share premium \$000	Share redemption reserve \$000	Revaluation reserve \$000	Foreign exchange reserve \$000	Retained earnings \$000	Total \$000	Non- controlling interests \$000	
<b>Balance at 31 December 2012</b>	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 loss on revaluation of estates, net of tax	-	-	-	-	(2,167)	-	-	(2,167)	(125)	(2,292)
-Remeasurement of retirement benefit plan, net of tax	-	-	-	-	-	-	(1,241)	(1,241)	(173)	(1,414)
-Loss on exchange translation of foreign operations	-	-	-	-	-	(11,356)	-	(11,356)	(2,489)	(13,845)
<b>Total other comprehensive expenses</b>	-	-	-	-	(2,167)	(11,356)	(1,241)	(14,764)	(2,787)	(17,551)
<b>Profit for period as restated</b>	-	-	-	-	-	-	8,368	8,368	3,375	11,743
<b>Total comprehensive income and expenses for the period</b>	-	-	-	-	(2,167)	(11,356)	7,127	(6,396)	588	(5,808)
<b>Dividends payable</b>	-	-	-	-	-	-	(1,784)	(1,784)	(621)	(2,405)
<b>Balance at 30 June 2013 as restated</b>	15,504	(1,171)	23,935	1,087	34,632	(100,194)	406,349	380,142	83,010	463,152

## Condensed Consolidated Statement Cash Flows

	2014 6 months to 30 June  (unaudited) \$000	2013 6 months to 30 June (unaudited & restated) \$000	2013 Year to 31 December  (audited) \$000
<b>Cash flows from operating activities</b>			
Profit before tax	66,269	18,295	153,401
Adjustments for:			
BA adjustment	(23,103)	(2,503)	(93,661)
Loss / (Profit) on disposal of tangible fixed assets	2	91	(319)
Depreciation	3,107	4,143	6,406
Retirement benefit provisions	418	550	1,325
Net finance income	(1,939)	(979)	(2,902)
Unrealised (gain) / loss in foreign exchange	(413)	512	2,781
Tangible fixed assets written off	6	31	97
Operating cash flow before changes in working capital	44,347	20,140	67,128
Increase in inventories	(1,145)	(1,089)	(3,591)
(Increase) / Decrease in trade and other receivables	(3,628)	(4,430)	2,456
Increase / (Decrease) in trade and other payables	3,312	(529)	2,400
Cash inflow from operations	42,886	14,092	68,393
Interest paid	(1,003)	(784)	(1,774)
Retirement benefit paid	(6)	(52)	(244)
Overseas tax paid	(10,309)	(15,113)	(23,981)
Net cash flow from / (used in) operations	31,568	(1,857)	42,394
<b>Investing activities</b>			
Property, plant and equipment			
- purchase	(17,589)	(23,583)	(49,938)
- sale	34	87	641
Interest received	2,942	1,763	4,676
Net cash used in investing activities	(14,613)	(21,733)	(44,621)

## Condensed Consolidated Statement Cash Flows (continued)

	2014 6 months to 30 June  (unaudited) \$000	2013 6 months to 30 June (unaudited & restated) \$000	2013 Year to 31 December  (audited) \$000
<b>Financing activities</b>			
Dividends paid by Company	(1,998)	-	(1,784)
Drawdown of long term loans	-	10,000	10,000
Finance lease repayment	(12)	(36)	(30)
Dividends paid to non-controlling interests	(398)	(621)	(618)
Net cash (used in) / from financing activities	(2,408)	9,343	7,568
Increase / (Decrease) in cash and cash equivalents	14,547	(14,247)	5,341
<b>Cash and cash equivalents</b>			
At beginning of period	98,738	116,250	116,250
Foreign exchange	2,546	(3,332)	(22,853)
At end of period	115,831	98,671	98,738
Comprising:			
Cash at end of period	115,831	98,671	98,738

# Notes to the interim statements

## 1. Basis of preparation of interim financial statements

These interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2013 Annual Report. The financial information for the half years ended 30 June 2014 and 30 June 2013 does not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006 and has been neither audited nor reviewed pursuant to guidance issued by the Auditing Practices Board.

### *Basis of preparation*

The annual financial statements of Anglo-Eastern Plantations Plc are prepared in accordance with IFRSs as adopted by the European Union. The comparative financial information for the year ended 31 December 2013 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for 2013 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2013 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

### *Changes in accounting standards*

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the Group's latest annual audited financial statements except for the following new standards that have come into effect from the previous reporting date:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interest in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IAS 32 Amendments - Offsetting Financial Assets and Financial Liabilities
- IAS 36 Amendments - Recoverable Amounts Disclosures for Non-financial Assets
- IFRIC 21 Levies

None of the new standards, interpretations and amendments above have had a material effect on the Group's reporting.

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.

## 2. Prior period restatement

Following the conclusion of the discussions with the Financial Reporting Council ("FRC") regarding 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, details of which were set out in the 2013 Annual Report and Accounts, the Group has adopted a notional rent equivalent to 9% of the value of planted land in valuing its biological asset and resulted in the accounts for the period ended 30 June 2013 being restated. The effect of the restatements is summarised in the following page.

## Notes to the interim statements (continued)

### 2. Prior period restatement (continued)

The impact of these prior period adjustments:

	\$000	2013 6 months to 30 June (unaudited & restated) \$000
After Biological Assets	\$000	\$000
Profit for the period before restatement		22,317
Effect of change in restatement:		
Biological asset revaluation movement	(14,098)	
Tax expense	3,524	
		(10,574)
Profit for the period after restatement		11,743
Other comprehensive expenses for the period before restatement		(18,573)
Effect of change in restatement:		
Profit on exchange translation of foreign operations		1,022
Other comprehensive expenses for the period after restatement		(17,551)

The effect of these prior period adjustments had a negative impact on the earnings per share of 25.03cts for the period to 30 June 2013.

The following table summarises the impact of these prior period 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 30 June 2013	265,487	(48,486)	(102,827)	442,449	87,321
Effect of restatement during the year	(50,370)	12,592	2,633	(36,100)	(4,311)
Restated balance as at 30 June 2013	215,117	(35,894)	(100,194)	406,349	83,010

## Notes to the interim statements (continued)

### 3. Foreign exchange

	<b>2014</b>	2013	2013
	<b>6 months</b>	6 months	Year
	<b>to 30 June</b>	to 30 June	to 31 December
	<b>(unaudited)</b>	(unaudited)	(audited)
Average exchange rates			
Rp : \$	<b>11,725</b>	9,732	10,445
\$ : £	<b>1.67</b>	1.54	1.56
RM : \$	<b>3.27</b>	3.07	3.15
Closing exchange rates			
Rp : \$	<b>11,855</b>	9,925	12,170
\$ : £	<b>1.71</b>	1.52	1.66
RM : \$	<b>3.21</b>	3.16	3.28

### 4. Finance costs

	<b>2014</b>	2013	2013
	<b>6 months</b>	6 months	Year
	<b>to 30 June</b>	to 30 June	to 31 December
	<b>(unaudited)</b>	(unaudited)	(audited)
	<b>\$000</b>	\$000	\$000
Payable	<b>1,003</b>	784	1,774

## Notes to the interim statements (continued)

### 5. Segment information

	North Sumatra \$000	Bengkulu \$000	South Sumatra \$000	Riau \$000	Bangka \$000	Kalimantan \$000	Total Indonesia \$000	Malaysia \$000	UK \$000	Total \$000
<b>6 months to 30 June 2014 (unaudited)</b>										
Total sales revenue (all external)	48,753	53,335	38	21,787	-	3,002	126,915	2,215	-	129,130
Other income	283	373	-	220	-	-	876	-	-	876
Total revenue	49,036	53,708	38	22,007	-	3,002	127,791	2,215	-	130,006
Profit / (loss) before tax	17,056	18,182	(167)	8,848	(21)	(728)	43,170	531	(535)	43,166
BA Movement										23,103
Profit for the period before tax per consolidated income statement										66,269
Depreciation	(1,092)	(1,045)	(203)	(272)	(16)	(354)	(2,982)	(125)	-	(3,107)
Inter-segment transactions	2,806	(1,704)	(197)	(490)	-	(921)	(506)	476	30	-
Income tax	(7,289)	(3,722)	(1,581)	(2,095)	(7)	(2,653)	(17,347)	(66)	(281)	(17,694)
Total Assets	214,804	155,588	70,765	80,644	13,283	109,770	644,854	29,996	4,435	679,285
Non-Current Assets	165,229	126,071	68,839	39,477	13,193	97,695	510,504	22,346	1,193	534,043
Non-Current Assets - Additions	3,298	1,615	2,466	605	420	9,138	17,542	47	-	17,589
<b>6 months to 30 June 2013 (unaudited &amp; restated)</b>										
Total sales revenue (all external)	40,378	25,727	2	14,481	-	680	81,268	1,842	-	83,110
Other income	413	(31)	-	34	-	2	418	-	-	418
Total revenue	40,791	25,696	2	14,515	-	682	81,686	1,842	-	83,528
Profit / (loss) before tax	12,110	1,879	(292)	4,374	(10)	(1,271)	16,790	(284)	(714)	15,792
BA Movement										2,503
Profit for the period before tax per consolidated income statement										18,295
Depreciation	(1,378)	(1,653)	(236)	(502)	(15)	(230)	(4,014)	(129)	-	(4,143)
Inter-segment transactions	664	(858)	(84)	(252)	-	(457)	(987)	957	30	-
Income tax	(6,771)	(2,202)	2,071	(1,216)	107	787	(7,224)	892	(220)	(6,552)
Total Assets	176,750	144,251	50,404	65,872	11,260	84,184	532,721	19,196	6,547	558,464
Non-Current Assets	129,532	124,531	48,113	37,974	10,662	67,136	417,948	11,887	1,363	431,198
Non-Current Assets - Additions	4,738	3,120	6,180	625	488	8,262	23,413	170	-	23,583

## Notes to the interim statements (continued)

### 5. 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
<b>Year to 31 December 2013 (audited)</b>										
Total sales revenue (all external)	93,261	63,019	18	38,166	-	2,516	196,980	4,318	2	201,300
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 period 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

In the 6 months to 30 June 2014, revenues from 4 customers of the Indonesian segment represent approximately \$87.7m of the Group's total revenues. In year 2013, revenues from 4 customers of the Indonesian segment represent approximately \$110.1m of the Group's total revenues. An analysis of these revenues is provided below:

Major Customers	2014 6 months to 30 June (unaudited)		2013 6 months to 30 June (unaudited)		2013 Year to 31 December (audited)	
	\$m	%	\$m	%	\$m	%
Customer 1	28.9	22.2	14.6	17.4	31.4	15.6
Customer 2	21.3	16.4	13.7	16.3	30.5	15.1
Customer 3	19.6	15.2	9.4	11.3	25.6	12.7
Customer 4	17.9	13.7	8.1	9.6	22.6	11.1
Total	87.7	67.5	45.8	54.6	110.1	54.5

## Notes to the interim statements (continued)

### 6. Tax

	<b>2014 6 months to 30 June (unaudited) \$000</b>	2013 6 months to 30 June (unaudited & restated) \$000	2013 Year to 31 December (audited) \$000
Foreign corporation tax – current year	12,415	6,090	17,804
Foreign corporation tax – prior year	-	-	(61)
Deferred tax adjustment – current year	5,279	462	22,143
Deferred tax adjustment – prior year	-	-	(293)
	<b>17,694</b>	<b>6,552</b>	<b>39,593</b>

### 7. Dividend

The final and only dividend in respect of 2013, amounting to 3.0p per share, or \$1,997,614 was paid on 17 June 2014 (2012: 4.5cts per share, or \$1,783,637, paid on 5 July 2013). As in previous years no interim dividend has been declared.

### 8. Earnings per ordinary share (EPS)

	<b>2014 6 months to 30 June (unaudited)</b>	2013 6 months to 30 June (unaudited & restated)	2013 Year to 31 December (audited)
Profit for the period attributable to owners of the Company before BA adjustment	<b>25,879</b>	6,859	35,950
Net BA adjustment	<b>15,209</b>	1,509	57,571
Earnings used in basic and diluted EPS	<b>41,088</b>	8,368	93,521
	<b>Number '000</b>	Number '000	Number '000
Weighted average number of shares in issue in period			
- used in basic EPS	<b>39,636</b>	39,636	39,636
- dilutive effect of outstanding share options	<b>48</b>	48	48
- used in diluted EPS	<b>39,684</b>	39,684	39,684
Shares in issue at period end	<b>39,976</b>	39,976	39,976
Less: Treasury shares	<b>(340)</b>	(340)	(340)
Shares in issue at period end excluding treasury shares	<b>39,636</b>	39,636	39,636
Basic EPS before BA adjustment	<b>65.29cts</b>	17.30cts	90.70cts
Basic EPS after BA adjustment	<b>103.66cts</b>	21.11cts	235.95cts
Dilutive EPS before BA adjustment	<b>65.21cts</b>	17.28cts	90.59cts
Dilutive EPS after BA adjustment	<b>103.54cts</b>	21.09cts	235.67cts

## Notes to the interim statements (continued)

### 9. Fair value measurement of financial instruments

IAS 34 requires that interim financial statements include certain of the disclosures about fair value of financial instruments set out in IFRS 13 and IFRS 7. 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 following tables show the Levels within the hierarchy of Group's assets measured at fair value on a recurring basis at 30 June 2014, 30 June 2013 and 30 December 2013:

30 June 2014	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Biological assets	-	-	304,156	304,156
Land	-	-	153,756	153,756
30 June 2013	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Biological assets	-	-	215,117	215,117
Land	-	-	143,792	143,792
31 December 2013	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$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 no transfers between Level 1 and Level 2 during the periods.

The methodology used for biological asset valuations is 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 \$725/mt (30 June 2013 and 31 December 2013: \$700/mt), discount rate of 15.8% (30 June 2013: 17.5%, 31 December 2013: 15.8%) and notional rent equivalent to 9% (30 June 2013 and 31 December 2013: 9%) of the value of planted land. The discount rates were determined by the Directors based on their assessment of various risks including financial, business and country risk of where the plantations are located as well as taking into account the Company's weighted average cost of capital. The CPO price is taken to be the 10-year average (30 June 2013 and 31 December 2013: 10-year average) rounded to the nearest \$25 based on historical widely-quoted commodity price for CPO and represents the Directors' best estimate of the price sustainable over the longer term. An inflation rate of 5% (30 June 2013 and 31 December 2013: 5%) was applied to the second to sixth years of the DCF. The notional rent charge is based on key capital market and property indicators in the countries and regions of operations.

## Notes to the interim statements (continued)

### 9. Fair value measurement of financial instruments (continued)

There were no changes in valuation techniques during the periods.

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

For the six months ended 30 June 2014, the directors are of the opinion the fair value movements of the land are insignificant as compared to the land value at 31 December 2013 and therefore the land value at 31 December 2013 is adopted as fair value of land at 30 June 2014 except for the adjustment of exchange differences. The fair values of the land at 31 December 2013 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 fair value of the following financial assets and liabilities approximate their carrying amount:

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

### 10. Report and financial information

Copies of the interim report for the Group for the period ended 30 June 2014 are available on the AEP website at [www.angloeastern.co.uk](http://www.angloeastern.co.uk).