



2022 Annual Report

Anglo-Eastern Plantations Plc

Company Number: 1884630



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About Anglo-Eastern Plantations

The group comprising Anglo-Eastern Plantations Plc (“AEP”) and its subsidiaries (the “Group”), is a major producer of palm oil and to a lesser extent rubber with plantations across Indonesia and Malaysia, amounting to approximately 128,000 ha.



HPP mill in North Sumatera taking shape



Harvesting of Fresh Fruit Bunches (“FFB”)



Unloading of FFB at mill

- AEP has a Premium Listing on the Main Market of the London Stock Exchange. The Company was listed in 1985.
- Primary activities are the crop production and processing of palm oil and some rubber.
- Palm oil is an important commodity and the industry reportedly employs millions of workers directly and indirectly across Indonesia and Malaysia. It is used extensively in food, cosmetics, other consumer products and biofuel.
- The Group is committed to the responsible development of its plantations and facilities with particular attention to both the environment and society in which it operates.
- AEP mitigates the impact on the environment by capturing methane gas emissions from four mills and generating renewable energy through its biogas plants. Construction of its first Compressed Natural Gas (“BioCNG”) plant has begun, where it will capture and compress methane gas for industrial use.

About Anglo-Eastern Plantations



Oil Palm Plantations

The Group has developed over 63,100 ha of mature oil palm in sixteen plantations across Indonesia, together with one plantation in Malaysia. The weighted average age of the trees in the Group is approximately 14 years. In Indonesia, the trees averaged about 13 years old while in Malaysia the trees are older at 25 years. The Group's FFB production in 2022 reached 1.17 million mt of which 1.12 million mt was from continued operations.



Oil Palm Development

An Oil Palm tree usually takes about three years from planting to harvest of the first crop and will reach full production after a further five years. The Group has approximately 8,000 ha of immature plantations of which 1,814 ha were planted in 2022.



Palm Oil Mills

The Group operates six palm oil mills processing up to a combined 340 mt of FFB per hour. The construction of the seventh mill in North Sumatera is nearing completion with delay due to the pandemic. Commercial operation is scheduled for the first half of 2023, which would increase the Group's processing capacity to 400 mt per hour. The combined oil extraction rate ("OER") averaged 20.6% while kernel extraction rate ("KER") averaged 4.8% in 2022.



Third Party Crop Purchases

In 2022 the Group purchased approximately 1.08 million mt of FFB from third party producers, comprising small plantations and local farmers, for processing through its mills. The total FFB throughput at the Group's mills in 2022 was 2.21 million mt producing 455,600 mt of crude palm oil ("CPO") and 106,200 mt of kernel. The Group has the capacity to store up to 54,400 mt of CPO at its six mills.



Rubber Plantations

In 2022 the 262 ha of established rubber plantations produced 440 mt of raw latex and rubber lumps. The size of the rubber plantations will reduce in the coming years as the Group replaces ageing rubber trees with oil palm. The average age of the rubber trees is 15 years. The yield in 2022 was 1.68 mt/ha.



Biogas Plants

Four mills are equipped with biogas plants to capture the methane gas emission to generate electricity for its own consumption, with the surplus being sold to the Indonesian state authorities. This reduces the mills' reliance on fossil fuels and improves the Group's carbon footprint. The Group sold 23,900 MWh of surplus electricity in 2022.

Financial Highlights

The Group key performance indicators (“KPI”) as required in accordance with the requirements of s414C, Companies Act 2006 are as follows:

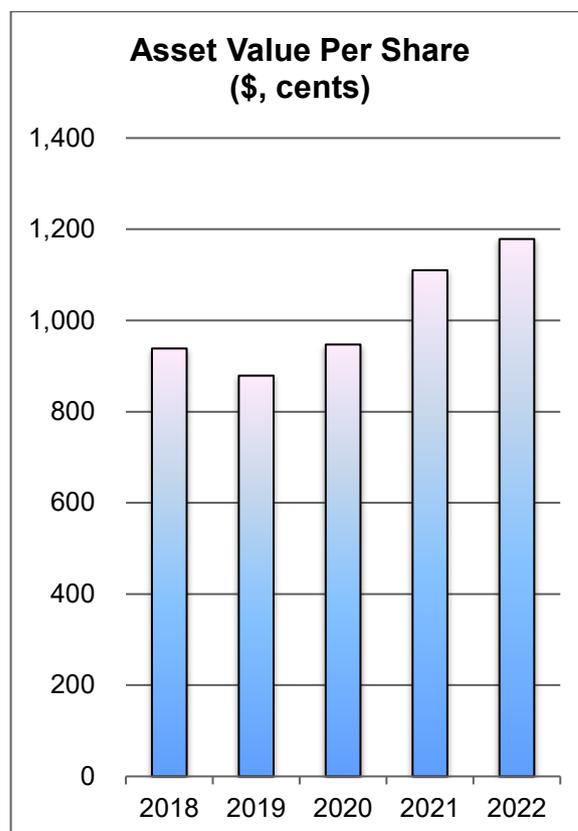
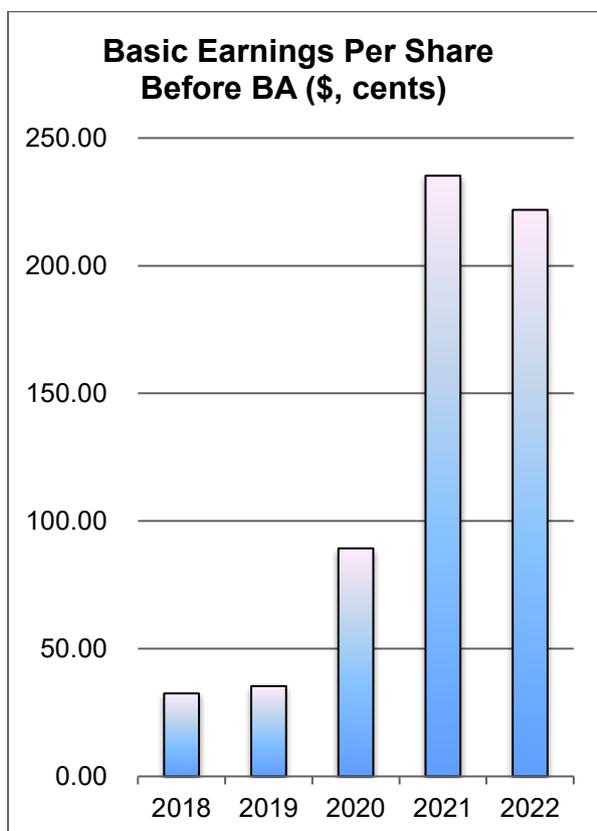
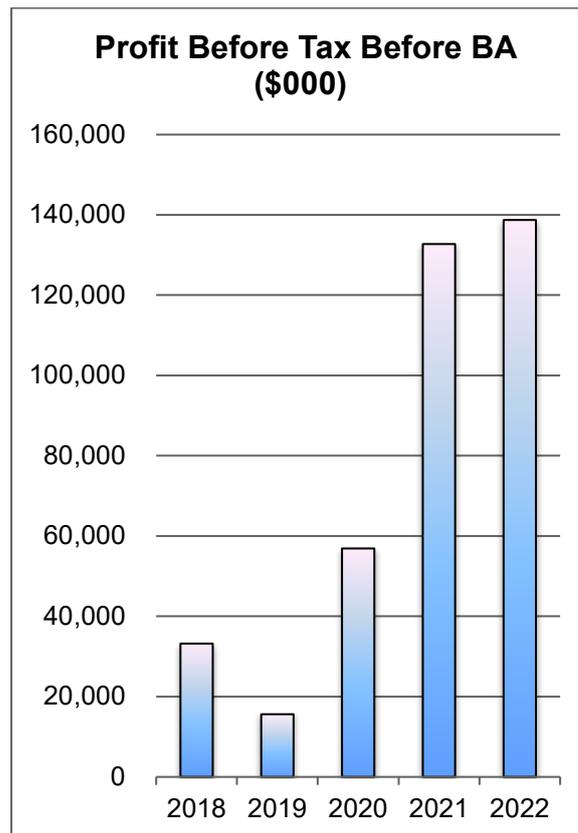
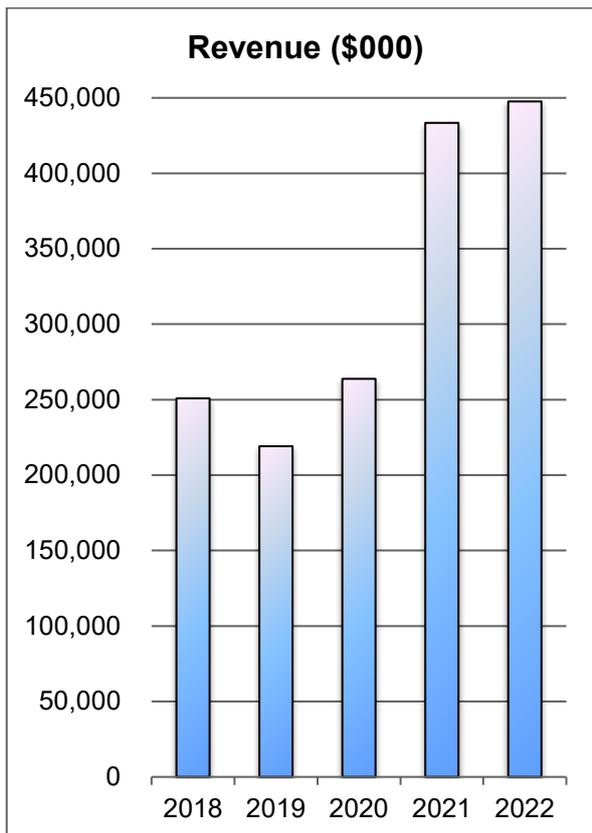
	2022 \$m	2021 \$m	% change
Continuing operations			
Revenue	447.6	433.4	3%
Profit before tax:			
- before biological assets (“BA”) movement	138.7	132.7	5%
- after BA movement	132.9	137.1	(3%)
Basic Earnings per ordinary share (“EPS”):			
- before BA movement	221.86cts	235.25cts	(6%)
- after BA movement	212.34cts	242.34cts	(12%)
Dividend (cents)	25.0cts	5.0cts	

AEP 10 years Share Performance

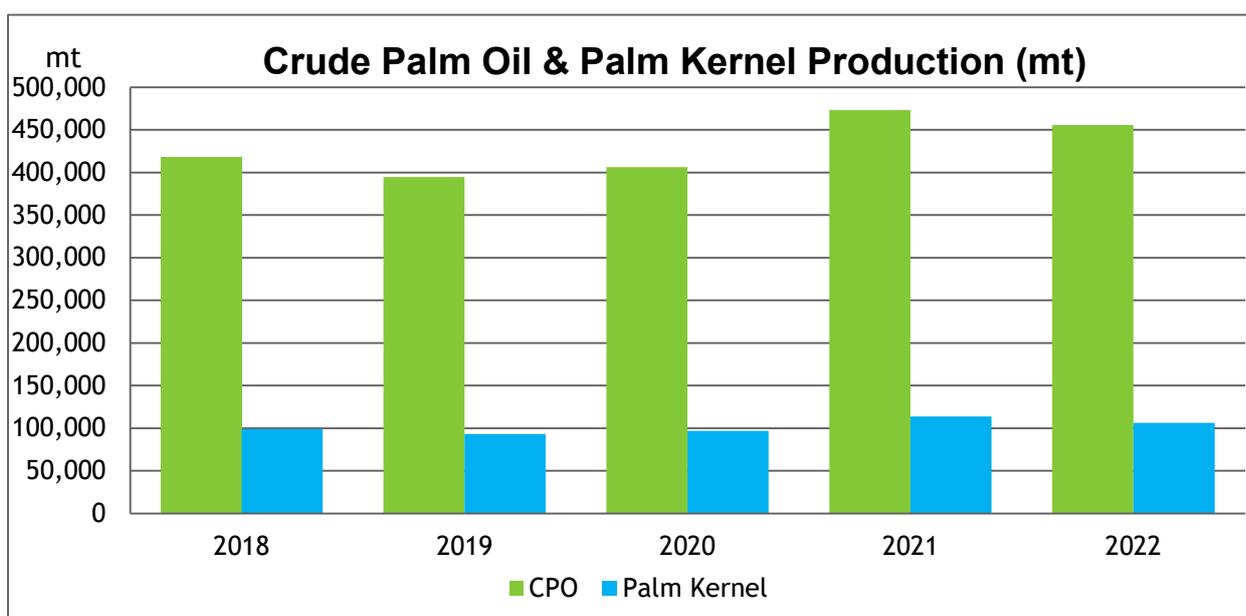
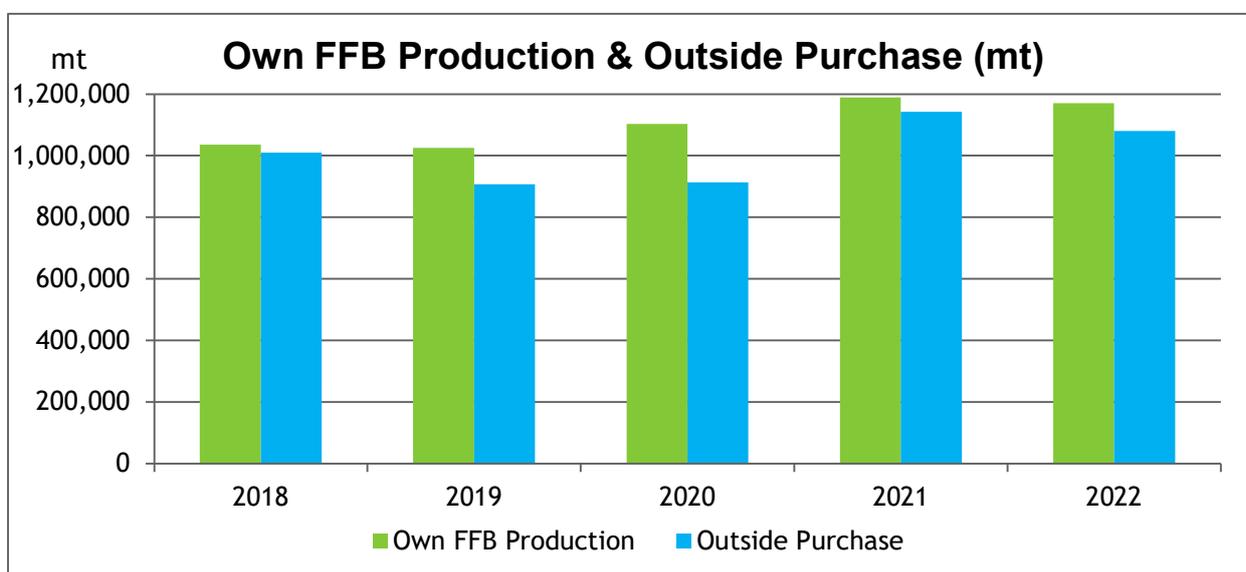
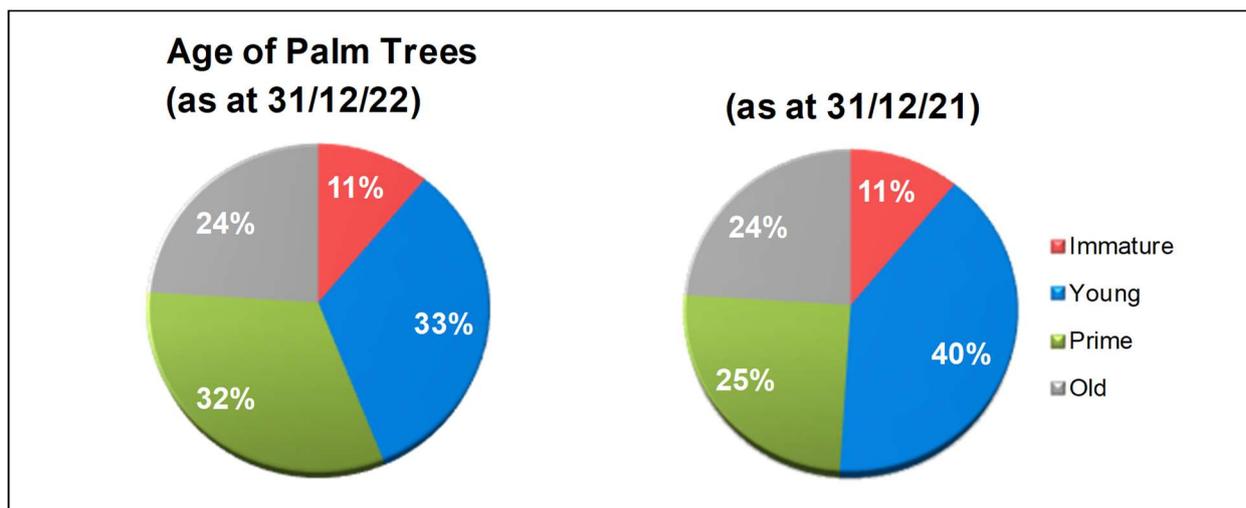


Source: Financial Times

Financial Highlights



Key Information



Shareholder Information

Market capitalisation

The market capitalisation of Anglo-Eastern Plantations Plc in the United Kingdom (“UK”) at 31 December 2022 was £317 million (2021: £285 million), the ordinary share price at the close of business on 13 April 2023 was 800 pence giving a market capitalisation of £317 million.

Website

<https://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 incorporating all Company announcements and other relevant developments, including environment, social and governance matters (“ESG”) and share price movements.

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

Investor relations

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

Dato’ John Lim Ewe Chuan
Executive Director
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
Email: datojohnlim@angloeastern.co.uk

Registrar

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

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
United Kingdom

Tel: +44 (0) 370 703 0164
Email: web.corres@computershare.co.uk

Shareholders can view and update their account details via the Computershare website, details of which can be found at <https://www-uk.computershare.com/investor/>.

Shareholder Information

Annual General Meeting

The 38th Annual General Meeting (“AGM”) of the Company will be held at the offices of UHY Hacker Young LLP, 6th floor Quadrant House, 4 Thomas More Square, London E1W 1YW on Friday, 16 June 2023 at 11 am (UK time). Notice of the meeting is set out at the end of this Annual Report on pages 154 to 157.

Submission of proxy voting

Shareholders will receive a hard copy of the proxy form for the 2023 AGM. Shareholders will also be able to vote electronically by visiting <http://www.investorcentre.co.uk/eproxy>. Login details such as Control Number and Pin can be located on the Proxy Form included with this Notice. Shareholders who have elected for electronic communication will receive their login details via email. Proxy votes must be received no later than 9.30 am (UK time) on Wednesday, 14 June 2023. To be effective, all proxy appointments must be lodged with the Company’s Registrars at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Holders receiving electronic communication and those with deemed consent can request to receive physical copies by contacting Computershare on +44 (0)370 703 0164.

Amalgamation of accounts

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

Payment of dividends

While the dividend is declared in US Dollars, shareholders can choose to receive their dividends in Pounds Sterling. In the absence of any specific instruction up to the date of closing of the register, shareholders with addresses in the UK will be deemed to have elected to receive their dividends in Pounds Sterling and those with addresses outside the UK will be deemed to have elected to receive their dividends in US Dollars.

The Pounds Sterling equivalent dividend will be paid at the exchange rate prevailing at the date of closing of the register.

Shareholders are encouraged to switch to digital dividend payments rather than payment through their nominated bank accounts or via cheque. Receiving payments via CREST will reduce the back-office resources application and meets AEP sustainability commitments to shareholders, investors and the market. The switch is easy and you can change your payment instruction by logging online through Computershare Investor Services website.

Electronic communications

Computershare Investor Services PLC offers AEP shareholders the opportunity to manage their shareholding online, through the Investor Centre.

Registration is free and can be used to manage shareholdings quickly and securely. To register for this service, please go to <https://www-uk.computershare.com/investor/> and follow the instructions.

Chairman's Statement

I was honoured to be appointed the Non-Executive Chairman by the Board of AEP on 8 July 2022, following the unexpected retirement of the then Chairman, Madam Lim Siew Kim. Sadly, Madam Lim passed away shortly after her retirement on 14 July 2022. Madam Lim was a board member for 29 years and through her leadership, as the Chairman, for the last 11 years has seen the Group grow in profitability and the business expanded to what it is today. Madam Lim's significant contributions to the Group were also acknowledged by many shareholders, whom at the time, expressed their heartfelt condolences as well as thanking Madam Lim for her leadership and AEP's achievements and success during her tenure on the Board. AEP will continue its strategy of expansion by increasing its planted areas to enhance shareholders' value, continuing the Board's strategy under Madam Lim's leadership. In addition, the Board is looking to expand AEP's business by acquiring brownfields and profitable plantations with its financial resources, as well as improving its profitability within the Group through rationalisation and divesting non performing estates and consolidation of AEP's shareholdings in its subsidiaries.

Madam Lim's family interests in AEP continues with Genton International Limited remaining a significant shareholder of AEP as well as with the appointment of Mr. Marcus Chan Jau Chwen, the son of Madam Lim, to AEP's Board as a Non-Independent Non-Executive Director. Marcus's appointment, together with all his credentials were announced to the market on 10 August 2022. Marcus's experience in financial advisory as well as business development, together with his youth and dynamism will add value to the Group.

During the year, the Board also appointed Ms. Farah Suhanah Tun Ahmad Sarji to AEP's Board as an Independent Non-Executive Director to replace me, as I was no longer deemed independent, after having served 9 years as an Independent Non-Executive Director. Farah's appointment, together with all her credentials were announced to the market on 20 October 2022. The Board continues to observe the need for diversity with the appointment of Farah who would add value to the Group, with her previous involvement in the palm oil plantation industry.

With two new appointments to the Board and its committees, the composition of the 3 committees is now as follows:

Audit Committee:

Lim Tian Huat, Chairman. (Senior Independent Non-Executive Director)
Farah Suhanah Tun Ahmad Sarji

Remuneration Committee:

Lim Tian Huat, Chairman
Farah Suhanah Tun Ahmad Sarji

Nomination and Corporate Governance Committee:

Farah Suhanah Tun Ahmad Sarji, Chairman
Lim Tian Huat
Marcus Chan Jau Chwen

Dato John Lim, the Executive Director, and I resigned from the above mentioned committees in line with the UK Corporate Governance Code.

The Group's FFB production from continuing operations in 2022 reached 1.12 million mt, 3% lower than last year of 1.15 million mt, mainly due to replanting ageing trees. Production in Bengkulu registered a decline of 12% due to replanting programme in the last two years which has reduced the matured plantings by 2,000 ha. The withholding of fertilizers for trees earmarked for replanting also contributed to a drop in yield. Normally we stop applying fertilizers two years prior to replanting. Crop production in Kalimantan was lower by 3% due to logistics problems and high incidence of abnormal fruit bunches. Public roads in Kurun township were closed for a month in the first quarter of 2022 because of extremely bad weather which affected the transportation of crops, which resulted in the temporary suspension of harvesting in KAP plantation for about a month. The public roads are still closed from time to time usually due to damages from incessant rain and overloading, especially by heavy trucks carrying coals. The lack of male flowers in SGM plantation also caused a higher incidence of abnormal bunches resulting in a lower crop yield as abnormal fruit bunches are stripped of its fruitlets before sending to the mill for processing leaving behind the empty fruit bunches ("EFB") in the field.

Chairman's Statement

FFB bought-in from surrounding smallholders and plasma was 1.08 million mt (2021: 1.14 million mt), 5% lower than 2021. Our two mills in Bengkulu experienced a significant drop of 21% in external crop purchases. The reopening of a mill of one of our previous FFB suppliers, together with competitions and transport problems caused by heavy rain, which exceeded 500 mm a month, were the main reasons for lower purchases. In addition, our Tasik mill had to prioritize internal crops for processing leading to a reduction of external crop purchases as its storage capacity for CPO reached its limit during the export ban. The mills processed a combined 2.21 million mt of FFB, 4% lower than last year of 2.31 million mt. CPO production, as a result, was 4% lower at 455,600 mt, compared to 473,200 mt in 2021.

CPO prices experienced contrasting fortune in 2022. Prices surged to record levels in the first half of the year following the outbreak of the war in Ukraine, unfavourable weather conditions in prime soybean producing countries and the export ban on CPO and refined palm oil in Indonesia. Prices weakened in the second half of the year after the export ban was lifted amidst a rise in global inventory of vegetable oil. The fear of worldwide recession also softened demand and dampened prices. A more detailed explanation is provided in the Strategic Report under Commodity Prices. The yearly average CPO price ex-Rotterdam, nevertheless, was 13% higher at \$1,369/mt, compared to \$1,211/mt in 2021.

The Group's revenue from continuing operation reached a record high of \$447.6 million, 3% higher compared to \$433.4 million achieved in 2021, despite the lower CPO production, as a result of the elevated CPO price for the first half of the year. The operating profit for the Group from continuing operations in 2022, before biological asset ("BA") movement, was higher at \$132.9 million, from \$129.3 million reported in 2021. The earnings per share, before BA movement from continuing operations, decreased by 6% to 221.86cts, from 235.25cts in 2021. The Group's operating profit after BA movement from continuing operation for 2022 was at \$127.1 million after a downward BA movement of \$5.8 million as compared to 2021 operating profit of \$133.7 million after an upward BA movement of \$4.3 million.

The Group's new planting for oil palm including plasma for 2022 totalled 952 ha compared to 1,701 ha last year. Further details are on page 25 under Corporate Social Responsibility for Plasma obligation of the Group. The new planting was mostly concentrated in the Kalimantan regions, where negotiations with owners over land compensation were concluded efficiently. Replanting of some 985 ha of oil palms in Bengkulu was accelerated during the year to replace trees with poor yield. Another 115 ha was replanted in North Sumatera. In 2023, the Group plans to plant 2,500 ha of oil palm which includes replanting of another 1,400 ha in Bengkulu and North Sumatera. Plasma planting for 2023 is estimated at 300 ha.

The Group has four biogas plants with a combined capacity of slightly above five megawatts. The Group sold 23,900 MWh of surplus electricity in 2022 compared to 20,300 MWh last year. The biogas plants help trap and burn the more toxic methane gas emission from palm oil mill effluent ("POME") to generate green electricity and produce less harmful carbon dioxide in our efforts to reduce our carbon footprint. Methane has a higher heat-trapping potential than carbon dioxide and cutting its emission can have a positive impact on reining in global warming. The revenue from the sale of surplus electricity to the national grid was \$1.16 million (2021: \$999,000). Further investment in biogas plants in Indonesia is dependent on regional demand. The Group also faces a unique situation where buyers kept reducing electricity rates as well as uptake. During the year, the Group reached a Build Own Operate Transfer ("BOOT") agreement with a third party for the construction of two BioCNG plants in North Sumatera. The BioCNG plants will draw methane from our existing biogas plants, purified and further compressed the gas for industrial use with an intention to replace the natural gas or fossil fuel for their boilers. The third party will fund the project costs estimated at \$8.3 million and will retain the right to operate the plants for fifteen years. It will also pay the mills a share of the revenue from the sale of BioCNG. The first BioCNG plant is expected to be operational in the third quarter of 2023.

During the year, AEP bought back shares in six of its subsidiaries in Indonesia for a consideration of \$5.8 million, which will enhance shareholders' value in 2023 and onwards, together with a forgiveness of loans of \$1.5 million to two minority shareholders. AEP will continue to buy back shares from its minority shareholders at a fair and competitive price as part of its consolidation of its shareholdings in the subsidiaries in Indonesia. The financial effect of a buy back going forward is to enhance earnings per share.

As mentioned in the 2021 Annual Report, AEP was in the process of selling three of its non-performing plantations in South Sumatera. Following from that, a memorandum of understanding ("MOU") was signed with a potential buyer from Indonesia in December 2022 for a period of exclusivity to conduct legal and financial due diligence. However, the

Chairman's Statement

potential buyer decided not to proceed following the completion of the due diligence. Since this transaction did not materialise, the book value of the three plantations for sale is further impaired by \$5 million. The management is currently in discussion with another interested buyer and aimed to complete the sale of the three plantations as soon as practicable.

In late 2022, the European Union ("EU") introduced a new law, the Deforestation Regulation ("EUDR") which is aimed at preventing companies from placing products including commodities linked to deforestation and forest degradation in the EU market. Companies exporting their products to EU are required to provide proof that their products are deforestation free and are legal. Palm oil producers have over the years taken steps to meet EU requirements, including stepping up their national sustainable palm-oil certification standards and improving environmental protection. The latest EUDR, in addition to an EU renewable-energy directives announced in 2018, requires the phasing out of palm-based transportation fuels by 2030 does not bode well for the future of palm oil in EU, the third largest market for CPO. A stricter due diligence process will also add to the administrative burden and higher production costs.

AEP remains committed to No Deforestation, No Peatland, No Exploitation ("NDPE") policies. All supplies of FFB to our mills are traceable to their origins of supply chains and are not linked to illegal deforestation. We are aware of growing pressure from buyers to avoid CPO with NDPE and High Conservation Values ("HCV") issues.

In determining the amount of dividends to be paid to our shareholders, the Board has taken a balanced approach to the requirement of funds in the Company in order to expand through the acquisitions of brownfields, profitable plantations as well as consolidating its shareholdings in the subsidiaries in Indonesia to enhance shareholders' value but at the same time cognisant of shareholders' wishes to have dividends as a form of income. It is also a relief that the uncertainty caused by the Covid-19 pandemic is over and we are back to normalcy, other than the ongoing war in Ukraine, and therefore the Board's sentiments on added prudence and contingency in the past can be less stringent. In the light of the results achieved in the year, the Board has declared a final dividend of 25.0cts per share, in line with our reporting currency, in respect of the year to 31 December 2022 (2021: 5.0cts). In the absence of any specific instructions up to the date of closing of the register on 2 June 2023, shareholders with addresses in the UK will be deemed to have elected to receive their dividends in Pounds Sterling and those with addresses outside of UK will be deemed to have elected to receive their dividends in US Dollars. Subject to the approval by shareholders at the AGM, the final dividend will be paid on 7 July 2023 to those shareholders on the register on 2 June 2023.

The Board has also been receiving increasing requests from shareholders to buy back AEP's shares with the cash balance. The Board has in the past been reticent on share buy backs because of the lack of evidence that a buy back directly results in an increased share price, especially with the lack of liquidity of the Company's share and buy backs could cause the shares to be more illiquid. Nevertheless, the Board has taken on board shareholders' sentiments and will consider launching a modest buy back programme in a timely manner and at an efficient price. Further details will be communicated to shareholders in due course. The last time AEP bought back its shares was in 2007 with a purchase of 50,000 shares at £3.86 per share.

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

Mr. Jonathan Law Ngee Song
Chairman

21 April 2023

Strategic Report

Introduction

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

Business Model

The Group will continue to focus on its strength and expertise, which is planting more oil palms sustainably and production of CPO. This includes replanting low-yielding aging palms, replacing old rubber trees with palm trees and building more mills to process the FFB. The Group has, over the years, created value to shareholders through expansion in a responsible manner.

The Group remains committed to use its available resources to develop the land bank in Indonesia, together with acquisition of profitable plantations at strategic locations, as regulatory constraints permit. The Indonesian government has, in recent years, passed laws to prioritise domestic investments and to limit foreign direct investments over national interest, including a limit of 20,000 ha per province and a national total of 100,000 ha on the licensed development of oil palms for companies that are not listed in Indonesia or with less than a majority local ownership.

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

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

Our Strategy

One of the Group's objectives is to provide an appropriate level of return to the investors and to enhance shareholder value. Profitability, to a large extent, correlated to the CPO price, which is volatile and determined by supply and demand as well as the weather. The Group believes in the long-term viability of palm oil as it can be produced more economically than other competing oils and remains the most productive source of vegetable oil in a growing population. Soybean crops would require up to ten times as much land to produce an equivalent weight of palm oil. It has been reported that one hectare of land can produce up to 4 mt of CPO, much higher than rapeseed of 0.7 mt, sunflowers of 0.6 mt or even soybeans of 0.4 mt. In this regard, palm oil is far more sustainable than other edible vegetable oils.

The Group's strategies, therefore, focus on maximising yield per hectare above 22 mt/ha, minimum mill production efficiency of 110%, minimising production costs below \$300/mt and streamlining estate management. For the year under review, the overall Indonesian operations achieved an FFB yield of 19.3 mt/ha, 136% mill efficiency and production cost of \$349/mt. This compared unfavourably to 2021 where the Group achieved a yield of 19.8 mt/ha, 155% mill efficiency and a lower production cost of \$296/mt. The drop in mill efficiency was due to the increase in milling capacity from 310 mt/hr to 340 mt/hr. Despite stiff competition for external crops from surrounding millers, the Group is committed to purchasing more external crops from third parties at competitive, yet fair prices, to maximise the production efficiency of the mills. With higher throughput, the mills would achieve economies of scale in production. A mill is deemed to achieve 100% mill efficiency when it operates 16 hours a day for 300 days per annum.

In line with the commitment to reduce its carbon footprint, the Group plans to construct, in stages, biogas and/or BioCNG plants at all its mills. The biogas plants will trap the methane gas emitted from the treatment of palm mill effluents to generate electricity to power its boilers which in turn reduces the consumption of fossil fuel while BioCNG will produce compressed, purified biogas. The mills plan to sell the surplus electricity. With more industrial use of BioCNG, the consumption of fossil fuel is expected to reduce and progressively reduce the greenhouse gas emissions per metric ton of CPO produced in the next few years. It is commonly accepted that failure to address growing calls to reduce greenhouse gas emissions could threaten the long-term social acceptability and profitability of a palm oil company. The Group has also set metrics and targets to lower greenhouse gas emissions over time as detailed in the Decarbonisation modelling and high-level target setting.

Strategic Report

The Group will continue to engage and offer competitive and fair compensation to the villagers so that land can be cleared and be planted.

Non-financial reporting statement

The Group has complied with the requirements of Section 414CB of the Companies Act 2006 by providing a wide range of non-financial information about employees, environmental and social matters in the table below and in our website:

Non-financial matter	Policies and standards which govern our approach	Page
Business model	Business model and strategy	12 to 13
	Principal risks and uncertainties	31 to 36
Environmental matters	Principal risks and uncertainties: Country, regulatory and governance practices	32 to 33
	Principal risks and uncertainties: Weather and Environmental and conservation practices	36
	Indonesian Sustainable Palm Oil	26 to 27
	Environmental, Social and Governance practices	27 to 31
	Management of Climate Risks	37 to 50
	Decarbonisation modelling and high level target setting	51
	Carbon Reporting	50 to 54
	Corporate Governance: Environmental and corporate responsibility	75 to 76
	Other responsible agricultural practices and sustainable policies can be found on our website	
Employees and Health & Safety	Employees: Employment policies	56 to 57
	Directors' Remuneration Report: Employees engagement	82 to 83
	Workers are protected from exposure to occupational health and safety hazards that are likely to pose immediate risk of permanent injury, illness or fatality. Proper signages are in place at relevant spots to alert employees of safety. Workshops and training sessions on occupational safety and health care are regularly conducted.	
Social matters	Principal risks and uncertainties: Covid-19 and other contagious diseases AEP has established clear policies and strict protocols for the control and prevention of the spread of Covid-19 and other contagious diseases within the workplace environment. There are requirements for mask wearing, social distancing and sanitising of the workplace regularly. AEP also privately funded vaccination programme within its plantations and employees are required to be compulsorily vaccinated. AEP also has strict procedures on testing at work and self isolation of its employees when necessary, together with home support for the affected ones to ensure full recovery before they resumed work.	35
Respect for human rights	AEP has clear policies of no exploitation of its employees, including complying with paying minimum wage. It does not practise child or forced labour in line with the Modern Slavery Statement referred to on its website. In addition, a whistle blowing policy is in place to allow any employee to raise concerns about unethical, illegal or questionable practices, in full confidence, without the risk of reprisal.	56 to 57
Anti-corruption and anti-bribery matters	Anti-corruption and anti-bribery policies and procedures are explained in the Directors' Report.	64

Financial Review

Performance of the business during the year

For the year ended 31 December 2022, the revenue for the Group from continuing operation was \$447.6 million, 3% higher than \$433.4 million reported in 2021 due primarily to the higher CPO prices.

The Group's operating profit from continuing operation for 2022, before biological asset movement, was \$132.9 million, 3% higher than last year of \$129.3 million. The higher operating profit was due to higher CPO prices which also absorbed the higher operational costs. Transport and fertilizers costs in particular rose sharply during the year.

FFB production for continuing operations for 2022 reached 1.12 million mt, 3% lower than the 1.15 million mt produced in 2021. The yield for continuing operations from Indonesian plantations was lower at 20.6 mt/ha (2021: 21.1 mt/ha) due to lower production in Bengkulu and Kalimantan plantations. The reasons for the lower production were explained on page 9 of the Chairman's Statement.

Strategic Report

FFB bought-in from local smallholders and plasma in 2022 was 1.08 million mt (2021: 1.14 million mt), 5% lower compared to 2021. The reasons for reduction in external crops purchases were explained on page 10 of the Chairman's Statement. During the year, the Group's mills processed a combined 2.21 million mt of FFB, 4% lower than last year of 2.31 million mt. CPO production, as a result, was 4% lower at 455,600 mt, compared to 473,200 mt in 2021. Kernel production at 106,200 mt was 7% lower compared to 114,000 mt in 2021.

Profit before tax and after BA movement from continuing operation for the Group was \$132.9 million, 3% lower compared to a profit of \$137.1 million in 2021. The BA movement was a debit of \$5.8 million, compared to a credit of \$4.3 million in 2021. The debit BA movement was mainly due to the lower FFB price at 31 December 2022. The profit before tax included an impairment charge on plantations and impairment of land amounting to \$0.6 million compared to a reversal of impairment charge on plantations and impairment of land amounting to \$5.0 million in 2021. Net finance income recognised in the income statement increased from \$3.2 million in 2021 to \$4.9 million in 2022 due to higher deposits income, without interest expense. The tax expense increased from \$25.7 million in 2021 to \$31.5 million in 2022, notwithstanding the slightly lower profit, because of the utilisation of available losses in a few subsidiaries in Indonesia in 2021.

The total loss on the discontinued operations was \$5.8 million (2021: \$28.4 million), made up of operating loss of \$0.8 million (2021: \$6.7 million). Based on the terms of the potential sale as mentioned in the Chairman's Statement, there was further write down of \$5.0 million of the three plantations in South Sumatera in 2022 over and above of the write down of the three plantations' assets net of liabilities of \$21.8 million in 2021. The loss from the discontinued operations was also impacted by the marginal changes in expected credit loss from Plasma receivables in 2022 (2021: \$1.2 million) attributed to the lower amounts allocated for plasma development during the year.

The average CPO price ex-Rotterdam for 2022 was \$1,369/mt, 13% higher than 2021 of \$1,211/mt. The ex-mill price for 2022 averaged \$845/mt, 9% higher than last year of \$776/mt.

Earnings per share before BA movement from continuing operations decreased by 6% to 221.86cts compared to 235.25cts in 2021. Earnings per share after BA movement from continuing operations decreased from 242.34cts to 212.34cts. Earnings per share have decreased mainly due to the decrease in profit after tax.

There was a loss of exchange in translation of foreign operations, recognised in other comprehensive income, totalling \$55.0 million for 2022 against an exchange loss of \$5.4 million in the previous year due to the weakening of the Indonesian rupiah at the year end. The retirement benefits due to the employees at 31 December 2022, as calculated by a third party actuary, decreased to \$10.9 million from \$11.5 million last year due to the impact from the weakening of the Indonesia rupiah and change in attribution method.

Position of the business at the end of the year

The Group's statement of financial position remains strong, with a cash and cash equivalents balance including short-term investments (see Note v) of \$277.0 million and no external borrowing at the end of 2022. All material changes in statement of financial position and cash flows are listed in the following table:

	Note	31.12.2022 \$000	31.12.2021 \$000
Property, plant and equipment	i	252,414	260,532
Deferred tax assets	ii	1,832	4,324
Income tax liabilities	iii	(10,230)	(13,139)
Cash and cash equivalents	v, vi, vii	221,476	218,249
Short-term investments	v,vi, vii	55,566	1,439
Assets in disposal groups classified as held for sale	iv	9,000	13,210
Net cash generated from operating activities	v	120,511	131,346
Purchase of property, plant and equipment	vi	(34,026)	(26,374)
Net cash used in financing activities	vii	(9,523)	(1,028)

Strategic Report

- i. The reduction in property, plant and equipment from \$260.5 million in 2021 to \$252.4 million was due to the loss in exchange in the translation of foreign operations.
- ii. The movement in deferred tax assets was due to the utilisation of some of the losses against taxable profits during the year.
- iii. The income tax liabilities are lower principally as a result of higher tax payment in 2022. A detailed explanation of income tax, including other taxes, is provided in note 8.
- iv. The assets in disposal groups classified as held for sale was lower due to a further write down of \$5.0 million in 2022.
- v. As at 31 December 2022, the Group had cash and cash equivalents of \$221.5 million (2021: \$218.2 million) and short-term investments known as fixed deposits of \$55.6 million (2021: \$1.4 million). The cash position, including fixed deposits, was higher in 2022 principally due to profits during the year and also to a recovery of \$29.4 million from the Indonesian tax authorities for over payment of VAT. The net cash inflow from operating activities during the year was lower at \$120.5 million by 8% compared to \$131.3 million in 2021 mainly due to higher tax paid.
- vi. The development costs for property, plant and equipment (“PPE”) was higher in 2022 amounting to \$34.0 million (2021: \$26.4 million) due to higher capital expenditure and construction costs.
- vii. The net cash used in financing activities during the year was higher at \$9.5 million compared to \$1.0 million in 2021 due to the acquisition of non-controlling interests during the year and higher dividend paid.

Viability Statement

The viability assessment considers solvency and liquidity over a longer period than for the purposes of the going concern assessment made on page 16. Inevitably, the degree of certainty reduces over a longer period.

The Group’s business activities, financial performance, corporate development and principal risks associated with the local operating environment are covered under the various sections of this strategic report. In undertaking the review of the Group’s performance in 2022, the Board considered the prospects of the Company, focusing on the strategy for growth via the expansion of its planted area in tandem with forecasting demand for CPO, over one to five-year periods. The process involved a detailed review of the 2023 detailed budget and the five-year income and cash flow projection. The one-year budget has a greater level of certainty and is used to set detailed budgetary targets at all levels across the Group. It is also used by the Remuneration Committee to set targets for the annual incentive. The five-year income and cash flow projection contains less certainty of the outcome but provides a robust planning tool against which strategic decisions can be made. The Board believes that to project beyond five years has more elements of uncertainties and therefore less reliable for making informed decisions.

The Board also considered the five-year cash flow projection under various severe but plausible scenarios, including the financial impact on the Group due to partial or total shutdown of its operations and the contraction of demand for palm oil resulting from the Coronavirus pandemic or any other contagious diseases, as outlined in the Strategic Report under Going Concern, and the need to support if any financially loss-making newly matured estates, together with the projected capital expenditure. The Group also factored in the impact of the price increase of materials and fertilisers primarily as a result of the conflict in Ukraine. In arriving at the conclusion that the Group has adequate resources to continue in operation and meet its liabilities in the next five years, the Board has assumed a worst case scenario of CPO price at its lowest average of \$500/mt and that demand for CPO dropped by 50%. The Board has also factored in that half of the total plantations could be shut down for six months due to infectious disease such as Covid-19. The assumptions applied are linked to risk of CPO price fluctuation, risk of a substitute for oil palm and a pandemic from an infectious disease. On this basis and other matters considered and reviewed by the Board during the year, the Board has a reasonable expectation that the Group has adequate resources to continue in operation and meet its liabilities over the five years from 2023 to 2027.

Strategic Report

Going Concern

The Directors have carried out stress tests, factoring in the identified uncertainties and risks such as commodity prices and demands post pandemic, together with the current economic issues of high inflation, rising interest rates and cost of living crisis, to ensure that the Group has adequate resources in a worst-case scenario to remain as a going concern for at least twelve months from the date of this report.

The Directors have a reasonable expectation, having made the appropriate enquiries, that the Group has sufficient cash resources to cover the Group's operating expenses for a period of at least twelve months from the date of approval of these financial statements. For these reasons, the Directors adopted a going concern basis in the preparation of the financial statements. The Directors have made this assessment after consideration of the Group's budgeted cash flows and related assumptions including appropriate stress testing of identified uncertainties, specifically on the potential shut down of the entire operations from three to twelve months if all the plantations are infected with an infectious disease as well as the impact on the demand for palm oil with decreases of 50% to 100%. Stress testing of other identified uncertainties and risks such as commodity prices and currency exchange rates were also undertaken.

Business Review

Indonesia

The performance of the Indonesian operations was divided into six geographical regions.

North Sumatera

FFB production in North Sumatera, which aggregates the estates of Tasik, Anak Tasik, Labuhan Bilik ("HPP"), Blankahan, Rambung, Sg Musam and Cahaya Pelita ("CPA") produced 423,900 mt in 2022 about 6% above last year (2021: 400,800 mt). The higher yield in newly matured estates in Tasik and the increase in matured areas to 18,465 ha from 18,047 ha contributed to the higher production. All plantations in North Sumatera performed better in 2022 except for Musam and HPP where harvest was down by 11% and 5% respectively. The withdrawal of fertilizers for areas meant for replanting has resulted in a lower yield in Musam while 10% of the trees in HPP were infected with *Ganoderma* which has affected the output of fruits. Notwithstanding the lower yield in Musam and HPP, the annual yield in North Sumatera improved to 22.8 mt/ha from the previous year of 22.2 mt/ha. 115 ha was replanted in Musam in 2022. Replanting in Blankahan is temporary deferred as the yield had been consistently high in the past years averaging 26 mt/ha due to good soil condition.

In 2022, the two mills in North Sumatera produced 148,100 mt of CPO (2021:136,900 mt) from a throughput of 738,400 mt (2021: 698,800 mt). The Blankahan mill showed some improvement by processing 24% more FFB in 2022 at 244,500 mt (2021: 196,900 mt) due to higher external crop purchases, raising the mill utilization to 127% from 103% in the previous year. OER, however, was low at 18.9% (2021: 18.8%) possibly due to the dura contamination from external crops that made almost 70% of the total crops processed. Dura crops with thinner mesocarp normally have an oil content of 18% or lower. The Tasik mill processed marginally lower crops at 493,900 mt (2021: 501,900 mt) as it prioritized its own crop for processing during the export ban as the storage tanks reached their maximum storage capacity. External crop purchases as a result dropped to 144,700 mt from 177,600 mt in the previous year, reducing mill utilization from 174% in 2021 to 171% in 2022. OER for the Tasik mill improved to 20.6% (2021: 19.9%) as it processed higher percentage of internal crop.

The two biogas plants in North Sumatera did not perform up to their potential in 2022, due to the lack of demand and the reduction in selling price to the National Grid by 9%. The Blankahan plant sold about 6,500 MWh (2021: 1,900 MWh) of surplus electricity and generated \$354,100 (2021: \$114,100) in revenue. The Group has explored other opportunities for this plant and has recently commissioned a BioCNG project as explained in greater detail on page 10 of the Chairman's Statement.

The sales from the biomass plant were lower in 2022 at \$23,500 compared to \$335,800 last year, with exports of 460 mt of dried long fibres compared to 4,710 mt last year. The average selling price had fallen by 25% due to the significant drop in demand caused by the zero covid policy in China resulting in disruption in productions and logistics. In view of the poor demand, the Group decided to cease its biomass production from the second quarter of 2022 as it was no longer profitable to produce the fibres from EFB.

Strategic Report

Bengkulu

FFB production in Bengkulu, which aggregates the estates of Puding Mas (“MPM”) and Alno produced 269,500 mt (2021: 307,400 mt), 12% lower than 2021 mainly due to the reduction of matured palms as a result of replanting. Rainfall was 3,600 mm in 2022 (2021: 3,500 mm) and was particularly heavy in the last quarter of the year causing transportation problems and interrupting harvesting activities culminating to a lower yield at 18.1 mt/ha from 19.6 mt/ha last year.

MPM and Sumindo mills processed a combined 668,500 mt (2021: 807,000 mt) of FFB in 2022, 17% lower than 2021 due to lower internal crop production as well as lower external crop purchases. External crop purchases decreased by 21% to 365,500 mt from 464,800 mt last year decreasing the mill utilization to 116% from 160% in the prior year. The significant drop in utilization rate was due to the increase of milling capacity of the Sumindo mill from 45 mt/hr to 60 mt/hr. CPO production for the year was 17% lower at 136,000 mt (2021: 164,300 mt) with OER for the two mills averaging 20.3% compared to 20.4% last year. External crops made up 55% of the throughput compared to 58% in 2021. The remaining processed crop was purchased from other group companies.

985 ha palms were replanted in 2022 with new generation planting materials. Although the trees in Bengkulu averaged 17 to 18 years of age, 5,500 ha of palms would need to be replanted from 2023 to 2026 due to the poor yield from Dura palms which formed a significant portion of the planted areas. Fruits from dura palms have thin mesocarp which ultimately produce less oil.

The MPM biogas plant sold over 10,500 MWh (2021: 10,300 MWh) of surplus electricity, 2% higher and generated \$474,700 in revenue (2021: \$484,900). The lower revenue was due to a weaker Indonesian Rupiah when translated into dollar. The biogas plant was down for almost a month as a severe storm in the second quarter of 2022 ripped off the membrane of the lagoon digester and technicians were unavailable to repair the membrane due to the long festive holidays.

Riau

FFB production in the Riau region, comprising Bina Pitri estates, produced 135,000 mt in 2022 (2021: 139,600 mt), 3% lower than 2021. Rainfall was lower at 2,480 mm (2021: 2,620 mm) and was below 150 mm per month for three months. The yield for the year was slightly lower at 28.0 mt/ha from last year of 28.7 mt/ha. Although 79% of the palms are between the ages of 25 to 28 years, the planned replanting program for 2,800 ha is temporarily deferred due to their high yield.

Although the mill external crop purchase was higher by 1% at 268,000 mt compared to 266,600 mt last year, the mill utilization rate decreased slightly to 140% from 141% last year due to the lower internal crop production. Overall, the CPO production was marginally lower at 77,200 mt compared to 77,500 mt in 2021. Despite the high yield, the region is contaminated by dura palms which made up 66% of the crops processed by the mill. The mill therefore had a low OER of 19.2% similarly low of 19.1% in the previous year.

Bangka

FFB production in the Bangka region, comprising Bangka Malindo Lestari estates, produced 12,900 mt in 2022 (2021: 11,100 mt), 16% higher than 2021. The higher crop was due to a larger harvestable area and more palms having reached peak maturity. Rainfall averaged 1,835 mm in the year with 5 months where rainfall was below 150 mm per month compared to 2,370 mm previous year. The yield as a result declined slightly from 13.4 mt/ha to 12.1 mt/ha in 2022. With new planting in 2022 totalling 63 ha (2021: 160 ha), the total planting including plasma in Bangka reached 3,099 ha (2021: 3,036 ha).

Kalimantan

FFB production in Kalimantan which comprises the Sawit Graha Manunggal (“SGM”) and Kahayan Agro Plantation (“KAP”) estates was 273,800 mt in 2022 (2021: 281,500 mt), 3% lower than 2021. During the year, 638 ha of palms matured in SGM and KAP leading to its first harvest. Production in Kalimantan was lower due to logistics problems and high incidence of abnormal fruit bunches as mentioned on page 9 of the Chairman’s Statement. The abnormal fruit bunches were caused by lack of male flowers and as a solution the estate has started breeding and releasing weevils to help with the pollination. As explained on the Chairman’s Statement, abnormal fruit bunches were stripped of its fruitlets leaving behind the EFB in the fields resulting in a lower reported harvest. The yield in Kalimantan declined

Strategic Report



Terracing for replanting of oil palms at Musam

to 18.4 mt/ha from 19.8 mt/ha last year. Wetter-than normal weather prevailed in KAP at 4,794 mm (2021: 4,490 mm) while rainfall in SGM was also higher at 2,438 mm (2021: 2,320 mm).

New planting in SGM and KAP is expected to reach 800 ha next year. The long-term prospect for Kalimantan remains bright.

The purchase of external and plasma crops in SGM reached 132,200 mt in 2022 which was higher by 17% compared to 112,800 mt last year. The total external and plasma crop at the SGM mill made up 33% of the total crops processed from 29% last year. With the throughput at the mill reaching 402,400 mt (2021: 393,300 mt), the mill utilization rate decreased to 140% from 182% last year, producing 94,300 mt of CPO, slightly lower than 2021 of 94,500 mt. The decrease in utilization rate was due to the increase of milling capacity from 45 mt/hr to 60 mt/hr. OER for the mill averaged 23.4% for the year compared to 24.0% last year and continues to outperform the rest of the mills in the Group.



Breeding of weevil in SGM

The SGM biogas plant generated 15% less electricity in 2022 at over 6,900 MWh (2021: 8,100 MWh) worth \$331,000 (2021: \$399,900). The lower power generation was due to the shutdown of the gas engine in the second quarter of 2022 for a major overhaul after 20,000 hours of operation. A delay in procuring of spare impeller for the turbocharger further delayed the completion for over a month. As in the case of Blankahan biogas plant, the National Grid reduced the rate marginally for electricity purchased from the end of first quarter of 2022.

South Sumatera - discontinued operations

FFB production in South Sumatera, which aggregates the estates of Karya Kencana (“KKST”), Empat Lawang (“ELAP”) and Riau Agrindo (“RAA”) produced 46,300 mt (2021: 37,200 mt), 24% higher than 2021. Better rainfall and more matured palms contributed to a higher harvest. Low annual moisture remains a real threat in this region which retards growth as the plantations are located behind a mountain range sheltered from the Indian Ocean. Annual rainfall in North ELAP increased to 1,399 mm (2021: 1,095 mm). The higher yield of 7.6 mt/ha (2021: 6.5 mt/ha) in South Sumatera reflected improved conditions but still below the commercially viable benchmark.

Strategic Report



Steel culvert replaced to improve drainage

With higher CPO prices, more FFB thefts were reported in 2022 as the region faced high unemployment during the pandemic. The management has stepped-up security patrols to combat thefts and transgression in the plantations in South Sumatera.

With the continuing problems of rainfall, sub-optimal terrains, security and non productive dialogues with the local villages, the Board arrived at a decision to discontinue its operations in South Sumatera in 2021 and has put the three plantations for sale in the open market as a going concern. The Board has arrived at its decision as a result of the low crop yield which is unlikely to improve and the continuing losses incurred in the region, notwithstanding the significant investments and efforts over the years. The progress of the sale is covered on page 10 to 11 of the Chairman Statement.

Overall bought-in crops for the Indonesian operations, including plasma, were 5% lower at 1.08 million mt in 2022 (2021: 1.14 million mt). The average OER for our mills was marginally higher at 20.6% in 2022 (2021: 20.5%).

Malaysia

FFB production in 2022 was 23% lower at 9,300 mt, compared to 12,000 mt in 2021. The plantation continued to experience a substantial shortage of workers which hampered not only field maintenance and application of fertilisers but harvesting, resulting in crop losses. Although the international borders reopened in April 2022, attrition of workers continued until the last quarter of the year. Recruitment for new workers was bogged down by bureaucracy in some government departments. New workers are expected to arrive in the first quarter of next year. In addition, the under application of fertilisers at 13% of the recommended dosage resulted in undernourished plants and poor yield. The palms, with an average age of 25 years, faced declining yield and stems per hectare. The poor yield was also due to the damage caused by wild elephants. The Malaysian plantation generated a profit before tax after BA movement of \$0.3 million in 2022, compared to a profit before tax after BA movement of \$0.4 million in 2021.

The financial performance of the various regions is reported in note 6 on segmental information.

Strategic Report

Commodity Prices

2022 was a year of two halves for CPO prices, with record prices in the first half of the year followed by much lower prices for the second half. The price trend was the complete opposite in 2021.



The CPO price ex-Rotterdam started the year strongly at \$1,350/mt (2021: \$1,014/mt) and gradually trended upwards to peak in March 2022 at \$2,000/mt before dropping to a low of \$930/mt in early October 2022. It recovered slightly to end the year at \$1,020/mt. Ex-Rotterdam price averaged \$1,369/mt for the year, 13% higher than last year (2021: \$1,211/mt). Our average ex-mill price for 2022, which is lower than ex-Rotterdam price with the attributed logistic costs, was at \$845/mt, 9% higher than last year of \$776/mt.

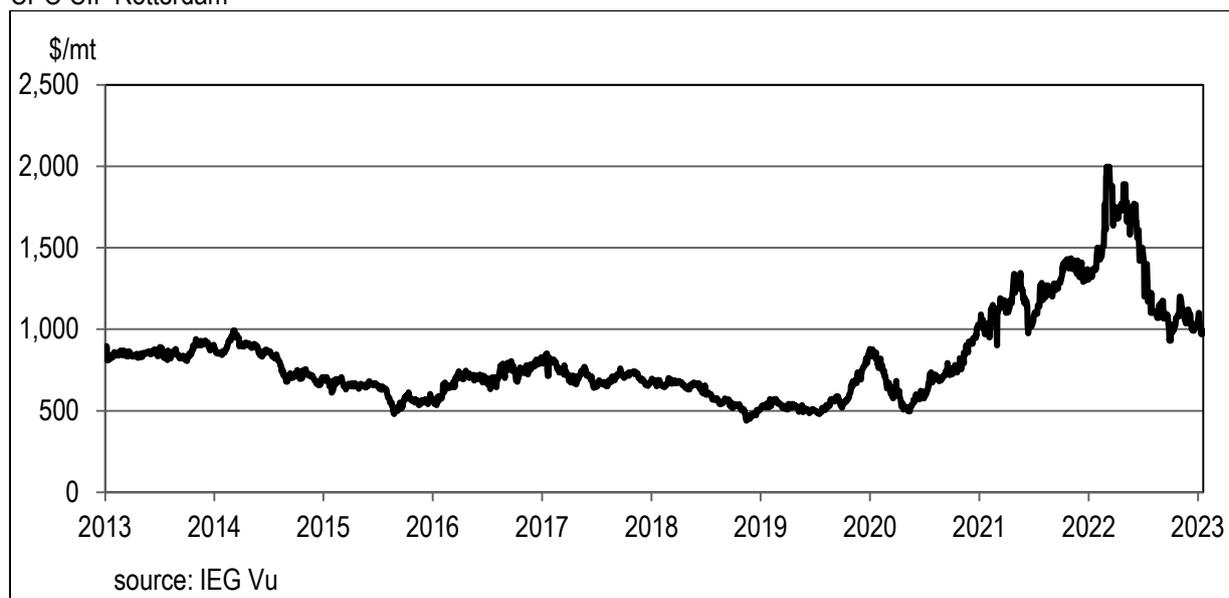
The rally in the first three months of 2022 was partly due to the unfavourable weather conditions in prime soybean-producing countries which adversely affected the supply of soybean oil, of which CPO is the closest substitute. The war in Ukraine contributed significantly to the increase in CPO prices as it disrupted the global supply of edible oil. Russia and Ukraine produced the majority of the world's sunflower oil, which made up about 9% of all vegetable oil consumed globally. Indonesia, the world largest producer of CPO, imposed an export ban on CPO and refined palm oil from 28 April 2022 to 22 May 2022, in its effort to bring down the prices of its domestic cooking oil, added more volatility to CPO prices.

CPO prices started to weaken after Indonesia reversed its export ban in May 2022. The Indonesian government reduced export tax and waived levies for several months in its effort to flush out and reduce its stockpile of palm oil following the lifting of the export ban also sent prices even lower. The movement in CPO prices are greatly influenced by Indonesian government export policy. The higher CPO production in the third quarter of 2022 led to a higher oil inventories and with the declining soybean oil prices further depressed CPO prices. The fear of worldwide recession caused by inflationary pressure arising from higher commodity prices also dampened demand for CPO in the second half of the year. The softening of demand from China, as a result of Beijing's zero-Covid policy to stop the spread of virus, weighed in on the commodity prices. China is the second largest buyer of CPO after India. Supply worries due to heavy rain and floods, disrupting harvest and transport of crops in both Indonesia and Malaysia during the year end monsoon season, pushed CPO price to close the year on a positive note.

Over a period of ten years, CPO price has touched a monthly average low of \$472/mt in November 2018 and a monthly average high of \$1,857/mt in March 2022. The monthly average price over the ten years was about \$816/mt.

Strategic Report

CPO CIF Rotterdam



Rubber prices averaged \$1,431/mt for 2022 (2021: \$1,637/mt). Our small area of 262 ha of mature rubber contributed a revenue of \$0.6 million in 2022 (2021: \$0.7 million). Rubber continues to struggle with low prices. Lower tappable trees due to wind damage and dry bark were the main reasons for the low rubber production.

Corporate Development

In 2022, the Group opened up new land and planted 952 ha (2021: 1,701 ha) of oil palm mainly in Kalimantan and South Sumatera, boosting planted area including the smallholder cooperative scheme, known as Plasma, by 1% to 76,095 ha (2021: 75,204 ha). Another 1,100 ha was replanted in Bengkulu and North Sumatera. In 2023, the Group plans to plant 2,500 ha of oil palm which includes replanting of 1,400 ha in North Sumatera and Bengkulu. Opening of new land for planting can be cumbersome and requires written approval from local authorities, submission of environment impact assessments and meetings with local communities. All new plantings are carried out following the HCSA guidelines and are verified by accredited consultants.

Old quarters for workers throughout the plantations were progressively modernised in 2022 at a cost of \$143,000. Another \$1.7 million is budgeted for 2023 for renovations and refurbishments to provide better comfort for workers. The management has also initiated talks with the relevant authorities to speed up electrification of two remote locations in Bengkulu and Kalimantan where our plantations are located. The number of users in these locations may, however, be small and may not justify the high cost of laying transmission lines. As an alternative solution, the management is looking at the cost of installing solar panels to provide electricity during the day when the generator sets are off to ensure continuous electricity supply and to ensure comfort of our employees and families. Some \$300,000 has been set aside for this purpose.

The construction of the seventh mill in HPP, North Sumatera has been delayed by frequent lockdowns caused by the pandemic, affecting the deployment of manpower at the construction site, as well as fabrication of equipment. Unusual heavy rain in fourth quarter caused flooding and soft soil condition delaying mobilization of heavy machineries for the construction of effluent treatment tanks. Construction work in exposed areas were stopped frequently to ensure safety of workers during the periods of heavy rainfall. Cost of construction has spiralled to about \$23 million as the mill, located on peat area has to be built according to strict specifications laid out by environmental laws in Indonesia. The conventional anaerobic lagoon constructed from earth is not permitted on peat land due to possible seepage of effluent and contamination of ground water. A purpose-built treatment plant is required to treat the effluent from the mill to a quality specified for discharge to the water course 7.5km away. The effluent plant also includes two 4,000 mt anaerobic digesters and two 1,200 mt aeration tanks. A decanter for solid removal and oil recovery was also added to reduce the number of tanks required which in turn reduced the high cost of concrete piles for its foundation. Steel, cement, transport and equipment costs have increased substantially driving up the project costs. The project is earmarked for completion by the first half of 2023.

Strategic Report



New dump trucks

Our feasibility study concluded that it is more profitable to build a mill in KAP in Kalimantan to support its operation due to high logistic costs. KAP is currently transporting the FFB some 600km to SGM mill or, when this becomes too arduous during the monsoon season, the fruits are sold locally to third parties. The Group plans to build a 45 mt/hr mill with two storage tanks of 4,000 mt each with minimum spare machineries at an estimated cost of \$13 million. Due to the hilly terrain and steep ravines, the choice for a mill site is limited. After careful consideration, a potential site had been selected. The soil investigation was completed and the Environmental Impact Assessment (“EIA”) is now in progress which is likely to be completed in the second quarter of 2023. The earthworks will commence after EIA approval.

To improve transport of FFB in our plantations and help deliver the FFB to the mills, the Group purchased 54 units of dump trucks costing \$1,816,000 in 2022. In 2023 we have budgeted another \$741,000. This is necessary amidst rising logistic cost as independent transport companies especially in Kalimantan cannot supply adequate trucks to transport our harvest as many trucks are diverted to carry coal which pay better transport rates. In addition, the Group spent \$699,000 to improve the field roads and connectivity between estates and mills by building new bridges. The Group has budgeted to spend a further \$4.7 million in 2023 to improve and maintain our roads for better connectivity.

Two old and worn-out vertical sterilisers/pressure vessels in Bina Pitri mill are in stages of replacement from the third quarter of 2022 and will be completed in the first half of 2023 at a cost of \$370,000. An additional two more units are scheduled for replacement before the end of next year for the same cost. A similar undertaking will also be conducted in Sumindo mill costing \$280,000 to replace the thinning of sterilizers shell. An additional bulking silo for storing kernel with a capacity of 400 mt will be built at the Bina mill at a cost of \$140,000.

The fabrication and installation of an additional 45,000 kg/hour steam boiler in the SGM mill costing \$980,000 was completed in the third quarter of 2022. This second boiler is required to back-up the mill operation to avoid any disruption as the mill enters its seventh year of operation. The mill is projected to process up to 400,000 mt of FFB in 2023. Two additional units of vertical sterilizers, complete with FFB feeding and discharge conveyors, will be constructed in 2023 at an estimated cost of \$650,000 to cope with the increase throughput of crops. An additional oil storage tank with a capacity of 4,000 mt estimated at \$275,000 will be added to the present four units to increase SGM storage capacity to 13,000 mt to avoid over capacity in instances of delays in the collection by tanker ships.

The export ban of CPO early this year has resulted in the costly reduction of external crop purchases in Tasik mill as it had to prioritise internal crop processing due to limited storage facilities of 5,000 mt. Consequently, the Group has allocated \$275,000 to expand its storage facilities in Tasik mill in 2023.

Strategic Report



Blood donation as part of CSR project



Booster vaccination drive for employees

The construction of the oil recovery system in MPM mill at a cost of \$1 million will be completed in the second quarter of 2023 after some delay in delivery of imported equipment. This system extracts residual oil from raw effluent as well as reducing fine solid contents in the effluent. The system, when fully operational, is reportedly to be able to improve the OER by 0.2% to 0.3%. As the mill processes up to 400,000 mt of FFB annually, it could potentially recover up to 800 mt of CPO per year. The reduction of solids in the raw effluent will result in less silting in the effluent treatment ponds after extraction of biogas in the anaerobic lagoon.

Corporate Social Responsibility

Corporate Social Responsibility ("CSR") is an integral part of corporate self-regulation incorporated into our business model. Law 40/2007 of the Indonesian Limited Liability Companies Article 1 Paragraph 3 defines corporate social and environmental responsibility as the company's commitment to participate in sustainable economic development in order to enhance the quality of life and environment to benefit the company, local communities and the general public. Our Group embraces this 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 Group sustainability policy and commitment to no deforestation and development on peat land, no open burning, no exploitation, no forced or child labour and other best management practices can be downloaded from the website under Corporate Governance. The Group also released a statement on the UK Modern Slavery Act 2015 which was published on the website under the same section.

The majority of employees and their dependents in the plantations and mills are housed in self-contained communities built by the Group. The employees and their dependents are provided with free housing, clean water and electricity. The Group also builds, provides and repairs places of worship for workers of different religious faiths as well as schools and sports facilities in these communities. Over the years, the Group has built a total of seventy-nine mosques and twenty churches across its estates. During the fasting month, the management team frequently broke fast with the employees from the estates and mills as well as with surrounding villagers. The Group has also sponsored and donated cows for sacrifice to celebrate religious festivals. The Group spent \$194,900 (2021: \$221,300) in 2022 to maintain these amenities and to support the communal activities.

The Group provides free education for all employees' children in the local plantations and communities where they work. The access to education and the spread of knowledge to hundreds of children across remote locations provide a chance to overcome poverty, whom otherwise may be deprived and without prospect for the future. In addition, the Group provides computers and funding to construct educational facilities including laboratories and libraries. The salaries of teachers in the estates and the cost of buying and running the school buses to transport employees' children are provided by the Group. Over the years a total of thirty-nine schools, which comprised of twenty-two pre-schools,

Strategic Report



Donation to orphanage



Meeting with stakeholders - CDM Project

eleven primary schools, five secondary schools and one high school were built with a combined current enrolment of over 4,495 students. In 2022 the responsibility for running one of the primary schools was assumed by the Indonesian government, after having met the criteria for it to be handed over to the government. It currently employs one hundred and forty-two teachers on the estates. The Group operated forty-two school bus and spent some \$880,950 (2021: \$793,100) in running the schools and operating the buses in 2022.

As part of the Group's contribution to education, it provides scholarships to qualified students from the communities as well as our employees' children to pursue tertiary education. One hundred and thirty-nine children of our employees were sponsored up to 2022 at a cost of \$178,800 (2021: \$160,350) since its introduction in 1999, to study in various universities in Indonesia. The popular courses range from Engineering, Education, Economics to Agriculture. Sixty-two of these children have successfully graduated from the universities with a number of them now working for the Group.

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 twenty-three clinics operated by qualified doctors, nurses and hospital assistants in the estates. The Group upgraded two of its clinics in North Sumatera and Bengkulu to meet the minimum standard required by the government under the country's Health and Social Security Agency. The upgraded clinics also provide health care services to the surrounding community without the need to travel to faraway cities for medical treatment. With the pandemic on our doorsteps, management have equipped all the clinics, particularly those in remote locations, with personal protection equipment, ventilators, oxygen tanks and oximeters. The Group also operates 17 ambulances to support emergency transportation needs within the estates, mills and surrounding villages. In addition, the Group organised fogging to prevent the spread of dengue mosquitoes.

The Group continued to impose travel restrictions, unless fully vaccinated, with strict movement control protocols for workers housed in our mills and estates. Wearing a face mask in confined spaces, in the office and on public transport is mandatory. Additional facilities are provided for workers to wash their hands with soaps and sanitizers. Workers feeling unwell, with high temperature will be quarantined and are required to undertake necessary tests conducted by qualified doctors to determine their condition. The Group also stock up on essential goods and spare parts to minimise disruption to estates and mills should the government orders a lockdown or imposes further movement controls. With the reduced Covid-19 cases as a result of the increased vaccination rate, the Group is gradually softening the existing SOPs to reflect the sentiments of coexisting with Covid-19.

The Group spent a total of \$926,000 in 2022 (2021: \$987,000) to help surrounding communities, clinics, and public hospitals with donations in the form of staple food, oxygen tubes, essential medicines, masks, vitamins and other items related to Covid-19.

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Scholarships awarded to outstanding students



Road improvement

The Group maintains a register of all employees who had been vaccinated and also identified high risk employees with comorbidities for counselling. Given the higher risk of contracting the Coronavirus for the unvaccinated employees, the Group has restricted all business related travel for the unvaccinated. At the end of 2022, the Indonesian government officially announced that the Community Activities Restriction Enforcement, commonly referred locally as PPKM has ended. People, however, are encouraged to wear mask when using public transport and in closed confined spaces.

In remote and isolated locations where piped water is not available, the Group drilled tube wells to provide clean water. Related healthcare expenses for full and part-time field workers including monthly contributions to Health and Social Security Agency in 2022 were \$1.7 million (2021: \$1.6 million).

A strong commitment to CSR has a positive impact on employees' attitudes and boosts employee recruitment. The Group realises that employees are valuable assets in order to run an efficient, effective, profitable and sustainable business and operations. Selected employees are given the opportunity to attend seminars and external training to enhance their working skills and capability. The Group constantly recruits potential field employees who are sent to the Group's central training facilities in Blankahan, set up in 2014, to undergo a rigorous twelve-month training programme which includes theory and practical fieldwork. A total of five hundred and thirty-two employees have participated in the programme since its inception in 1993 with 35% of participants still working for the Group. Over the years, one employee has successfully been promoted to General Manager level with another twenty-four being employed in various senior positions in the head office, plantations and mills.

Separately, the Group also sends their security personnel regularly to training facilities organised by the Police to be certified.

The Group also recognises its obligations to the wider farming communities in which it operates. The Indonesian authorities have established that not less than 20% of the newly planted areas acquired from 2007 onwards are to be reserved for the benefit of the smallholder cooperative scheme, known as Plasma, and the Group is integrating such smallholder developments alongside its estates. The Plasma development has commenced in stages for its estates in Sumatera and Kalimantan. Out of the 6,683 ha plasma commitment for the continuing operations, the Group has planted oil palm in 3,672 ha. For the discontinued operations, the Group has planted 1,068 ha out of the 2,160 ha in plasma commitment. In 2022 the Group received 45,300 mt of FFB from Plasma schemes compared to 40,700 mt the previous year. Total revenue generated by Plasma cooperatives was \$7.3 million in 2022 against \$6.5 million in 2021.

In order to aid the development of Plasma schemes, the Group provided corporate guarantees of over \$15 million through its subsidiaries to local banks to cover loans raised by the cooperatives. The Group also assisted the cooperatives to obtain the proper land rights certification from the local land office, in which 1,431 ha were approved and certified until 2022.

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Peat water monitoring



Constant water quality testing in CPA

The Group supported the Kas Desa smallholder village development programme to supplement the livelihood of the villages. The Group has to-date financed, developed and managed twenty-two smallholder village schemes of oil palm across four companies. This programme allows the participants to opt out and self-manage. So far, two smallholders had exited from the program.

In addition, the Group also develops infrastructure such as the construction and repair of bridges and maintained over 243 km of external roads in 2022 at a cost of \$3.8 million (2021: \$3.7 million). The Group also provided initial aid and seed capital to villagers such as fruit seedlings, fish fry, cattle and ducks to start community sustainable programs.

The Group started a vegetable farm in a one-hectare site in North Sumatera in 2018 where it planted various organic vegetables. The produce was sold to employees at subsidized prices to reduce their cost of living as well as to promote healthy living. It also donated some of the produce to local charitable homes.

The Group leased eight hectares of land just outside Kuala Lumpur, Malaysia and started to clear the land in 2020 to build greenhouses for organic farming. It aims to produce organic vegetables and fruits in an environmentally sustainable manner and make them available to consumers at affordable prices as part of its corporate social responsibility. Substantial part of the produce is donated to orphanages and retirement homes.

Indonesian Sustainable Palm Oil (“ISPO”)

The ISPO certification is legally mandatory for all plantations in Indonesia. In March 2012, ISPO, which is fundamentally aligned to Roundtable on Sustainable Palm Oil (“RSPO”) principles, has become the mandatory standard for Indonesian planters. In comparison, RSPO has the most comprehensive social impact assessment requirements and the strongest measures for biodiversity protection. Even though the Presidential Decree 8/2018 that imposed a moratorium on forest clearance had expired in 2021, we continue to enforce zero deforestation as outlined in our Sustainability policy.

A Steering Committee was established to work out a roadmap to support the ISPO implementation at mills and estates. Workshops and training sessions on occupational safety and healthcare were carried out to inculcate a safety culture in workplaces at all the estates and mills. The Group compiles and reviews statistics on work related accidents in its operations. Any incident resulting in fatality or serious injury will be rigorously investigated to identify the cause so that corrective action can be implemented to prevent future incident. In 2021 the Ministry of Labour awarded six of our operating companies the Zero Accident Awards in North Sumatera in recognition of the companies’ effort to reduce accidents at workplaces. In 2022, another two companies received this distinguished Zero Accident Awards. 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.

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BioCNG ground breaking project in Blankahan

Every estate under ISPO is required to have a fire team with each personnel fully trained and equipped with certificate of competence issued by the fire departments. Our Group conducts a fire drill at least once a year. Watch towers are constructed in every estate to monitor fire outbreaks. Standard operating procedures were refined and documented based on sustainable oil palm best practices. The Group also conducts internal audits using an audit checklist adopted from the above practices to determine the level of compliance.

The Group has worked closely with appointed certification consultants in the implementation of ISPO standard. To-date thirteen companies have been ISPO certified. The certification audits for the remaining three companies which fall under discontinued operations have started. The second stage of the certification process, however, cannot proceed until these companies obtain their land titles or Hak Guna Usaha (“HGU”). ISPO certification provides third party verification and confirmation that the companies are operating according to national and international standards. During the year, ISPO certification in one company was renewed after independent audits were carried out. The Group targets full ISPO compliance by 2023.

The Group intends to embark on RSPO certification once all the companies in the Group are ISPO compliant. The Group has engaged a third-party consultant to study the feasibility, obstacles, gaps and costs towards a RSPO compliance. The detailed report was uploaded on our website. The report indicated that substantial resources would need to be allocated to be RSPO compliant. The Group will continue to review and assess the commercial impact of RSPO certification, whilst working towards ISPO certification for all its subsidiaries in Indonesia.

The Malaysian plantation was MSPO certified in January 2021.

Environmental, Social and Governance (“ESG”) Practices

AEP believes that the responsible stewardship of our environment is critical in benefiting our consumers, employees, shareholders and society in general, thus maintaining the industry’s long-term prospects.

The Group has a dedicated sustainability manager based in Medan, Indonesia within an Environmental Health and Safety (“EHS”) and sustainability department overseen by our Indonesian President Director. On the ground, the sustainability team is assisted by a team of staff in each of our estates to tackle sustainability-related matters as they happen. Any issue is communicated to the President Director who will table the issue to the Management Committee every month for discussion and action. The Management Committee in turn reports to the Executive Committee

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Existing employees' housing in the estate



Construction of new employees' housing

comprising of Board members of AEP. The Executive Committee has overall responsibility for the Group's systems of internal controls and risk management and for reviewing its effectiveness.

The Board, Executive and Management Committee have visibility and general awareness of climate and nature-related risks and opportunities. Any plans, objectives and targets related to climate and nature risk are discussed annually, as well as when the need arises, both through regular engagement with our external sustainability partners and through the Management Committee who raises any new or material issues. Climate change and nature is a standing agenda item for the main Board at least once annually and the Management Committee at least twice annually.

The Board monitors and reviews the progress against our sustainability-related targets on an annual basis, including the carbon reduction target we set in 2021. The Board also oversees reviews of the Group's corporate governance policies and initiatives, including our Sustainability Policy which was published in 2019. Our Sustainability Policy aims to drive change needed in reducing environmental impact, delivering more efficient land use, ensuring social justice and practicing responsible business across all operations. It embeds policies to mitigate key climate and nature-related risks. The Group also participates in the Sustainable Palm Oil Transparency Toolkit ("SPOTT") assessment by the Zoological Society of London ("ZSL") that uses publicly available information to annually assess palm oil producers on the transparency of their commitments to environmental, social and governmental best practice. Apart from aligning with the Taskforce for Climate-related Financial Disclosures ("TCFD"), we are also early adopters of the Taskforce for Nature-related Financial Disclosures ("TNFD").

The palm oil industry has continuously received close scrutiny in the media due to concerns on global warming and rainforest destruction. Realising this, the Group has adopted a zero deforestation, zero peat planting and zero burning policy throughout our group. When it comes to replanting, felled palm trunks are chipped, shredded and left to decompose on the site. This mitigates the release of greenhouse gases commonly associated with open burning through the traditional land-clearing method of slash-and-burn. Chipping and shredding palm trunks also enriches soil organic matter and recycles nutrients back onto the soil. Where land is sloping, terraces are built which helps to prevent landslides and soil erosion, conserve the water and nutrients and provide better accessibility for operations. Conservation pits and sumps are also constructed to harvest and contain rainwater. Legume cover crops are planted to minimise soil erosion, preserve the soil moisture and improve soil chemical and physical properties, thus reducing the use of chemical fertilisers. In mature areas, fronds and EFB are neatly stacked on the inter-rows to allow for the slow release of organic nutrients while minimising soil erosion. Estates with sandy areas use soft grass, *Nephrolepis biserrata* ferns and cut fronds to cover bare ground to increase soil moisture and improve organic matter contents.

The effluents discharged from our mills are fully treated in anaerobic lagoons and aerobic tanks to reduce its biological oxygen demand ("BOD"). The final discharge is applied to the estate's land as fertilisers and the BOD is tested regularly to ensure that it is below the legal limit for land application in Indonesia. The Group is working towards a zero-effluent policy whereby no by-products from the production of CPO are discharged into rivers.

The Group's four biogas plants further enhance the treatment of effluents in the mills and at the same time mitigate greenhouse gas emissions. The trapped biogas is used to generate and supply power to the national grid to reduce dependency on fossil fuels. The Group has also embarked on a green project with an investor to develop compressed

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Aeration ponds and tanks for treatment of mill effluents

and purified biogas with 96% methane content to diversify the end use of the biogas as explained in the Chairman's Statement. Similar undertakings for the Group's mills, where they are commercially viable are planned and shall be implemented in stages.

The Group is committed to implementing good agricultural practices as spelt out in its standard operating procedures for all activities. An Integrated Pest Management system has been adopted to control the population of damaging pests and to improve biological balance while reducing dependency on chemical pesticides. Barn owls, which are natural predators, have been introduced to control the rat population, replacing the use of rat baits. Beneficial plants such as *Turnera subulata*, *Cassia cobanensis* and *Antigonon leptopus* were planted to attract natural predators for biological control of bagworms and leaf-eating caterpillars.

We are committed to minimise the usage of toxic pesticides and herbicides and will not hesitate to phase them out once suitable substitutes are available. Our sprayers are regularly trained in the safety and proper spraying techniques by using judicious dosages. The chemicals are kept in designated storage and examined at regular intervals. Employees who handle the use of chemicals are provided with on-site washing facilities and undergo medical examination routinely. The Group enforces standard occupational safety measures like the use of protective suits and equipment when mixing, loading and applying pesticides which is mandatory by the Manpower and Transmigration Ministerial Decree No. 08/2010. Managers and employees, risk being penalized and disciplined as safety standards compliance is audited from time to time. ISPO certified companies are also prohibited from using 36 banned active ingredients used in pesticides which can cause various health issues in humans and the environment. Highly toxic pesticides such as Paraquat have been completely eliminated in our plantations. None of the chemicals on the WHO Class 1A and 1B classification, as well as those that fall under the Stockholm and Rotterdam Conventions are still used or intended to be used. In the meantime, different cocktails of safer pesticides are being evaluated as alternatives. The Group has in place a standard operating procedure that requires the management to be informed of instances of pesticide poisoning among its pesticide applicators.

In order to minimise accidents at workplaces, regular training and refresher courses are held to instill the importance of safe working practices. Warnings and reminders are displayed at the mills and estates to remind the workers on their safety. Warning signs are placed at strategic locations such as speed limits in housing estates and warning against crossing Irish bridges when river water is at a dangerous level.

The Group continues to comply and preserve High Conservative Value ("HCV") as well as High Carbon Stock ("HCS") areas recognised by the Department of Forestry. Every development has gone through the proper environmental

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impact analysis. Environmental impact assessment studies, environment management and monitoring efforts are retained under the Indonesia Omnibus Law passed in 2020, companies are however no longer required to obtain environmental license. All HCV and HCS areas were mapped with boundaries clearly marked by independent surveyors to ensure that the Group does not plant in these sensitive areas. The Group patrols these protected areas to ensure no encroachment and maintain regular monitoring and management plans to preserve the flora and fauna of these sensitive areas. The Group has identified about 7,831 ha as riparian reserves and another 4,955 ha as HCV along with 150 ha as HCS areas within its land. Natural vegetation on uncultivable lands such as deep peat, very steep areas and riparian zones along watercourses and mangroves are spared from planting in order to preserve biodiversity and wildlife corridors as well as to check erosion. Peatland is considered to be one of the most efficient carbon sinks and any burning or drying will release the sequestered carbon dioxide into the air contributing to global warming. The Group has a strict no-peat policy and no longer plant in peat areas since 2019. Degradation of the mangroves on the other hand causes coastal erosion and harm biodiversity and economic losses for communities that depend on them for a living. Progress has been made in recent years to step up environmental protection in Indonesia.

In Indonesia where drought occurs regularly, an emergency response team is set up in every estate armed with the proper equipment and gear to put out fire and prevent them from spreading during the dry months. Regular training on fire-fighting techniques and safety is provided by the fire departments. Our estates have also invested in modern technology by utilising drones to pinpoint areas of fire outbreak whenever they are detected by the watchtowers. These drones are particularly useful in remote areas where accessibility is restricted. According to Indonesian Law No. 41/1999 on forestry, a deliberate act of forest burning could lead to 15 years imprisonment and a fine of up to Rp5 billion or about \$350,000, while negligence act that leads to a forest fire is punishable by a 5-year imprisonment and a fine of up to Rp1.5 billion or \$105,000 for environmental crime. The government is stepping up its enforcement.

All sacred and customary lands are set aside and also preserved by the Group out of respect for the local tribes and customs to pray and conduct their ritual ceremonies. Some of these locations are posted on the company's websites.

The six mills in the Group are operating in compliance with criteria set by the Program for Pollution Control Evaluation and Rating ("PROPER") overseen by the Indonesian Department of Environment. Many of the criteria set by PROPER are also part of the ISPO requirement. Four of the mills are officially graded Blue and rated to adhere to the criteria set for the management of waste and compliance to environmental conservation over water resources, land development, air and sea pollution and dangerous and toxic waste treatment which impact the environment. The certification of another mill is currently under the review by the new head of the Indonesian Environmental department. Although no official grading is required for the remaining one mill, it is in full compliance of the PROPER criteria. All six mills were certified to ISO 14001:2015 (Environmental Management System) standard. Implementing an environmental management system can provide the mills, the ability to manage environmental performance through more efficient use of resources and will also increase the confidence of internal and external parties that the environmental impacts of its activities have been measured, managed and continuously improved.

The International Sustainability and Carbon Certification ("ISCC") is issued by ISCC System GmbH, a global certification body based in Cologne, Germany. The criteria used in the certification process are:

- Implement social and ecological sustainability criteria
- Monitor deforestation-free supply chains
- Avoid conversion of biodiverse grassland
- Calculate and reduce greenhouse gas ("GHG") emissions
- Establish traceability in global supply chains

The estates and mill in Tasik Raja were ISCC certified in 2022 and will be re-certified in 2023. The estate and mill in Blankahan were also ISCC certified in 2022. A certification identifies a company as a responsible player in the industry that has taken efforts to produce sustainable CPO.

We have finally achieved 100% traceability of external FFB purchased for processing from the suppliers' farms or plantations to our mills. The Group maintains a complete database of every one of our smallholders within our supply chain and know their precise locations, with each arrival to the Group's mills recorded and its origin verified. By keeping a close relationship with our suppliers, we are able to not only support them with technical and management expertise,

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but also to inculcate our sustainability policies in their practices. Satellite monitoring of our FFB sources were also carried out through our FFB buyers to ensure no encroaching into prohibited areas.

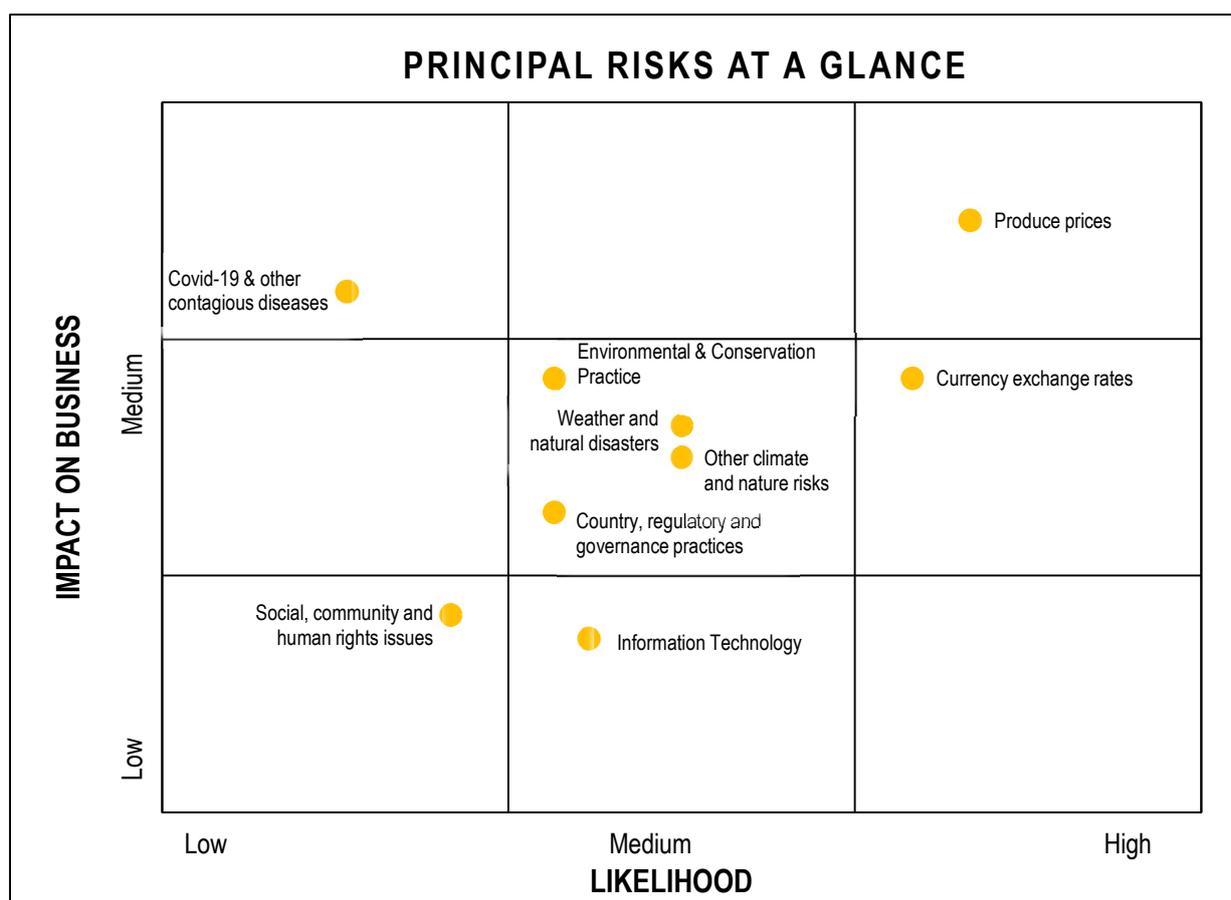
More details may be obtained from the Company’s website under our Sustainability dashboard which covers the Environment, CSR, Workers’ rights and safety, Corporate Governance and Sustainability certification.

Principal and emerging risks and uncertainties

The Board members have sound knowledge of the palm oil industry, including sustainability, and are also aware of the politics and economics of the business world, especially in the countries where AEP operates.

The Board carried out a robust assessment of the principal and emerging risks facing the Group on an annual basis. A board paper on risk management, with contributions from Board members on emerging significant business risks, if any, is discussed at least once a year in conjunction with the risk register. Significant emerging business risks identified and actions agreed thereon, together with the management of other business risks will be monitored by the Executive Director who is regularly briefed by the senior management of the Group. The Executive Director in turn briefs the Audit Committee and the Board whenever they meet.

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.



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Nature of the risk and its origin	Circumstances under which the risk might be most relevant to the Company	Mitigating or other relevant considerations
Country, regulatory and governance practices		
<p>The Group's operations are located substantially in Indonesia and therefore significantly rely on economic and political stability in Indonesia.</p>	<p>Political upheaval and deterioration in the security situation may cause disruption on the operation, loss of management control and consequently financial loss.</p>	<p>The country has recently benefited from a period of relative political stability, steady economic growth and stable financial system. But during the Asian financial crisis in the late 1990s, there was civil unrest attributed to ethnic tensions in some parts of Indonesia. The Group's operations were not interrupted by the regional security problems including occasional racial conflicts.</p>
<p>Introduction of measures to rein in the country's fiscal deficits. This included the exchange controls and restriction on repatriation of profit through payment of dividends.</p>	<p>Transfer of profit from Indonesia to the UK will be restricted affecting servicing of UK obligations and payment of dividends to shareholders.</p>	<p>The Board is not aware of any attempt by the government to impose exchange controls that would restrict the transfer of profits from Indonesia to the UK. The Board perceives that the Group will be able to continue to extract profits from its subsidiaries in Indonesia for the foreseeable future.</p>
<p>Changes in land legislation. Based on National Land Agency Law 2 / 1999, mandatory restriction to land ownership by non-state plantation companies and companies not listed in Indonesia to 20,000 ha per province and a total of 100,000 ha in Indonesia. Mandatory reduction of foreign ownership of Indonesian plantations.</p>	<p>Could force divestment of interests in Indonesia at below market values.</p>	<p>The Group realises that there is a possibility that foreign owners may be required over time to partially divest ownership of Indonesia oil palm operations but has no reason to believe that such divestment would be anything other than at market value. Since 2021, foreign companies operating in Indonesia are allowed to have 100% ownership in palm oil companies.</p>
<p>Group failure to meet the standards expected in relation to bribery and corruption.</p>	<p>Reputational damage and criminal sanctions.</p>	<p>The Group continues to maintain strong controls in this area as Indonesia has been classified as relatively high risk by the International Transparency Corruption Perceptions index.</p>

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Nature of the risk and its origin	Circumstances under which the risk might be most relevant to the Company	Mitigating or other relevant considerations
Country, regulatory and governance practices - continued		
<p>Imposition of import controls or taxes in consuming and exporting countries. Efforts by EU to restrict the use of palm oil and palm biodiesel either by trade barriers or increased tariffs including export levy and export tax.</p>	<p>Reduced revenue and reduction in cash flow and profit. The higher import levy will raise the price of CPO and make it less competitive in the global oil market, thus reducing demand. Trade barriers and increased tariffs will make it more difficult to export palm oil to EU either for food or palm biodiesel and will hurt the demand of CPO in EU which is the third largest consumer of CPO.</p>	<p>The Indonesian government allows free export of CPO up to 80% of local production but applies a sliding scale of duties on exports which allows producers economic margins. The export levy collected to fund local biodiesel subsidies is designed to support the CPO prices. Higher tariffs and trade barriers in EU will result in higher consumption of alternative vegetable oils despite CPO remaining amongst the cheapest source and most productive of vegetable oil in a growing population.</p>
Currency exchange rates		
<p>CPO is a US Dollar denominated commodity and a significant proportion of operating costs in Indonesia (such as fertiliser and fuel) and development costs (such as heavy machinery and mill equipment) are imported and are US Dollar related.</p>	<p>Adverse movements of Rupiah against US Dollar will increase operating costs and will have a negative effect on the profitability and raise funding costs.</p>	<p>The Board has taken the view that these risks are inherent in the business and feels that adopting hedging mechanisms to counter the negative effects of foreign exchange volatility are both difficult to achieve and would not be cost effective.</p>
Produce prices		
<p>CPO and palm kernel are primary commodities and is affected by the world economy, levels of inflation, and availability of alternative soft oils such as soybean oil. CPO price also moves historically in tandem with crude oil prices which determine the competitiveness of CPO as a source of biodiesel.</p>	<p>This may lead to significant price swings. The profitability and cash flow of the plantation operations depend upon world prices of CPO and palm kernel and upon the Group's ability to sell CPO and palm kernel at price levels comparable with world prices, unlike soybean which is sown annually and production can be increased or decreased to match demand and prevailing prices.</p>	<p>Directors believe that such swings should be moderated by continuous demand in economies like China, India and Indonesia. Larger exports would lead to a lower inventory of CPO which augurs well for future produce price. In the short term, the prices and demand will be volatile due to the pandemic and the ongoing conflict in Ukraine. Indonesia imposition for local producer to sell 20% of their output to domestic refiners will reduce supply for export possibility helping to sustain CPO prices</p>

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Nature of the risk and its origin	Circumstances under which the risk might be most relevant to the Company	Mitigating or other relevant considerations
Social, community and human rights issues		
<p>Any material breakdown in relations between the Group and the host population in the vicinity of the operations could disrupt the Group's operations. The plantations hire large numbers of people and have significant economic importance for local communities in the areas of the Group's operations. Disputes over compensation and rights for land allocated to the Group through location permits granted by the Indonesian government which were previously used by the communities for their livelihood.</p>	<p>Communication breakdown would cause disruption on the operation and consequently financial loss. Access to areas in estates and mills of disputed compensation is restricted due to blockages and illegal encroachment by the communities.</p>	<p>The Group mitigates this risk by liaising regularly with village representatives to mediate on disputes including some land compensation matters and rights. It develops a close relationship with villagers by improving local living standards through mutually beneficial economic and social interaction. The Group, when possible, gives priority to applications for employment from 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 money constructing new roads and bridges and maintaining existing roads used by villagers. The Group also provides technical and management expertise to villagers to develop oil palm plots and Plasma schemes surrounding the operating estates. The returns from these plots are used to improve villages' community welfare.</p>
<p>Deterioration or disputes in relationships with the local shareholders in the Group's Indonesian subsidiaries.</p>	<p>Seek Indonesian courts for enforcement of shareholders' agreements and resolving disputes. Uncertainties over judicial process may result in financial loss to the Group.</p>	<p>The Group endeavours to maintain cordial relations with local shareholders by seeking their support for decisions affecting their interests and responding constructively to any concerns that they may have.</p>

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Nature of the risk and its origin	Circumstances under which the risk might be most relevant to the Company	Mitigating or other relevant considerations
Covid-19 and other contagious diseases		
<p>The Covid-19 pandemic as we are experiencing has affected national and world economies, although the pandemic seemed to be receding because of the availability of vaccines. Covid-19 and similar pandemics could disrupt the Group's operation.</p>	<p>Our plantations and mills could be seriously infected which may require a total shut down of the infected part of our operations to contain and eradicate the infection. However, as the vaccination rate increased both in Indonesia and Malaysia the risk of a total shutdown is reduced.</p> <p>The local governments where the Group operates could enforce a total lockdown requiring a total shutdown of the Group's operations.</p>	<p>The Group continued to impose travel restrictions, unless fully vaccinated, and strict movement on workers housed in our mills and estates. Wearing a face mask for our employees in confined spaces, in the office and on public transport is mandatory. Additional facilities are provided for workers to wash their hands with soaps and apply sanitizers. Workers feeling unwell, with high temperature will be quarantined and undertake necessary tests conducted by qualified doctors to determine their condition. The Group also stock up on essential goods and spare parts to minimise disruption to estate and mills operation should the government order a lockdown or impose further movement control.</p> <p>With the reduced Covid-19 cases as a result of the increased vaccination rate, the Group is gradually softening the existing SOPs to reflect the sentiments of coexisting with Covid-19.</p> <p>The Group has budgeted cash requirements on a minimum spend basis that would sustain the continuity of the Group for at least twelve months.</p>

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Nature of the risk and its origin	Circumstances under which the risk might be most relevant to the Company	Mitigating or other relevant considerations
Weather and natural disasters		
<p>Oil palms rely on regular sunshine and rainfall but these weather patterns can vary and extremes such as unusual dry periods or, conversely, heavy rainfall leading to flooding in some locations can occur. Indonesia, where most of its plantations are located, frequently experience natural disasters like earthquake, forest fire and tsunami. Refer to TCFD Report from page 44 to 45.</p>	<p>Dry periods, in particular, will affect yields in the short and medium term. It may result in wildfire that may damage and destroy the palms. Drought induces moisture stress in palm trees. Conversely high levels of rainfall can disrupt estate operations and result in harvesting delays with loss of FFB or deterioration in fruit quality. Delay in collection of harvested FFB could raise the level of free fatty acid (“FFA”) in the CPO. CPO with high FFA would be sold at a discount to market prices. Low level of sunshine could result in delay in formation of FFB resulting in potential loss of revenue. Any natural disaster could result in a shortage of workers and incur temporary work stoppage due to damage to the plantation or mill. Tsunami could wipe off large tracking of the plantation resulting in loss of revenue.</p>	<p>Bunding and platforming is built around flood prone areas. Canals and retention ponds are constructed either to evacuate surplus water or to maintain water levels in areas quick to dry out. Operations located in and near the tropic can expect adequate amount of sunshine regularly. Where practical, natural disasters are covered by insurance policies. Certain risks (including the risk of crop loss through fire, earthquake and flood) if they materialise could dent the potential revenues, for which insurance cover is either not available or would in the opinion of the Directors be disproportionately expensive, are not insured. Such risks are mitigated by the geographical spread of the plantations but an occurrence of an adverse uninsured event could result in material losses.</p>
Environmental and conservation practices		
<p>Failure to comply and observe environmental and conservation practices in its oil palm cultivation as detailed in the management for Climate Risk in the Directors’ Report.</p>	<p>Reputational and financial damage through criticisms by conservation groups and boycott of the Group’s produces. Government could impose hefty fine and penalties for environmental breach.</p>	<p>The Group is committed to sustainable development and maintains substantial conservation reserves to safeguard biodiversity. It has obtained ISPO and MSPO certifications for most of its operations. The Group conducts independent environmental impact assessment studies and complies with its recommendation before any development begins. The Group has sustainability partners to advise on climate related risks and compliance.</p>
Information Technology (“IT”) security risk		
<p>The security threats faced by the Group include threats to its IT infrastructure, unlawful attempts to gain access to classified information and potential for business disruptions associated with IT failures.</p>	<p>Failure to combat cyberattack could cause disruption to our business operations. Potential loss including loss of financial records leading to error or misstatement in financial statements. Recovery of lost data can also be expensive.</p>	<p>The Group has measures in place including appropriate tools and techniques to monitor and mitigate this risk. The Group through its IT Consultant has in place antivirus, threat detection, log analysis, Distributed denial-of-service (“DDOS”) attacks protection and Firewalls.</p>

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Climate- and nature-related risks and opportunities

Global concerns about sustainability are steadily rising. Many countries are working to prevent climate change and nature loss with various targets set to minimise the effects. A Special Report on Climate Change and Land (IPCC, 2019) estimates that agriculture is directly responsible for up to 8.5% of all global GHG emissions with a further 14.5% coming from land use change. Soil erosion, land clearance and deforestation are major contributors to these emissions. Indonesia, where AEP predominately operates sits between the Pacific and Indian oceans, is understood to be one of the 10 countries with the largest agricultural emissions.

Indonesia is also exposed to the naturally occurring El Niño and La Niña climate pattern, globally the most significant cause of extreme weather. Climate change if not addressed is expected to increase the frequency of more severe weather ranging from frequent drought and severe floods in the coming years, potentially impacting our operations and the ecosystems on which we depend.

AEP therefore acknowledges and welcomes the TCFD and the TNFD and the disclosure recommendations as effective global frameworks for disclosing climate- and nature-related risks and opportunities and improving our strategic resilience in the face of climate change and nature loss.

This year is our third year disclosing against the eleven TCFD recommendations and we recognise that we are in the early stages of alignment. This year we have conducted a comprehensive TCFD gap analysis and have a roadmap in place setting out the steps we will take to improve our alignment with the TCFD's recommendations over the coming years. Furthermore, we recognise that nature is core to our business and closely interlinked with climate, in terms of our impacts, dependencies, risks and opportunities, so we have this year become an early supporter of the TNFD. We have started our TNFD journey by widening our understanding of the TNFD and synergies with the TCFD framework, and incorporated into the gap analysis an evaluation of our alignment with the TNFD disclosure recommendations (TNFD v.03 Beta Release, November 2022). We are currently evaluating the TNFD v.04 Beta Release, March 2023 and will consider developing a roadmap of our action to ensure we develop a holistic approach to risk management which integrates climate and nature in the future.

The table below signposts where our disclosures currently align with the TCFD and TNFD recommendations, and the subsequent content highlights our current implemented actions as a business, as well as our plans to move towards full integration and alignment in the coming years.

Summary TCFD and TNFD alignment table		Page number for further information
TCFD/TNFD Pillar	AEP's assessment of our alignment to the disclosure recommendations	
Governance		
a. Describe the board's oversight of nature-related dependencies and impacts and climate- and nature-related risks and opportunities	Aligned as the Board, Executive and Management Committee have oversight. We however need to formalise an integrated approach to both climate and nature.	Page 40
b. Describe management's role in assessing and managing nature-related dependencies and impacts and climate- and nature-related risks and opportunities	Aligned as management assess and manage key risks and opportunities. We however need to formalise an integrated approach to both climate and nature.	Page 40
Strategy		
a. Describe the nature-related dependencies and impacts and climate- and nature-related risks and opportunities the organisation has identified over the short, medium, and long term	Partially aligned as we need to have an integrated climate and nature risk assessment and identify risks over medium-long time horizons and geography. We are planning to carry out a climate scenario analysis hopefully by 2026 once a suitable external consultant is identified and our internal capacity is increased.	Page 41 - 46
b. Describe the impact on the business of climate- and nature-related risks and opportunities on the organisation's business, strategy and financial planning	Partially aligned as we identify how risks and opportunities impact our products, operations and supply chain, but we still need to undertake climate scenario analysis to identify impacts on our financial planning. We are planning to carry out a climate scenario analysis (e.g. impact on revenue, costs, assets) hopefully by 2026 once a suitable external consultant is identified and our internal capacity is increased.	Page 47
c. Describe the resilience of the organisation's strategy, taking into consideration different scenarios, including a 2°C or lower climate scenario	Not aligned yet as we need to undertake climate scenario analysis. We are planning to carry out a climate scenario analysis hopefully by 2026 once a suitable external consultant is identified and our internal capacity is increased.	Page 47
d. Describe the organisation's interactions with low integrity & high importance ecosystems or areas of water stress	Not aligned yet. We await further TNFD guidance.	Page 48
Risk Management		
a. Describe the organisation's processes for identifying and assessing nature-related dependencies and impacts and climate- and nature-related risks and opportunities	Aligned as we have a process in place to assess material risks and opportunities.	Page 48
b. Describe the organisation's process for managing nature-related dependencies and impacts and climate- and nature-related risks and opportunities	Aligned as we have a process in place to manage and mitigate material risks and opportunities.	Page 49

TCFD/TNFD Pillar	AEP's assessment of our alignment to the disclosure recommendations	Page number for further information
<p>Risk Management - continued</p> <p>c. Describe how processes for identifying, assessing, and managing climate- and nature-related risks are integrated into the organisation's overall risk management</p>	<p>Not aligned yet as we need to fully integrate climate- and nature-related risk management into our overall business risk management approach. AEP plans to review our internal risk management approach in 2023, and upon completion of climate scenario analysis (hopefully by 2026), take steps to integrate climate- and nature related risks and opportunities into our overall business risk management approach.</p>	<p>Page 49</p>
<p>TNFD-specific:</p> <p>d. Describe the organisation's approach to locate the sources of inputs used to create value that may generate nature-related dependencies, impacts, risks and opportunities</p>	<p>Not aligned yet. We await further TNFD guidance.</p>	<p>Page 49</p>
<p>TNFD-specific:</p> <p>e. Describe how stakeholders, including rightsholders, are engaged by the organisation in its assessment and response to nature-related dependencies, impacts risks and opportunities</p>	<p>Not aligned yet. We await further TNFD guidance.</p>	<p>Page 49</p>
<p>Metrics and Targets</p>		
<p>a. Disclose the metrics used by the organisation to assess climate- and nature-related risks and opportunities in line with its strategy and risk management process</p>	<p>Partially aligned as we have some sustainability-related metrics, but we need to disclose all of these and link them to our risks and opportunities. We will continue to work on this progressively in 2023, ensuring any additional metrics developed are disclosed and linked to identified risks and opportunities.</p>	<p>Page 49 - 50</p>
<p>b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and related risks. And, TNFD-specific: Disclose the metrics used by the organisation to assess and manage direct, upstream and, if appropriate, downstream dependencies and impacts on nature</p>	<p>Partially aligned as we disclose scope 1 and 2 emissions, and we will measure scope 3 emissions and related risks in 2023. For the TNFD component we are not yet aligned. We await further TNFD guidance.</p>	<p>Page 50</p>
<p>c. Describe the targets used by the organisation to manage nature-related dependencies and impacts and climate- and nature-related risks and opportunities and performance against targets</p>	<p>Partially aligned as we have some sustainability-related targets, but we need to develop further targets and disclose our progress towards these.</p>	<p>Page 50</p>
<p>TNFD-specific:</p> <p>d. Describe how targets on nature and climate are aligned and contribute to each other, and any trade-offs</p>	<p>Not aligned yet. We await further TNFD guidance.</p>	<p>Page 50</p>

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Current and future steps on TCFD and TNFD

Governance

Board oversight

Responsibility for ensuring that management operates the business in a responsible manner also lies with the Group's Board of Directors ("The Board"). The Board has overall responsibility for the Group's systems of internal control and risk management, including climate related risks and opportunities, and for reviewing its effectiveness. The Audit Committee reviews and monitors specific risks and internal control procedures and reports to the Board where appropriate.

For climate- and nature-related risks and opportunities more specifically, the Board, Executive and Management Committee have visibility and general awareness of climate- and nature-related risks and opportunities (i.e. those identified initially in our climate risk report and which has undergone a high-level review and update each year since). Any plans, objectives and targets related to climate and nature risk are discussed annually, as well as when the need arises, both through regular engagement with our external sustainability partners and through Group management who raise any new or materialising issues. We understand the importance of regular discussion so we will this year ensure climate change and nature is a standing agenda item for the main Board at least once annually and for the Management Committee at least twice annually. This will strengthen our current process, ensuring climate- and nature-related risks and opportunities are fully considered when reviewing strategy, risk management policies and financial planning.

The Board monitors and reviews progress against our sustainability-related targets on an annual basis, including the carbon reduction target we set in 2021 (page 51). The Board also oversees reviews of the Group's corporate governance policies and initiatives, including our Sustainability Policy. Our Sustainability Policy aims to drive change needed in reducing environmental impact, delivering more efficient land use, ensuring social justice, and practicing responsible business across all operations. It embeds policies to mitigate key climate- and nature-related risks. The policy applies to all current and future AEP Group operating units, including mills, or estates which we own, manage, or invest in. Related third parties are expected to comply with this policy while being in any trading relationship with us.

As we progress our alignment with both the TCFD and TNFD in future years, the Board and Management Committee will be trained as necessary to ensure there is understanding and oversight of AEP's dependencies and impacts on nature, and the interdependence of climate- and nature-related risks and opportunities. We have begun this process this year through a workshop led by our sustainability partners as part of the TCFD and TNFD gap analysis.

Management's role

Executive staff (part of the Management Committee) and Directors (part of the Board) are responsible for overseeing the identification and assessment of risks and the implementation of control procedures to manage these risks. The Management Committee meets monthly to discuss the operation of the business as well as all strategic risks, some of which are climate- and nature-related. The Management Committee is chaired by the Senior General Manager from Malaysia who reports to the Executive Committee and the Board. The EHS and Sustainability Department reports to the Management Committee on material local risks identified by representatives of the Department based at each of our estates, some of which are climate- and nature-related, and periodically updates on the monitoring of these risks.

In 2023, we will formalise the governance structure for identifying, assessing and managing climate- and nature-related dependencies, impacts, risks and opportunities within an integrated approach to business risk management. We will provide training to key members of Group management who have assigned roles for managing risks and monitoring actions to mitigate key risks. We will ensure this management approach extends beyond material local risks to fully integrate the management of climate- and nature-related risks that often manifest over medium- to long-term time horizons.

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Strategy

Material climate- and nature-related risks and opportunities

In 2021 we published the results of a consultation with our external sustainability partners to identify and prioritise Group-level climate-related risks and opportunities. A full re-assessment has not been repeated for the year 2022 as these risks remain relevant to the business, are understood to not to be materially different from what was assessed previously, and the defined management approach continues to reflect current business practice. However, as early supporters of the TNFD, we have this year undertaken a high-level qualitative review of the risks to identify which risks and opportunities are also nature-related. We have also provided updated information to highlight any minor changes between 2021 and 2022 (see table below).

We recognise there are likely to be additional nature-related risks and opportunities to those already identified, for example the impact of sea level rise (a chronic physical risk) or increasing requirements to transition to more efficient, resilient and less environmentally damaging technologies (a technological transition risk). We will aim to undertake a thorough review and update of material climate- and nature-related risks and opportunities in 2023. This will have two primary objectives. Firstly, to extend the assessment beyond ongoing immediate term risk (likelihood of a risk materialising within a 12-month time frame) to include medium- and long-term horizons. However, many of AEP's key risks relate to physical climate change impacts which are already being seen today. We are already taking action to mitigate these within our business decision-making in terms of crop variety, land management and plantation monitoring through use of drones. Secondly, to fully incorporate nature-related risks and opportunities. To do this, AEP will first review the final TNFD framework guidance (expected September 2023) to assess the depth of evaluation that we are able to undertake in our first year of being early supporters of the TNFD. The TNFD incorporates double materiality, so nature-related risk and opportunity assessment is expected to be more complex than for climate alone due to first needing to evaluate AEP's dependencies and impacts on nature, before assessing material nature-related risks and opportunities.

Type	Primary risk/ opportunity driver	Rationale for inclusion as priority risk	Management approach	Changes from 2021 to 2022
Policy & Legal	Compliance with changing regulations	<p>Import tariffs and taxes and other import restrictions imposed by importing countries will affect the demand for CPO and its derivative products, and can encourage substitution by other vegetable oils. The ISPO certification, which requires producers to mitigate their environmental impacts, is legally mandatory for all plantations in Indonesia and therefore non-compliance presents a financial risk through fines. In addition, AEP is legally required to incorporate climate-related financial disclosures into annual reporting, in line with recommendations of the TCFD. AEP expects additional nature-related disclosures to become mandatory in the future, in line with recommendations of the TNFD (final guidance expected in September 2023). Other nature-related legislation aimed at achieving nature-positive outcomes will also have an impact, for example new EU regulation for deforestation-free supply chains and Corporate Sustainability Reporting Directive ("CSRD") / European Sustainability Reporting Standards ("ESRS").</p>	<p>Except for 3 plantations classified as discontinued operations, all of our Indonesian plantations are currently certified under ISPO. Our Malaysian plantation has also received the MSPO certification. Our mills in Tasik Raja and Ukindo have received the ISCC, and we have obtained ISO 14001:2015 certification for all our mills to improve our PROPER rating. The mills are regularly audited for renewal of certification. Example, every 1 year for ISCC, 3 years for ISO 14001 and 4 years for ISPO. We recognise that certifications are not solely proof of good practice, so will seek to go further to improve transparency through tracking / audits.</p> <p>Through this annual report we have also begun the process of combining our disclosures on both TCFD and TNFD.</p> <p>We will await the final release of the TNFD framework in 2023, and review the guidance to determine the appropriate management approach and mitigation actions.</p>	<p>Risk identified as being a climate- and nature-related risk, as there are increasing regulations aimed at achieving nature-positive outcomes.</p> <p>We have continued to gain further sustainability certifications for some of our estates and mills. The current list of sustainability certifications is available on our website https://www.angloeastern.co.uk/sustainability/sustainability-certification.</p> <p>In 2022, we have advanced our actions to implement and disclose against the TCFD, undertaking a thorough gap analysis to inform a roadmap of action from 2023 onwards. We have also developed our understanding of the TNFD and are early supporters of the framework.</p>

Type	Primary risk/opportunity driver	Rationale for inclusion as priority risk	Management approach	Changes from 2021 to 2022
Market & Reputation	Changes in buyer preferences / Difficulty accessing capital	<p>Negative perceptions about palm oil and its links to deforestation can affect market access/demand and possibly lead to changes in international legislation or regulations. Many large buyers have targets to source a certain % of palm oil from RSPO certified producers. The loss of a major customer through a lack of RSPO certification may impact profitability.</p> <p>Access to capital, through banks and investors, is also increasingly tied to the ability to evidence the sustainability of palm oil products, with several large banks, investors and RSPO members.</p>	<p>As tenders are performed on a weekly basis we do not find ourselves overly reliant on a single customer. We ensure transparency in our palm oil production practices through annual disclosure to SPOTT and certification as detailed above.</p> <p>We communicate regularly with buyers and capital providers, to understand their changing expectations, and have investigated the value of RSPO to the business. Our financial position also currently negates the need for financing through bank loans.</p>	<p>Risk identified as being a climate- and nature-related risk as there may be increasing preference for products that are nature positive/ have lower impacts on nature.</p> <p>The RSPO gap analysis was completed in February 2022 and is available on our website https://www.angloeastern.co.uk/sustainability/sustainability-certification. The report indicated substantial resources are needed for RSPO certification. The Group continues to review the commercial impact of RSPO certification.</p>
Market & Reputation	Development of new products	<p>Palm oil can be used to produce a range of products, including low-carbon alternative fuels and materials. The development of new products can provide both reputational and financial opportunities, despite in many instances being expensive to produce. For example, increasing demand for biodiesel in markets such as China offers additional sources of revenue. However, policies in the EU to reduce and phase out the use of palm oil in biodiesel by 2030 means that this opportunity may be limited.</p>	<p>We have signed long term contracts with an investor to construct BioCNG. The plant uses methane produced from mills to generate renewable fuel which is used to replace diesel in industrial use. BioCNG can also be used in trucks carrying FFB within our estates. This can provide a reputational benefit, increased operational resilience, and new revenue streams.</p>	<p>Opportunity identified as being a climate- and nature-related opportunity as there may be increasing preference for bio-based materials like palm oil (as an alternative to fossil-based inputs).</p> <p>No significant change.</p>

Type	Primary risk/opportunity driver	Rationale for inclusion as priority risk	Management approach	Changes from 2021 to 2022
Technology	Use of lower emission sources of energy	POME is used as a feedstock in anaerobic digesters to produce biogas which contains about 60% methane. The biogas is purified and used as a fuel in biogas engines to generate electrical power which reduces our reliance on diesel.	Four of our mills are equipped with biogas plants to capture biogas and generate electricity for sale to the state authorities. This also reduces the need to purchase diesel for our estates, as they are instead supplied power by the grid, therefore reducing our emissions.	The mill in Tasik Raja has been certified for CDM in 2022. This will enable AEP to market the Carbon Emission Reductions (“CERs”). Another mill in Bina Pitri Jaya estate is in the process of obtaining CDM certification while the mill in Alno estate is still in the early stage of the process.
Physical	Heavy rainfall & flooding	Excessive rainfall generally leads to poor pollination of palms and reduces the effectiveness of fertilisers. High levels of rainfall can also disrupt estate operations and result in harvesting delays with loss of FFB or deterioration in fruit quality. Where leading to a reduction in revenues, insurance cover may not be available or may be disproportionately expensive. Periods of more intense precipitation can also benefit AEP, by enabling the conservation of more water to mediate dry periods.	Where appropriate, bunding is built around flood prone areas and canals/drainage/retention ponds and water gates are constructed and adapted to evacuate surplus water. Riparian reserves are also protected to mitigate flood risks. Where the land is undulating, we build terraces for planting which helps to prevent landslides, ensures that water runs off into groundwater stores, conserves nutrients effectively, and provides better accessibility for operations. Where practical, natural disasters are also covered by insurance policies.	Identified as being a nature-related risk or opportunity as heavy rainfall / flooding can change the state (condition and/or extent) of ecosystems on which AEP depend for ecosystem services. Extreme rainfall of more than 3,000 mm per annum in 2022 has caused severe flooding in Central Kalimantan and Bengkulu which disrupted FFB crop evacuation and harvesting operation which reduced crop production. Local authorities also barred the use of public roads in some months due to heavy damages caused by incessant rain and heavy usages especially by heavy trucks carrying coal.

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Type	Primary risk/ opportunity driver	Rationale for inclusion as priority risk	Management approach	Changes from 2021 to 2022
Physical	Droughts	Dry periods affect palm oil yields in the short and medium term through moisture stress and can result in wildfires that may damage the palms. Drought events are localised to our Kalimantan and South Sumatera estates, where long droughts (>3 months) can affect soil quality and lead to a lower yield the following year (~10-15% decrease at most). Lower rainfall provides opportunities, however, to repair and realign roads to improve the transport of crops.	Legume cover crops are planted to minimise soil erosion, preserve soil moisture and improve soil chemical and physical properties. In mature areas, fronds and EFB are placed inter-rows to allow the slow release of organic nutrients while minimising soil erosion. Conservation pits and sumps are constructed to harvest and contain rainwater, whilst the spreading of oil mill effluent in lines provides a water storage medium. 'Terracing' also ensures that water runs off into groundwater stores. We are also closely following developments of drought-resistant oil palm varieties.	Identified as being a nature-related risk (see rationale). Climate experts project that La Nina is weakening and there is likelihood of El Nino appearing in the 2nd half of 2023 which may cause forest fire and drought in Indonesia.
	Fires	During drought season the risk of fire is present at several estates, especially where neighbouring land is burnt for crop cultivation by locals. El Nino weather events can indirectly drive widespread forest fires and haze, although the severity of El Nino events appears to be decreasing as a result of changing climatic conditions. The financial impact of fire damage is relatively low to the Group due to the diverse geographical spread of plantations.	Fire response crews are stationed in each estate, with regular training on firefighting techniques and safety provided by local fire departments. Ditches and boundaries are created to prevent the spread of fire, whilst watch towers have been built in every estate to pinpoint outbreaks of fire as soon as smoke is detected. The Group has also invested in drones to pinpoint outbreaks of fire where accessibility is restricted. Where practical, natural disasters are also covered by insurance policies.	Identified as being a nature-related risk as fire can change the state (condition and/or extent) of ecosystems (e.g. tropical forest, peat) on which AEP depend for ecosystem services. No significant change.

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Type	Primary risk/ opportunity driver	Rationale for inclusion as priority risk	Management approach	Changes from 2021 to 2022
Physical	Pests & disease	<p>Rhinoceros beetle or Oryctes damage has been observed in areas of large-scale replanting, whilst plantations have previously been detrimentally impacted by stem rot. More extreme fluctuations in precipitation may drive increased damage from bagworms and leaf beetles.</p> <p>There is evidence that pollinating weevils, which help to pollinate palm trees, are showing smaller flight capabilities and pollinating less because of changing climatic conditions.</p>	<p>Pest and disease events are localised, with early-warning provided by supervision and monitoring, and generally impact immature palms. Outbreaks are managed through biological controls, such as the planting of beneficial plants that host natural predators to divert bagworms from oil palms, and the introduction of barn owls to control rats. Individual estates have also been replanted with more resistant anti-<i>Ganoderma</i> material to reduce the threat of stem rot. A variety of planting materials are also being considered to provide variability and pollens, to mitigate changes to pollinating insects, and hand pollination can also be carried out where required.</p>	<p>Identified as being a nature-related risk (see rationale)</p> <p><i>Ganoderma boninense</i> has infected some 10% the total palm trees in HPP estate in North Sumatera, resulting in around 5% reduced yield in 2022 when compared against 2021</p>
Key = Opportunity / Risk				

Strategic Report

Risk and opportunity impacts on our business, strategy and financial planning

Climate- and nature-related risks and opportunities impact three key areas of the business: our products, our supply chain and our operations.

Products

- The adverse perception of palm oil as an environmentally unfriendly and non-renewable source, particularly in the EU, continues to feature in recent years, touching on issues including deforestation, emission of greenhouse gases, planting on peatland and land rights. AEP is committed to ensuring that our products are produced in a sustainable way. This is realised by not clearing forests (zero deforestation), not planting on peat (zero peat) going forward, respecting and protecting human rights, and committing towards the traceability of our products.

Supply chain

- Severe adverse weather conditions, such as tropical storms, can result in extended business interruption through disruption to our supply chain and to local transportation services. For example, FFB produced in KAP are sold to local millers (rather than primary customers more than 600km away) during the wet season. This is because transport time more than doubles as lorries are frequently stuck in mud as untarred public roads are easily damaged by incessant rain and floods. The Group has completed its site selection to build the KAP mill and applied for the relevant approvals and permits required to start the construction of the mill in H1 2023.
- To progressively reduce the greenhouse gas emissions per metric ton of CPO produced in the next few years, the Group plans to construct biogas plants at our remaining palm oil mills where there is a demand for electricity, on top of our four existing biogas plants. Our plants trap the biogas from the anaerobic treatment of the palm oil mill effluent and generate electrical power. We also plan to construct BioCNG plants which produces compressed and purified biogas for customers who are committed to use renewable energy. In remote mills where there is no commercial option for the biogas then the methane will be flared to reduce the emission of GHG.
- The Group consistently practices good agricultural practices such as zero burning, integrated pest management, soil and water conservation and recycling of biomass. When it comes to replanting, the old palms felled are chipped and shredded and left to decompose at the site. This mitigates the greenhouse gas emissions commonly associated with open burning when land is cleared through the traditional method of slash-and-burn. It also enriches the organic matter in the soil and recycles nutrients back onto the soil.

Our sustainability policy (available at <https://www.angloeastern.co.uk/sustainability/corporate-governance>) also provides additional information on the commitments we have made which will reduce the likelihood and/or impact in some of our key risk areas. As we continue to implement additional actions to improve TCFD and TNFD alignment, we will update our policy as relevant, including for example our response to the emergence of new risks and opportunities as well as further sustainability-related metrics and targets.

The impact of climate- and nature-related issues on our financial performance has not yet been assessed. However, we have this year improved our score in the ZSL Sustainability Policy Transparency Toolkit (“SPOTT”) assessment by 5.7%. This is an external stakeholder facing assessment that investors and buyers use to assess their investment or purchasing decisions. This increasing score enhances AEP’s position in the market, including access to capital.

AEP will undertake climate scenario analysis (“CSA”) in 2023 which will provide a quantitative and qualitative assessment of the impact on financial performance (e.g., revenues, costs), financial position (e.g., assets, liabilities) and business strategy, of our most material climate- and nature-related risks. We will use the CSA process to develop robust mitigation strategies for risks and opportunities to ensure there is appropriate management over medium- and long-term time horizons.

Resilience of our strategy

AEP have not yet conducted a CSA exercise, but we recognise it as a vital step to help build climate- and nature-related strategic resilience and inform financial planning. Most of our own climate- and nature-related impact is driven by our use of forest, land and agriculture (“FLAG”). We are aware of the new/emerging accounting and target setting guidance for the land sector, both from the GHG Protocol and the Science Based Targets Initiative (“SBTi”). These new standards will likely shift how our competitors and customers view and account for climate and nature impacts, thereby potentially changing the context in which we operate as a business.

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This guidance is likely to impact how we construct CSA given that much of our exposure is expected to be physical FLAG risks. AEP will ensure our approach to CSA in 2023 is informed by this guidance.

Ecosystem interactions

AEP recognise that the TNFD includes an additional, specific disclosure requirement under the strategy pillar relating to our interactions with low integrity and high importance ecosystems or areas of water stress. AEP operates in HCV areas and obtains various certifications for some of our estates and mills, and we ensure these areas of high importance are managed appropriately through actions outlined in our Sustainability Policy and/or by the certification body.

AEP is committed to the development of the Group-wide NDPE policy that development of plantations is only done after completion of the HCV-HCS assessment. We are also committed to address the issue of non-compliance development which was done in the past.

AEP decided to implement the Re-Entry Requirements in order to compensate for the non-compliant land development and engaged Earthqualizer (“EQ”), a reputable non-profit organisation with international experience dedicated to the sustainable management of natural resources, to implement the Re-Entry Requirements. EQ has assessed the Recoverability Liability of AEP and developed a Recovery Plan whereby EQ will assist AEP to identify and implement at recovery sites. The proposed area in the Recovery Plan involves engaging in the local Social Forest Schemes in the district of Muko Muko, Bengkulu which is close to our Air Ikan Estate. This area totals 5,578 Ha and has a high biodiversity value for Rare, Threatened and Endangered (“RTE”) species. The whole project development plan will take about two years and upon adopting the Recovery Plan, AEP will continue to implement them in the Social Forest Scheme.

We will aim in the short-term to map the ecosystems that we operate in or near, referencing the location and type of ecosystem (i.e. tropical rainforest). However, further guidance is required than what is currently available within the reference sources and indicators signposted in the TNFD’s LEAP approach to help AEP take action and disclose these interactions. We will await final release of the TNFD framework in 2023 and review the guidance to determine appropriate further action and timelines for implementation and disclosure.

Risk Management

Identifying and assessing dependencies, impacts, risks and opportunities

The climate- and nature-related risks and opportunities outlined in Strategy above were identified and prioritised in collaboration with our external sustainability partners. A cross-functional working group involving senior managers and Directors from across AEP were involved in this process. Stakeholders were surveyed to understand the relative materiality of a range of physical and transition risks. Materiality was defined by calculating a risk score based on the relative frequency or likelihood of a risk materialising in a 12-month period, and the potential magnitude of impact based on expected change in operating profit. A workshop with senior managers and Directors was facilitated by our sustainability partners to determine how the business expects these risks to change over time, with relevant risk mitigation and adaptation measures identified.

We have made a commitment to conduct a formal re-evaluation of this risk assessment every three years, with a review and qualitative assessment occurring in the intervening years, as is the case this year. Regulatory changes are reviewed annually as we recognise that these are faster moving than many of our other, primarily physical risks. As detailed in Strategy above we intend to include a view of medium- and longer-term risk horizons, together with the inclusion of nature-related dependencies, impacts risks and opportunities, within the next formal re-evaluation in 2023. Within each review, we ensure AEP’s Board and management are involved to ensure there is ongoing risk oversight to identify and assess new risks or determine if there are changes to materiality.

At an operational level, our managers of estates and mills also identify and assess risks, some of which are climate- and nature-related, on an ongoing basis. This approach to risk management is largely guided by our requirements under various standards and certifications at some of our estates and mills, for example ISO14001:2015, PROPER, ISPO and ISCC. AEP recognises the need to identify the elements of climate- and nature-related risk management within these, and ensure staff have a robust understanding of this to ensure a holistic and integrated approach to company-wide risk management.

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Managing dependencies, impacts, risks and opportunities

AEP is committed to ensuring we have a robust internal process, with clear stakeholder responsibilities identified, to mitigate, transfer, accept, and/or control of climate- and nature-related risks. A management approach for each of the key climate- and nature-related risks and opportunities is detailed in the table included in Strategy above (page 42 to page 46).

Where risks are directly linked to short-term operational management, they are recorded by Group management and given a priority score dictated by their individual risk (a high, medium or low score depending on, for example, individual estate risk of flooding or drought which varies by geographic location). Our Engineering Director has oversight of the management approach across all of our mills and our Chief Operating Officer has oversight across all of our plantations. Both individuals discuss these risks with our Group Sustainability and EHS Manager who, from 2023, will report the sustainability agenda (including risks) to the Management Committee quarterly. This ensures there is Group-level oversight and sign off of risk mitigation activities at each site, and discussion to review progress towards management activities and to determine any resultant change in risk profile. The Sustainability and EHS Manager also performs an annual review of risks, as well as updating the Group-wide risk register continuously, or as new regulations or updates occur.

We will continue to develop our risk management approach by improving transparency of our climate- and nature-related risk management approach. This will include additional detail on how and where specific management activities have been implemented, and how these actions have changed the inherent risk and potentially the materiality of risks and opportunities identified.

Integration of climate and nature into overall risk management

Climate- and nature-related risk management is not yet fully integrated into AEP's overall risk management processes. However, the same stakeholders are involved with both processes and both processes have Board oversight. In the short-term AEP commit to reviewing and updating business risk management processes to fully integrate climate- and nature-related risks.

This year, we have increased the frequency of company-wide risk review and update, to twice annually by the Management Committee and a formal review by the Board at least one annually. Furthermore, we now recognise both climate and nature as business principal risks which provides a first step in integrating these risks into overall risk management.

AEP recognise that there are two additional TNFD-specific disclosure requirements under the risk management pillar relating to:

- 1) our approach to locate the sources of inputs used to create value that may generate nature-related dependencies, impacts, risks and opportunities; and,
- 2) how stakeholders, including rightsholders, are engaged in our assessment and response to nature-related dependencies, impacts risks and opportunities.

Only limited guidance is currently available for these disclosure recommendations so we will await the final release of the TNFD framework in 2023, and review the guidance to determine appropriate further action and timelines for implementation and disclosure.

Metrics and Targets

Metrics to assess climate- and nature-related risks and opportunities

AEP utilise several key metrics to manage risk and opportunity within the business. We use our annual GHG reporting to assess the impact of business decisions (in metric tonnes CO₂e). This is evaluated in line with the GHG Protocol Corporate Accounting Standard, alongside other industry standards and guidance as referenced in our SECR report (page 50 to page 54). Our carbon intensity metrics (metric tonnes CO₂e per hectare of planted area, per tonne FFB produced and per tonne CPO produced) are useful to indicate the impact on business efficiency throughout the year. These intensity metrics also indirectly indicate the potential impact of certain physical risks such as droughts or excessive rainfall.

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Other sustainability-related metrics help us to manage key climate- and nature-related risks and opportunities, including metrics we gather for our certifications (e.g., ISPO and MSPO), HCV areas, waste production, water consumption and global cost premiums for certified palm oil products (e.g., RSPO) to evaluate the risk or opportunity of changing market preferences. In 2023, we plan to calculate scope 3 emissions considering new/emerging guidance for the land sector (SBTi-FLAG and GHG Protocol Land Sector and Removals guidance).

Through the planned review and update of climate- and nature-related risks and opportunities in 2023 (as described in Strategy above), we will identify further appropriate metrics to link to these risks and opportunities and seek to provide both historical trends and forward-looking projections.

Metrics and related impacts and risks

AEP report scope 1, 2 and selected scope 3 emissions in line with the SECR regulation (see page 50 to page 54 for this year carbon reporting). Currently our scope 3 emissions include electricity transmission and distribution, 3rd party vehicles and the land-related emissions from the outgrower crops that we purchase and process in our mills. The new GHG Protocol guidance on the land sector is likely to change how these land-related emissions should be reported (including in our scope 1) so we have planned to undertake a review of our methodology in 2023 following the release of the guidance (expected in April 2023). We do not yet report on our full scope 3 emissions, so the methodology review will be undertaken in combination with a scope 3 screening exercise.

As described above, we have some additional nature-related metrics through our legal obligations and certifications at some of our estates and mills, including HCV, ISPO, PROPER, ISO14001 and ISCC. However, we will await the final release of the TNFD framework in 2023 and review the guidance to determine appropriate further action.

Targets for dependencies, impacts, risks and opportunities

AEP has set a target to reduce absolute scope 1 and 2 emissions by 20.5% by 2030 from a 2019 baseline (see further information in our SECR report on page 51). We commit to reporting progress towards this target each year, and revisiting its appropriateness and ambition on a regular basis to maintain its value to our business and stakeholders. As we gather further trend data using our existing metrics and from planned new metrics, we aim to set other sustainability-related targets as appropriate, e.g., for water consumption and waste production. We will then disclose and report progress against these targets. Furthermore, upon completion of the emissions reporting methodology review and calculation of scope 3 emissions, we will explore the feasibility of setting SBT's (including SBTi-FLAG and exploring guidance from the Science Based Targets Network for climate and nature targets).

Only limited guidance is currently available in the TNFD draft guidance v0.3 for the proposed TNFD-specific disclosure recommendation to "Describe how targets on nature and climate are aligned and contribute to each other, and any trade-offs". AEP will therefore await the final release of the TNFD framework in 2023 and review the guidance before determining appropriate further action.

Carbon Reporting

AEP recognises that our global operations have an environmental impact and we are committed to monitoring and reducing our emissions year-on-year. We are also aware of our reporting obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. As such, we continue to report on our energy and carbon performance and are committed to transparent communication about our environmental impact to our stakeholders.

2022 Performance Summary

AEP's total carbon emissions have reduced by 14% in 2022 from 2021. This is primarily due to a reduction in direct land clearance activities (-8% drop in emissions driven by Pangeran Estate, RAA Estate and Sei Musam Estate) and outgrower land clearance (-11%). As an agricultural business, our carbon footprint is closely linked to our land management and planting practices.

The decrease in emissions has been partly explained by an increase of carbon dioxide sequestered across our estates, rising 4% in 2022. This increase in sequestration is due to the age profile of our estates, as oil palm at the beginning

Strategic Report

and nearing the end of its crop cycle does not have as great a sequestration potential as those in the middle of the lifecycle.

Our operational emissions have decreased by 3% in 2022, driven by a decrease in fuel use (diesel and biomass) and POME treatment. Biomass emissions decreased 35% since 2021, driven by a decrease in consumption (-6%)¹ and a decrease in the biomass emissions factor (-44%)². Our overall production of CPO decreased by 4%, which has driven the 5% decrease in emissions from the treatment of the effluent.

Our overall transport emissions have increased, caused by onsite transport increasing 14% due to additional vehicles in operation during 2022. Emissions from fertiliser use has increased by 37% in 2022, which is driven by the introduction of Double Ammonium Phosphate fertilizer during the reporting period.

Energy and Carbon Action

In the period covered by the report AEP has undertaken the following emissions and energy reduction initiatives:

- Connection to the national grid and utilisation of electricity generated from biogas engines across a number of estates to reduce the power generated from the diesel generators.

We have reviewed our past carbon footprint performance and conducted an exercise to establish specific emissions reduction targets for the business. We are aware of upcoming changes in best practice guidance, both in the form of the GHG Protocol Land Sector and Removals guidance and across wider target setting guidance. We will review our approach once this guidance has been finalised and released over the course of 2023.

Metrics and Targets

AEP commits to a reduction in absolute scope 1 and 2 emissions by 20.5% by 2030 from a 2019 baseline. This target does not include the impact of sequestration on site, as activity on this is limited by the age profile of our crop.

In 2022 our scope 1 and 2 emissions (excluding sequestration) were 2% higher than in 2019. We have identified the key areas we need to take action as a business to achieve this target, including the conversion of our remaining mills to biogas plants from anaerobic lagoons, limiting our land clearance levels, implementing a no new peat policy and investigating our peat management processes, particularly regarding management of drainage depths.

We commit to reporting progress towards this target each year, and revisiting its appropriateness and ambition on a regular basis to maintain its value to our business and stakeholders.

2022 Results

Methodology

The methodology used to calculate the GHG emissions is in accordance with the requirements of the following standards:

- World Resources Institute (“WRI”) “GHG” Protocol (revised version)
- Defra’s Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019).

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities fall within the reporting period of 1st January 2022 to 31st December 2022 and use the reporting period of January 2021 to December 2021 for comparison.

Note on agricultural emissions

Emissions from agricultural cultivation form the most significant part of our carbon footprint. As such we have assessed these emissions in line with the methodology development by the RSPO. Version 4 of the RSPO’s PalmGHG application has been used to source relevant emission factors and provide a sense check of calculations.

¹ Biomass consumption was 307,328 tonnes in 2022 and 328,225 tonnes in 2021.

² The emissions factor used for biomass in 2022 was 43.0 kg CO₂e/tonne, compared to 61.8 kg CO₂e/tonne in 2021.

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We include emissions from agricultural cultivation on our own estates within our direct scope 1 and estimate these agricultural emissions from any outgrower crops processed in our mills, included within our scope 3. This is consistent with previous years reporting and is aligned to the WRI reporting principles of completeness and relevance, whereby scope 1 are the direct emissions sources that we own and control. As mentioned above, we will review our approach upon the release of the new GHG Protocol guidance in 2023.

Emissions from land clearance are reported only for the reporting year in which the land clearance activity took place. No amortisation has been applied, whereby the emissions would be allocated equally over a number of years based on the changing land use during that time. We have chosen not to apply amortisation as there is a lack of industry-acknowledge guidance on this topic at present. We review industry guidance each year and update our methodology as appropriate. There has been no further guidance throughout 2022, thus the approach taken this year is in line with our previous years reporting.

Energy and carbon disclosures for reporting year ¹

	Emissions Source	Global Emissions tCO ₂ e		Variance	UK Emissions tCO ₂ e*		Variance
		2022	2021		2022	2021	
Scope 1	Fuels	18,565	25,058	-26%	0	0	0%
	Plantation vehicles	9,209	8,077	14%	0	0	0%
	Fertiliser use	25,425	18,531	37%	0	0	0%
	POME Treatment	135,034	142,262	-5%	0	0	0%
	Sequestration	(476,707)	(458,738)	4%	0	0	0%
	Land clearance	424,476	459,740	-8%	0	0	0%
	Peat soil cultivation	490,314	486,436	1%	0	0	0%
Total Scope 1		626,316	681,366	-8%	0	0	0%
Total Scope 2	Electricity	2,947	2,657	11%	0	0	0%
Total Scope 1 & 2		629,263	684,023	-8%	0	0	0%
Scope 3	Electricity transmission and distribution	262	211	24%	0	0	0%
	3rd party vehicles	7,168	7,254	-1%	0	0	0%
	Outgrower land clearance	391,705	441,247	-11%	0	0	0%
	Outgrower peat soil cultivation	57,311	59,146	-3%	0	0	0%
	Outgrower sequestration	(439,904)	(440,333)	0%	0	0	0%
Total Scope 3		16,542	67,525	-76%	0	0	0%
Total (Location Based)		645,805	751,548	-14%	0	0	0%
Total Energy Usage (kWh) ²		1,520,437,938	1,465,500,566	4%	0	0	0%
Intensity ratio	tCO ₂ e per hectare of planted area	9.06	10.63	-15%	0	0	0%
Intensity ratio	tCO ₂ e per tonne CPO production	1.42	1.59	-11%	0	0	0%
Intensity ratio	tCO ₂ e per tonne FFB production	0.55	0.63	-13%	0	0	0%

* Note AEP Plc is a UK registered company. However, the business does not have any physical presence within the UK, hence the 0% contribution of UK emissions. It is shown in the table for transparency.

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¹ Energy reporting includes kWh from scope 1, scope 2 and scope 3 3rd party vehicles only (as required by the SECR regulation)

² The analysis of GHG emissions is partially based on the country-specific CO₂ emission factors developed by the International Energy Agency, © OECD/IEA 2022 but the resulting analysis of GHG emissions has been prepared by Accenture for AEP and does not necessarily reflect the views of the International Energy Agency

AEP are required to report to the UK Streamlined Energy and Carbon Reporting (“SECR”) regulations. To provide comparison with our reporting for 2019 and earlier the data is also provided in a similar format below.

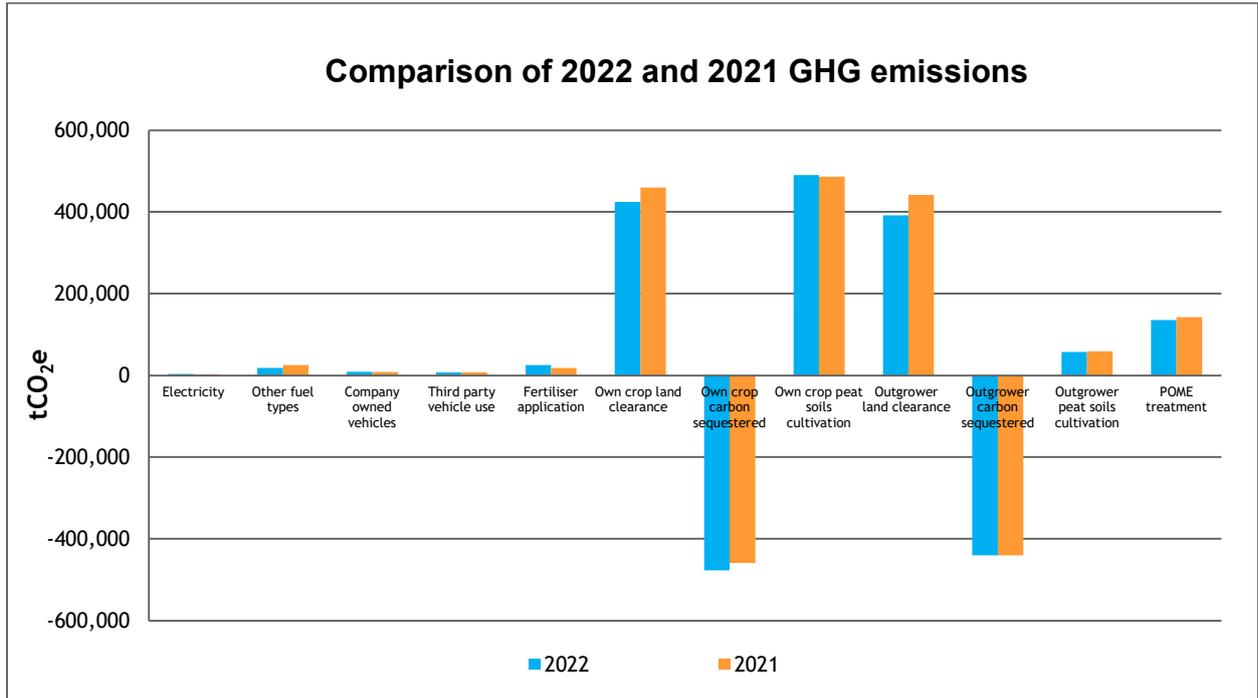
2022 vs 2021 emissions comparison

Emissions source	2022 Emissions in tCO ₂ e		2021 Emissions in tCO ₂ e		Variance	
POME treatment	135,034		142,262		-5%	
Fertiliser application	25,425		18,531		37%	
<i>Diesel</i>	5,339		4,772		12%	
<i>Biomass</i>	13,226		20,286		-35%	
Fuel use	18,565		25,058		-26%	
Electricity consumption	2,947		2,657		11%	
Electricity T&D	262		211		24%	
Company owned vehicles	9,209		8,077		14%	
Third party vehicle use	7,168		7,254		-1%	
Total operational emissions	198,610		204,050		-3%	
	Own crop	Outgrower crop	Own crop	Outgrower crop	Own crop	Outgrower crop
Land clearance	424,476	391,705	459,740	441,247	-8%	-11%
Carbon sequestered	(476,707)	(439,904)	(458,738)	(440,333)	4%	0%
Peat soils cultivation	490,314	57,311	486,436	59,146	1%	-3%
Total land use emissions	447,195		547,498		-18%	
Overall emissions	645,805		751,548		-14%	

The normaliser reported within the main report is calculated using total CO₂e emissions. In previous years the normaliser has also been calculated on operational emissions only. This reduces the influence of the fluctuations in agricultural emissions. As such, the operational normalisers are also reported below. The operational planted area intensity has decreased as the operational emissions have decreased (-3%) despite an increase in planted area (+1%).

2022 vs 2021 Operational emissions intensity (excluding land use change emissions) (tCO₂e)

Operational emissions reporting metric	2022 in tCO ₂ e	2021 in tCO ₂ e	Variance
Per hectare of planted area	2.78	2.89	-4%
Per tonne CPO production	0.44	0.42	5%
Per tonne FFB production	0.17	0.17	0%



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 regards to the representation of women on the boards of directors of listed companies and will make every effort to conform based on legislative requirement.

Group Headcount	2022 average employed during the year									
	<u>Continuing operations</u>			<u>Discontinued operation</u>			<u>Total Operations</u>			Total
	Women	Men	Total	Women	Men	Total	Women	Men	Total	
Board (Company and subsidiaries)	3	15	18	-	-	-	3	15	18	
Senior Management (GM and above)	1	3	4	-	-	-	1	3	4	
Managers & Executives	37	370	407	-	33	33	37	403	440	
Full Time / Field Workers	243	6,535	6,778	23	610	633	266	7,145	7,411	
Part-time / Field Workers *	2,424	2,848	5,272	373	1,012	1,385	2,797	3,860	6,657	
Total	2,708	9,771	12,479	396	1,655	2,051	3,104	11,426	14,530	
%	22%	78%	100%	19%	81%	100%	21%	79%	100%	
Group Headcount	2021 average employed during the year									
	<u>Continuing operations</u>			<u>Discontinued operation</u>			<u>Total Operations</u>			Total
	Women	Men	Total	Women	Men	Total	Women	Men	Total	
Board (Company and subsidiaries)	3	14	17	-	-	-	3	14	17	
Senior Management (GM and above)	1	5	6	-	-	-	1	5	6	
Managers & Executives	33	373	406	-	39	39	33	412	445	
Full Time / Field Workers	250	6,273	6,523	23	604	627	273	6,877	7,150	
Part-time / Field Workers*	1,933	2,686	4,619	475	1,097	1,572	2,408	3,783	6,191	
Total	2,220	9,351	11,571	498	1,740	2,238	2,718	11,091	13,809	
%	19%	81%	100%	22%	78%	100%	20%	80%	100%	

*Part-time /Field workers Headcounts based on full time equivalent of 8 hours per day

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Although the Group provides equal opportunities for female workers in the plantations, the male workers make up a majority of the field workers due to the nature of work and the remote location of plantations from the towns and cities. Nevertheless, the number of female part-time field workers increased by 16% from 2,408 to 2,797 in 2022 due to new planting and replanting programs. Overall, the number of female workers within the Group increased by 14% from 2,718 (20%) in 2021 to 3,104 (21%) in 2022. More details on gender diversity can be found on our website under Workers' rights and safety / Exploitation / Fair place to work.

The Board continues to monitor the structure and composition of the Group's management team linking it to the balance of age, social and ethnic backgrounds, together with relevant qualifications and experience. To date, the Board believes that the composition of the Group's management team is fairly balanced in respect of all the elements of diversity as mentioned above.

Employees

Oil palm cultivation is a labour-intensive industry. In 2022, the number of full-time workers averaged 7,873 (2021: 7,618), a 3% increase while the part-time labour averaged 6,657 (2021: 6,191), a 8% increase. Many part-timers were promoted to full employment upon maturity of the field. The total headcount of field workers in 2022 was higher by 5% due to new planting and replanting activities, with further details on page 21 under corporate development. The Group has introduced some mechanisation in the field to boost productivity. Mechanisation though has its limits but where possible could help relieve the acute shortage of labour and reduce the cost pressure from rising minimum wages.

It was reported elsewhere that foreign workers are frequently subjected to high recruitment fees that kept them in debt bondage and are forced to work overtime and in dangerous conditions under the threat of penalties, namely withholding of salaries and identification documents and restricted movement. AEP adopts a zero-cost recruitment policy towards all its local and foreign employees.

At the end of 2022, 94.7% of our employees have received their first dose of vaccine while 91.4% have completed their vaccination programme. Another 52.3% have received their first booster jabs. More details are provided under CSR of the Strategic Report.

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

Existing employees are selected on a regular basis for training programmes organised by the Group's training centre that provide grounding and refresher courses in technical aspects of oil palm estate and mill management. The training centre also conducts regular programmes for all levels of employees to raise the competency and quality of employees in general. These programmes are often supplemented by external management development courses including attending industry conferences for technical updates. A wide variety of topics are covered including work ethics, motivation, self-improvement, company values and health and safety. The Group spent \$113,500 on staff training and professional development in 2022 against \$33,200 for the previous year.

The Group operates a cadet program where graduates from local universities are selected to undergo theory and field training over a twelve-month period. On successful completion, they are assigned as assistants to various mills and estates.

A large workforce and their families are housed across the Group's plantations. The benefits provided to them were extensively covered under CSR in the Strategic Report. On top of competitive salaries and bonuses, these extensive benefits and privileges help the Group to retain and motivate its employees. The Group complied with the minimum wage policy issued by the Indonesian government. It respects the rights of employees and does not exploit workers, use child or forced labour and is not involved in human trafficking as described in the UK's Modern Slavery Act 2015, of which a full statement is provided on our website under Corporate Governance.

The employees are covered by Governmental mandatory personal accident scheme with death benefits covering up to forty-eight months of workers' monthly salaries. The spouses and children of fulltime employees are also privately insured for death benefits by the Group.

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In addition to the Indonesian government mandatory retirement program managed by Social Security Management Board (“BPJS”), casual workers are also covered by a defined contribution pension scheme managed by AIA Financial while the Indonesian managers and permanent employees are included in a post-employment compensation fund managed by Allianz Indonesia.

The rights of employees and their extensive benefits covering every aspect of employment from salary review, allowance, bonus, housing, study and training for improvement, work safety and health and code of conduct are contained in the Company’s handbook which is available and accessible to all employees.

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

The Group has in place key performance-linked indicators to determine increment and bonus entitlements for its employees. The human resources and a member of the Remuneration Committee engage members of the labour unions representing full-time workers at least once a year on their yearly performance bonuses and grievances. See Directors Remuneration Report on page 82.

A whistle-blower policy was introduced in 2019 to allow workforce to raise concerns in confidence and if they wish anonymously to the Board of the holding company for independent investigations and follow-up actions. The full details of the policy can be downloaded from the Company’s website.

The Group promotes and encourages employee involvement in every aspect wherever practical as it recognises employees as a valuable asset and is one of the key contributions to the Group’s success. The employees contribute their ideas, feedback and voice out their concerns through formal and informal meetings including meeting with the Chairman of the Remuneration Committee annually, discussions and annual performance appraisals. In addition, various work related and personal training programmes are carried out annually for employees to promote employee engagement and interaction. The Group organises an annual dinner to recognise high achievers in the plantation and mill operations. It also has an annual family gathering to foster camaraderie among its employees. These events, where employees always look forward to, have been suspended during the pandemic for the safety of the employees and their families are set to resume since Covid-19 is no longer a pandemic as announced by the World Health Organisation.

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

Outlook

FFB production for the three months from continuing operations to March 2023 was 6% lower against the same period in 2022 mainly due to the drop in production from North Sumatera, Bengkulu and Riau regions. It is too early to forecast whether the production will improve for the rest of the year.

The CPO price ex-Rotterdam opened the year at \$1,060/mt and averaged about \$1,016/mt for the first three months of 2023. Despite the threat of recession in major economies, we expect CPO demand to remain upbeat for the majority of the first half of 2023 for reasons mentioned in the next paragraph.

CPO continues to attract buyers who are price sensitive as CPO discount to soyabean oil has widen and remains above the historical average spread of \$100/mt. China holds the key to another potential upside as it eased its zero-Covid policy and reopens the economy boosting demand for vegetable oil. Dry weather in South America in the first half of 2023 is likely to reduce the harvest of soybean and help sustain CPO demand and prices.

As explained on page 20 on Commodity Prices, the movement in CPO prices are greatly influenced by the Indonesian government export policy. Effective January 2023, Indonesia had tightened its export policy for palm oil to keep more for domestic consumption and with less for exports to ensure ample supplies for the festive seasons. Crop production is also expected to be seasonally weaker in the first quarter of 2023. The introduction of a higher biodiesel blending mandate in Indonesia in 2023 from B30 to B35 biodiesel policy will further increase domestic consumption of palm oil.

Strategic Report

Production cost is expected to stay high in 2023. Inflation rate in Indonesia for 2022 was reported at 5.5%. While cost of fertilisers had retreated from its peak in 2022, it remains historically high. The on-going conflict between Russia and Ukraine meant that international sanctions continue to affect the supply of fertilisers from Russia which is a major producer of urea, potash and rock phosphate, the main ingredients of fertilisers used. Mandated regional wage increment in Indonesia rose between 7.2% to 8.8% at the beginning of 2023 and is expected to erode the Group's profit margin going forward. The increase was in line with the higher inflation rate due to higher costs of petrol and higher transport costs including air and sea freight.

We have also cater for the likelihood of El-Nino induced weather conditions from the second half of the 2023 which can cause drought and fire in some parts of our plantations thus affecting crop production.

Nevertheless, barring any unforeseen circumstances, the Group is confident that CPO demand will be sustainable in the long-term and we can expect a satisfactory trading outturn and cash flow for 2023.

Strategic Report

Statement by Directors In Performance Of Their Statutory Duties In Accordance With Section 172 (1) Of The Companies Act 2006

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, having regard to a range of factors set out in Section 172(1)(a) – (f) in the Companies Act 2006.

In discharging our Section 172 duty, we have regard for these factors, taking them into consideration when decisions are made. All the directors recognise their responsibilities to promote the success of the Company for its shareholders, other investors, its employees, customers, suppliers and the wider community. The Board acknowledges the importance of climate change and seeks to mitigate the negative impacts of the business on the environment through its sustainable practices, including engaging a firm of environmental and climate related expertise on this matter.

The Board reorganised the various Committees in 2022 to comply with the UK Code following the appointment of two new Non-Executive to the Board. Mr. Jonathan Law upon his appointment as the Chairman of AEP, resigned from the Audit, Nomination and Corporate Governance and the Remuneration Committees. Dato' John Lim, the Executive Director also resigned from all the Committees upon the appointment of a new Independent Non-Executive Director. After the reorganisation, the members of the Audit and Remuneration Committees are now fully made of independent Non-Executive Directors. Two new directors were added to the Board during the year. Further information on the changes can be found on Page 73 of the Statement of Corporate Governance.

During the year, the Board set up an Executive Committee which is made up of the Chairman, the Executive Director and the Non-Independent Non-Executive Director to review the Group's performance on a quarterly basis including significant corporate issues that need addressing. The Board believes a closer supervision at a higher level will enhance governance to achieve the strategic objectives of the Group. Further explanations are on page 72 of the Statement of Corporate Governance.

During the year, AEP bought back shares in six of its subsidiaries in Indonesia for a consideration of \$5.8 million, which will enhance the profit of the Group in 2023 and onwards, together with a forgiveness of loans of \$1.5 million to two minority shareholders. AEP will continue to buy back shares from its minority shareholders at a fair and competitive price as part of its consolidation of its shareholdings in the subsidiaries in Indonesia. The financial effect of a buy back going forward is to enhance profitability in the Group.

As mentioned in the 2021 Annual Report, AEP was in the process of selling three of its non-performing plantations in South Sumatera. Following from that, a MOU was signed with a potential buyer from Indonesia in December 2022 for a period of exclusivity to conduct legal and financial due diligence. However, the potential buyer decided not to proceed following the completion of the due diligence. Since this transaction did not materialise, the book value of the three plantations for sale is further impaired by \$5 million. The management is currently in discussion with another interested buyer and aimed to complete the sale of the three plantations as soon as practicable.

During the year, the Executive Director has had dialogues and meetings with shareholders, especially with Nokia Pension fund and other significant shareholders based in Belgium. The aim of such meetings was to address questions raised and to disseminate factual but not price sensitive information to shareholders, especially on the retirement of the late Madam Lim and her family's involvement in the Group through Genton International Limited. The shareholders' sentiments in such dialogues and meetings are relayed formally to the Board at Board meetings.

This Strategic report, including the non-financial reporting statement on Page 13, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved and signed on behalf of the Board.

On behalf of the Board:

Dato' John Lim Ewe Chuan
Executive Director

21 April 2023

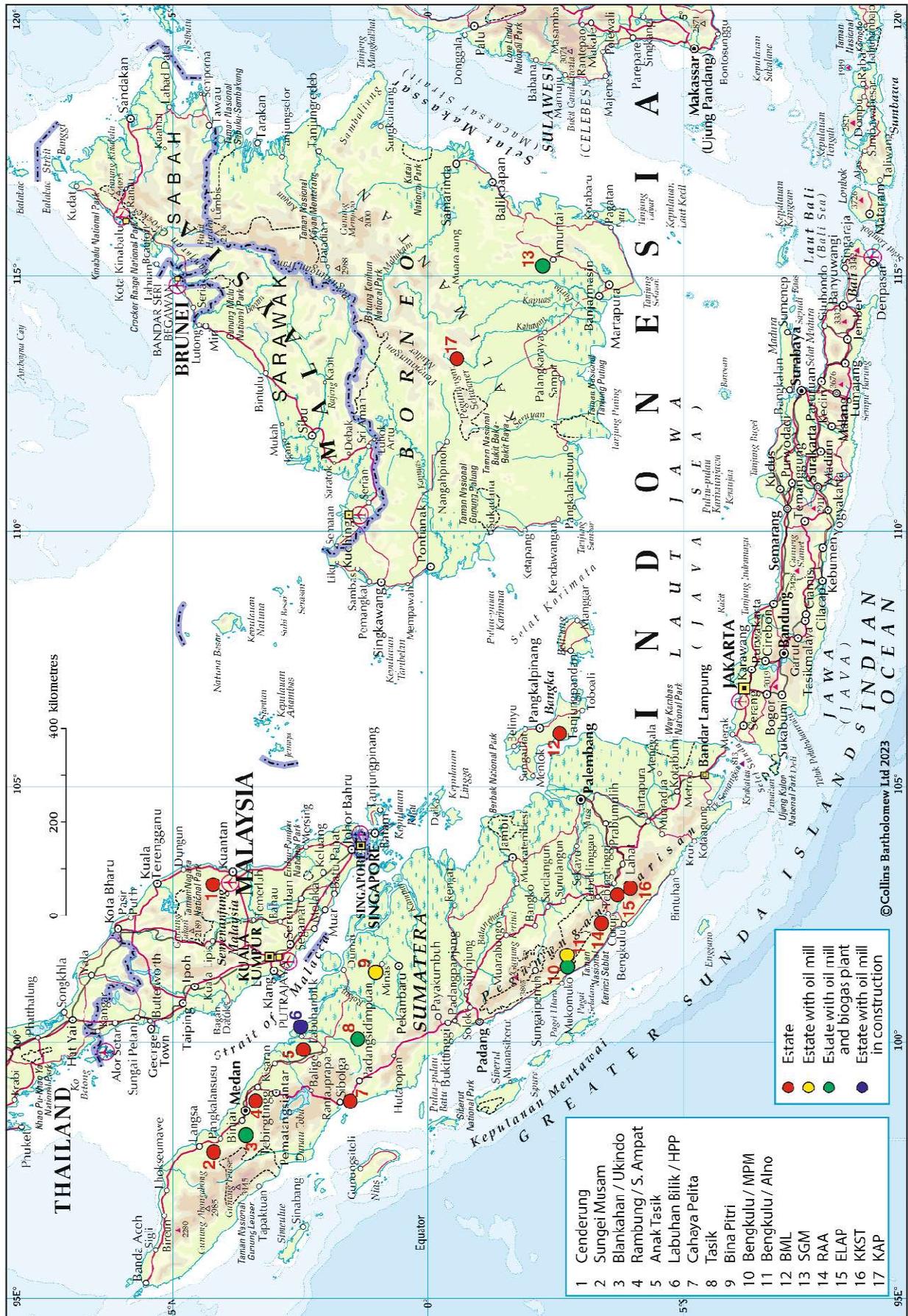
Financial Record

Income statement	2022	2021	2020	2019	2018
	\$000	\$000	\$000	\$000	\$000
Continuing operations					
Revenue	447,619	433,421	263,818	219,136	250,859
Operating profit before BA	132,895	129,332	54,599	12,178	30,928
Profit attributable to shareholders after BA	84,165	96,054	36,393	16,096	11,413
Dividend proposed for year	(9,909)	(1,982)	(396)	(198)	(1,189)
Financial position	\$000	\$000	\$000	\$000	\$000
Non-current assets & long-term receivables	271,419	282,581	303,067	384,391	351,387
Cash net of short-term borrowings	221,476	218,249	115,211	76,643	101,134
Long-term loans and borrowings	-	-	-	-	(8,203)
Other working capital	79,056	38,284	32,423	40,580	29,156
Deferred tax	1,027	2,994	13,607	(5,796)	(8,893)
	572,978	542,108	464,308	495,818	464,581
Non-controlling interests	(109,595)	(102,078)	(88,875)	(94,661)	(92,601)
Net worth	463,383	440,030	375,433	401,157	371,980
Share capital	15,504	15,504	15,504	15,504	15,504
Treasury shares	(1,171)	(1,171)	(1,171)	(1,171)	(1,171)
Share premium and capital redemption reserve	25,022	25,022	25,022	25,022	25,022
Revaluation reserves	-	-	-	48,413	51,308
Exchange reserves	(288,891)	(241,907)	(237,599)	(229,026)	(245,170)
Retained earnings	712,919	642,582	573,677	542,415	526,487
Equity attributable to shareholders' funds	463,383	440,030	375,433	401,157	371,980
Ordinary shares in issue ('000s)	39,976	39,976	39,976	39,976	39,976
Basic EPS before BA movement (US cents)	221.86cts	235.25cts	89.31cts	35.37cts	32.50cts
Basic EPS after BA movement (US cents)	212.34cts	242.34cts	91.82cts	40.61cts	28.79cts
Dividend per share for year (US cents)	25.0cts	5.0cts	1.0cts	0.5cts	3.0cts
Asset value per share (US cents)	1,169cts	1,110cts	947cts	1,012cts	938cts
Exchange rates - year end					
Rp : \$	15,731	14,269	14,105	13,901	14,481
\$: £	1.20	1.35	1.36	1.32	1.28
RM: \$	4.41	4.17	4.02	4.09	4.13
Exchange rates - average					
Rp : \$	14,810	14,312	14,572	14,146	14,246
\$: £	1.24	1.38	1.28	1.28	1.33
RM: \$	4.40	4.15	4.20	4.14	4.04

Estate Areas

	GROUP TOTAL	MALAYSIA	INDONESIA TOTAL	NORTH SUMATERA	BENGKULU	RIAU	BANGKA	KALIMANTAN	(DISCONTINUED) SOUTH SUMATERA
Mills / Biogas Plants									
Number of Mills	6	-	6	2	2	1	-	1	-
Number of Biogas Plants	4	-	4	2	1	-	-	1	-
Combined Mills Capacities	340 mt/h		340 mt/h	100 mt/h	120 mt/h	60 mt/h		60 mt/h	
Planted as at 31 December 2022									
Oil Palm									
Mature	63,141	3,453	59,688	18,465	14,382	4,816	1,065	14,889	6,071
Immature	7,952	-	7,952	394	2,492	-	1,551	2,905	610
Total Oil Palm	71,093	3,453	67,640	18,859	16,874	4,816	2,616	17,794	6,681
Rubber									
Mature	262	-	262	262	-	-	-	-	-
Immature	-	-	-	-	-	-	-	-	-
Total Rubber	262	-	262	262	-	-	-	-	-
Plasma									
Mature	3,291	-	3,291	93	-	-	202	1,973	1,023
Immature	1,449	-	1,449	-	-	-	281	1,123	45
Total Plasma	4,740	-	4,740	93	-	-	483	3,096	1,068
Total Planted area	76,095	3,453	72,642	19,214	16,874	4,816	3,099	20,890	7,749
Others									
Plantable Reserve/Oil Palm	15,823	1,607	14,216	654	-	-	1,469	5,975	6,118
Unplantable Areas	32,866	1,236	31,630	1,492	1,115	84	3,666	1,959	23,314
Oil Palm Nursery/Mill/Infrastructure	3,183	72	3,111	1,039	536	75	20	1,322	119
Total Others	51,872	2,915	48,957	3,185	1,651	159	5,155	9,256	29,551
Total Land as at 31 December 2022	127,967	6,368	121,599	22,399	18,525	4,975	8,254	30,146	37,300

Location of Estates and Mills



Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2022.

The Directors performance in relation to their statutory duties, together with the principal decisions taken during the year are detailed in the Strategy Report under Statements by Directors In Performance Of Their Statutory Duties In Accordance With Section 172 (1) Of The Companies Act 2006 on page 59.

Accountability and audit

AEP is committed to ensure that the quality of its financial reporting is of a high standard. The Board continually reviews its internal controls and risk management systems to ensure the Group's affairs and the Group's financial reporting comply with the applicable accounting standards as well as good corporate governance. The main features of the Group's internal controls and risk management systems are further disclosed on pages 80 to 81.

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

Results and dividends

The audited financial statements for the year ended 31 December 2022 are set out on pages 101 to 153 The Group's profit for the year on ordinary activities before taxation from continuing operations was \$132,941,000 (2021: profit \$137,083,000) and the profit attributable to ordinary shareholders from continuing operations was \$84,165,000 (2021: profit \$96,054,000). No interim dividend was paid. The Directors recommend a final dividend of 25.0cts (2021: 5.0cts) to be paid to shareholders on 7 July 2023. Shareholders may elect to receive their dividend in Pounds Sterling as described on page 66.

Additional disclosures

Other information that is relevant to the Directors' Report, and which is incorporated by reference into this report, can be located as follows:

	Pages
Future developments	21 to 23
Research and development	63
Financial instruments and financial risk management	139 to 144
Greenhouse gas emissions	50 to 54
Corporate governance report	70 to 76
Colleague engagement	82 to 83
Stakeholder engagement	59
Section 172 statement	59

Disclosures required pursuant to the Listing Rules can be found on the following pages:

	Pages
Listing Rule 9.8.4R	
Statement of capitalised interest	126
Listing Rule 9.8.6(8)	
Climate-related financial disclosures consistent with TCFD	37 to 50

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, and as noted in this Directors' Report, to include certain matters in its Strategic Report that would otherwise be required to be disclosed in this Directors' Report. The Strategic Report can be found on pages 12 to 59 and includes an indication of future likely developments in the Company, details of important events and the Company's business model and strategy.

Research and Development

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

Directors' Report

Political donations, anti-bribery and anti-corruption

The Group made no political donation during the year.

The Group has in place policies and procedures in respect of bribery and corruption, with detailed guidelines and reporting requirements for its UK, Indonesian and Malaysian operations which may be viewed from the Company's website. The whistle-blowers and grievance mechanism policies which include reporting on corruption practices are also highlighted in Company's handbook. Management and senior staff have had training programmes and updates as part of their responsibility to ensure that bribery and corruption do not exist in the Group's operation. New employees are also briefed on anti-corruption practices during their orientation. The Group has in place a communication channel for employees reporting to the Senior Independent Non-Executive Director on incidences of bribery and corruption on a strictly confidential basis. There are stipulated steps and procedures for the Senior Independent Non-Executive Director to address the reported issues appropriately and to take the necessary actions, if relevant. The Group uses its best endeavour to ensure that its business partners are in compliance with the anti-bribery and anti-corruption regulations.

Principal risks

The material risks faced by the Group, including any climate change related risks, and actions taken to mitigate those risks are set out in the Principal Risks and Uncertainties section of the Strategic Report.

Information on financial instruments risks is set out in note 27 to the consolidated financial statements.

Property, plant and equipment

Information relating to changes in property, plant and equipment and capitalised interest, as required pursuant to Listing Rule 9.8.4R, are given in note 12 to the consolidated financial statements.

Directors

Mr. Jonathan Law Ngee Song, Dato' John Lim Ewe Chuan, Mr. Lim Tian Huat, Mr. Marcus Chan Jau Chwen and Ms. Farah Suhanah Tun Ahmad Sarji will be submitting themselves for re-appointment at the forthcoming annual general meeting.

Brief profiles of all Directors are set out on page 68 to 69 of this Annual Report.

Substantial share interests

As at 13 April 2023 and 31 December 2022, the following interests had been notified to the Company in accordance with Chapter 5 of the Disclosure Rules and Transparency Rules of the Financial Conduct Authority, being interests in excess of 3% of the issued ordinary share capital of the Company:

Name of holder	As at 13.4.2023		As at 31.12.2022	
	Number	% of voting rights held	Number	% of voting rights held
Genton International Limited*	20,247,814	51.08%	20,247,814	51.08%
Nokia Bell Pensioenfonds	7,015,000	17.70%	7,015,000	17.70%

*The ultimate beneficial shareholders of Genton International Limited are vested in the estates of Madam Lim with the application for probate in progress.

Directors' Report

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.

Auditor

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

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed as Resolution 8 at the forthcoming annual general meeting.

Changes to the Company's Articles of Association

An authority is sought to make certain changes to the Company Articles of Association to bring it in line with current convention as well as to align with the revised Remuneration Policy, of which an authority is also sought. The details of the proposed changes to the Articles of Association are in the Notice of the AGM on page 155, under Resolution 16.

Authority to allot shares

At the annual general meeting held on 27 June 2022 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 12 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 21 April 2023 (being the latest practicable date before publication of this notice). In accordance with guidance issued by The Investment Association, the authority in paragraph (ii) of the resolution will authorise the Directors to allot shares, or to grant rights to subscribe for or convert any security into shares, only in connection with a fully pre-emptive rights issue, up to a further nominal value of £3,303,031 (representing 13,212,124 ordinary shares). This amount (together with the authority provided under paragraph (a) of the resolution) represents approximately two thirds of the Company's issued ordinary share capital (excluding treasury shares) as at 21 April 2023. This authority will expire at the conclusion of the next annual general meeting of the Company. The Directors have no present intention of issuing new shares, or of granting rights to subscribe for or to convert any security into shares.

Disapplication of pre-emption rights

A fresh authority is also being sought under the provisions of sections 570 and 573 of the Companies Act 2006 to enable the Board to make an issue to existing shareholders without being obliged to comply with certain technical requirements of the Companies Act, which create problems with regard to fractional entitlements and overseas shareholders. In addition, the authority will empower the Board to make issues of shares for cash to persons other than existing shareholders up to a maximum aggregate nominal amount of £495,454 representing 5% of the current issued share capital. The authority will be expiring at the forthcoming annual general meeting or on 30 June 2023, whichever is earlier. Renewal of this authority on similar terms is being sought under Resolution 13 at the forthcoming annual general meeting. The Company does not intend to issue more than 7.5% of the issued share capital on a non pre-emptive basis in any three-year period.

Directors' Report

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

At 21 April 2023, the Directors had remaining authority under the shareholders' resolution of 27 June 2022, to make purchases of 3,963,637 of the Company's ordinary shares. This authority expires on 30 June 2023. 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 14 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 has declared a final dividend of 25.0cts per share (2021: 5.0cts), in line with our reporting currency, in respect of the year to 31 December 2022. Subject to shareholders approval of Resolution 4 at the annual general meeting, the final dividend will be paid on 7 July 2023 to those shareholders on the register on 2 June 2023.

While the dividend is declared in US Dollar, as mentioned in the Shareholders Information section of the Annual Report, shareholders can choose to receive the dividends in Pounds Sterling. In the absence of any specific instruction up to the date of closing of the register on 2 June 2023, shareholders with addresses in the UK are deemed to have elected to receive their dividends in Sterling and those with addresses outside of UK in US Dollar. Shareholders who choose to receive the dividends in Pounds Sterling will do so at the exchange rate ruling on 2 June 2023, being the dividend record date. Based on the exchange rate at 17 April 2023 of \$1.24 / £, the proposed dividend would be equivalent to 20.2p (2021: 3.9p). Shareholders are reminded that the last day to revoke a currency election is on 16 June 2023.

AEP operates a dividend reinvestment plan ("DRIP"). Holders of the shares may elect to reinvest their final dividend. The latest election date is 16 June 2023.

Please note, if a holder makes a partial DRIP election for shares, then the dividend for the remaining shares will be paid in Pound Sterling.

Liability insurance for Company officers

As permitted by the Companies Act 2006 the Company has maintained insurance cover for the Directors against liabilities in relation to the Company which remains in force at the date of this report.

On behalf of the Board:

Dato' John Lim Ewe Chuan
Executive Director

21 April 2023

Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with UK adopted international accounting standards and 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 UK adopted International Accounting Standards ("IAS") and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) ("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 UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and Directors' 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.

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. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

Website publication

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

Directors' responsibilities pursuant to Disclosure and Transparency Rules 4 ("DTR4")

The Directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with the applicable set of accounting standards, 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 Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board:

Dato' John Lim Ewe Chuan
Executive Director

21 April 2023

Directors

Jonathan Law Ngee Song

(Non-Executive Chairman, age 57).

Appointed as an Independent Non-Executive director on 4 July 2013. He was appointed as the Non-Executive Chairman of AEP on 8 July 2022.

Mr. Jonathan Law graduated from Australia National University in 1989 with a Bachelor of Commerce and Bachelor of Laws. He was admitted as an Advocate and Solicitor, to the High Court of Malaya in 1991. He is in legal practice and currently a Partner in Messrs. Azmi & Associates handling merger and acquisitions and corporate practice. He was previously a Partner in Messrs. Nik Saghir & Ismail (1996 to 2019) and Allen & Gledhill (1991 to 1995).

Mr. Jonathan Law is the Non-Independent Non-Executive Chairman of Evergreen Fibreboard Berhad, listed on Bursa Malaysia. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee of Evergreen Fibreboard Berhad. He also sits on the board of Pimpinan Ehsan Berhad as a Non-Independent and Non-Executive Director.

Dato' John Lim Ewe Chuan

(Executive Director, age 73).

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

A Chartered Certified Accountant; Dato' John Lim retired as a Partner with UHY Hacker Young LLP, London on 30 April 2019 where he was a Partner since 1998; previously he had a professional accounting career in Singapore and the UK.

Lim Tian Huat

(Senior Independent Non-Executive Director, Chairman of Audit Committee, Chairman of Nomination & Corporate Governance Committee and member of Remuneration Committee, age 68).

Appointed on 8 May 2015.

Mr. Lim is a fellow of the Association of Chartered Certified Accountants and member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He is the founding President and member of Insolvency Practitioners Association of Malaysia. He holds a degree in BA in Economics (Honours).

He is a practising Chartered Accountant with his own Corporate Restructuring and Insolvency practice, Rodgers Reidy & Co and his Audit and Advisory practice, Lim Tian Huat & Co. He is also the Managing Director of A Advisory Sdn Bhd. He was previously a Partner at Arthur Andersen & Co Malaysia from 1990 to 2002 and a Partner at Ernst & Young Malaysia from 2002 to 2009.

Mr. Lim also served as the Commissioner of the United Nations Compensations Commission for a period of five years. He co-authored a book entitled "The Law and Practice of Corporate Receivership in Malaysia and Singapore".

Mr. Lim is the Senior Independent Non-Executive Director of Majuperak Holdings Berhad, listed on Bursa Malaysia. He is an Independent Non-Executive Director of DUET Acquisition Corp, listed in Nasdaq. He is appointed as an Independent Non-Executive Director on the board of PLUS Malaysia Berhad and Pacific & Orient Insurance Co. Berhad.

Directors

Marcus Chan Jau Chwen

(Non-Executive Director and member of the Nomination & Corporate Governance Committee, age 39)

Appointed on 10 August 2022.

Mr. Marcus Chan graduated from the University of Melbourne, Australia with a Bachelor of Commerce. He is currently completing his Master in Business Administration from China Europe International Business School ("CEIBS"). He started his career at Ernst & Young Malaysia as an associate auditor and then continued to financial advisory, business development and marketing. His main experience is in finance, business development and marketing. He is also involved in the various privately owned family businesses.

Farah Suhanah Tun Ahmad Sarji

(Independent Non-Executive Director, member of the Audit Committee, Chairman of the Remuneration Committee and member of the Nomination & Corporate Governance Committee, age 58)

Appointed on 20 October 2022.

Ms. Farah was admitted as an Advocate and Solicitor of the High Court of Malaya in 1996. She graduated with a Bachelor of Arts (Hons) in Law from the University of Kent in 1988, and was admitted as a Barrister-at-Law of the Middle Temple, London in 1989.

Ms. Farah has over 26 years of legal and commercial expertise across Malaysia on regulatory requirements, locally and internationally, in the oil and gas, telecommunications and satellite industries as well as the palm oil plantation industry. She recently retired as the Group Legal Counsel from IOI Corporation, a public listed company in Malaysia with core businesses in palm oil plantations, palm oil downstream manufacturing and investment spanning across Malaysia, Singapore, China, Germany and the Netherlands. Previous to this, she was General Counsel at MEASAT Global, a Malaysian telecommunications company for 10 years, and concurrently managed her own private legal firm. Between 1989 to 1996, she worked for the Malaysian Government as a Deputy Public Prosecutor and Federal Counsel in the Attorney-General's Chambers.

Statement on Corporate Governance

I am pleased to report on the activities of the Nomination and Corporate Governance Committee for the year ended 31 December 2022. This Statement on Corporate Governance forms part of the Directors' Report.

Compliance with the UK Corporate Governance Code

AEP is committed to business integrity, appropriately high ethical standards and professionalism in all its activities and operations. This includes a commitment to high standards in corporate governance relating in particular to appropriate systems and controls adopted at a senior level of management of the Group and operation of the Board. The benchmark standards in this regard are set out in the UK Corporate Governance Code 2018 ('the Code'), which was published in July 2018 which forms part of the Listing Rules of the London Stock Exchange. The Code is available from the Financial Reporting Council's ("FRC") website at www.frc.org.uk. A regular formal and rigorous externally facilitated board evaluation (see page 71) as provided under Provision 21 of the Code was not met throughout the financial year ended 31 December 2022. Another three provisions were partially complied with in 2022. These were Provision 19 relating to a director acting in the Chairman's role for more than nine years and Provision 24 and 32 relating to an Executive Director inclusion as members of the Audit and Remuneration Committees. However, we pleased to state that AEP is in compliance with Provision 19, following the retirement of Madam Lim and the appointment of Mr. Law to the chair on since 8 July 2022. Although Provision 19 stipulates that the chair should not be a director who has served nine years on the board, it does however allows a Non-Executive Director to step up as Chairman for a limited period. Mr. Law was an Independent Non-Executive Director prior to his appointment as Chairman of AEP. The Company is also in full compliance of Provision 24 and 32, following Dato' John Lim's resignation from the audit committee and the remuneration committee on 19 October 2022.

Monitoring compliance with the Code is the responsibility of the Nominations and Governance Committee. All Committee terms of reference have been reviewed to reflect the requirements in the Code.

Board leadership and company purpose.

The core objective of the Board is to create and deliver the long-term sustainable success of the Company, generating value for shareholders and contributing to the wider society in a way that is supported by the right culture and behaviours.

See page 12 to 13 for more details on the business model and strategy.

Division of responsibilities.

The Board has agreed a clear division of responsibilities between the running of the Board and running the business of the Group, which is supported by the corporate governance framework. Responsibilities are clearly defined in role statements to ensure that no one individual has unrestricted powers of decision-making and no small group of Directors can dominate the Board's decision-making.

Committee terms of reference determine the authority given to each of the Board's Committees.

For more details on Board composition, leadership and role statements see pages 68 to 69, 71 to 76.

Composition, succession and evaluation.

The Board, with the support of the Nominations and Governance Committee, keeps under constant review the composition of the Board and its Committees, succession planning, diversity, inclusion and governance-related matters.

The Board undertakes a review of its effectiveness and that of its Committees and Directors annually.

See page 71 for more details on Board effectiveness. The activities of the Nominations and Governance Committee can be found on page 74.

Audit, risk and internal control.

The Board is accountable to stakeholders for ensuring that the Group is appropriately managed. The Board sets the Group's risk appetite and satisfies itself that financial controls and risk management systems are robust, while ensuring the Group is adequately resourced. The Board receives regular updates on audit, risk and internal control matters with detailed oversight undertaken by the Audit Committee and its findings are reported to the Board.

See pages 77 to 81 for more details on audit, risk management and internal control and the work of the Audit Committee.

Remuneration.

The Board, supported by the Remuneration Committee, ensures that the remuneration policies are designed to support strategy and promote long-term sustainable success. Executive remuneration is aligned to the successful delivery of the Company's long-term strategy.

See pages 84 to 85 for more details on the remuneration policy and implementation of the policy.

Further details demonstrating how the Principles and Provisions of the Code have been applied can be found throughout the Corporate governance report, the Directors' report, each of the Board Committee reports and the Strategic report.

The Financial Reporting Council ("FRC") is responsible for the publication and periodic review of the UK Corporate Governance Code and this can be found on the FRC website www.frc.org.uk.

Statement on Corporate Governance

Relationship Agreement with Controlling Shareholder

The UK Listing Rules require a premium listed issuer with a controlling shareholder to have in place a relationship agreement with the controlling shareholder. The mandatory requirement for the relationship agreement is intended to prevent controlling shareholders from exercising their influence in a way that is improper or unfair to minority shareholders. The requirement is not intended to prevent a controlling shareholder from engaging fairly with an issuer or legitimately disagreeing with the issuer and neither are they intended to prevent shareholders from holding board positions. AEP Plc has identified all controlling shareholders and regarded its major shareholder, Genton International Limited (“Genton”) as the only controlling shareholder. In this respect, the Company entered into a relationship agreement with Genton on 14 November 2014. The agreement is available for inspection by the shareholders upon request from the Company Secretary. The Board has reviewed this agreement with the controlling shareholder in 2020 and concluded that AEP Plc has complied with the independence provisions included in the agreement and that, in so far as it is aware, those independence provisions have been complied with by Genton.

The Board

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

AEP is led by a strong and experienced Board of Directors (see biographical details set out on page 68 to 69). During 2022 the Board comprised of five directors, the Non-Executive Chairman, one Executive Director and three Non-Executive Directors, of which two are considered by the Board to be Independent. AEP has complied with the Provision 11 of the UK Code which provides that at least half the Board, excluding the Chair, should be Non-Executive Directors whom the Board considers to be independent.

Dato’ John Lim who was appointed as the Executive Director, Corporate Finance and Corporate Affairs on 1 September 2010 was redesignated as the Executive Director from August 2022. Prior to 1 September 2010, Dato’ John Lim was the Senior Independent Non-Executive Director. The redesignation was made in line with his greater role in the Group going forward and in his capacity as the de-facto Chief Executive Officer (“CEO”).

AEP was not in compliance with Provision 19 of the Code until the late Madam Lim Siew Kim retired as the Non-Executive Chairman on 8 July 2022. She held the Chairmanship for eleven years from January 2011. Provision 19 provides that the chair should not remain in the post beyond nine years from the date of first appointment to the Board.

The Nomination and Corporate Governance Committee will monitor continuously the future leader and talents within the Group as well as outside the Group. This is essential to ensuring a continuous level of quality in management, in avoiding instability by helping to mitigate the risks which may be associated with unforeseen events, such as the departure of a key individual, and in promoting diversity and inclusion. The Company continues to have a systematic approach to succession planning for Non-Executive Directors. The Chairman has a personal dialogue with individual directors at least once a year to discuss the business of the Group in general and their plans, if any, to facilitate succession planning especially where the director has served for more than nine years.

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, two of its Non-Executive Directors, who were appointed for specified terms of office, were independent, based above all on their objectivity and integrity. The terms and conditions relating to the appointment of the Non-Executive Directors are available from the Company Secretary.

Statement on Corporate Governance

In arriving at its conclusion, the Board considered the factors set out in Provision 10 of the UK 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 additional remuneration from the Group apart from 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 UK Code acknowledges that a director may be regarded as independent notwithstanding the existence of any of the above factors, provided a clear explanation is given.

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

Senior Independent Non-Executive Director

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

Operation of the Board

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

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. In 2022 however, there were six formal Board meetings attended as follows: -

	Attendance
Jonathan Law Ngee Song (Non-Executive Chairman)	6/6
Dato' John Lim Ewe Chuan	6/6
Lim Tian Huat	6/6
Marcus Chan Jau Chwen	2/2
Farah Suhanah Tun Ahmad Sarji*	-
Madam Lim Siew Kim**	1/2

*There was no Board meeting held between the date when Ms. Farah was appointed and 31 December 2022.

**Madam Lim retired from the Board on 8 July 2022.

Agenda and minutes of previous meetings were circulated prior to meetings.

The Independent Non-Executive Directors met on their own during 2022. Telephone discussions between the Chairman and the Non-Executive Directors also took place outside these meetings.

In 2022, the Board followed the Group results and activities of the various subsidiaries by means of monthly reports prepared by the senior management teams in Malaysia and Indonesia. The Board deliberated on the periodic results and measured its performance against other plantation companies.

During the year, the Board set up an Executive Committee which is made up of the Chairman, the Executive Director and a Non-Independent Director who received detailed briefing from the management on a quarterly basis on the

Statement on Corporate Governance

Group's performance and significant corporate issues that need addressing. In addition, they followed the development in Indonesia through monthly minutes of the senior management operational meetings. The Board believes that given a large part of the Group's revenue is derived from Indonesia, a closer supervision at a higher level will enhance governance to achieve the strategic objectives of the Group. The senior management operational meetings are attended by the Senior General Manager and Group Accountant from Malaysia and the management team based in Indonesia which includes the President Director, the Chief Operating Officer, the Finance Director and the Engineering Director. The Senior Internal Audit Manager is regularly invited to brief the Board of significant audit findings and follow-up actions. The annual budget for 2023 was tabled and following deliberations were approved by the Board.

The Board reorganised the various Committees in 2022 to comply with the UK Code. Mr. Jonathan Law upon his appointment as the Chairman of AEP, resigned from the Audit Committee, Nomination and Corporate Governance Committee and the Remuneration Committee. Dato' John Lim, the Executive Director also resigned from all the Committees upon the appointment of a new Independent Non-Executive Director. Two new directors were added to the Board. Mr. Marcus Chan, the son of the late Madam Lim, the previous Chairman and controlling shareholder, was appointed as a Non-Executive Director to continue the family involvement followed by Ms. Farah Suhanah Tun Ahmad Sarji as an Independent Non-Executive Director. The Board believes that Mr. Marcus Chan youth and dynamism and Ms. Farah previous involvement in palm oil plantation industry will add value to the Group. The Board continues to observe the need for diversity.

The Presidential Regulation No.10 of 2021 allows foreign companies operating in Indonesia to have 100% ownership in palm oil companies. With this the Company took the opportunity to buy back shares in six Indonesian subsidiaries where the minority shareholders had expressed their interest to sell over the years. During the year, AEP bought back shares in six of its subsidiaries in Indonesia for a consideration of \$5.8 million, which will enhance shareholders' value in 2023 and onwards, together with a forgiveness of loans of \$1.5 million to two minority shareholders. AEP will continue to buy back shares from its minority shareholders at a fair and competitive price as part of its consolidation of its shareholdings in the subsidiaries in Indonesia. The financial effect of a buy back going forward is to enhance earnings per share. The buy back is expected to enhance future earnings as it reduces non-controlling interests in profitable companies. On the other hand, the buy back in the three non performing companies in South Sumatera companies will enable the Group to restructure their Balance Sheets to accommodate a divestment which would enhance the profitability and cash flow of the Group.

The Board deliberated on the dividend rate for the year. The Board has taken a balanced approach to the requirement of funds in the Company in order to expand through the acquisitions of brownfields, profitable plantations as well as consolidating its shareholdings in the subsidiaries in Indonesia to enhance shareholders' value but at the same time cognisant of shareholders' wishes to have dividends as a form of income. It is also a relief that the uncertainty caused by the Covid-19 pandemic is over and we are back to normalcy, other than the ongoing war in Ukraine, and therefore the Board's sentiments on added prudence and contingency in the past can be less stringent. The Board is also mindful of the cost of living crisis as well as the energy crisis, especially in the UK and in Europe, that most households will need additional income to cope with the increase cost of living. With this in mind and in the light of the good profit achieved in the year the Board has declared a final dividend of 25.0cts per share, in line with our reporting currency, in respect of the year to 31 December 2022 (2021: 5.0cts).

The Board, during the year, met various fund managers to evaluate investment proposals for a higher return on its cash and to hedge against a potentially volatile Indonesian Rupiah. The Board intends to invest part of AEP's cash in 2023 with a couple of fund managers after a thorough process of evaluation.

The Board reviewed the risks management process and noted the probable financial impact of the climate change on the operation of the Group should the risks materialised. The Board has lowered the risks of business interruptions associated with Covid-19 in view of higher vaccination rates across Indonesia and Malaysia and lower new Covid cases reported.

As mentioned in the 2021 Annual Report, AEP was in the process of selling three of its non performing plantations in South Sumatera. Following from that, a MOU was signed with a potential buyer from Indonesia in December 2022 for a period of exclusivity to conduct legal and financial due diligence. However, the potential buyer decided not to proceed

Statement on Corporate Governance

following the completion of the due diligence. Since this transaction did not materialise, the book value of the three plantations for sale is further impaired by \$5 million. The management is currently in discussion with another interested buyer and aimed to complete the sale of the three plantations as soon as practicable.

Each Board member has access to the impartial advice and services of the Company Secretary, who is responsible to the Board for ensuring that appropriate procedures are followed. Where necessary, the Board members may seek independent advice from the Company's brokers, including legal counsel at the Company's expense. The Company maintained Directors' and officers' liability insurance throughout 2022.

Non-Executive Directors are normally appointed for two-year terms renewable on the recommendation of the Board. To maintain the vitality of the Board, the Company specify fixed terms of office for Non-Executives Directors. However, the Board will review the position of each Director for the yearly re-election under the Code. The re-election of the independent Non-Executive Directors has always been on the basis of gaining a majority of the independent shareholders vote in addition to the total shareholders vote since this requirement was first introduced.

In 2022 the Board conducted a review of its performance by discussion. It concluded that the Board was performing effectively and that the Board members have the complementary skills appropriate to propel the Group in its strategic direction and for challenges ahead. No other major issues arose from this review. The Company does not appoint an external consultant to conduct a formal and rigorous evaluation of the Board's performance as the Board believes that it had performed commendably going by the financial results achieved over the years when compared to its peers.

Following a review of the internal control and risks management in April 2023 and in the absence of any reported failure and weaknesses which the Board considered significant, it concluded that these remain effective and sufficient for their purpose.

In connection with the statutory provisions regarding directors' conflict of interest, the Directors must avoid a situation in which the Directors have, or can have a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Company. The duty is not infringed if the matter has been authorised by the Directors. Under the Articles, the Board has the power to authorise potential or actual conflict situations. The Board maintains effective procedures to enable the Directors to notify the Company of any actual or potential conflict situations and of those situations to be reviewed and, if appropriate, to be authorised by the Board. Directors' conflicts situation if it arises is reviewed annually and authorisation is recorded in the Board minutes.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee had five meetings in 2022 which were attended as follows:

	Attendance
Lim Tian Huat (Chairman of Committee)	5/5
Farah Suhanah Tun Ahmad Sarji*	-
Marcus Chan Jau Chwen	1/1
Jonathan Law Ngee Song**	4/4
Dato' John Lim Ewe Chuan**	5/5

*There was no nomination and corporate governance committee meeting held between the date when Ms. Farah was appointed and 31 December 2022.

**Both Mr. Jonathan Law and Dato' John Lim have resigned from the Nomination and Corporate Governance Committee on 25 August 2022 and 19 October 2022 respectively.

The policy on diversity is described on page 55 of the Strategic Report.

Activities

During the year, the Nomination Committee reviewed and deliberated on the Statement of Corporate Governance for inclusion in the Annual Report. It also recommended to extend the contract of two directors. With the late Madam Lim retiring from the Board, the Committee proposed, and the Board of AEP approved the appointment of Mr. Jonathan

Statement on Corporate Governance

Law as the Non-Executive Chairman of AEP as he has broad knowledge of the Group's strategy and operation having served diligently as an independent Non-Executive Director for 9 years and consequently could no longer fulfil the role of an Independent Director. The Committee also acted on the request of the late Madam Lim to appoint her son, Mr. Marcus Chan, to the Board to continue her family's involvement in the Company following her retirement. Ms. Farah Suhanah was later appointed in compliance with Provision 19 of the Code which states that at least half of the Board, excluding the Chair, should be Independent Non-Executive Directors. The process of finding a suitable candidate for the position of an Independent Non-Executive Director was based on the directors' extensive network of business contacts without the services of an external consultant. A shortlist of candidates was drawn up to meet the entire Board before Ms. Farah Suhanah was appointed. Panmure Gordon, the Company's sponsor, was enlisted to conduct probity check on the two new directors prior to their appointment. The Committee also arranged for a formal training programme conducted by our UK lawyers and sponsor in January 2023 to update all the directors on corporate governance, their responsibilities as directors and the UK company law. It was a useful orientation for the new directors of the Company. As in the past the Board will not hesitate to arrange training on specific matters where it is thought to be required.

Relations with shareholders

All shareholders may attend the Company's AGM and put questions to the Board and such questions must be with at least twenty working days' notice. At the conclusion of the AGM, a summary of votes for each resolution is reported and made available at the company's website as soon as practicable after the meeting. Shareholders will not receive a hard copy of the proxy form for the 2023 AGM. Instead, shareholders will be able to vote electronically using the link <https://www-uk.computershare.com/investor/>. For more details, please refer to online submission of proxy voting on page 8 of the Annual Report.

In a typical year, the Executive Director would have contacted and met certain principal shareholders during the year to understand their concerns and views on governance and performance. The views of the shareholders are communicated to the Board to ensure that it is mindful of the shareholders' sentiment and issues arising at all times. It is the intention of the Board to engage with identifiable shareholders who have voted against Company's resolutions in the past. During the year, the Executive Director met with some significant shareholders in London and Antwerp, a town in Belgium.

The annual report, interim report and trading statements are intended to keep the shareholders informed as to the progress in the operational and financial performance of the Group. The Company maintains a corporate website at <https://www.angloeastern.co.uk/>. This website has detailed information on various aspects of the Group's operations. The website is updated regularly and includes latest Company announcements, information on the Company's share price, the price of crude palm oil, foreign currency movement of Indonesian Rupiah against US dollar and environmental, social and governance matters.

The Company's results and other news releases issued via the London Stock Exchange's Regulatory News Service are published on the "Investors Information" and "News" sections of the website and together with other relevant information concerning the Company and the Industry, are available for downloading. The website was upgraded recently to enable shareholders and investors to select and receive e-mail alerts from the Company on the selected regulatory news to follow the development of the Company.

Environmental and corporate responsibility

In 2004 a group of growers, processors, retailers and wildlife and conservation groups founded the "Roundtable for Sustainable Palm Oil", known as RSPO, to codify and promote best practices in the industry. Although AEP is not a member of the RSPO, the Group's management and Directors take a serious view of their environmental and social responsibilities and are fully committed to the principles developed by RSPO. Many of these principles overlap with ISPO and MSPO of which compliance is mandatory for AEP. These principles cover eight headings as follows:

- transparency;
- compliance with local laws and regulations;
- commitment to long-term economic and financial viability;
- use of appropriate best practices by growers and millers;
- environmental responsibility and conservation of natural resources and biodiversity;
- responsible consideration of individuals and communities affected by growers and mills;

Statement on Corporate Governance

- responsible development of new plantings; and
- 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. Some of the measures taken for environmental protection are disclosed and updated in the company's website from time to time.

Lim Tian Huat
Chairman, Nomination and Corporate Governance Committee

21 April 2023

Audit Committee Report

Composition

The Audit Committee had five meetings in 2022, which were attended as follows:

	Attendance
Lim Tian Huat (Chairman of Committee)	5/5
Farah Suhanah Tun Ahmad Sarji	1/1
Jonathan Law Ngee Song*	3/3
Dato' John Lim Ewe Chuan*	4/4

*Both Mr. Jonathan Law and Dato' John Lim resigned from the Audit Committee on 25 August 2022 and 19 October 2022 respectively.

The current members have relevant financial and professional experiences to discharge their specific duties with respect to the Audit Committee. Mr. Lim, in particular, has adequate financial experience to discharge his duties as the Chairman of the Audit Committee. Please see their qualifications on page 68 and 69.

Mr. Lim participated in four external courses and seminars in 2022 mainly organised by Malaysian Institute of Accountants and Ernst & Young. Topics covered were tax, ESG and climate risk impact and Megatrend forum.

Ms. Farah attended three external training in 2022 on Hibah, Will and Intergenerational Wealth, Global Network of Director Institutes conference and Lessons from the Bench and Bar for Younger Advocate.

Roles of the Audit Committee

Audit Committee is responsible for:

- monitoring the integrity of the financial statements and reviewing formal announcements of financial performance and significant reporting issues and judgements that such statements and announcements are fair, balanced and understandable for shareholders to assess the company's financial position and performance, business model and strategy;
- monitoring and reviewing the effectiveness of internal financial controls, internal controls and risk management systems;
- making recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor, their remuneration and terms of engagement;
- reviewing and monitoring the independence and objectivity of the external auditor and the effectiveness of the audit process;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required;
- reporting to the Board on how it has discharged its responsibilities;
- providing advice to the Board on the assessment of the principal risks facing the Group; and
- providing advice to the Board on the form and basis underlying the longer-term viability statement and going concern statement in the Annual Reports.

The Committee monitors the engagement of the auditor to perform non-audit work. The ethical standard of International Standards on Auditing requires the external auditor to evaluate threats to their independence and discuss this with the Audit Committee. Whilst it is the Group's ultimate responsibility to ensure that it does not engage the external auditor in any prohibited services, the external auditor will also be responsible for maintaining a record of all non-audit services undertaken and for ensuring that they do not undertake any of the prohibited services. To ensure that the external auditor satisfies these ethical standards on auditing, the Group had decided not to engage the external auditor for non-audit services for the Company and its affiliates except for the review of the interim report for compliance before announcement. The Committee considered that the nature and limited scope of, and remuneration payable in respect of, this engagement was such that the independence and objectivity of the auditor were not impaired.

Audit Committee Report

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

It receives reports from executive management in Indonesia and Malaysia and focuses principally on reviewing reports from management and considers whether significant risks in the Group are identified, evaluated, managed and whether significant weaknesses are promptly remedied including, but not limited to, commodity price movements, exchange rate movements, political and social, government legislation and climate change. Where necessary the Committee also seek independent advice from professionals and experts.

Overview

During the year, the Committee reviewed and discussed the 2021 Annual Report, 2022 Interim Results, 1st Quarter and 3rd Quarter Trading Statement for 2022. The Committee also deliberated and recommended to the Board the dividend rate for the Company.

The Committee updated the risks register chart annually and deliberated on the probability of various material risks from occurring and the resulting financial impact should the risks materialise. The Committee concluded that produce prices continued to be the biggest risks with high probability of occurring and with high financial impact. The risks of Covid-19 affecting a major part of business are low considering the geographical spread of its operations but if it does materialised, the financial impact would be high. With the Group holding a high amount of Indonesian Rupiah, the risks of currency exchange rates movement are high with medium financial impact. The country, regulatory and governance practices, environmental and conservation practice, weather and natural disasters, and other climate and nature risks have medium likelihood of happening with medium financial impacts. Information technology security risks have medium likelihood of happening with low financial impacts. All other risks are generally low in financial impact. See page 31 for the map of principal risks.

The Audit Committee deliberated and set the budget targets for 2023 for the Board's approval.

The Audit Committee have regular dialogues, both formal and informal, with the senior management in Indonesia and Malaysia and the discussions are open and constructive.

The Audit Committee followed the progress of the sale of the three plantations in South Sumatera through zoom meetings and regular reports from the management as well as from the external consulting firm in Indonesia appointed to help with the sale. Two bids were finally received and the Committee recommended to the Board to accept the highest offer and an MOU was signed as mentioned on page 73 of this Annual Report. The Committee reviewed and was satisfied with the terms of the sale as outlined in the MOU. Our lawyers, including an external lawyer, were involved in the finalisation of the MOU prior to being sign by the Company. Please see page 10 of the Chairman's Statement on the sale progress.

The Senior Internal Audit Manger presented his Internal Audit plan for the year which was approved by the Audit Committee. He also presented his audit findings and interacted with members of the Audit Committee in two of the meetings. Internal audit reports were tabled and discussed in detail in three of the Audit Committee meetings in 2022.

Before finalizing the 2022 accounts, the Audit Committee conducted a stress test, premise on the shutdown of the entire Group's estates and mills operation for a year as a result of Covid-19 or any other circumstances including natural calamities and strikes. Based on this scenario, the cash flow projections showed that the Group has sufficient resources to continue operating as a going concern for the next five years.

Audit Committee Report

External Audit

BDO LLP are the external auditors. The engagement Partner who has overall responsibility for the audit is Nigel Harker who is in his third year of engagement with the Group. He is supported by a Group Audit Senior Manager, an Audit Manager and a Partner from their firm in Indonesia, who is responsible for the audit of the Indonesian components. BDO has a policy of rotation of the senior members of the engagement team on a gradual basis in order to safeguard its ethical standard on independence and at the same time also ensuring a certain level of continuity from year to year.

The Committee formally met with the external auditor twice in 2022 to discuss the audit findings of 2021 and to plan the audit for 2022 financial year. The external auditor, during the audit planning, highlighted to the Audit Committee their scope of audit and their assessment of areas of audit risks. The significant risks include impairment of land and bearer plants, existence and recoverability of amounts due from cooperatives under the plasma scheme, accounting and disclosure of assets held for sale and discontinued operations, revenue recognition in connection with revenue contracts awarded to related parties and the manipulation of the tender process, completeness of related party transactions, management override of controls including kickbacks on purchase of FFB from third parties and unauthorised payments from online banking and valuation of biological assets.

Bearer plants, held as property, plant and equipment, together with estate land are valued at historical cost (IAS 16). Under IAS 36 - Impairment of Assets, an entity is required, at the end of each reporting period, to assess whether there is any indication that an asset may be impaired, or if a previously recognised impairment should be reversed. The palm oil industry is likely to be heavily impacted by climate change and sustainability which will need to be factored into any impairment considerations. This includes, but is not limited to, the physical damages such as flooding and the impact on plantation growth of rapid changes in weather patterns, as well as the transitional risks such as changes in government policy on the use of palm oil and changes in global temperature and sea levels. The determination requires the use of management judgement and complex assumptions, therefore there is a risk that this value may be determined incorrectly.

AEP hold amounts due from cooperatives under the plasma programmes within non-current receivables on the statement of financial position. In some instances where the cooperatives are granted a loan, AEP will provide the guarantee for that loan, in which case AEP will assess the likelihood of their ability to repay this loan in order to determine the correct accounting treatment. There is a risk that the receivables due from cooperatives may not be recoverable and an additional risk that, where a guarantee is given against a loan and there is a default, in which case AEP will become liable. In both cases expected credit losses ("ECL") may be recognised in accordance with IFRS 9 - Financial instruments. The auditors also consider fraud risk that management could charge non plasma related expenditure to plasma receivable to keep it out of the Income Statement.

As explained earlier, the management has signed an MOU to dispose three of the Group's plantations located in South Sumatera. Under IFRS 5 - Non-current assets held for sale and discontinued operations sets out specific criteria to be met for the relevant assets and liabilities to be classified as "held for sale" and for the respective operations to be classified as "discontinued". Management performed an assessment and considered all criteria to have been met prior to 31 December 2021 and 31 December 2022 therefore classified them as such in the prior year financial statements. This area is considered a risk to the significant management judgement involved in determining that the IFRS 5 criteria have been met. In addition to this, there is a requirement to remeasure the relevant assets to fair value less costs to sell which is considered as an associated fraud risk.

The Group awards significant revenue contracts to a relatively small number of customers throughout the year via a weekly tender process. There is a risk that these contracts could be awarded to related parties at a price which would not be considered a valid market price. There is a further risk that these transactions may not be identified and disclosed appropriately in accordance with IAS 24 ie related party disclosures.

IAS 24 requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the financial statements. The controlling shareholder has interest in a number of other entities, some of which already have transactions with the Group as disclosed in the Group financial statements. The family business orientated culture in Indonesia and Malaysia therefore increases the risk that related party disclosures are incomplete.

Audit Committee Report

There is an associated fraud risk on the basis that management may be incentivised to conceal related party transactions that were not conducted at an arm's length or were transacted for personal gain.

The Audit Committee ensured completeness of related party transactions by requiring all Directors and key personnel to disclose any related party relationships, transactions, outstanding balances including financial commitments directly or indirectly with the Group via a signed prescribed form for this purpose. The Audit Committee may carry out third party search, if applicable.

The risk of fraud due to management override of controls due potentially to performance obligations linked to compensation or shareholders' expectations could be achieved by manipulating judgements and estimates or through the posting of journals in accounting records.

The unharvested produce on the bearer plants at the year end falls within the scope of IAS 41 and is held as a current asset at fair value less costs to sell. Management exercises significant judgement in determining the underlying assumptions used in the calculation of fair value. Due to the reliance on external sources for some of the assumptions, there is a risk that their fair value might be under or overvalued.

During the year the Committee carried out an assessment of the effectiveness of the external audit process. The assessment was led by the Chairman of the Audit Committee, assisted by the Executive Director, Senior General Manager and the Group Accountant and focused on certain criteria which the Committee considered to be important factors in demonstrating an effective audit process. These factors included the quality of audit staff, the planning and execution of the audit according to agreed plans and timeline, provision of sound advice on technical issues and degree of independence and professionalism displayed during the audit for 2021. The tenure of audit and extent of non-audit work that will affect the independence of the auditor were reviewed. During 2022, the non-audit work undertaken by BDO LLP (UK) was on the review of the interim report for compliance before the announcement. The Committee considered the nature, limited scope of engagement and remuneration paid were such that the independence and objectivity of the auditor were not impaired. Fees paid for audit and non-audit services are provided in note 5. The Committee considered the key members of the audit engagement team and component auditors involved in the Group Audit. This includes the Audit Partner and the Audit Manager from BDO LLP (UK) and the Partner from BDO in Indonesia. Broadly, the same team from last year conducted the audit. Following this assessment, the Committee concluded that the external audit process remained effective, and that the objectivity of the external auditor was not impaired and that it provides an appropriate independent challenge of the senior management of the Group.

Internal control

The Company has followed the Code provisions on internal control since 1999 and the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council in 2014. The Board has overall responsibility for the Group's systems of internal control and risk management and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee reviews and monitors specific risks and internal control procedures and reports to the Board where appropriate. Executive staff and Directors are responsible for implementation of control procedures and for identifying and managing business risks.

The Group has in-house internal auditors who visit operating sites in Indonesia regularly based on an approved Internal Audit Plan and provide summarized internal audit reports to the Audit Committee on a regular basis. The Internal Audit also conducts special audits throughout the year as and when required by management. The internal audit team provides objective assurance as to the effectiveness of the Group's systems of internal control and risk management of the Group's operating management to the Committee. Follow-up audits and discussions are also held to ensure remedial actions are taken promptly. The internal audit review is a continuous and sequential process and in any one year does not necessarily cover all risks which are significant to the Group. The process aims to provide reasonable assurance against material misstatement or loss but cannot eliminate the risk of loss.

Audit Committee Report

During the year Deloitte Indonesia completed their internal audit of the SGM estate and mill under co-sourcing arrangement and reported their findings to the Audit Committee. Under the co-sourcing arrangement, Deloitte will assign experienced personnel to work with AEP internal audit team in performing the internal audit review. The internal audit focused on areas such as procurement, inventory management, fixed asset management and payroll and wages. Co-sourcing allows the Group to gain access to specialists and industry leaders on best practice guidelines to effectively improve our internal audit methodology and approach used in planning, execution and reporting which could enrich the internal audit team capabilities. Deloitte identified weaknesses and gaps on the operation policies and procedures and notable improvements are required to the existing guidelines and practices.

Deloitte also conducted an audit workshop for the internal audit team which touched on internal audit methodology and cycle, common mistakes in internal audit, introduction to data analytics, together with and how to apply these tools in executing internal audit projects and writing management report.

Lim Tian Huat
Chairman, Audit Committee

21 April 2023

Directors' Remuneration Report

Overview

I am pleased to report on the activities of the Remuneration Committee for the year ended 31 December 2022. This report sets out the remuneration policy and remuneration details for the Executive and Non-Executive directors of the Group. It has been prepared in accordance with Schedule 8 of SI 2008/410 Large and Medium-sized Companies and Groups (Accounts and reports) Regulations 2008.

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

Activities

During the year the Remuneration Committee reviewed the annual increment and bonus entitlement of senior management in Indonesia. In considering the bonus for 2022, the Committee took into account the achievement of the key performance criteria related to crop productions, purchases of third-party crops, rate of new planting, oil extraction rates and implementation of cost reduction measures. It also made informal comparisons with other plantation companies in respect of bonus payment for the year. In addition, it also took into consideration Covid-19 allowance previously paid to alleviate the hardship caused by the pandemic in evaluating the entitlement of bonus to the employees.

As part of succession, an expatriate plantation manager retired during the year and was replaced by a younger expatriate manager. The contracts for two senior personnel were also extended during the year.

With the change in composition of the Board, the Committee took the opportunity to review the fees for Non Executive Directors and benchmark it to medium sized plantation companies in the UK and Malaysia, following which the Committee recommended to the Board to set the Non-Executive Directors fees from 2023 at a range of \$27,000 to \$41,000 which is more reflective of similar size listed plantation companies. The fees of each Non-Executive Director varies based on their responsibilities and appointment to various committees. The Committee believes that the new fees structure for Non-Executive Directors would be conducive for new talents when there is a need to appoint new directors on to the Board.

During the year the Committee deliberated and renewed the contracts of two directors. Mr. Jonathan Law who has completed his nine years of service was appointed as the Non-Executive Chairman for a two years term after the retirement of the late Madam Lim. His fee was fixed as \$40,000 per annum (or RM180,000 per annum) and revised to \$54,000 per annum from 2023. Dato' John Lim's contract was renewed for two years and his salary as the Executive Director was set at £90,000 per annum from September 2022 and revised to £120,000 per annum from 2023 as he is expected to play a greater role going forward. None of the directors were involved in deciding the renewal and the compensation of their own contract. Measures to avoid or manage conflicts of interest are in the declarations of all Directors and senior managers in respect of related party transactions as detailed on page 79. The Committee believes that the new remuneration packages should continue to motivate and reward individual performance in a way consistent with the best interest of the Company and its stakeholders. The Committee also deliberated on the 2022 Remuneration Report and recommended to the Board for acceptance.

As part of the engagement of AEP workforce, the Chairman of Remuneration Committee conducted an online meeting with employees' representatives and heads of employees' cooperatives in Sumatera and Kalimantan to discuss and obtain feedback on issues relating to their safety and welfare, working conditions, remuneration and suggestions to improve productivity. The meetings were productive and concluded that workers were generally happy and satisfied. Representatives expressed their appreciation to AEP for the continued financial assistance during the period of the pandemic, flash floods and landslides. Employees also expressed their gratitude for the construction of new housing and retention wall to improve employees' living conditions and safety. Some were happy that the Company followed up on their requests to drill additional deep wells in dry locations for them to access clean water. However, representations were made to the Company to pay bonuses promptly and in one lump sum rather than by two instalments to enable them to meet their domestic expenses. There were also requests for additional sporting facilities

Directors' Remuneration Report

like football field in Division three of Bengkulu to host inter estates games, more technical training for mill employees, access to reskilling courses for those who are retiring but would prefer to continue working and to resume annual social gathering for employees which was discontinued during the pandemic. The representatives also urged the Company to work closely with State Electricity Company ("PLN") to speed up electrification of some remote estates in Bengkulu and Kalimantan as currently in-house generators do not provide round the clock electricity supplies.

The Remuneration Policy was previously voted and approved by the shareholders at the 2020 AGM and has been effective from 1 January 2020 for three years. However, in view of the changes in the level of compensations for directors from 2023 onwards, the Board will be seeking shareholders' approval for the revised Remuneration Policy with Resolution 3 at the forthcoming AGM on 16 June 2023. The policy is disclosed on pages 84 and 85.

Under the existing Company's Article 95, the total remuneration of directors (other than a director holding an executive office) may not exceed £100,000 per annum. The Company seeks shareholders' approval to amend this Article 95 and to increase the limit to £250,000 per annum. Please refer Resolution 16 in the notice of AGM for further details. This revision will also help to accommodate the recruitment of additional directors should the Board desires to do so at a later time.

The Committee welcomes your support for our Remuneration Policy and the Remuneration Report.

Composition

The Remuneration Committee had three meetings in 2022, which were attended as follows: -

	Attendance
Farah Suhanah Tun Ahmad Sarji (Chairman of Committee)	-
Lim Tian Huat	3/3
Jonathan Law Ngee Song*	2/2
Dato' John Lim Ewe Chuan*	3/3

*Both Mr. Jonathan Law and Dato' John Lim resigned from the Remuneration Committee on 25 August 2022 and 19 October 2022 respectively.

Voting at Annual General Meeting

The Remuneration policy was last voted and approved in 2020. In that meeting, the shareholders voted in the following manner:

	Shares For	Shares Against	% Shares For	% Shares Against
To approve Remuneration policy	23,029,499	703,113	97.0%	3.0%

It is the Company's policy to vote on the Remuneration policy once every three years or if there is a change in the policy within the three years.

The Director's Remuneration report was last approved at Company's AGM on 27 June 2022. In the meeting, the shareholders voted in the following manner:

	Shares For	Shares Against	% Shares For	% Shares Against
To approve Directors' Remuneration Report	22,527,524	94,364	99.6%	0.4%

The Company pays due attention to the results of voting. When there is substantial vote against any resolution in relation to Directors' Remuneration, the reason for any such vote is sought and any action in response will be reported in the following year.

The Listing Rules require the re-election of independent directors in companies with a controlling shareholder to be voted separately by independent minority shareholders in addition to the approval of all shareholders. The results of the re-election of the independent directors in the 2022 AGM were:

Directors' Remuneration Report

	Shares For	Shares Against	% Shares For	% Shares Against
<i>By all shareholders:</i>				
Re-election of Mr. Lim Tian Huat	22,395,477	226,453	99.0%	1.0%
Re-election of Mr. Jonathan Law Ngee Song	22,507,860	114,070	99.5%	0.5%

	Shares For	Shares Against	% Shares For	% Shares Against
<i>By independent shareholders:</i>				
Re-election of Mr. Lim Tian Huat	1,843,563	226,453	89.1%	10.9%
Re-election of Mr. Jonathan Law Ngee Song	1,955,946	114,070	94.5%	5.5%

Policy of the Remuneration Committee

The Committee sets the remuneration and benefits of the Executive Director and Non-Executive Directors.

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.

The policy of capping the executive director's salary at £90,000 per annum was in 2014. Given the absence of a review since 2014 and that the Executive Director is the de facto CEO, who has taken a greater role in the Group, the Remuneration Committee proposed and the Board approved to revise the salary cap for the Executive Director as follows; plus benefits commensurate of an executive director.

Type	Purpose	Maximum payment
Base salary	To contain fixed costs.	Capped at £150,000. The cap is reviewed periodically. The policy permits the cap to be changed if this is deemed necessary to meet business, legislative or regulatory requirements.

The table below summarises the key aspects of the Group's Remuneration Policy for the Non-Executive Directors.

Type	Purpose	Maximum payment
Fees	To attract and retain individuals with suitable knowledge and experience.	Determined by the Board within the limits set by the articles of association and by reference to comparable organisations and to the time commitment expected.

The Committee periodically assesses the remuneration of the Non-Executive Directors and submits a proposal to the Board. Non-Executive Directors' remuneration consists exclusively of a fixed payment. The Non-Executive Directors receive no benefit such as share options or other performance-related elements.

The Committee makes recommendations on senior management pay and conditions, after consultation with the Chairman. In determining the remuneration policy of senior management, the Committee takes into account the need to attract, retain and motivate employees. To promote long-term sustainable success, the Committee makes external comparison with the current market trends and practices of equivalent roles considering the size, business complexity and relative performance. The following is a summary of the key components of remuneration packages of senior management:

Base salary

Base salaries of senior management are reviewed on an annual basis by the Remuneration Committee or when there is a change in the individual's responsibilities. The Group does not seek the advice of an external consultant in determining the salaries of senior management and directors.

Directors' Remuneration Report

Bonus

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

The operating units in Indonesia and Malaysia have in place a variable compensation policy which over the recent years rewarded senior executives and employees with bonuses ranging from one to eight months' pay based on the individual's and operating units' performance. The key criteria used in the determination of the variable compensation policy for the bonus was revised in 2014 following discussion and consultation with the Company's previous Chairman.

Share options

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

Individual grants vest over three years. The total grant to each holder is determined by seniority and total market value at the date of grant is normally limited to two times base salary. Exercise of options is only permitted three years after grant, provided that the holder remains an employee of the Group throughout the period. There are no other performance criteria for exercise of options granted so far. The Company has not issued any share options to any Directors after 2004. No one in the Company has vested or unvested shares.

The above option schemes have expired and the Remuneration Committee is evaluating newer schemes which are in use by commercial entities to reward and to retain the services of senior management.

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. The Remuneration Committee is in the process of introducing an appropriate gratuity scheme, based on length of service, for senior management and executives who are not covered by the group-sponsored scheme.

No employees or shareholders are specifically consulted on the remuneration policy of the Company. If a significant shareholder expresses a particular concern regarding any aspect of the policy, the views expressed would be carefully weighed.

Directors' Remuneration Report

Annual Report on Remuneration

Directors' remuneration (audited)

The following part provides details of the remuneration of all the Directors for the year ended 31 December 2022. 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 2022 Fixed Remuneration \$000	Total 2021 Fixed Remuneration \$000
Name of Directors		
Executive:		
Dato' John Lim Ewe Chuan ⁽¹⁾	93	87
Non-Executive:		
Jonathan Law Ngee Song ⁽²⁾	31	21
Lim Tian Huat ⁽³⁾	23	21
Marcus Chan Jau Chwen ⁽⁴⁾	11	-
Farah Suhanah Tun Ahmad Sarji ⁽⁵⁾	6	-
Lim Siew Kim ⁽⁶⁾	30	58
Total	194	187

Directors' remuneration comprises of directors' fees only. There were no other benefits, pensions, bonuses or share option expenses in respect of the Directors.

Unaudited information

Notes:

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

⁽²⁾ Appointed as Chairman on 8 July 2022. Previously was the Non-Executive Director.

⁽³⁾ Appointed on 8 May 2015.

⁽⁴⁾ Appointed on 10 August 2022.

⁽⁵⁾ Appointed on 20 October 2022.

⁽⁶⁾ Retired on 8 July 2022.

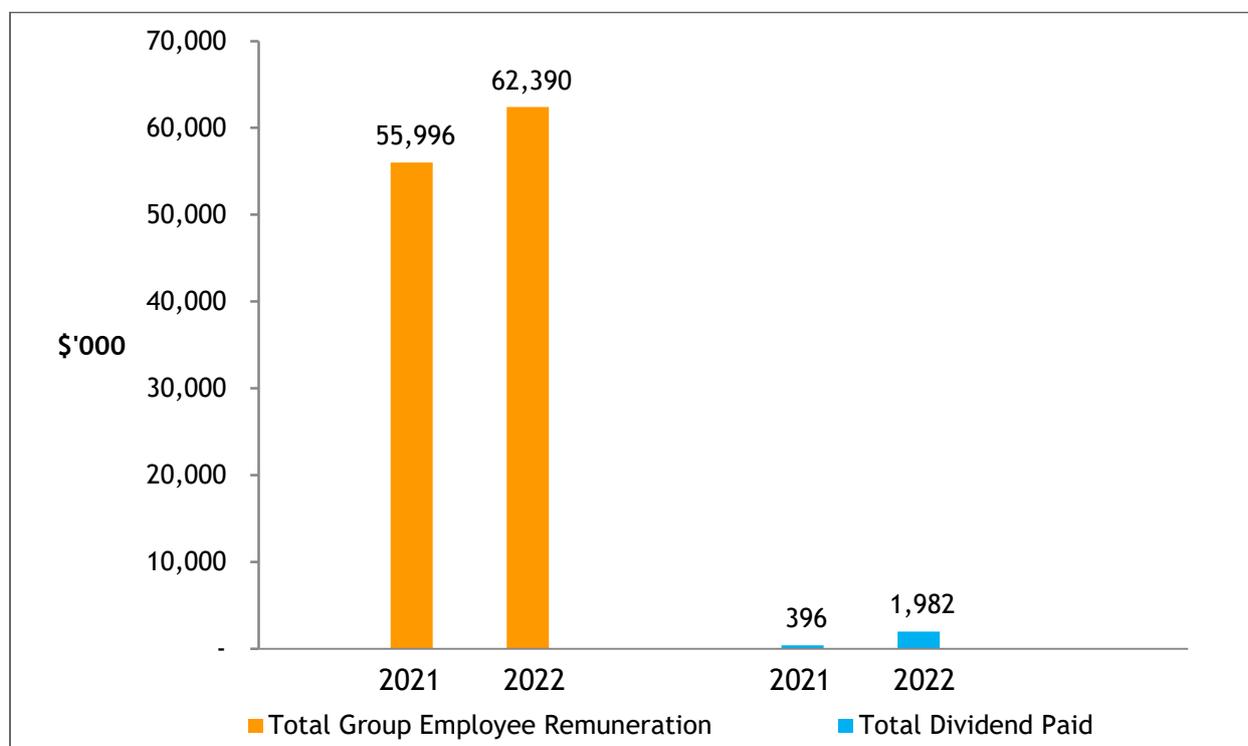
Executive Director's/de-facto CEO's Remuneration over 10 Years

Year ended 31 Dec	Salary	Benefit	Pension	Bonus	Total	% of maximum payment cap
2022	\$93,000*	-	-	-	\$93,000	48%
2021	\$87,000*	-	-	-	\$87,000	70%
2020	\$103,000*	-	-	-	\$103,000	90%
2019	\$116,000*	-	-	-	\$116,000	100%
2018	\$123,000*	-	-	-	\$123,000	100%
2017	\$113,000*	-	-	-	\$113,000	100%
2016	\$127,000*	-	-	-	\$127,000	100%
2015	\$137,000*	-	-	-	\$137,000	100%
2014	\$133,000	-	-	-	\$133,000	89%
2013	\$117,000	-	-	-	\$117,000	100%

Directors' Remuneration Report

* The Executive Director's basic salary on renewal of contract in September 2022 was revised from £5,250 per month (or £63,000 per annum) to £7,500 per month (or £90,000 per annum). The Executive Director's salary from 2015 to 2019 was £90,000 per annum. The fluctuations during this period were the result of exchange translations.

Relative importance of spend on pay



Directors' interests (audited)

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

Directors' beneficial interests at 31 December:

	2022 Ordinary shares	2021 Ordinary shares
Marcus Chan Jau Chwen	-	-
Jonathan Law Ngee Song	-	-
Dato' John Lim Ewe Chuan	-	-
Lim Tian Huat	-	-
Farah Suhanah Tun Ahmad Sarji	-	-

The ultimate beneficial shareholders of Genton International Limited are vested in the estates of Madam Lim with the application for probate in progress.

There has been no change in the interests of the Directors in the securities of the Company between 31 December 2022 and the date of this report, other than Dato' John Lim who purchased 15,894 of the Company's ordinary shares in March 2023. Other than Dato' John Lim, none of the Directors had any interest in the securities of the Company between the date of their appointments and the date of this report. There is no requirement for Directors to hold shares in the Company. Other than as set out in notes 7 and 24 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. No directors had any share options in the current or prior year.

Directors' Remuneration Report

Percentage annual change in Directors' remuneration and for employees over FY2022 (not subject to audit)

The Directors have service agreements with AEP Plc, the parent company. The Company has no employees other than the directors therefore voluntary disclosure has been given based on the Group's employee information.

The table below shows the annual change in the Directors' pay compared with the Group's average pay for an employee for 2019 to 2022.

	Annual change in pay for Directors compared with the Group's average employees					
	Executive Director	Non-Executive Directors				Group's Average Employees
	Dato' John Lim Ewe Chuan	Jonathan Law Ngee Song	Lim Tian Huat	Marcus Chan Jau Chwen	Farah Suhanah Tun Ahmad Sarji	
2021/2022						
Base Salary/fees	+7%	+48%	+10%	-	-	+6%
Benefits	-	-	-	-	-	+55%
Bonus	-	-	-	-	-	+36%

	Annual change in pay for Directors compared with the Group's average employees					
	Executive Director	Non-Executive Directors				Group's Average Employees
	Dato' John Lim Ewe Chuan	Jonathan Law Ngee Song	Lim Tian Huat	Marcus Chan Jau Chwen	Farah Suhanah Tun Ahmad Sarji	
2020/2021						
Base Salary/fees	-16%	-	-	-	-	+12%
Benefits	-	-	-	-	-	-5%
Bonus	-	-	-	-	-	+32%

	Annual change in pay for Directors compared with the Group's average employees					
	Executive Director	Non-Executive Directors			Group's Average Employees	
	Dato' John Lim Ewe Chuan	Madam Lim Siew Kim	Lim Tian Huat	Jonathan Law Ngee Song		
2019/2020						
Base Salary/fees	-11%	-4%	-	-	-6%	
Benefits	-	-	-	-	+13%	
Bonus	-	-	-	-	-13%	

1. Directors' remuneration comprises of Directors' fees only.
2. All Directors fees are paid in other currencies.
3. Mr. Jonathan Law's fees increased as a result of his appointment as the Chairman from 8 July 2022.
4. Mr. Lim Tian Huat's and Dato' John Lim's fees increased following the renewal of their contracts in May 2022 and September 2022 respectively.

Directors' Remuneration Report

Service contracts

All Directors, Executive and Non-Executive, have formal appointment letters. The Executive and Non-Executives are appointed normally on a one to two-year term 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. It is not the Company policy to include provisions in directors' service contracts for compensation for early termination beyond providing for an entitlement to payment in lieu of notice if due notice is not given.

The unexpired term of the retiring Directors are:

Jonathan Law Ngee Song	Expiry 6 July 2024
Dato' John Lim Ewe Chuan	Expiry 31 August 2024
Lim Tian Huat	Expiry 7 May 2023
Marcus Chan Jau Chwen	Expiry 9 August 2024
Farah Suhanah Tun Ahmad Sarji	Expiry 19 October 2024

Performance Graph

The performance graph is set out on page 4 and shows the Company's share price performance compared to the FTSE 100 index for the period of 2013 to 2022 (last ten years) to indicate the volatility and trend of the market generally. Except for two brief periods, our share price had underperformed the FTSE 100 index. In determining senior management compensation, the Remuneration Committee is influenced by the operating performance of the Company and not directly by the share price. The FTSE 100 index has been selected for this comparison as there is no index available that is specific to the activities of the Company. Despite reporting stellar earnings, the share performance is likely held back by ESG concerns, reflecting a disconnection between earnings, CPO prices and company's valuation. Investors see plantation companies as contributing to deforestation, open burning, high carbon emissions and labour related issues.

Farah Suhanah Tun Ahmad Sarji
Chairman, Remuneration Committee

21 April 2023

Auditor's Report

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

Opinion on the 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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Anglo-Eastern Plantations Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 14 June 2001 to audit the financial statements for the year ended 31 December 2001 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 22 years, covering the years ended 31 December 2001 to 31 December 2022. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

Auditor's Report

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

- A review of the Directors' assessment of going concern, including various stress test scenarios, challenge of the key assumptions used to make this assessment, such as Crude Palm Oil ('CPO') price and Fresh Fruit Bunch ('FFB') production tonnage, the impact of a potential shut down of operations due to infectious disease, any potential impact of the conflict in Ukraine and the impact of the current economic environment including high inflation and high interest rates. These were assessed by reference to external market forecasts, industry production trends and experience to date of the impact of the recent Covid-19 pandemic on the Group's operations;
- A review of the Group's available cash resources and short term investments as at 31 March 2023; and
- A review of the adequacy and consistency of disclosures in relation to going concern in the Group financial statements with reference to the Directors' going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	98% (2021: 100%) of Group revenue 92% (2021: 96%) of Group total assets		
Key audit matters		2022	2021
	1. Impairment of land and plantation assets	✓	✓
	2. Accounting and disclosure of assets held for sale and discontinued operations	✓*	✓
	* Accounting for assets held for sale and discontinued operations is included as a key audit matter in both the current and prior year but has been expanded to also cover the associated disclosure in the financial statements.		
Materiality	Group financial statements as a whole US\$6.9m (2021: US\$6.6m) based on 5% (2021: 5%) of profit before tax before biological asset movement.		

Auditor's Report

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

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group financial statements are a consolidation of twenty seven companies made up of the Parent Company, a principal sub-holding company, three management companies, four dormant companies and eighteen operating companies. Sixteen of the operating companies are located in Indonesia and two in Malaysia. The head office and main accounting function is located in Kuala Lumpur, Malaysia, with a second accounting function located in Medan, Indonesia, both at separate locations from the operating companies.

Based on our risk assessment we identified six operating companies which, in our view, were significant components and required a full scope audit of their complete financial information due to their financial significance and a further thirteen companies, consisting of one principal sub-holding company, one management company and eleven operating companies, which required audit procedures on specific areas due to their risk characteristics or where there was a balance which was material to the Group. Where the companies were located in Indonesia, the audit work was performed by a BDO network firm in Indonesia and where located in the UK or Malaysia, the audit work was performed by the Group audit team. Certain additional procedures were performed at Group level by the Group audit team in respect of the Key Audit Matters, together with audit procedures over the Group consolidation which gave us the evidence we needed to form our opinion on the Group financial statements as a whole.

The remaining components of the Group were not identified as being significant to the Group and the financial information of these components were principally subject to analytical review procedures performed by the Group audit team.

As part of the audit strategy, senior members of the Group audit team attended a number of meetings with management via video conference. The Senior Statutory Auditor met with the Executive Director in the UK and members of senior management and the Board, including the Audit Committee, in Kuala Lumpur.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- As part of our audit planning, we issued group audit instructions to the Indonesian component team and held remote planning meetings via video conference to discuss the Group and local risks identified and to agree the testing approach and audit timelines. The planning documentation on the respective audit files was also discussed and reviewed by senior members of the Group audit team during a visit to Indonesia. The Senior Statutory Auditor also visited Indonesia at the planning stage to meet the component team and discuss the audit approach.

Auditor's Report

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

- A further visit to Indonesia was conducted by the same senior members of the Group audit team to perform a review of the complete audit files for the six companies located in Indonesia considered to be significant and to review the relevant audit work in relation to the specific areas identified for the remaining companies located in Indonesia considered to be significant due to their risk characteristics or material balances. Following the review, any further work required by the Group audit team was performed by the component auditors and reviewed by the Group audit team via video conference and remote access to the audit files. The component auditors visit the plantation estates on a rotational basis so that each estate is visited at least once every three years and a memorandum is prepared to document this which was reviewed by the Group audit team.
- At the completion stage, we attended closing meetings with the local audit team via video conference and reviewed their reporting, addressing risks and specific procedures raised. Discussions were held with Group management on the findings from our audit, including adjustments raised.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board and Audit Committee meetings and performed a risk assessment as to how the impact of the Group's commitment as set out in the Strategic Report may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the Directors going concern assessment and viability assessment.

We also assessed the consistency of the disclosures included as Statutory Other Information on pages 37 to 57 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Auditor's Report

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

Key audit matters

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

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Impairment of land and plantation assets (note 2(g), note 2(j) and note 12)</p> <p>Land and plantation assets ('bearer plants') fall within the scope of IAS 16 Property, Plant and Equipment and are held at historical cost less depreciation. At the end of each reporting period, the Directors are required to assess whether there is any indication that an asset may be impaired, or whether there is an indication that a previously recognised impairment may be reversed. If any such indication exists, the Directors shall estimate the recoverable amount of the asset.</p> <p>The Directors have identified two estates with such indicators and, having engaged an external expert, have carried out an impairment review, calculating the recoverable amount. The Directors exercise significant judgement in determining the underlying assumptions used in this calculation, considered to be Crude Palm Oil ('CPO') price and the discount rate, for which disclosure is given around their sensitivity.</p> <p>We identified the impairment of land and plantation assets as a key audit matter due to the significant judgement and assumptions involved in its assessment.</p>	<p>We performed our own assessment for indicators of impairment or impairment reversal across all plantations based on performance against production budget.</p> <p>We assessed the independence, capabilities, objectivity and competence of management's expert.</p> <p>We challenged the assumptions made by the expert and management and appropriateness of data used through discussions with management and management's expert, corroboration to independent external data sources in respect of CPO price and, where available, through corroboration to supporting documentation and historical trends.</p> <p>With the use of our internal valuations expert we recalculated the discount rate to determine an acceptable range which was compared to the rate calculated by management's expert.</p> <p>We performed sensitivity analysis on the CPO price and discount rate assumptions.</p> <p>The calculations to support the disclosures given in respect of the sensitivity of CPO price, discount rate and inflation rate were re-performed and we checked completeness against the requirements of the applicable accounting standards.</p>
<p>Key observations: <i>Based on the procedures we performed, we found the key assumptions used by the Directors in assessing any impairment losses to be recognised to be materially correct.</i></p>	

Auditor's Report

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

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Accounting and disclosure of assets held for sale and discontinued operations (note 2(r) and note 9)</p> <p>During the year ended 31 December 2021, the Directors identified three of the Group's subsidiary companies for a planned disposal through sale and categorised the appropriate assets as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These companies were also deemed to meet the criteria for discontinued operations and were presented as such in the consolidated income statement.</p> <p>At 31 December 2022, these three subsidiary companies remain unsold and the assets have continued to be categorised as held for sale and presented as discontinued operations in the consolidated income statement.</p> <p>We identified the accounting and disclosure of assets held for sale and discontinued operations as a key audit matter due to the significant judgement involved in assessing whether the IFRS 5 criteria for held for sale and discontinued operations have continued to be met and the significant assumptions involved in determining the fair value less costs to sell of the relevant non-current assets on subsequent remeasurement.</p>	<p>We reviewed the IFRS 5 criteria assessment prepared by management and compared this with our understanding of the facts and circumstances to determine whether the requirements of IFRS 5 to disclose the assets as held for sale and the operations as discontinued continue to be met as at 31 December 2022.</p> <p>We gained an understanding of the current status of the sale process through discussion with management and review of documentation provided to support their treatment of the three companies.</p> <p>We identified all assets and liabilities of the three subsidiary companies planned for sale at the balance sheet date from their individual entity records and reconciled these to the value of the disposal group.</p> <p>We confirmed the appropriateness of all items which were included within the disposal group in accordance with IFRS 5 and agreed their carrying values prior to classification to underlying component records.</p> <p>We checked the arithmetic accuracy of management's calculation of impairment losses on subsequent remeasurement following initial classification as held for sale and considered the reasonableness of the assumptions made by management in determining the likely proceeds achievable from a sale of the assets held for sale and corroborated these against an offer received from a potential buyer.</p> <p>We confirmed the appropriate extraction of data from financial records for disclosure as held for sale and discontinued operations and confirmed their compliance with the disclosure requirements of IFRS 5.</p>
<p>Key observations: <i>Based on the procedures we performed, we found the classification of assets held for sale and discontinued operations and the key assumptions used by the Directors in assessing any impairment losses subsequent to initial classification to be appropriate.</i></p>	

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.

Auditor's Report

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

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2022	2021	2022	2021
Materiality	US\$6,900,000	US\$6,600,000	US\$1,057,000	US\$1,200,000
Basis for determining materiality	5% of profit before tax before biological asset movement		2% of total assets	
Rationale for the benchmark applied	Profit before tax before biological asset movement was selected as the benchmark for determining materiality for the Group financial statements as it is considered to be the key indicator of the Group's financial performance.		Total assets was selected as the benchmark for determining materiality for the Parent Company's financial statements since it is held primarily for investment purposes.	
Performance materiality	US\$5,175,000	US\$4,950,000	US\$792,750	US\$900,000
Basis for determining performance materiality	75% of materiality having considered a number of aspects including the expected total value of known and likely misstatements based on previous assurance engagements for the Group.			

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 13% and 57% (2021: 30% and 45%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from US\$886,000 to US\$3,928,000 (2021: US\$1,954,000 to US\$2,982,000). In the audit of each component, we further applied performance materiality levels of 75% (2021: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of US\$138,000 (2021: US\$132,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Auditor's Report

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

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	<ul style="list-style-type: none"> The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 15 and 16; and The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 15.
Other Code provisions	<ul style="list-style-type: none"> Directors' statement on fair, balanced and understandable set out on page 67; Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 31; The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 80 and 81; and The section describing the work of the audit committee set out on pages 77 to 81.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

Auditor's Report

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

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Our understanding of the Group's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be the Companies Act 2006, the UK Listing Rules, certain requirements from the UK, Indonesia and Malaysia Finance Acts, the requirements of the Anti-Bribery and Corruption Acts in the UK, Indonesia and Malaysia, taxation laws in the UK, Indonesia and Malaysia and Indonesian land laws, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be health and safety legislation and the Indonesian Sustainable Palm Oil (ISPO) and Malaysian Sustainable Palm Oil (MSPO) certification schemes.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of internal audit reports for any weaknesses in this area.

Auditor's Report

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

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Review of internal audit reports for any identified fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these; and
- Considering shareholders and management's future plans for the business and the related impact this may have.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the management override of controls, the awarding of revenue contracts to related parties at a non-market rate, the presentation of assets held for sale and discontinued operations, the inclusion of non-Plasma scheme related expenditure in the amounts receivable from cooperatives, unauthorised payments from online banking, kickbacks on FFB transactions with third parties and the disclosure of related party transactions.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias, including those set out in the Key Audit Matters section of the report;
- Reviewing a sample of minutes of sales tenders to check that a fair process was followed;
- Analysing average selling prices for the largest customers against market prices to identify anomalies and potential related party transactions;
- Comparison of disclosed expected recoverable value of assets held for sale against offers received from external parties (as discussed in the Key Audit Matter above);
- Corroboration of a sample of additions to receivables from cooperatives under the Plasma scheme to evidence of genuine and relevant expenditure;
- Analysing the cost of development of Plasma scheme plantations against the costs of development for the Group's own plantations to identify anomalies;
- Verification of the online banking log for confirmation that all payments had a separate preparer and approver and that these rights were in line with expectations;
- Analysing the average FFB selling and purchase price by customer against market prices to identify anomalies; and
- Obtaining confirmations from all directors and key management personnel to establish the existence of related party transactions and reviewing these against the disclosure made in the financial statements.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including component engagement teams, who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

Auditor's Report

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

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

21 April 2023

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 2022

	Note	2022			2021		
		Result before BA movement*	BA movement	Total	Result before BA movement*	BA movement	Total
		\$000	\$000	\$000	\$000	\$000	\$000
Continuing operations							
Revenue	3	447,619	-	447,619	433,421	-	433,421
Cost of sales		(304,424)	(5,792)	(310,216)	(300,354)	4,349	(296,005)
Gross profit		143,195	(5,792)	137,403	133,067	4,349	137,416
Administration expenses		(9,683)	-	(9,683)	(8,587)	-	(8,587)
Reversal of impairment	5, 12	-	-	-	5,437	-	5,437
Impairment losses	5, 12	(617)	-	(617)	(585)	-	(585)
Operating profit		132,895	(5,792)	127,103	129,332	4,349	133,681
Exchange gains		991	-	991	212	-	212
Finance income	4	4,859	-	4,859	3,214	-	3,214
Finance expense	4	(12)	-	(12)	(24)	-	(24)
Profit before tax	5	138,733	(5,792)	132,941	132,734	4,349	137,083
Tax expense	8	(32,737)	1,276	(31,461)	(24,784)	(958)	(25,742)
Profit for the year from continuing operations		105,996	(4,516)	101,480	107,950	3,391	111,341
(Loss) / gain on discontinued operation, net of tax	9	(5,684)	(139)	(5,823)	(28,471)	50	(28,421)
		100,312	(4,655)	95,657	79,479	3,441	82,920
Profit for the year attributable to:							
- Owners of the parent		83,548	(3,904)	79,644	65,485	2,856	68,341
- Non-controlling interests		16,764	(751)	16,013	13,994	585	14,579
		100,312	(4,655)	95,657	79,479	3,441	82,920
Profit for the year from continuing operations attributable to:							
- Owners of the parent		87,937	(3,772)	84,165	93,245	2,809	96,054
- Non-controlling interests		18,059	(744)	17,315	14,705	582	15,287
		105,996	(4,516)	101,480	107,950	3,391	111,341
Earnings per share attributable to the owners of the parent during the year							
Profit							
- basic and diluted	10			200.94cts			172.42cts
Profit from continuing operations							
- basic and diluted	10			212.34cts			242.34cts

Earnings per share before BA movement are shown in note 10.

Consolidated Income Statement

For the year ended 31 December 2022

* The total column represents the IFRS figures and the result before BA movement is an Alternative Performance Measure ("APM") which reflects the Group's results before the movement in fair value of biological assets has been applied. We have opted to additionally disclose this APM as management do not use the fair value of BA movement in assessing business performance.

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 \$000	2021 \$000
Profit for the year	95,657	82,920
Other comprehensive expenses:		
<i>Items may be reclassified to profit or loss:</i>		
Loss on exchange translation of foreign operations	(54,975)	(5,429)
Net other comprehensive expenses may be reclassified to profit or loss	(54,975)	(5,429)
<i>Items not to be reclassified to profit or loss:</i>		
Remeasurement of retirement benefits plan, net of tax	177	1,086
Net other comprehensive income not being reclassified to profit or loss	177	1,086
Total other comprehensive expenses for the year, net of tax	(54,798)	(4,343)
Total comprehensive income for the year	40,859	78,577
Total comprehensive income for the year attributable to:		
- Owners of the parent	34,343	64,993
- Non-controlling interests	6,516	13,584
	40,859	78,577

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

Consolidated Statement of Financial Position

As at 31 December 2022

Company Number: 1884630

	Note	31.12.2022 \$000	31.12.2021 \$000
Non-current assets			
Property, plant and equipment	12	252,414	260,532
Investments		42	49
Receivables	13	18,963	22,000
Deferred tax assets	14	1,832	4,324
		273,251	286,905
Current assets			
Inventories	15	19,590	14,316
Income tax receivables	8	4,122	5,060
Other tax receivable	8	37,576	45,435
Biological assets	16	6,161	12,803
Trade and other receivables	17	3,468	5,182
Short-term investments	18	55,566	1,439
Cash and cash equivalents	18	221,476	218,249
		347,959	302,484
Assets in disposal groups classified as held for sale	9	9,000	13,210
		356,959	315,694
Current liabilities			
Trade and other payables	19	(33,966)	(32,533)
Income tax liabilities	8	(10,230)	(13,139)
Other tax liabilities	8	(1,221)	(1,615)
Dividend payables		(32)	(25)
Lease liabilities	20	(73)	(240)
		(45,522)	(47,552)
Net current assets		311,437	268,142
Non-current liabilities			
Deferred tax liabilities	14	(805)	(1,330)
Retirement benefits - net liabilities	21	(10,874)	(11,499)
Lease liabilities	20	(31)	(110)
		(11,710)	(12,939)
Net assets		572,978	542,108

Consolidated Statement of Financial Position

As at 31 December 2022

Company Number: 1884630

	Note	31.12.2022 \$000	31.12.2021 \$000
Issued capital and reserves attributable to owners of the parent			
Share capital	22	15,504	15,504
Treasury shares	22	(1,171)	(1,171)
Share premium		23,935	23,935
Capital redemption reserve		1,087	1,087
Exchange reserves		(288,891)	(241,907)
Retained earnings		712,919	642,582
		463,383	440,030
Non-controlling interests		109,595	102,078
Total equity		572,978	542,108

The financial statements were approved and authorised for issue by the Board of Directors on 21 April 2023 and were signed on its behalf by:

Dato' John Lim Ewe Chuan
Executive Director

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 2022

	Note	Share capital \$000	Treasury shares \$000	Share premium \$000	Capital redemption reserve \$000	Exchange reserves \$000	Retained earnings \$000	Total \$000	Non-controlling interests \$000	Total equity \$000
Balance at 31 December 2020		15,504	(1,171)	23,935	1,087	(237,599)	573,677	375,433	88,875	464,308
Items of other comprehensive (expenses) / income										
-Remeasurement of retirement benefit plan, net of tax	21	-	-	-	-	-	960	960	126	1,086
-Loss on exchange translation of foreign operations		-	-	-	-	(4,308)	-	(4,308)	(1,121)	(5,429)
Total other comprehensive (expenses) / income		-	-	-	-	(4,308)	960	(3,348)	(995)	(4,343)
Profit for the year		-	-	-	-	-	68,341	68,341	14,579	82,920
Total comprehensive (expenses) / income for the year		-	-	-	-	(4,308)	69,301	64,993	13,584	78,577
Dividends paid		-	-	-	-	-	(396)	(396)	(381)	(777)
Balance at 31 December 2021		15,504	(1,171)	23,935	1,087	(241,907)	642,582	440,030	102,078	542,108
Items of other comprehensive (expenses) / income										
-Remeasurement of retirement benefit plan, net of tax	21	-	-	-	-	-	144	144	33	177
-Loss on exchange translation of foreign operations		-	-	-	-	(45,445)	-	(45,445)	(9,530)	(54,975)
Total other comprehensive (expenses) / income		-	-	-	-	(45,445)	144	(45,301)	(9,497)	(54,798)
Profit for the year		-	-	-	-	-	79,644	79,644	16,013	95,657
Total comprehensive (expenses) / income for the year		-	-	-	-	(45,445)	79,788	34,343	6,516	40,859
Acquisition of non-controlling interests	30	-	-	-	-	(1,539)	(7,469)	(9,008)	3,175	(5,833)
Dividends paid		-	-	-	-	-	(1,982)	(1,982)	(2,174)	(4,156)
Balance at 31 December 2022		15,504	(1,171)	23,935	1,087	(288,891)	712,919	463,383	109,595	572,978

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 \$000	2021 \$000
Cash flows from operating activities		
Profit before tax from continuing operations	132,941	137,083
Adjustments for:		
BA movement	5,792	(4,349)
(Gain) / Loss on disposal of property, plant and equipment	(91)	24
Depreciation	16,724	16,994
Retirement benefit provisions	1,157	103
Net finance income	(4,847)	(3,190)
Unrealised gain in foreign exchange	(991)	(212)
Property, plant and equipment written off	134	72
Impairment losses / (reversal of impairment)	617	(4,852)
Provision / (Reversal) for expected credit loss	1,665	(177)
Operating cash flows before changes in working capital	153,101	141,496
Increase in inventories	(6,291)	(2,649)
Increase in non-current, trade and other receivables	(896)	(517)
Increase in trade and other payables	4,035	6,683
Cash inflows from operations	149,949	145,013
Retirement benefits paid	(612)	(487)
Overseas tax paid	(27,495)	(12,359)
Operating cash flows from continuing operations	121,842	132,167
Operating cash flows used in discontinued operations	(1,331)	(821)
Net cash generated from operating activities	120,511	131,346
Investing activities		
Property, plant and equipment		
- purchases	(34,026)	(26,374)
- sales	111	413
Interest received	4,859	3,214
Increase in receivables from cooperatives under plasma scheme	(2,570)	(1,985)
Investment in share equity	-	(49)
Placement of fixed deposits with original maturity of more than three months	(55,566)	(1,439)
Withdrawal of fixed deposits with original maturity of more than three months	1,439	1,957
Cash used in investing activities from continuing operations	(85,753)	(24,263)
Cash used in investing activities from discontinued operations	(1,865)	(1,594)
Net cash used in investing activities	(87,618)	(25,857)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 \$000	2021 \$000
Financing activities			
Dividends paid to the holders of the parent		(1,975)	(395)
Dividends paid to non-controlling interests		(2,174)	(381)
Repayment of lease liabilities - principal		(220)	(228)
Repayment of lease liabilities - interest		(12)	(24)
Acquisition of non-controlling interests		(5,142)	-
Cash used in financing activities from continuing operations		(9,523)	(1,028)
Cash used in financing activities from discontinued operations		-	-
Net cash used in financing activities		(9,523)	(1,028)
Net increase in cash and cash equivalents		23,370	104,461
Cash and cash equivalents			
At beginning of year		218,249	115,211
Exchange losses		(20,143)	(1,423)
At end of year		221,476	218,249
Comprising:			
Cash at end of year	18	221,476	218,249

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

Notes to the Consolidated Financial Statements

1 Basis of preparation

AEP is a company incorporated in the UK 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, UK. The principal activity of the Group is plantation agriculture, mainly in the cultivation of oil palm in Indonesia and Malaysia, of which Indonesia is the principal place of business.

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.

Basis of preparation

The consolidated financial statements have been prepared in accordance with UK adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Directors have carried out stress tests, factoring in the identified uncertainties and risks such as commodity prices and demands post pandemic, together with the current economic issues of high inflation, rising interest rates and cost of living crisis, to ensure that the Group has adequate resources in a worst-case scenario to remain as a going concern for at least twelve months from the date of this report.

The Directors have a reasonable expectation, having made the appropriate enquiries, that the Group has sufficient cash resources to cover the Group's operating expenses for a period of at least twelve months from the date of approval of these financial statements. For these reasons, the Directors adopted a going concern basis in the preparation of the financial statements. The Directors have made this assessment after consideration of the Group's budgeted cash flows and related assumptions including appropriate stress testing of identified uncertainties, specifically on the potential shut down of the entire operations from three to twelve months if all the plantations are infected with an infectious disease as well as the impact on the demand for palm oil with decreases of 50% to 100%. Stress testing of other identified uncertainties and risks such as commodity prices and currency exchange rates were also undertaken.

Changes in accounting standards

(a) New standards, interpretations and amendments effective for the first time for the accounting periods beginning on or after 1 January 2022 in these financial statements in the current year

- Annual improvements to IFRS Standards 2018-2020.
- Conceptual Framework for Financial Reporting (Amendments to IFRS 3).
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous Contracts - Cost of Fulfilling a Contract).
- IAS 16 Property, Plant and Equipment (Amendment - Proceeds before Intended Use).

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

The following new standards, interpretations and amendments are effective for future periods (as indicated) and have not been applied in these financial statements:

- IFRS 17 Insurance Contracts (1 January 2023, not yet adopted).
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2, amendment related to Disclosure of Accounting Policies (1 January 2023, not yet adopted).
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors, amendment related to Definition of Accounting Estimates (1 January 2023, not yet adopted).
- IAS 12 Income Taxes, amendment related to Deferred Tax related to Assets and Liabilities arising from a Single Transaction (1 January 2023, not yet adopted).
- IFRS 16 Leases, amendment related to Liability in a Sale and Leaseback (1 January 2024, not yet adopted)
- IAS 1 Presentation of Financial Statements, amendment related to Classification of Liabilities as Current or Non-Current (1 January 2024, not yet adopted).
- IAS 1 Presentation of Financial Statements, amendment related to Non-current Liabilities with Covenants (1 January 2024, not yet adopted).

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

Notes to the Consolidated Financial Statements

2 Accounting policies

(a) *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. The Company controls a subsidiary if all three of the following elements are present; power over the subsidiary, exposure to variable returns from the subsidiary, and the ability of the investor to use its power to affect those variable returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. In respect of cooperatives under the Plasma scheme, the Group has not consolidated these results on the basis that all key decisions are made by the cooperative and the Company has no voting rights therefore does not have control over those entities.

(b) *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.

(c) *Foreign currency*

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

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

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

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

(d) *Revenue recognition*

The Group derives its revenue from the sale of CPO, palm kernel, FFB, shell nut, biomass products, biogas products and rubber slab. Revenue for CPO, palm kernel, FFB, shell nut, biomass and biogas products are recorded net of sales and related taxes and levies, including export taxes and recognised when the customer has taken delivery of the goods. The collection/delivery of the goods will not take place until the goods are paid for. Sales of rubber slab are recognised on signing of the sales contract, this being the point at which control is transferred to the buyer.

The transacted price for each product is based on the market price or predetermined monthly contract value. There is no right of return nor warranty provided to the customers on the sale of products and services rendered.

Advance receipts represent the Group's obligation to transfer goods to a customer for which the Group has received consideration but the goods have yet to be delivered to/collected by the customer.

(e) *Tax*

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

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

(f) *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 annual general meeting.

(g) *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 some land and construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Notes to the Consolidated Financial Statements

2 Accounting policies - continued

(g) *Property, plant and equipment - continued*

Plantations comprise of the cost of planting and development of 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. The costs of immature plantations consist mainly of the accumulated cost of land clearing, planting, fertilising and maintaining the plantation and other indirect overhead costs up to the time the trees are harvestable and to the extent appropriate. Oil palm plantations are considered mature within three to four years after planting and generating average annual CPO of four to six metric tons per hectare. Immature plantations are not depreciated.

The Indonesian authorities have granted certain land exploitation rights and operating permits for the estates. The land rights are usually renewed without significant cost subject to compliance with the laws and regulations of Indonesia therefore, the Group has classified the land rights as leasehold land. The leasehold land is recognised at cost initially and is not depreciated except the leasehold land in Malaysia which is depreciated over the term of the lease as its renewal cannot be guaranteed. Costs include the initial cost of obtaining the location permits and subsequent payments to compensate existing land owners plus any legal costs incurred to acquire the necessary land exploitation rights.

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.

Plantations, buildings and oil mills are depreciated using the straight-line method. The yearly rates of depreciation are as follows:

Leasehold land in Malaysia - over the term of the lease
Plantations - 5% per annum
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

(h) *Biological assets*

Biological assets comprise an estimation of the fair value less costs to sell of unharvested FFB at balance sheet date. Changes in the fair value of biological assets are charged or credited to the income statement within the cost of sales.

(i) *Leases*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented together in property, plant and equipment in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Impairment" policy.

Notes to the Consolidated Financial Statements

2 Accounting policies - continued

(i) *Leases - continued*

Land rights are recognised at historical cost without depreciation at the balance sheet date except for leasehold land in Malaysia where it is recognised at historical cost and depreciated over the term of the lease.

(j) *Impairment*

An assessment of indicators of impairment over the Group's assets is 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 income statement, except to the extent where they reverse gains previously recognised in other comprehensive income. Reversal on impairment loss would be recognised if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment test was carried out. Reversal on impairment losses will be immediately recognised in the income statement.

(k) *Inventories*

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. In the case of processed produce for sale which comprises palm oil and kernel, cost represents the monthly weighted-average cost of production and appropriate production overheads. Estate and mill consumables are valued on a weighted average cost basis. Fresh fruit bunches are measured on initial recognition at fair value less costs to sell at the point of harvest, as this is considered to reflect its cost at that date.

(l) *Financial assets*

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. All the Group's receivables and loans are non-derivative financial assets with cash flows that are solely payments of principal and interest. They are recognised at fair value at inception and subsequently at amortised cost as this is what the Group considers to be most representative of the business model for these assets.

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

The Group considers a trade receivable or other receivable as credit impaired when one or more events that have a detrimental impact on the estimated cash flow have occurred. Trade and other receivables are written off when there is no expectation of recovery based on the assessment performed. If the receivables are subsequently recovered, these are recognised in income statement.

The Group use three categories for those receivables which reflect their credit risk and how the loss provision is determined for those categories. These include trade receivables using the simplified approach and debt instruments at amortised costs other than trade receivables and financial guarantee contracts using the three-stage approach.

(m) *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 in the property, plant and equipment policy.

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

(n) *Deferred tax*

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

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

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

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

Deferred tax is determined using the tax rates that are enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged to other comprehensive income, such as revaluations, in which case the deferred tax is also dealt with in other comprehensive income.

Notes to the Consolidated Financial Statements

2 Accounting policies - continued

(o) 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. The 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 Indonesian Government bonds that have maturity dates approximating to the terms of the liabilities; plus
- Past service costs; less
- The effect of minimum funding requirements agreed with scheme trustees.

Remeasurements of the net defined benefit obligation are recognised in other comprehensive income. The remeasurements include:

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

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

Net interest expense / (income) is recognised in the income statement, 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 the income statement. Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

(p) Treasury shares

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

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

(q) Financial guarantee contracts

Where the Company and its subsidiaries enter into financial guarantee contracts and guarantee the indebtedness of other companies within the Group and/or third party entities, these are accounted for under IFRS 9. The details of financial guarantee contracts are disclosed in note 26.

(r) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- fair value less costs of disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Notes to the Consolidated Financial Statements

2 Accounting policies - continued

(r) *Non-current assets held for sale and disposal groups - continued*

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the profit or loss after tax of the discontinued operation along with the gain or loss after tax recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

The Group has made an accounting policy choice not to allocate profit achieved on the related external transaction to the discontinued operations.

(s) *Critical accounting estimates and judgements*

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements

- Assessment of de-facto control of cooperatives under Plasma scheme (see note 2(a) and note 28).
- Classification of land as leasehold with no depreciation charged (see note 12).
- Classification of assets as held for sale and discontinued operations (see note 9).

Estimates and assumptions

- Impairment of plantation assets - estimate of future cash flows and determination of the discount rate and other assumptions (see note 12).
- Expected credit losses ("ECL") on amounts due from cooperatives under Plasma scheme - determination of possible outcomes and their weighted probability (see note 13).
- Carrying value of income tax receivables - determination of historic recovery rates (see note 8).
- Income taxes and deferred tax - provisions for income taxes in various jurisdictions (see note 8 and note 14).
- Valuation of assets classified as held for sale (see note 9).
- Recognition of deferred tax on losses - estimate of future profitability of respective entities (see note 14).
- Retirement benefits - actuarial assumptions (see note 21).
- Fair value measurement - a number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):
 - Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
 - Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
 - Level 3 - unobservable inputs for the asset or liability.

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

The Group measures the following assets at fair value:

- Biological assets (note 16).

The Group measures the following assets at amortised cost, however disclosure of fair value is given in accordance with IFRS7 and IFRS 13:

- Non-current receivables due from non-controlling interests (note 13).
- Non-current receivables due from cooperatives under Plasma scheme (note 13).

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

Notes to the Consolidated Financial Statements

3 Revenue

Disaggregation of Revenue

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount and uncertainty of revenue and cash flows are affected by timing of revenue recognition; and
- enable users to understand the relationship with revenue segment information provided in note 6.

There is no right of return and warranty provided to the customers on the sale of products and services rendered. All revenue in the table below is recognised at a point in time.

Year to 31 December 2022	CPO, palm kernel and FFB \$000	Rubber \$000	Shell nut \$000	Biomass products \$000	Biogas products \$000	Others \$000	Total \$000
Contract counterparties							
Government	-	-	-	-	1,160	-	1,160
Non-government							
- Wholesalers	437,247	630	5,438	24	-	3,120	446,459
	437,247	630	5,438	24	1,160	3,120	447,619
Timing of transfer of goods							
Delivery to customer premises	5,359	630	-	-	-	-	5,989
Delivery to port of departure	-	-	-	24	-	-	24
Customer collect from our mills / estates	431,888	-	5,438	-	-	-	437,326
Upon generation / others	-	-	-	-	1,160	3,120	4,280
	437,247	630	5,438	24	1,160	3,120	447,619

Year to 31 December 2021

Contract counterparties							
Government	-	-	-	-	999	-	999
Non-government							
- Wholesalers	426,436	695	4,036	336	-	919	432,422
	426,436	695	4,036	336	999	919	433,421
Timing of transfer of goods							
Delivery to customer premises	4,995	695	-	-	-	-	5,690
Delivery to port of departure	-	-	-	336	-	-	336
Customer collect from our mills / estates	421,441	-	4,036	-	-	-	425,477
Upon generation / others	-	-	-	-	999	919	1,918
	426,436	695	4,036	336	999	919	433,421

4 Finance income and expense

	2022 \$000	2021 \$000
<u>Finance income</u>		
Interest receivable on:		
Credit bank balances and time deposits	4,859	3,214
<u>Finance expense</u>		
Interest payable on:		
Interest expense on lease liabilities (note 20)	(12)	(24)
Net finance income recognised in income statement	<u>4,847</u>	<u>3,190</u>

Notes to the Consolidated Financial Statements

5 Expenses by nature

	2022 \$000	2021 \$000
Expenses by nature:		
Purchase of FFB	182,715	191,915
Depreciation (note 12):		
- continuing operations	16,724	16,994
- discontinued operations	-	1,978
	<u>16,724</u>	<u>18,972</u>
Reversal of impairment (note 12):		
- continuing operations	-	(5,437)
- discontinued operations	-	-
	<u>-</u>	<u>(5,437)</u>
Impairment losses (note 12):		
- continuing operations	617	585
- discontinued operations	-	716
	<u>617</u>	<u>1,301</u>
Impairment loss on adjustment to fair value	5,034	21,772
Provision / (Reversal) for expected credit loss (note 17):		
- continuing operations	1,665	(177)
- discontinued operations	(91)	1,231
	<u>1,574</u>	<u>1,054</u>
Exchange gain	(994)	(213)
Legal and professional fees	1,289	945
Staff costs (note 7)	62,390	55,996
Remuneration received by the Group's auditor or associates of the Group's auditor:		
- Audit of parent company	5	5
- Audit of consolidated financial statements	205	209
- Audit related assurance service	9	7
- Audit of UK subsidiaries	13	13
Total audit services	<u>232</u>	<u>234</u>
Audit of overseas subsidiaries		
- Malaysia	22	22
- Indonesia	147	116
Total audit services	<u>169</u>	<u>138</u>
Total auditor's remuneration	<u>401</u>	<u>372</u>

6 Segment information

Description of the types of products and services from which each reportable segment derives its revenues

In the opinion of the Directors, the operations of the Group comprise one class of business which is the cultivation of plantation in Indonesia and Malaysia. From the cultivation of plantation, the Group produced the crude palm oil and associated products such as palm kernel, shell nut, biomass products, biogas products and rubber.

Factors that management used to identify reportable segments in the Group

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

Measurement of operating segment profit or loss, assets and liabilities

The Group evaluates segmental performance on the basis of profit or loss before tax calculated in accordance with IFRS but excluding BA movement.

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

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

Notes to the Consolidated Financial Statements

6 Segment information - continued

2022	North Sumatera		Bengkulu		Riau		Bangka		Kalimantan		Indonesia		Malaysia		UK		Total from continuing operations		South Sumatera	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total sales revenue (all external)	146,044	124,480	77,688	2,554	84,198	434,964	2,283	-	-	-	437,247	9,192	-	-	-	-	-	-	-	-
- CPO, palm kernel and FFB	630	-	-	-	-	630	-	-	-	-	630	-	-	-	-	-	-	-	-	-
- Rubber	2,056	1,197	2,067	-	118	5,438	-	-	-	-	5,438	-	-	-	-	-	-	-	-	-
- Shell nut	24	-	-	-	-	24	-	-	-	-	24	-	-	-	-	-	-	-	-	-
- Biomass products	354	475	-	-	331	1,160	-	-	-	-	1,160	-	-	-	-	-	-	-	-	-
- Biogas products	141	-	2,662	33	264	3,100	20	-	-	-	3,120	114	-	-	-	-	-	-	-	-
- Others	149,249	126,152	82,417	2,587	84,911	445,316	2,303	-	-	-	447,619	9,306	-	-	-	-	-	-	-	-
Total revenue	51,210	35,809	26,166	433	29,079	142,697	(721)	(3,243)	(1,105)	(1,845)	138,733	(178)	(70)	(5,792)	(1,283)	-	-	-	-	-
Profit / (loss) before tax	(1,845)	(1,571)	(846)	(106)	(1,354)	(5,722)	(70)	(3,243)	(178)	49,365	34,238	25,320	327	27,725	136,975	(791)	(3,243)	132,941	(1,283)	(1,105)
BA movement	3,149	1,321	320	-	31	4,821	38	-	4	(5)	(3,942)	(813)	(374)	(5,922)	(16,346)	(7)	-	(12)	-	-
Profit / (loss) for the year before tax per consolidated income statement	(5,295)	(3,942)	(813)	(374)	(5,922)	(16,346)	(378)	(1,451)	(1,283)	(1,845)	138,733	(178)	(70)	(5,792)	(1,283)	-	-	(16,724)	-	(1,105)
Interest income	-	-	-	-	-	(185)	(432)	-	-	-	(185)	-	-	-	(617)	-	-	-	-	-
Interest expense	(169)	(57)	-	-	12	(214)	-	-	-	12	(214)	91	-	(1,451)	(1,665)	-	-	(1,665)	-	91
Depreciation	4,654	(1,927)	(551)	(291)	(1,960)	(75)	589	53	567	(1,960)	(75)	(567)	-	53	567	-	-	(567)	-	(567)
Impairment losses	44,080	2,711	-	-	9,628	56,419	-	-	7,305	9,628	56,419	7,305	-	-	56,419	-	-	56,419	-	7,305
(Provision) / Reversal for expected credit loss	(12,022)	(7,262)	(5,499)	(26)	(5,414)	(30,223)	(98)	(1,140)	494	(12,022)	(7,262)	(5,499)	(98)	(1,140)	(31,461)	-	-	(31,461)	-	494
Inter-segment transactions	258,237	138,272	52,321	17,469	139,914	606,213	11,540	2,602	9,855	258,237	138,272	52,321	17,469	139,914	620,355	-	-	620,355	-	9,855
Inter-segmental revenue	79,119	41,193	7,820	14,901	101,780	244,813	7601	-	5,704	79,119	41,193	7,820	14,901	101,780	252,414	-	-	252,414	-	5,704
Tax expense	15,007	7,283	709	1,788	9,376	34,163	107	-	793	15,007	7,283	709	1,788	9,376	34,270	-	-	34,270	-	793
Total assets																				
Non-current assets																				
Non-current assets - additions																				

* South Sumatera represents the operations which have been discontinued and have therefore been separated from the continuing operations. The details of discontinued operations for South Sumatera are disclosed in note 9.

Notes to the Consolidated Financial Statements

6 Segment information - continued

2021	North Sumatera		Bengkulu		Riau		Bangka		Kalimantan		Indonesia		Malaysia		UK		Total from continuing operations		South* Sumatera	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total sales revenue (all external)	127,216	141,070	73,827	2,178	79,470	423,761	2,675	-	-	-	426,436	-	-	-	-	-	426,436	-	-	7,999
- CPO, palm kernel and FFB	695	-	-	-	-	695	-	-	-	-	695	-	-	-	-	-	695	-	-	-
- Rubber	1,173	1,191	1,440	-	232	4,036	-	-	-	-	4,036	-	-	-	-	-	4,036	-	-	-
- Shell nut	336	-	-	-	-	336	-	-	-	-	336	-	-	-	-	-	336	-	-	-
- Biomass products	114	485	-	-	400	999	-	-	-	-	999	-	-	-	-	-	999	-	-	-
- Biogas products	93	20	89	16	583	801	27	91	919	919	919	-	-	-	-	-	919	-	-	270
- Others	129,627	142,766	75,356	2,194	80,685	430,628	2,702	91	433,421	433,421	433,421	-	-	-	-	-	433,421	-	-	8,269
Total revenue	40,160	35,769	20,555	553	37,539	134,576	(517)	(1,325)	132,734	132,734	132,734	-	-	-	-	-	132,734	-	-	(4,786)
Profit / (loss) before tax	1,660	700	574	111	1,273	4,318	31	-	4,349	4,349	4,349	-	-	-	-	-	4,349	-	-	64
BA movement	41,820	36,469	21,129	664	38,812	138,894	(486)	(1,325)	137,083	137,083	137,083	-	-	-	-	-	137,083	-	-	(4,722)
Profit / (loss) for the year before tax per consolidated income statement	2,323	720	133	1	22	3,199	15	-	3,214	3,214	3,214	-	-	-	-	-	3,214	-	-	5
Interest income	(15)	-	-	-	-	(15)	(9)	-	(24)	(24)	(24)	-	-	-	-	-	(24)	-	-	-
Interest expense	(5,270)	(4,132)	(905)	(356)	(5,660)	(16,323)	(671)	-	(16,994)	(16,994)	(16,994)	-	-	-	-	-	(16,994)	-	-	(1,978)
Depreciation	-	-	-	-	5,437	5,437	-	-	5,437	5,437	5,437	-	-	-	-	-	5,437	-	-	-
Reversal of impairment	-	-	-	-	(452)	(452)	(133)	-	(585)	(585)	(585)	-	-	-	-	-	(585)	-	-	(716)
Impairment losses	(4)	-	-	-	180	176	-	-	177	177	177	-	-	-	-	-	177	-	-	(1,231)
(Provision) / Reversal for expected credit loss	902	(2,001)	(11,754)	(282)	(1,934)	(15,069)	476	74	(14,519)	(14,519)	(14,519)	-	-	-	-	-	(14,519)	-	-	14,519
Inter-segment transactions	42,566	2,641	-	-	9,431	54,638	-	-	54,638	54,638	54,638	-	-	-	-	-	54,638	-	-	7,438
Inter-segmental revenue	(8,939)	(7,831)	(2,153)	(109)	(6,379)	(25,411)	(112)	(219)	(25,742)	(25,742)	(25,742)	-	-	-	-	-	(25,742)	-	-	(1,927)
Tax expense	252,633	117,748	34,580	17,095	145,578	567,634	13,758	7,152	588,544	588,544	588,544	-	-	-	-	-	588,544	-	-	14,055
Total assets	77,170	42,027	8,751	14,960	108,844	251,752	8,780	-	260,532	260,532	260,532	-	-	-	-	-	260,532	-	-	5,653
Non-current assets	8,490	4,727	608	1,600	7,072	22,497	517	-	23,014	23,014	23,014	-	-	-	-	-	23,014	-	-	3,424
Non-current assets - additions																				

* South Sumatera represents the operations which have been discontinued and have therefore been separated from the continuing operations. The details of discontinued operations for South Sumatera are disclosed in note 9.

Notes to the Consolidated Financial Statements

6 Segment information - continued

Below is an analysis of revenue from the Group's top 4 customers, incorporating all those contributing greater than 10% of the Group's external revenue in accordance with the requirements of IFRS 8. In year 2022, revenue from top 4 customers of the Indonesian segment represents approximately \$263.0m (2021: \$266.3m) of the Group's total revenue for continuing operations. Although Customer 1 to 4 made up over 10% of the Group's total revenue, there was no over reliance on these Customers as tenders were performed on a weekly basis. Three of the top four customers were the same as in the prior year.

	North Sumatera \$000	Bengkulu \$000	Riau \$000	Bangka \$000	Kalimantan \$000	Indonesia \$000	Malaysia \$000	UK \$000	Total \$000	South Sumatera \$000
2022										
Customer 1	8,694	46,280	30,750	-	60,630	146,354	-	-	146,354	-
Customer 2	51,854	4,039	-	-	-	55,893	-	-	55,893	-
Customer 3	-	33,151	-	-	-	33,151	-	-	33,151	-
Customer 4	27,583	-	-	-	-	27,583	-	-	27,583	-
	88,131	83,470	30,750	-	60,630	262,981	-	-	262,981	-
2021										
Customer 1	2,203	36,104	36,909	-	45,655	120,871	-	-	120,871	-
Customer 2	-	31,431	-	-	19,335	50,766	-	-	50,766	-
Customer 3	48,333	-	-	-	-	48,333	-	-	48,333	-
Customer 4	-	46,324	-	-	-	46,324	-	-	46,324	-
	50,536	113,859	36,909	-	64,990	266,294	-	-	266,294	-
	%	%	%	%	%	%	%	%	%	%
2022										
Customer 1	1.9	10.3	6.9	-	13.5	32.6	-	-	32.6	-
Customer 2	11.6	0.9	-	-	-	12.5	-	-	12.5	-
Customer 3	-	7.4	-	-	-	7.4	-	-	7.4	-
Customer 4	6.2	-	-	-	-	6.2	-	-	6.2	-
	19.7	18.6	6.9	-	13.5	58.7	-	-	58.7	-
2021										
Customer 1	0.5	8.3	8.5	-	10.5	27.8	-	-	27.8	-
Customer 2	-	7.3	-	-	4.5	11.8	-	-	11.8	-
Customer 3	11.2	-	-	-	-	11.2	-	-	11.2	-
Customer 4	-	10.7	-	-	-	10.7	-	-	10.7	-
	11.7	26.3	8.5	-	15.0	61.5	-	-	61.5	-

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

Notes to the Consolidated Financial Statements

7 Employees' and Directors' remuneration

	2022 Number	2021 Number
Average numbers employed (primarily overseas) during the year:		
- full-time	7,873	7,618
- part-time field workers*	8,384	7,941
	<u>16,257</u>	<u>15,559</u>

* Part-time field workers headcounts based on full time equivalent of 8 hours per day are 6,657 (2021: 6,191).

The split between continuing and discontinued operations is shown on page 55 in Strategic Report.

	2022 \$000	2021 \$000
Staff costs (including Directors and discontinued operations) comprise:		
Wages and salaries	55,775	51,736
Social security costs	3,826	3,799
Retirement benefit costs		
- United Kingdom	-	-
- Indonesia (note 21)	2,736	411
- Malaysia	53	50
	<u>62,390</u>	<u>55,996</u>

The information required by the Companies Act is contained in the Directors' remuneration report on pages 82 - 89 of which certain information on page 86 has been audited.

	2022 \$000	2021 \$000
Directors emoluments	<u>194</u>	<u>187</u>

	2022 \$000	2021 \$000
Remuneration expense for key management personnel comprise:		
Short-term employee benefits	1,656	1,835
Post-employment benefits	-	-
	<u>1,656</u>	<u>1,835</u>

The Executive Director, Non-Executive Directors and senior management (general managers and above) are considered to be the key management personnel. The remuneration of Executive Director and Non-Executive Directors is shown on page 86.

Notes to the Consolidated Financial Statements

8 Tax expense

	2022 \$000	2021 \$000
Foreign corporation tax - current year	29,727	20,404
Foreign corporation tax - prior year	7	258
Deferred tax adjustment - origination and reversal of temporary differences (note 14)	832	5,080
Deferred tax - prior year (note 14)	895	-
Total tax charge for year	<u>31,461</u>	<u>25,742</u>

Corporation tax rate in Indonesia is at 22% (2021: 22%) whereas Malaysia is at 24% (2021: 24%). The standard rate of corporation tax in the UK for the current year is 19% (2021: 19%). The Group's charge for the year differs from the standard Indonesian rate of corporation tax as explained below:

	2022 \$000	2021 \$000
Profit before tax from continuing operations	<u>132,941</u>	<u>137,083</u>
Profit before tax multiplied by standard rate of Indonesia corporation tax of 22% (2021: 22%)	29,247	30,158
Effects of:		
Rate adjustment relating to overseas profits	1,205	(30)
Group accounting adjustments not subject to tax	(237)	(1,023)
Expenses not allowable for tax	1,213	263
Deferred tax assets not recognised	69	(10)
Income not subject to tax	(1,063)	(659)
Under provision of prior year income tax	7	258
Utilisation of tax losses not previously recognised	125	(3,215)
Under provision of prior year deferred tax	895	-
Change in tax rate	-	-
Total tax charge for year	<u>31,461</u>	<u>25,742</u>

The above reconciliation has been prepared by reference to the Indonesian tax rate rather than the UK tax rate as, in accordance with IAS 12, this is the applicable tax rate that provides the most meaningful information, given this is the country in which the majority of tax arises.

The tax receivables represent the corporate income tax ("CIT") and value added tax ("VAT") that have yet to be refunded by the Indonesia tax authority. The tax receivables relating to CIT arose due to over payment of tax. The tax receivables relating to VAT arose because the majority of the Groups' CPO was sold to bonded zones which do not attract output VAT and thus the input VAT incurred is claimable. Upon submission of a tax return (for CIT) or a request letter (for VAT refund), a tax audit will be conducted by the tax authority and whilst every effort is made to resolve this quickly, the process can sometimes take more than 12 months.

The breakdown of the tax receivables and tax liabilities is as follows:

	2022 \$000	2021 \$000
<u>Tax Receivables</u>		
Income tax	4,122	5,072
Transfer to assets held for sale (note 9)	-	(12)
	<u>4,122</u>	<u>5,060</u>
Other taxes	37,576	45,481
Transfer to assets held for sale (note 9)	-	(46)
	<u>37,576</u>	<u>45,435</u>
	<u>41,698</u>	<u>50,495</u>
<u>Tax Liabilities</u>		
Income tax	(10,230)	(13,139)
Other taxes	(1,221)	(1,615)
	<u>(11,451)</u>	<u>(14,754)</u>

Notes to the Consolidated Financial Statements

9 Assets held for sale and discontinued operations

AEP is in the process of selling three of its non performing plantations in South Sumatera following the Board's approval to dispose the operation of RAA, KKST and ELAP to cut losses. A MOU was signed with a potential buyer from Indonesia in December 2022 for a period of exclusivity to conduct legal and financial due diligence. However, the potential buyer decided not to proceed following the completion of the due diligence. Since this transaction did not materialise, the book value of the three plantations for sale is further impaired by \$5 million. The management is currently in discussion with another interested buyer and aimed to complete the sale of the three plantations as soon as practicable.

The entire operations of the disposal group are presented within the South Sumatera operating segment disclosed in Note 7 and represent a separate geographical area of operations. The activities for the financial years ending 31 December 2022 and 31 December 2021 have been classified as discontinued operations in the consolidated income statement as a single line.

The post-tax loss on disposal of discontinued operations was determined as follows:

		2022			2021		
	Note	Result before BA movement	BA movement	Total	Result before BA movement	BA movement	Total
		\$000	\$000	\$000	\$000	\$000	\$000
Discontinued operations							
Revenue	6	9,306	-	9,306	8,269	-	8,269
Cost of sales		(10,389)	(178)	(10,567)	(11,052)	64	(10,988)
Gross (loss) / profit		(1,083)	(178)	(1,261)	(2,783)	64	(2,719)
Administration expenses		(120)	-	(120)	(62)	-	(62)
Impairment loss	12	-	-	-	(716)	-	(716)
Reversal / (Provision) for expected credit loss	17	91	-	91	(1,231)	-	(1,231)
Operating (loss) / profit		(1,112)	(178)	(1,290)	(4,792)	64	(4,728)
Exchange gains		3	-	3	1	-	1
Finance income		4	-	4	5	-	5
Finance expense		-	-	-	-	-	-
(Loss) / Profit before tax	5	(1,105)	(178)	(1,283)	(4,786)	64	(4,722)
Tax expense		455	39	494	(1,913)	(14)	(1,927)
(Loss) / Profit for the year from discontinued operations		(650)	(139)	(789)	(6,699)	50	(6,649)
Impairment loss on adjustment to fair value		(5,034)	-	(5,034)	(21,772)	-	(21,772)
		(5,684)	(139)	(5,823)	(28,471)	50	(28,421)
Attributable to:							
- Owners of the parent		(4,389)	(132)	(4,521)	(27,760)	47	(27,713)
- Non-controlling interests		(1,295)	(7)	(1,302)	(711)	3	(708)
		(5,684)	(139)	(5,823)	(28,471)	50	(28,421)
Earnings per share attributable to the owners of the parent during the year							
- Basic and diluted EPS before BA movement				(11.41)cts			(69.92)cts
- Basic and diluted EPS after BA movement				(11.41)cts			(69.92)cts

Notes to the Consolidated Financial Statements

9 Assets held for sale and discontinued operations - continued

Statement of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations:

	2022 \$000	2021 \$000
Operating activities	(1,332)	(821)
Investing activities	(1,865)	(1,594)
Financing activities	-	-
Net decrease in cash and cash equivalents from discontinued operations	<u>(3,197)</u>	<u>(2,415)</u>

The following major classes of assets relating to the discontinued operations have been classified as held for sale in the consolidated statement of financial position on 31 December:

	2022 \$000	2021 \$000
Property, plant and equipment (note 12)	25,512	27,425
Impairment loss on adjustment to fair value	<u>(24,547)</u>	<u>(21,772)</u>
Property, plant and equipment net of impairment losses	965	5,653
Non-current receivables (note 13)	4,128	3,338
Deferred tax assets (note 14)	3,306	3,124
Inventories (note 15)	213	729
Income tax receivable (note 8)	49	46
Other tax receivable (note 8)	-	12
Biological assets (note 16)	107	303
Trade and other receivables (note 17)	232	68
Exchange differences	<u>-</u>	<u>(63)</u>
Total assets held for sale	<u>9,000</u>	<u>13,210</u>

An impairment loss of \$24,547,000 (2021: \$21,772,000) on the measurement of the disposal group to fair value less cost to sell has been recognised and was included in discontinued operations. The difference of impairment loss was due to exchange in translation and further impairment of \$5,034,000 in 2022. The fair value less cost to sell has been determined from a valuation range obtained through the sales marketing process, through discussion with potential buyers and review of internal forecasts. Management do not expect the final amount realised to be materially different from this. They are categorised as level 3 non-recurring fair value measurements. The fair value measurement is based on the above items' highest and best uses, which do not differ from their actual use.

At 31 December 2022, the expected loss provision for receivables in assets held for sale as follows:

	Gross carrying amount \$000	Loss provision \$000	Net carrying amount \$000
2022			
Trade receivable	188	-	188
Other receivables (note 17)	31	-	31
Receivables: non-current (note 13)			
- Due from cooperatives under Plasma scheme	12,020	(7,892)	4,128
	<u>12,239</u>	<u>(7,892)</u>	<u>4,347</u>
	Gross carrying amount \$000	Loss provision \$000	Net carrying amount \$000
2021			
Trade receivable	12	-	12
Other receivables (note 17)	23	-	23
Receivables: non-current (note 13)			
- Due from cooperatives under Plasma scheme	12,136	(8,798)	3,338
	<u>12,171</u>	<u>(8,798)</u>	<u>3,373</u>

Notes to the Consolidated Financial Statements

10 Earnings per ordinary share ("EPS")

	2022 \$000	2021 \$000
Total operations		
Profit for the year attributable to owners of the Company before BA movement	83,548	65,485
BA movement	<u>(3,904)</u>	<u>2,856</u>
Earnings used in basic and diluted EPS	<u>79,644</u>	<u>68,341</u>
Continuing operations		
Profit for the year attributable to owners of the Company before BA movement	87,937	93,245
BA movement	<u>(3,772)</u>	<u>2,809</u>
Earnings used in basic and diluted EPS	<u>84,165</u>	<u>96,054</u>
Discontinued operations		
Loss for the year attributable to owners of the Company before BA movement	(4,389)	(27,760)
BA movement	<u>(132)</u>	<u>47</u>
Earnings used in basic and diluted EPS	<u>(4,521)</u>	<u>(27,713)</u>
	Number '000	Number '000
Weighted average number of shares in issue in the year		
- used in basic EPS	39,636	39,636
- dilutive effect of outstanding share options	-	-
- used in diluted EPS	<u>39,636</u>	<u>39,636</u>
Total operations		
- Basic and diluted EPS before BA movement	210.79cts	165.21cts
- Basic and diluted EPS after BA movement	200.94cts	172.42cts
Continuing operations		
- Basic and diluted EPS before BA movement	221.86cts	235.25cts
- Basic and diluted EPS after BA movement	212.34cts	242.34cts
Discontinued operations		
- Basic and diluted EPS before BA movement	(11.07)cts	(70.04)cts
- Basic and diluted EPS after BA movement	(11.41)cts	(69.92)cts

11 Dividends

	2022 \$000	2021 \$000
Paid during the year		
Final dividend of 5.0cts per ordinary share for the year ended 31 December 2021 (2020: 1.0cts)	<u>1,982</u>	<u>396</u>
Proposed final dividend of 25.0cts per ordinary share for the year ended 31 December 2022 (2021: 5.0cts)	<u>9,909</u>	<u>1,982</u>

The proposed dividend for 2022 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

12 Property, plant and equipment

Cost	Plantations \$000	Mill \$000	Leasehold land \$000	Buildings \$000	Estate plant, equipment & vehicle \$000	Office plant, equipment & vehicle \$000	Right-of-use assets* \$000	Construction in progress \$000	Total \$000
At 1 January 2021	219,735	78,780	61,272	64,883	18,034	1,405	841	642	445,592
Exchange translations	(2,753)	(899)	(957)	(768)	(242)	(30)	(15)	7	(5,657)
Reclassification	-	(19)	-	2,909	19	-	-	(2,909)	-
Additions	-	2,495	3,512	114	1,041	592	133	8,095	15,982
Development costs capitalised	10,456	-	-	-	-	-	-	-	10,456
Disposal / Written off	(1,684)	(700)	(379)	(208)	(814)	(5)	-	-	(3,790)
Transfer to assets held for sale (note 9)	(31,888)	-	(10,963)	(6,067)	(2,191)	-	-	(127)	(51,236)
At 31 December 2021	193,866	79,657	52,485	60,863	15,847	1,962	959	5,708	411,347
Exchange translations	(18,178)	(7,626)	(4,563)	(5,731)	(1,500)	(163)	(76)	(1,264)	(39,101)
Reclassification	-	(31)	-	2,191	31	-	-	(2,191)	-
Additions	-	4,430	1,889	156	2,397	210	-	14,733	23,815
Development costs capitalised	10,455	-	-	-	-	-	-	-	10,455
Disposals / Written off	(697)	(597)	(8)	(217)	(666)	(83)	-	-	(2,268)
At 31 December 2022	185,446	75,833	49,803	57,262	16,109	1,926	883	16,986	404,248
Accumulated depreciation and impairment									
At 1 January 2021	92,479	28,649	3,518	24,456	14,034	1,091	534	-	164,761
Exchange translations	(1,297)	(318)	(108)	(296)	(191)	(24)	(11)	-	(2,245)
Charge for the year	9,907	3,873	125	3,523	1,309	82	153	-	18,972
(Reversal of impairment) / Impairment losses	(5,437)	-	1,168	-	-	-	133	-	(4,136)
Disposal / Written off	(1,313)	(455)	-	(155)	(798)	(5)	-	-	(2,726)
Transfer to assets held for sale (note 9)	(19,225)	-	(957)	(1,782)	(1,847)	-	-	-	(23,811)
At 31 December 2021	75,114	31,749	3,746	25,746	12,507	1,144	809	-	150,815
Exchange translations	(7,002)	(3,146)	(240)	(2,522)	(1,144)	(84)	(70)	-	(14,208)
Reclassification	-	(31)	-	-	31	-	-	-	-
Charge for the year	8,168	3,933	118	3,107	1,146	108	144	-	16,724
Impairment losses	-	-	185	-	432	-	-	-	617
Disposal / Written off	(674)	(577)	-	(164)	(619)	(80)	-	-	(2,114)
At 31 December 2022	75,606	31,928	3,809	26,167	12,353	1,088	883	-	151,834
Carrying amount									
At 31 December 2020	127,256	50,131	57,754	40,427	4,000	314	307	642	280,831
At 31 December 2021	118,752	47,908	48,739	35,117	3,340	818	150	5,708	260,532
At 31 December 2022	109,840	43,905	45,994	31,095	3,756	838	-	16,986	252,414

* Right-of-use assets had been disclosed in note 20.

Notes to the Consolidated Financial Statements

12 Property, plant and equipment - continued

The average capitalisation rate was 0% (2021: 0%) as there was no borrowing cost in 2022 and 2021. The estates included \$nil (2021: \$nil) of interest and \$1,198,000 (2021: \$1,966,000) of overheads capitalised during the year in respect of expenditure on estates under development.

The Indonesian authorities have granted certain land exploitation rights and operating permits for the estates. In the case of established estates in North Sumatera, these rights and permits expire between 2023 and 2056 with rights of renewal thereafter. As of estates in Bengkulu land titles were issued between 1994 and 2016 and the titles expire between 2028 and 2051 with rights of renewal thereafter for two consecutive periods of 25 and 35 years respectively. In Riau, land titles were issued in 2003 and expire in 2033 with rights of renewal thereafter. In Kalimantan, land titles were issued between 2015 and 2020 and expire between 2049 and 2054 with rights of renewal thereafter. In Bangka, land titles were issued in 2018 and expire in 2053. The rights and permits for South Sumatera plantations were renewed in 2020. Application to obtain the land title is temporary stopped due to the Group's intention to dispose the South Sumatera operations.

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. On the basis that the Group has an indefinite right to renew, leasehold land is not depreciated except leasehold land in Malaysia. The land title of the estate in Malaysia is a long-term lease expiring in 2084.

An impairment loss of \$432,000 (2021: \$nil) related to estate plant, equipment and vehicle was provided in 2022 as the recoverable amounts based on its value-in-use were lower than the carrying amounts and the reason of acquisition of the plant and equipment was for corporate social responsibility purposes. The total value of the Group's right-of-use assets carried at value in use was lower than original cost by \$305,000 (2021: \$322,000). The impairment of right-of-use assets was recognised at \$nil (2021: \$133,000) due to no future economic benefits.

Impairment for land and plantations is measured by comparing its carrying amount with its recoverable amount, which is the higher of the fair value less cost to sell and its value in use. The impairment assessment is performed against the combined cost of land and plantations for each estate which represents the cash generating unit ("CGU"). Recoverable amount is, in most cases, based on value in use calculations as, due to the nature of the cashflows, this will be higher than fair value less costs to sell. Where this has been determined not to be the case, fair value less costs to sell have also been considered.

In 2022, an impairment loss of \$185,000 has been recognised against one CGU due to additional expenditure recognised in the year above its recoverable amount. The reversal of impairment loss of \$5,437,000 recognised in 2021 was primarily due to the increase in CPO price. The total value of the Group's land and plantations for continuing operations which is carried at its recoverable amount is \$41,158,000 (2021: \$42,803,000).

In 2021, the plantations cost of \$12,663,000 and land cost of \$10,006,000 had been transferred to assets held for sale, the details are disclosed in note 9.

The value in use, computed by the professional valuer MBPRU using a discounted cash flow ("DCF") model, is the net present value of the projected future cash flows over the expected 20-year economic life of the asset discounted at 15.4% (2021: 14.8%). Projected future cash flows are calculated based on historical data, industry performance, economic conditions and any other readily available information including the impact of climate change. The compliance with changing regulations, changes in buyer preferences, development of new products and use of lower emission sources of energy will affect the FFB production, CPO price and its growth. Heavy rainfall & flooding, droughts and fires will have an effect on company specific risk within the calculation of our discount rate as well as potential impacts on the ability of our plants to produce FFB. Pests & disease will impact the upkeeping cost.

The sensitivity analysis below has been performed to show the reasonably possible changes in the key assumptions which would have a material impact on the impairment losses:

	2022	
	Assumption applied	Increase in impairment \$000
CPO CIF-Rotterdam price - decrease of 18%	\$1,200/mt	5,657
Pre-tax discount rate - increase by 600 bps	15.37%	6,082
Inflation rate - increase by 400 bps	2.81%	6,330
	2021	
	Assumption applied	Increase in impairment \$000
CPO CIF-Rotterdam price - decrease of 8%	\$1,000/mt	1,325
Pre-tax discount rate - increase by 300 bps	14.76%	1,771
Inflation rate - increase by 200 bps	2.73%	1,152

Notes to the Consolidated Financial Statements

13 Receivables: non-current

	2022		2021	
	Book value \$000	Fair value \$000	Book value \$000	Fair value \$000
Due from non-controlling interests	1,549	797	5,459	3,042
Due from cooperatives under Plasma scheme	17,414	11,729	19,879	13,122
	18,963	12,526	25,338	16,164
Transfer to assets held for sale (note 9)	-	-	(3,338)	(2,079)
	18,963	12,526	22,000	14,085

The non-controlling parties in PT Sawit Graha Manunggal and PT Kahayan Agro Plantation have acquired their interests on deferred terms (see note 27, Credit risk).

Plasma scheme is an initiative by the Indonesian Government that mandated plantation owners to allocate a percentage of their land acquired to the surrounding community and to further provide financial and technical assistance to cultivate oil palm on that land to improve the income and welfare of the community or cooperatives. During the year, certain subsidiary companies have funded plasma with a cumulative gross amount before ECL for \$17,489,000 (2021: \$16,612,000) which is recoverable from the cooperatives, the details with ECL are disclosed in note 9 and note 17.

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

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

Item	Valuation approach	Inputs used	Inter-relationship between key unobservable inputs and fair value
Due from non-controlling interests	Based on cash flows discounted using current lending rate of 6% (2021: 6%).	Discount rate	The higher the discount rate, the lower the fair value.
Due from cooperatives under Plasma scheme	Based on cash flows discounted using an estimated current lending rate of 8.50% (2021: 7.00%).	Discount rate	The higher the discount rate, the lower the fair value.

14 Deferred tax

The movement on the deferred tax account as shown below:

	2022 \$000	2021 \$000
At 1 January	2,994	13,607
Recognised in income statement from continuing operations	(1,727)	(7,005)
Recognised in other comprehensive income	(41)	(306)
Transfer to assets held for sale (note 9)	-	(3,124)
Exchange differences	(199)	(178)
At 31 December	1,027	2,994

The most significant movement in deferred tax was due to the utilisation of some of the losses against taxable profits during the year.

Notes to the Consolidated Financial Statements

14 Deferred tax - continued

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

	Asset \$000	Liability \$000	Net \$000	(Charged)/ credited to income statement \$000	(Charged)/ credited to equity \$000
2022					
Impairment of land	164	-	164	41	-
Retirement benefits	1,495	-	1,495	(591)	(41)
BA movement	-	(1,356)	(1,356)	1,276	-
Unutilised tax losses	1,318	-	1,318	(2,177)	-
Unremitted earnings	-	(331)	(331)	-	-
Other temporary differences	-	(263)	(263)	(276)	-
Tax assets / (liabilities)	2,977	(1,950)	1,027	(1,727)	(41)
Set off of tax	(1,145)	1,145	-	-	-
Net tax assets / (liabilities)	1,832	(805)	1,027	(1,727)	(41)
2021					
Impairment of land	139	-	139	100	-
Retirement benefits	2,304	-	2,304	(78)	(280)
BA movement	-	(2,819)	(2,819)	(957)	-
Unutilised tax losses	3,713	-	3,713	(4,303)	-
Unremitted earnings	-	(132)	(132)	-	-
Other temporary differences	-	(211)	(211)	158	-
Tax assets / (liabilities)	6,156	(3,162)	2,994	(5,080)	(280)
Set off of tax	(1,832)	1,832	-	-	-
Net tax assets / (liabilities)	4,324	(1,330)	2,994	(5,080)	(280)
				2022	2021
				\$000	\$000

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

Unutilised tax losses	19,995	16,780
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The Group had recognised tax assets arising from the unutilised tax losses of certain subsidiaries as the Group believes that the tax assets of these subsidiaries can be realised in the future periods based on their budget, as their respective plantation assets becoming more mature and historically resulting in the companies becoming profitable. However, the Group does not recognise the tax losses in certain companies within the Group as tax assets in UK and Malaysia as the future recoverability of losses of these companies cannot be certain and insufficient forecast future taxable profits. The time limit on utilisation of tax losses is subject to the tax laws in various countries. As of 31 December 2022, the relevant time limits are 5 years in Indonesia, 7 years in Malaysia and unlimited in UK. At 31 December 2022, all unutilised tax losses were recognised in Indonesia. The unutilised tax losses will expire as per below:

Year	\$000
2023	587
2025	388
2027	343
	<u>1,318</u>

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 \$834,433,000 (2021: \$750,462,000). No liability has been recognised in respect of these differences because either the Group is in a position to control the timing of the reversal of the temporary differences and does not expect such a reversal to occur in the foreseeable future, or such a reversal would not give rise to an additional tax liability. The deferred tax liability on unremitted earnings recognised at the balance sheet date was related to the estimated dividend declared for 2022 by the subsidiaries.

Notes to the Consolidated Financial Statements

15 Inventories

	2022 \$000	2021 \$000
Estate and mill consumables	10,719	8,433
Processed produce for sale	8,871	6,612
	<u>19,590</u>	<u>15,045</u>
Transfer to assets held for sale (note 9)	-	(729)
	<u>19,590</u>	<u>14,316</u>

16 Biological assets

	2022 \$000	2021 \$000
At 1 January	12,803	8,783
Fair value (loss) / gain recognised in the income statement for continuing operations	(5,792)	4,349
Fair value gain recognised in the income statement for discontinued operations	-	64
Transfer to assets held for sale (note 9)	-	(303)
Exchange translations	(850)	(90)
At 31 December	<u>6,161</u>	<u>12,803</u>

The valuation of the unharvested FFB was carried out internally for each plantation of the Group. It involved an estimation of the weight of unharvested FFB at balance sheet date multiplied by the sum of average FFB selling price less average harvesting cost of the last month prior to the balance sheet date. The weight was derived from the computation of the percentage of growth based on the data extracted from the research reference "The Reflection of Moisture Content on Palm Oil Development during the Ripening Process of Fresh Fruits" multiplied with the estimated FFB harvested one month after the balance sheet date. Climate change on the weather will impact the levels and quality of production of FFB, so this has been taken into consideration when determining the fair value of biological assets.

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

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

Item	Valuation approach	Inputs used	Inter-relationship between key unobservable inputs and fair value
Biological assets - Unharvested produce	Based on FFB weight multiplied by the sum of FFB selling price less harvesting cost	FFB weight	The higher the weight, the higher the fair value
		FFB selling price	The higher the selling price, the higher the fair value
		Harvesting cost	The higher the harvesting cost, the lower the fair value

The key assumptions are considered to be FFB weight, selling price less harvesting costs and FFB production and a decrease of 1% in any of these would result in an \$62,000 decrease in the valuation.

17 Trade and other receivables

	2022 \$000	2021 \$000
Trade receivables	461	1,308
Other receivables	1,750	1,457
Prepayments and accrued income	1,257	2,485
	<u>3,468</u>	<u>5,250</u>
Transfer to assets held for sale (note 9)	-	(68)
	<u>3,468</u>	<u>5,182</u>

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

Notes to the Consolidated Financial Statements

17 Trade and other receivables - continued

Trade receivables

The Group applies the IFRS 9 simplified approach to measure ECL using a lifetime ECL provision for trade receivables. To measure ECL on a collective basis, trade receivables are grouped based on similar credit risk and age.

The expected loss rate is based on a combination of the Group's historical credit losses experienced over the 5-year period prior to the year end and forward-looking information on macroeconomic factors affecting the Group's customers. The ECL has been calculated at 1% on trade receivables balances.

Other receivables

The Group assesses the ECL associated with its debt instruments carried at amortised cost on a forward-looking basis using the three stage approach. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group considers the probability of default upon initial recognition of an asset and whether there has been significant increase in credit risk on an on-going basis at each reporting date. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Group considers available, reasonable and supportable forward-looking information, such as:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the expected performance or behaviour of the debtor, including changes in the payment status of the debtor.

There has not been a significant increase in credit risk since initial recognition on any of the group's financial assets therefore 12-month ECL have continued to be recognised on all balances other than trade receivables which are discussed above.

Due from cooperatives under Plasma scheme

The Group assesses the ECL on amounts due from cooperatives under Plasma scheme by considering various probability weighted outcomes. The three possible outcomes are considered to be:

- recovery is limited to the value of the land and bearer plants on which the plantation is situated;
- recovery is limited to the future cashflows of the cooperative, being the FFB revenue less development costs; and
- recovery in full via bank financing obtained by the cooperative.

Movements on the Group's loss provision on current and non-current other receivables and financial guarantee contracts are as follows:

	2022 \$000	2021 \$000
At 1 January	180	8,011
Loss provision during the year	1,665	1,054
Written off during the year	(215)	-
Transfer to assets held for sale (note 9)	-	(8,798)
Exchange difference	(8)	(87)
At 31 December	<u>1,622</u>	<u>180</u>

At 31 December 2022, the expected loss provision for receivables and financial guarantee contracts is as follows:

	Gross carrying amount \$000	Loss provision \$000	Net carrying amount \$000
2022			
Trade receivable	466	(5)	461
Other receivables (note 17)	1,756	(6)	1,750
Receivables: non-current (note 13)			
- Due from non-controlling interests	3,063	(1,514)	1,549
- Due from cooperatives under Plasma scheme	17,489	(75)	17,414
	<u>22,774</u>	<u>(1,600)</u>	<u>21,174</u>
Financial guarantee contracts (note 26)	-	(22)	(22)
	<u>22,774</u>	<u>(1,622)</u>	<u>21,152</u>

Notes to the Consolidated Financial Statements

17 Trade and other receivables - continued

	Gross carrying amount \$000	Loss provision \$000	Net carrying amount \$000
2021			
Trade receivables	1,301	(5)	1,296
Other receivables (note 17)	1,448	(14)	1,434
Receivables: non-current (note 13)			
- Due from non-controlling interests	5,514	(55)	5,459
- Due from cooperatives under Plasma scheme	16,612	(71)	16,541
	<u>24,875</u>	<u>(145)</u>	<u>24,730</u>
Financial guarantee contracts (note 26)	-	(35)	(35)
	<u>24,875</u>	<u>(180)</u>	<u>24,695</u>

18 Notes supporting statement of cash flows

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

	2022 \$000	2021 \$000
Cash at bank available on demand	47,658	43,464
Short-term deposits	173,802	174,766
Cash in hand	16	19
As reported in statement of financial position	<u>221,476</u>	<u>218,249</u>
Short-term investments	55,566	1,439
	<u>277,042</u>	<u>219,688</u>

The short-term investments refer to the deposits with a licensed bank with maturity of over three months.

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

	2022 \$000	2021 \$000
Property, plant and equipment purchased but not yet paid at year end	466	222
Repayment of amounts due from cooperatives under the plasma scheme through the purchase of FFB	7,401	6,374

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

	Non-current lease liabilities \$000	Current lease liabilities \$000	Total \$000
At 1 January 2022	(110)	(240)	(350)
Cash Flows	-	231	231
Non-cash flows			
- Effect of foreign exchange	6	20	26
- New lease	-	-	-
- Lease liabilities classified as non-current at 31 December 2021 becoming current during 2022	73	(73)	-
- Interest accruing during the year	-	(11)	(11)
- Write off	-	-	-
	<u>(31)</u>	<u>(73)</u>	<u>(104)</u>

Notes to the Consolidated Financial Statements

18 Notes supporting statement of cash flows - continued

	Non-current lease liabilities \$000	Current lease liabilities \$000	Total \$000
At 1 January 2021	(217)	(236)	(453)
Cash Flows	167	85	252
Non-cash flows			
- Effect of foreign exchange	4	4	8
- New lease	(110)	(113)	(223)
- Lease liabilities classified as non-current at 31 December 2020 becoming current during 2021	46	(46)	-
- Interest accruing during the year	-	(24)	(24)
- Write off	-	90	90
	<u>(110)</u>	<u>(240)</u>	<u>(350)</u>

19 Trade and other payables

	2022 \$000	2021 \$000
Trade payables	11,487	8,821
Other payables	3,321	1,305
Advance receipts	9,424	10,237
Accruals	9,734	12,170
	<u>33,966</u>	<u>32,533</u>

The carrying amount of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value. Advance receipts from customers are expected to be recognised in full as revenue in the subsequent year. The advance receipts at 31 December 2021 have been recognised in revenue in the current period.

20 Leases

	2022 \$000	2021 \$000
Lease liabilities analysed as:		
Non-current	(31)	(110)
Current	(73)	(240)
	<u>(104)</u>	<u>(350)</u>

The weighted average incremental borrowing rate per annum was 5.5% (2021: 5.5%).

Maturity analysis for the lease liabilities has been given in note 27.

Amounts recognised in income statement:

	2022 \$000	2021 \$000
Depreciation expense on right-of-use assets (note 12)	(144)	(153)
Interest expense on lease liabilities	(12)	(24)
Expense relating to short-term leases	(352)	(353)
Expense relating to leases of low value assets	(4)	(6)
	<u>(512)</u>	<u>(536)</u>

At 31 December 2022, the Group was committed to \$0.01 million (2021: \$0.01 million) for short-term leases.

All the leases are fixed payments. The total cash outflow for leases amount to \$0.59 million (2021: \$0.62 million).

The Group leases a piece of land and office under the right-of-use assets. The remaining lease term is between 1.4 years. (2021: 3 to 4 years). On expiry the Group has the options to renew based on mutually agreed future rental. The right-of-use assets is classified as part of property, plant and equipment in note 12.

Notes to the Consolidated Financial Statements

20 Leases - continued

Right-of-Use assets

	Land \$000	Building \$000	Total \$000
At 1 January 2022	-	150	150
Additions	-	-	-
Amortisation	-	(144)	(144)
Impairment losses	-	-	-
Effect of foreign exchange	-	(6)	(6)
At 31 December 2022	<u>-</u>	<u>-</u>	<u>-</u>
	Land \$000	Building \$000	Total \$000
At 1 January 2021	-	307	307
Additions	133	-	133
Amortisation	-	(153)	(153)
Impairment losses	(133)	-	(133)
Effect of foreign exchange	-	(4)	(4)
At 31 December 2021	<u>-</u>	<u>150</u>	<u>150</u>

Lease liabilities

	Land \$000	Building \$000	Total \$000
At 1 January 2022	(183)	(167)	(350)
Additions	-	-	-
Interest expense	(8)	(4)	(12)
Lease payments	76	155	231
Effect of foreign exchange	11	16	27
At 31 December 2022	<u>(104)</u>	<u>-</u>	<u>(104)</u>
	Land \$000	Building \$000	Total \$000
At 1 January 2021	(126)	(327)	(453)
Additions	(133)	-	(133)
Interest expense	(9)	(15)	(24)
Lease payments	81	171	252
Effect of foreign exchange	4	4	8
At 31 December 2021	<u>(183)</u>	<u>(167)</u>	<u>(350)</u>

The tables above do not include the leasehold land which is also classified as a right of use asset as this information is already presented in note 12.

Notes to the Consolidated Financial Statements

21 Retirement benefits

The Group provides Post-Employment Benefit plans to its employees in Indonesia in accordance with Job Creation Law No.11/2020, Government Regulation No.35/2021 effective since February 2021 and Collective Labour Agreements. These are defined benefit plans and provide lump sum benefits to employees on retirement, death, disability and voluntary resignation. There is no requirement for the Group to advance fund these benefits.

The Group has set up a separate fund with PT Asuransi Allianz Life Indonesia to fund the Post-Employment Benefit plan obligation for Staff employees. The assets in the fund can only be used to pay the employees' benefits.

Defined contribution plan managed by Dana Penson Lembaga Keuangan AIA Financial ("DPLK AIAF") and allocated to the individual participants. From 2020 onwards, these employees will receive the higher of the benefit from DPLK AIAF and the Post-Employment Benefit plan. The DPLK AIAF plan covers a smaller proportion of the overall Post-Employment Benefit obligation.

The Group provides other long-term employee benefits in the form of Long Service Awards for Staff and Non-Staff employees in Indonesia. The Long Service Awards are for amounts of up to 2 months of basic salary, paid on completion of 10 or 20 years' continuous service (Staff) and on completion of 25, 30, 35, and 40 years' continuous service (Non-Staff). These benefits are unfunded.

The defined benefit plans are valued by an actuary at the end of each financial year. The major assumptions used by the actuary were:

	2022	2021
Rate of increase in wages	8.0%	8.0%
Discount rate	7.3%	7.5%
Mortality rate*	100% TMI4	100% TMI4
Disability rate	10% TMI4	10% TMI4
	2022	2021
	\$000	\$000
Service cost		
Current service cost	1,522	1,660
Past service cost	-	(2,121)
Adjustment due to change in attribution method	(1,556)	-
Cost of termination	780	-
Net interest expense	687	735
Remeasurements on net defined benefit liability	(26)	(102)
Total employee benefits expense	1,407	172

The reconciliation on the remeasurement of retirement benefit plan as shown below:

	2022	2021
	\$000	\$000
Included in other comprehensive income:		
Continuing operations	147	995
Discontinued operations	30	91
Remeasurement of retirement benefit plan, net of tax recognised in other comprehensive income	177	1,086
Included in other comprehensive income:		
Remeasurement of retirement benefit plan	225	1,392
Deferred tax on retirement benefits	(48)	(306)
Remeasurement of retirement benefit plan, net of tax recognised in other comprehensive (expenses) / income	177	1,086

Notes to the Consolidated Financial Statements

21 Retirement benefits - continued

(ii) Disaggregation of defined benefit scheme assets

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

	2022 \$000	2021 \$000
Bonds		
- Government bonds	556	275
- Corporate bonds	-	2
	<u>556</u>	<u>277</u>
Cash / deposits	879	970
	<u>1,435</u>	<u>1,247</u>

None of the plan assets are invested in the Group's own financial instruments, property or other assets used by the Group. All plan assets invested in bonds which have a quoted market price in an active market.

(iii) Defined benefit obligation - sensitivity analysis

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

	Reasonably Possible Change	Defined benefit obligation Increase \$000	Decrease \$000
Discount rate	(+ / - 1%)	(941)	1,061
Growth in wages	(+ / - 1%)	1,094	(987)
Future mortality rate	(+ / - 10%)	64	(65)

The weighted average duration of the defined benefit obligation is 8.85 years (2021: 11.10 years).

The total contribution paid into the defined contribution plan in 2022 amounted to \$223,000 (2021: \$239,000). The Group expects to pay contributions of \$431,000 to the funded plans in 2023. For the unfunded plans, the Group pays the benefits directly to the individuals; the Group expects to make direct benefit payments of \$1,731,000 for defined benefit plan and \$230,000 for defined contribution plan in 2023.

22 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>
Treasury shares:		2022 Number	2021 Number		Cost 2022 \$'000	Cost 2021 \$'000
Beginning of year		339,900	339,900		(1,171)	(1,171)
Share options exercised		-	-		-	-
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 (720.0p/share)						3,298
End of year (800.0p/share)						<u>3,274</u>

No treasury share was purchased in 2022 (2021: Nil).

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

23 Ultimate controlling shareholder

At 31 December 2022, Genton International Limited ("Genton"), a company registered in Hong Kong, held 20,247,814 (2021: 20,247,814) shares of the Company representing 51.1% (2021: 51.1%) of the issued share capital of the Company. Together with other deemed interested parties, Genton's shareholding totals 20,551,914 or 51.9%. The ultimate beneficial shareholders of Genton International Limited are vested in the estates of Madam Lim with the application for probate in progress.

Notes to the Consolidated Financial Statements

24 Related party transactions

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

An office premises lease agreement was entered with Infra Sari Sdn Bhd, a company controlled by late Madam Lim Siew Kim. The rental paid during the year was \$339,140 (2021: \$352,180). There was no balance outstanding at the year end (2021: Nil).

In 2021, a land lease agreement was entered with Hana Bestari Sdn Bhd, company controlled by late Madam Lim Siew Kim. The rental paid during the year was \$78,405 (2021: \$46,325). There was no balance outstanding at the year end.

In 2022, the final dividend paid to Genton International Limited, a company controlled by late Madam Lim Siew Kim, was \$1,012,391 for the year ended 31 December 2021 (2021: \$202,478 for the year ended 31 December 2020). The final dividend paid to other companies controlled by late Madam Lim Siew Kim was \$15,205 for the year ended 31 December 2021 (2021: \$3,041 for the year ended 31 December 2020). There was no balance outstanding at the year end (2021: Nil).

25 Reserves

Nature and purpose of each reserve:

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

26 Guarantees and other financial commitments

	2022	2021
	\$000	\$000
Capital commitments at 31 December		
Contracted but not provided - normal estate operations	1,310	979
Contracted but not provided – mill development	16,058	22,352
Authorised but not contracted - plantation and mill development	28,558	26,517

A subsidiary company, PT Sawit Graha Manunggal ("SGM") has provided a corporate guarantee to Koperasi Bartim Sawit Sejahtera ("KBSS"), a party under Plasma scheme as disclosed in note 13, in relation to a loan taken by KBSS from PT Bank Mandiri (Persero) Tbk. of Rp226.02 billion (\$14.4million) (2021: Rp226.02 billion, \$15.8 million). The corporate guarantee remains until the loan is fully settled by 23 December 2027. The HGU (land usage right) that belongs to the Plasma scheme is currently held under SGM's master title. An application to separate the HGU was submitted to the Land Office and the land and its plantation with a total carrying amount of \$11.1 million as at 31 December 2022 (31 December 2021: \$11.7 million) will be pledged to the bank as security once the title separation approval is obtained. In addition, the terms and conditions of the loan agreement also require KBSS to sell all its FFB produce to SGM and the plantation estate is to be managed by SGM. In view of these, the Group exposure to this contingent liability is minimised.

On 3 February 2017, a subsidiary company, PT Alno Agro Utama and Koperasi Perkebunan Plasma Maju Sejahtera ("KPPM") signed a Refinancing Agreement with PT Bank Syariah Mandiri ("BSM") to fund its plasma development. The Agreement provides a loan of Rp 8.75 billion (\$0.6 million) (2021: Rp8.75 billion, \$0.6 million), with 10 (Ten) years maturity period effective from 24 July 2017 with an interest rate of 13.25% per annum and in 2021 decreased to 12.5% per annum. This loan is collateralized by 125.4 hectares of KPPM's land located in Desa Serami Baru, Kecamatan Malin Deman, Kabupaten Mukomuko, Bengkulu and its plantation with a carrying amount of \$0.6 million as at 31 December 2022 (31 December 2021: \$0.7 million) as security under the agreement while the Company provides corporate guarantee amounting to Rp 8.75 billion (\$0.6 million).

The Group's loss provision on these financial guarantee contracts was \$22,000 (2021: \$35,000). The details of the ECL were disclosed in note 17.

Notes to the Consolidated Financial Statements

27 Disclosure of financial instruments and other risks

The Group's principal financial instruments comprised cash, short and long-term bank loans, trade receivables excluding prepayments and payables excluding advance receipts 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 2022 and 2021 were:

	Financial assets at amortised cost \$000	Financial liabilities at amortised cost \$000	Total carrying value \$000
2022			
Non-current receivables	18,963	-	18,963
Trade and other receivables	2,211	-	2,211
Short-term investments	55,566	-	55,566
Cash and cash equivalent	221,476	-	221,476
Trade and other payables	-	(24,542)	(24,542)
	298,216	(24,542)	273,674
	Financial assets at amortised cost \$000	Financial liabilities at amortised cost \$000	Total carrying value \$000
2021			
Non-current receivables	22,000	-	22,000
Trade and other receivables	2,730	-	2,730
Short-term investments	1,439	-	1,439
Cash and cash equivalent	218,249	-	218,249
Trade and other payables	-	(22,296)	(22,296)
	244,418	(22,296)	222,122

Financial instruments not measured at fair value

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

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value. The non-current receivables were measured at cost less ECL however disclosure of fair value has been given in note 13 for comparison purposes.

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

- Non-current receivables (note 13); and

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

- commodity selling price changes; and
- exchange movements;

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

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 or loss.

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

Commodity selling prices

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

Currency risk

Most of the Group's operations are in Indonesia. The Company and Group accounts are prepared in US Dollar which is not the functional currency of the operating subsidiaries. The Group does not hedge its net investment in its overseas subsidiaries and is therefore exposed to a currency risk on that investment. The historical cost of investment (including intercompany loans) by the parent in its subsidiaries amounted to \$50,746,000 (2021: \$52,710,000), while the statement of financial position value of the Group's share of underlying assets at 31 December 2022 amounted to \$463,383,000 (2021: \$440,030,000).

Notes to the Consolidated Financial Statements

27 Disclosure of financial instruments and other risks - continued

Currency risk - continued

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

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

There are no borrowings in the Group and therefore there is no longer any currency risk for the Group in respect of this. The average interest rate on local currency deposits was 0.88% higher (2021: 2.74% higher) than on US Dollar deposits. The unmatched balance at 31 December 2022 was represented by the \$13,142,000 shown in the table below (2021: \$13,504,000).

The table below shows the net monetary assets and liabilities of the Group as at 31 December 2022 and 2021 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
2022			
Rupiah	12,976	-	12,976
US Dollar	-	355	355
Ringgit	166	-	166
Total	13,142	355	13,497
2021			
Rupiah	12,397	-	12,397
US Dollar	-	996	996
Ringgit	1,107	-	1,107
Total	13,504	996	14,500

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

	Carrying Amount US\$ \$000	2022		Carrying Amount US\$ \$000	2021	
		-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 receivables	18,963	(1,583)	1,935	22,000	(1,504)	1,838
Trade and other receivables	2,211	(196)	239	2,730	(244)	298
Short-term investments	55,566	(5,051)	6,174	1,439	(131)	160
Cash and cash equivalents	221,476	(20,047)	24,502	218,249	(19,695)	24,072
Financial Liabilities						
Trade and other payables	(24,542)	2,142	(2,618)	(22,296)	1,914	(2,339)
Total (decrease) / increase		(24,735)	30,232		(19,660)	24,029

Liquidity risk

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

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

The Group's trade and tax payables are all due for settlement within a year. At 31 December 2022, the Group had no external loans and facilities.

Notes to the Consolidated Financial Statements

27 Disclosure of financial instruments and other risks - continued

Liquidity risk - continued

The following table sets out the undiscounted contractual cashflows of financial liabilities:

	Less than 1 year \$000	Between 1 and 2 years \$000	Between 2 and 5 years \$000	More than 5 years \$000	Total \$000
At 31 December 2022					
Trade and other payables	(14,808)	-	-	-	(14,808)
Accruals	(9,734)	-	-	-	(9,734)
Lease liabilities	(76)	(32)	-	-	(108)
	<u>(24,618)</u>	<u>(32)</u>	<u>-</u>	<u>-</u>	<u>(24,650)</u>
Financial guarantee contracts provided to Plasma					
- loan repayment by Plasma	(1,238)	(677)	(251)	-	(2,166)
	<u>(25,856)</u>	<u>(709)</u>	<u>(251)</u>	<u>-</u>	<u>(26,816)</u>
At 31 December 2021					
Trade and other payables	(10,013)	(31)	(22)	(60)	(10,126)
Accruals	(8,450)	(135)	(243)	(3,342)	(12,170)
Lease liabilities	(252)	(81)	(34)	-	(367)
	<u>(18,715)</u>	<u>(247)</u>	<u>(299)</u>	<u>(3,402)</u>	<u>(22,663)</u>
Financial guarantee contracts provided to Plasma					
- loan repayment by Plasma	(1,142)	(1,759)	(628)	-	(3,529)
	<u>(19,857)</u>	<u>(2,006)</u>	<u>(927)</u>	<u>(3,402)</u>	<u>(26,192)</u>

The figures for trade and other payables excludes accruals and advance receipts.

The Group does not face a significant liquidity risk with regard to its financial liabilities.

Interest rate risk

The Group's surplus cash is subject to variable interest rates. The Group had net cash throughout 2022. A 1% change in the deposit interest rate would not have a significant impact on the Group's reported results as shown in the table below.

	Carrying amount \$000	2022		Carrying amount \$000	2021	
		-1% in interest rate \$000	+1% in interest rate \$000		-1% in interest rate \$000	+1% in interest rate \$000
Financial Assets						
Short-term investments	55,566	(811)	300	1,439	(12)	14
Cash and cash equivalents	221,476	(1,904)	2,422	218,249	(2,112)	2,135
		<u>(2,715)</u>	<u>2,722</u>		<u>(2,124)</u>	<u>2,149</u>
Total (decrease) / increase						

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

Notes to the Consolidated Financial Statements

27 Disclosure of financial instruments and other risks - continued

Interest rate risk - continued

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

	Total \$000	Fixed rate \$000	Variable rate \$000	No interest \$000
2022				
Sterling	658	-	56	602
US Dollar	15,181	1,549	9,341	4,291
Rupiah	278,685	-	259,439	19,246
Ringgit	3,692	-	3,370	322
Total	298,216	1,549	272,206	24,461
2021				
Sterling	996	-	63	933
US Dollar	18,504	5,459	9,131	3,914
Rupiah	220,238	-	202,442	17,796
Ringgit	4,680	-	3,250	1,430
Total	244,418	5,459	214,886	24,073

Long-term receivables before ECL of \$3,063,000 (2021: \$5,514,000) comprise US Dollar denominated amounts due from non-controlling interests as described in note 13 on which interest is due at a fixed rate of 6%.

Average US Dollar deposit rate in 2022 was 2.75% (2021: 0.30%) and Rupiah deposit rate was 3.63% (2021: 3.04%).

Interest rate profiles of the Group's financial liabilities (comprising other payables excluding advance receipts) at 31 December were:

	Total \$000	Fixed rate \$000	Variable rate \$000	No interest \$000
2022				
Sterling	-	-	-	-
US Dollar	(841)	-	-	(841)
Rupiah	(23,500)	-	-	(23,500)
Ringgit	(201)	-	-	(201)
Total	(24,542)	-	-	(24,542)
2021				
Sterling	-	-	-	-
US Dollar	(1,110)	-	-	(1,110)
Rupiah	(20,864)	-	-	(20,864)
Ringgit	(322)	-	-	(322)
Total	(22,296)	-	-	(22,296)

Weighted average interest rate on variable rate borrowings was nil in 2022 (2021: nil).

Credit risk

The Group has two types of financial assets that are subject to the ECL model:

- trade receivables for sales of goods and services; and
- current and non-current receivables carried at amortised cost.

The Group also has financial guarantee contracts for which the ECL model is also applicable.

While cash and cash equivalents are also subject to the impairment requirements as set out in IFRS 9, there is no impairment loss identified given the financial strength of the financial institutions in which the Group have a relationship with. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. The Group has taken necessary steps and precautions in minimising the credit risk by lodging cash and cash equivalents only with reputable licensed banks, and particularly in Indonesia, independently rated banks with a minimum rating of "A". The cash and cash equivalents are in US dollars, Rupiah, Ringgit and Sterling according to the requirements of the Group. The list of the principal banks used by the Group is given on the inside of the back cover of this report.

Notes to the Consolidated Financial Statements

27 Disclosure of financial instruments and other risks - continued

Credit risk - continued

The Group use three categories for those receivables which reflect their credit risk and how the loss provision is determined for those categories.

(i) Trade receivables using the simplified approach

The Group applies the simplified approach under IFRS 9 to measure ECL, which uses a lifetime expected loss provision for all trade receivables. To measure the expected losses, trade receivables have been grouped based on shared credit risk characteristics and days past due.

The expected loss rates are based on historical payment profiles of sales and the corresponding historical credit losses experienced during these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors (such as palm product prices and crude oil price) affecting the ability of the customers to settle the receivables. The historical loss rates will be adjusted based on the expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

In determining the expected loss rates, the Group also takes into consideration the collateral or payments received in advance, as set out below:

Receivables are generally collected within the credit term and therefore there is minimal exposure to doubtful debts. Upfront payments are also collected for certain sales made by the Group's subsidiaries in Indonesia.

The Group's maximum exposure to credit risk and loss provision recognised as at 31 December 2022 is disclosed in note 17. The ECL has been calculated at 1% on trade receivables balances while the remaining amount in which no ECL provision was recognised is deemed to be recoverable, with low probability of default. Default is defined by the management as the non-repayment of the balance.

(ii) Debt instruments at amortised costs other than trade receivables using the three-stage approach

All of the Group's debt instruments at amortised costs other than trade receivables are considered to have a low credit risk, except amount due from cooperatives under Plasma scheme are considered to have higher credit risk, as these were considered to be performing, have low risks of default and historically there were minimal instances where contractual cash flow obligations have not been met. There has not been a significant increase in credit risk since initial recognition.

The 12-month ECL has been calculated at 1% on the majority of balances (unless it has been considered there to be no ECL), with the exception of amounts due from cooperatives under Plasma scheme where the ECL is largely calculated, having considered various probability weighted outcomes, as being the balance of the receivable in excess of the value of the associated land and plantation assets on which the Plasma land resides which effectively would be returned to the Company if the receivable is not repaid.

The maximum exposure to credit risks for debt instruments at amortised cost other than trade receivables are represented by the carrying amounts recognised in the statements of financial position.

(iii) Financial guarantee contracts using the three-stage approach

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued. Accordingly, 12-month ECL have been recognised at 1% on the financial guarantee contracts and disclosed in note 26.

Information regarding other non-current assets and trade and other receivables is disclosed in notes 13 and 17 respectively. Amounts receivable from local partners before ECL, amounting to \$3,063,000 (2021: \$5,514,000), 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 receivable due from cooperatives under Plasma scheme, as disclosed in note 13, are unsecured and are to be repaid from FFB supplied by the cooperatives. The provision of ECL for amounts receivable due from cooperatives under Plasma scheme had been disclosed in note 17 and note 9.

Notes to the Consolidated Financial Statements

27 Disclosure of financial instruments and other risks - continued

Credit risk - continued

Deposits with banks and other financial institutions and investment securities are placed, or entered into, with reputable financial institutions or companies with high credit ratings and no history of default.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instrument is the carrying amount presented on the statement of financial position, except in the case of the financial guarantee contracts offered by two subsidiaries to cooperatives in order for them to obtain bank loans in 2013 and 2017, which are not held on the statement of financial position of the Group. See note 26.

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 \$467,134,000 at 31 December 2022 (2021: \$440,030,000).

Group policy presently attempts to fund development from self-generated funds and loans and not from the issue of new share capital. At 31 December 2022, the Group had no borrowings (2021: nil) but, depending on market conditions, the Board is prepared for the Group to have net borrowings.

Plantation industry risk

Please refer to pages 31 - 36.

Notes to the Consolidated Financial Statements

28 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	
		2022	2021	2022	2021
Principal sub-holding company					
Anglo-Indonesian Oil Palms Limited	United Kingdom	100%	100%	-	-
Management company					
Anglo-Eastern Plantations Management Sdn Bhd	Malaysia	100%	100%	-	-
PT Anglo-Eastern Plantations Management Indonesia	Indonesia	100%	100%	-	-
Operating companies					
Anglo-Eastern Plantations (M) Sdn Bhd	Malaysia	55%	55%	45%	45%
All For You 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	100%	90%	-	10%
PT Empat Lawang Agro Perkasa**	Indonesia	80%	95%	20%	5%
PT Hijau Pryan Perdana	Indonesia	80%	80%	20%	20%
PT Kahayan Agro Plantation	Indonesia	78%	78%	22%	22%
PT Karya Kencana Sentosa Tiga**	Indonesia	81%	95%	19%	5%
PT Mitra Puding Mas	Indonesia	90%	90%	10%	10%
PT Musam Utjing	Indonesia	75%	75%	25%	25%
PT Riau Agrindo Agung**	Indonesia	76%	95%	24%	5%
PT Sawit Graha Manunggal*	Indonesia	86%	82%	14%	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%
Dormant companies					
The Empat (Sumatra) Rubber Estate (1913) Limited	United Kingdom	100%	100%	-	-
Gadek Indonesia (1975) Limited	United Kingdom	100%	100%	-	-
Mergerset (1980) Limited	United Kingdom	100%	100%	-	-
Musam Indonesia Limited	United Kingdom	100%	100%	-	-
Indopalm Services Limited	United Kingdom	100%	100%	-	-

*The Group purchased some of the shares from non-controlling interest during the year. Hence, the Company's effective ownership has increased.

**The decrease in the Company's effective ownership of these subsidiaries is due to group restructuring.

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 and management company are incorporated in Malaysia and are direct subsidiaries of the Company. The Indonesian operating companies and management company are incorporated in Indonesia and are direct subsidiaries of the principal sub-holding company. The principal activity of the operating companies is plantation agriculture. The registered office of the principal subsidiaries are disclosed below:

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

Notes to the Consolidated Financial Statements

29 Non-controlling interests

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

Entity NCI percentage	PT Tasik Raja 20%	PT Mitra Puding Mas 10%	PT Alno Agro Utama 10%	PT Bina Ptri Jaya 20%	PT Sawit Graha Manunggal 14%	
	2022	2021	2022	2021	2022	2021
	\$000	\$000	\$000	\$000	\$000	\$000
Summarised income statement						
For the year ended 31 December						
Revenue	98,634	91,945	52,774	64,374	82,196	87,259
Profit after tax	20,520	16,771	9,965	12,276	16,142	15,747
Other comprehensive (expense) / income	(17,198)	(1,623)	(9,075)	(878)	(9,752)	(695)
Total comprehensive income	3,322	15,148	890	11,398	6,390	15,052
Profit allocated to NCI	4,104	3,354	997	1,228	1,614	1,575
Other comprehensive (expenses) / income allocated to NCI	(3,440)	(325)	(908)	(88)	(975)	(70)
Total comprehensive income allocated to NCI	664	3,029	89	1,140	639	1,505
Dividends paid to NCI	570	17	372	144	247	12
	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000
Summarised statement of financial position						
As at 31 December						
Non-current assets	79,864	73,334	41,958	64,458	48,883	51,237
Current assets	79,622	78,140	46,189	27,153	50,828	48,527
Non-current liabilities	(704)	(749)	(1,116)	(1,329)	(2,280)	(2,759)
Current liabilities	(12,273)	(7,555)	(5,010)	(6,263)	(5,442)	(9,829)
Net assets	146,509	143,170	82,021	84,019	91,989	87,176
Accumulated NCI	29,302	28,634	8,202	8,402	9,199	8,718
	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000
Summarised cash flows						
For the year ended 31 December						
Cash flows from operating activities	16,391	25,736	8,357	19,297	14,688	16,547
Cash flows used in investing activities	(2,373)	(1,221)	(8,645)	(1,707)	(14,328)	(3,028)
Cash flows (used in) / from financing activities	(19,623)	22,413	17,369	(1,553)	(2,468)	(41)
Net cash (outflows) / inflows	(5,605)	46,928	17,081	16,037	(2,108)	13,478
	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000
Cash flows from operating activities	79,728	73,827	84,008	73,827	84,008	79,728
Cash flows used in investing activities	22,384	7,192	20,236	7,192	20,236	22,384
Cash flows (used in) / from financing activities	15	(1,722)	(4,468)	(1,722)	(4,468)	15
Net cash (outflows) / inflows	22,399	5,470	15,768	5,470	15,768	22,399
	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000
Cash flows from operating activities	80,093	123,967	73,771	123,967	73,771	80,093
Cash flows used in investing activities	19,394	25,392	18,820	25,392	18,820	19,394
Cash flows (used in) / from financing activities	(52,557)	(1,251)	(28,647)	(1,251)	(28,647)	(52,557)
Net cash (outflows) / inflows	37,363	142,235	52,996	142,235	52,996	37,363
	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000
Cash flows from operating activities	27,075	7,282	27,631	7,282	27,631	27,075
Cash flows used in investing activities	(4,355)	(587)	(5,514)	(587)	(5,514)	(4,355)
Cash flows (used in) / from financing activities	(21,689)	(150)	(20,037)	(150)	(20,037)	(21,689)
Net cash (outflows) / inflows	1,031	6,545	2,080	6,545	2,080	1,031

Notes to the Consolidated Financial Statements

30 Acquisition of non-controlling interests

Acquisition of additional interest in RAA, KKST, ELAP, CPA and SGM.

On 10 October 2022, the Group acquired an additional 10% interest in the voting shares of CPA, increasing its ownership interest from 90% to 100%. At the same financial year on 30 November 2022, the Group also acquired an additional 5% interest in the voting shares of RAA, KKST, ELAP and SGM, increasing its ownership interest between 86% and 100%. Total consideration of \$5,883,000 was paid to the non-controlling shareholders. The carrying value of the net assets of RAA, KKST, ELAP, CPA and SGM was \$63,270,000. Following is the schedule of additional interest acquired in RAA, KKST, ELAP, CPA and SGM:

	\$000
Consideration paid to non-controlling shareholders	5,833
Carrying value of the additional interest	3,175
Difference recognised in retained earnings	<u>9,008</u>

31 Events after the reporting period

There were no events after the reporting period which would be required to be disclosed in these financial statements.

Company Statement of Financial Position

As at 31 December 2022

Company Number: 1884630

	Note	2022 \$000	2021 \$000
Non-current assets			
Investments in subsidiaries	4	50,709	52,673
Investments		42	49
		50,751	52,722
Current assets			
Receivables	5	1,163	2,154
Cash at bank and in hand		954	1,599
		2,117	3,753
Current liabilities			
Other payables	6	(3,282)	(3,544)
		(1,165)	209
Net current (liabilities) / assets			
		49,586	52,931
Net assets			
Capital and reserves			
Share capital	7	15,504	15,504
Treasury shares	7	(1,171)	(1,171)
Share premium		23,935	23,935
Capital redemption reserve		1,087	1,087
Exchange reserves		3,872	3,872
Retained earnings		6,359	9,704
		49,586	52,931

The loss after tax for the year for the Company in the consolidated financial statements of the Company was \$1,363,000 (2021: loss after tax \$1,796,000).

The financial statements were approved and authorised for issue by the Board of Directors on 21 April 2023 and were signed on its behalf by:

Dato' John Lim Ewe Chuan
Executive Director

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

Company Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital \$000	Treasury shares \$000	Share premium \$000	Capital redemption reserve \$000	Exchange reserves \$000	Retained earnings \$000	Total \$000
Balance at 31 December 2020	15,504	(1,171)	23,935	1,087	3,872	11,896	55,123
Comprehensive loss for the year	-	-	-	-	-	(1,796)	(1,796)
Loss for the year	-	-	-	-	-	(1,796)	(1,796)
Total comprehensive loss for the year	-	-	-	-	-	(1,796)	(1,796)
Dividends paid	-	-	-	-	-	(396)	(396)
Balance at 31 December 2021	15,504	(1,171)	23,935	1,087	3,872	9,704	52,931
Comprehensive loss for the year	-	-	-	-	-	(1,363)	(1,363)
Loss for the year	-	-	-	-	-	(1,363)	(1,363)
Total comprehensive loss for the year	-	-	-	-	-	(1,363)	(1,363)
Dividends paid	-	-	-	-	-	(1,982)	(1,982)
Balance at 31 December 2022	15,504	(1,171)	23,935	1,087	3,872	6,359	49,586

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

Notes to the Company Financial Statements

1 Basis of preparation

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

Disclosure exemptions adopted

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

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

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

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

2 Accounting policies

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

(a) *Basis of accounting*

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention. The presentation currency used is US Dollar and amounts have been presented in round thousands ("(\$000)"). The principal accounting policies are summarised below.

(b) *Foreign currency*

The functional currency of the Company is US Dollar, chosen to reflect the primary economic environment in which the Company operates. Transactions in sterling are translated to US Dollar at the actual exchange rate and exchange losses recognised in income statement. Sterling denominated assets and liabilities are converted to US Dollar at the rate ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in income statement.

(c) *Investments*

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

(d) *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 are stated at cost less accumulated depreciation and any accumulated impairment losses.

Office plant and equipment is depreciated using the straight-line method. The yearly rate of depreciation is as follows:

Office plant, equipment & vehicle - 20% per annum

(e) *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 annual general meeting.

(f) *Deferred taxation*

A deferred tax asset has not been recognised in relation to brought forward tax losses of \$12.4m (2021: \$11.0m) because it is not certain those losses can be utilised in the foreseeable future.

(g) *Treasury shares*

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

(h) *Financial guarantee contracts*

Where the Company enters into financial guarantee contracts and guarantees the indebtedness of other companies within the Group, these are accounted for under IFRS 9. The details of financial guarantee contracts are disclosed in note 26 of the consolidated financial statements.

Notes to the Company Financial Statements

2 Accounting policies - continued

(i) Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

Recoverability of investments and ECL on intercompany balances - estimate of future cash flows and liquid assets (note 5)

3 Income statement

As permitted by section 408 of the Companies Act 2006, a separate income statement dealing with the results of the Company has not been presented. The loss before tax for the year for the Company in the consolidated financial statements of the Company was \$1,360,000 (2021: loss before tax \$1,792,000) and loss after tax for the year was \$1,363,000 (2021: loss after tax \$1,796,000).

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

4 Investments in subsidiaries

	Investments in subsidiaries undertakings \$000	Loans to subsidiaries undertakings \$000	Total \$000
At 1 January 2021	12,253	42,283	54,536
Movements during the year			
Repayment	-	(1,863)	(1,863)
Reversal of loss provision	-	-	-
At 31 December 2021	12,253	40,420	52,673
Movements during the year:			
Repayment	-	(1,964)	(1,964)
Loss provision	-	-	-
At 31 December 2022	12,253	38,456	50,709
		2022	2021
		\$000	\$000
Net carrying amount At 31 December		50,709	52,673

Loans to subsidiary companies do not have fixed repayment terms and are repayable on demand. In practice, they are effectively long-term in nature and therefore classified as investments in subsidiaries. The details of the ECL is disclosed in note 5.

The details of the subsidiaries are disclosed in note 28 of the consolidated financial statements.

5 Receivables

	2022 \$000	2021 \$000
Amounts owed by group undertakings:		
Anglo-Eastern Plantations Management Sdn Bhd	1,072	2,092
PT Anglo-Eastern Plantations Management Indonesia	34	17
	1,106	2,109
Other receivables	57	45
	1,163	2,154

The amounts owed by group undertakings arise as a result of advances to subsidiary companies and expenses paid on their behalf. The amounts are unsecured, interest free and do not have fixed repayment terms.

Notes to the Company Financial Statements

5 Receivables - continued

For intercompany balances that are repayable on demand, the Company's ECL is based on the following assumptions:

- If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the ECL is likely to be immaterial.
- If the borrower could not repay the loan if demanded at the reporting date, the Company considers the expected manner of recovery to measure the ECL. The recovery manner could be either through 'repayment over time' or a fire sale of less liquid assets by the borrower.
- If the recovery strategies indicate that the Company would fully recover the outstanding balance of the loan, the ECL would be limited to the effect of the discounting of the amount due on the loan, at the loan's effective interest rates, over the period until the amount is fully recovered.

The details of other receivables related to ECL were disclosed in note 17 and note 27 of the consolidated financial statements.

Movements on the Company's loss provision on both current and non-current other receivables were as follows:

	2022 \$000	2021 \$000
At 1 January	2,149	1,515
Loss provision / (Reversal of loss provision) during the year	86	634
At 31 December	<u>2,235</u>	<u>2,149</u>

At 31 December 2022, the expected loss provision for receivables was as follows:

	Gross carrying amount \$000	Loss provision \$000	Net carrying amount \$000
2022			
Amounts owed by group undertakings	3,304	(2,198)	1,106
Other receivables	57	-	57
Investments in subsidiaries (note 4)			
- Loans to subsidiaries undertakings	38,493	(37)	38,456
	<u>41,854</u>	<u>(2,235)</u>	<u>39,619</u>
	Gross carrying amount \$000	Loss provision \$000	Net carrying amount \$000
2021			
Amounts owed by group undertakings:	4,213	(2,104)	2,109
Other receivables	53	(8)	45
Investments in subsidiaries (note 4)			
- Loans to subsidiaries undertakings	40,457	(37)	40,420
	<u>44,723</u>	<u>(2,149)</u>	<u>42,574</u>

6 Other payables

	2022 \$000	2021 \$000
Amounts owed to group undertakings:		
Mergerset (1980) Limited	2,163	2,163
Musam Indonesia Limited	246	246
	<u>2,409</u>	<u>2,409</u>
Accruals	873	1,135
	<u>3,282</u>	<u>3,544</u>

The amounts owed to group undertakings arise as a result of advances from subsidiary companies and expenses paid on our behalf. The amounts are unsecured, interest free and do not have fixed repayment terms.

7 Share capital and treasury shares

The details of the share capital and treasury shares are disclosed in note 22 of the consolidated financial statements.

Notes to the Company Financial Statements

8 Related party transactions

An office premises lease agreement was entered with Infra Sari Sdn Bhd, a company controlled by late Madam Lim Siew Kim. The rental paid during the year was \$250,896 (2021: \$262,237). There was no balance outstanding at the year end (2021: nil). This has been classified as a short term lease and therefore lease payments have been recognised directly as an operating expense in the income statement.

The details of the dividend payment to the related parties controlled by late Madam Lim Siew Kim are disclosed in note 24 of the consolidated financial statements.

Transactions between the Company and its subsidiaries are disclosed below:

Nature of transactions	Name	2022 \$000	2021 \$000
Management fees from	Anglo-Eastern Plantations Malaysia Sdn Bhd	36	57
Commissioner services income	PT Anglo-Eastern Plantations Management Indonesia	17	17
Receivable from	Subsidiaries (note 5)	3,304	4,213
Payable to	Subsidiaries (note 6)	2,409	2,409

The details of the intercompany receivables and payables are disclosed in note 5 and note 6 of the Company financial statements respectively.

9 Employees' and Directors' remuneration

	2022 Number	2021 Number
Average numbers employed during the year		
- directors	5	4
- staff	-	-
	<u>5</u>	<u>4</u>
	2022 \$000	2021 \$000
Staff costs		
Wages and salaries	-	-
Social security costs	-	-
Retirement benefits	-	-
	<u>-</u>	<u>-</u>

The information required by the Companies Act and the Listing Rules of the Financial Conduct Authority are contained in the Directors' remuneration report on pages 82 - 89 of which certain information on page 86 has been audited.

	2022 \$000	2021 \$000
Directors' emoluments	<u>191</u>	<u>187</u>

10 Dividends

The details of the dividends are disclosed in note 11 of the consolidated financial statements.

11 Guarantees and other financial commitments

The Company has provided nil guarantees for loans to subsidiaries (2021: nil) as set out in note 26 of the consolidated financial statements.

Notice of Annual General Meeting

Notice is hereby given that the thirty-eighth Annual General Meeting of Anglo-Eastern Plantations Plc will be held at the office of UHY Hacker Young LLP, 6th Floor, Quadrant House, 4 Thomas More Square, London E1W 1YW on Friday 16 June 2023 at 11.00am (UK time) for the following purposes:

- 1 To receive and consider the accounts and the reports of the directors and auditor thereon for the year ended 31 December 2022.
- 2 To approve the Directors' Remuneration Report (excluding the part containing the remuneration policy) as set out in the Company's annual report and accounts for the year ended 31 December 2022.
- 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 2022.
- 4 To declare a final dividend.
- 5 To re-elect Mr. Jonathan Law Ngee Song, as a Non-Executive Director.
- 6 To re-elect Dato' John Lim Ewe Chuan as an Executive Director.
- 7 To re-elect Mr. Marcus Chan Jau Chwen as a Non-Executive Director.
- 8 To re-elect Mr. Lim Tian Huat as an Independent Non-Executive Director.
- 9 To re-elect Ms. Farah Suhanah Tun Ahmad Sarji as an Independent Non-Executive Director.
- 10 To re-appoint BDO LLP as auditor.
- 11 To authorise the directors to fix the remuneration of the auditor.
- 12 To consider the following resolution as an ordinary resolution:

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

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

provided that this authority shall expire on the date of the next annual general meeting after the passing of this resolution or 30 June 2024 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).

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

That subject to and conditional on the passing of Resolution 12, 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 12 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 12 by way of a rights issue only);
 - (a) ordinary shareholders in proportion (as nearly may be practicable) to their existing holdings: and
 - (b) holders of other equity securities, as required by the rights of those securities, or as the directors otherwise consider necessary,

Notice of Annual General Meeting

13 To consider the following resolution as a special resolution: (continued)

and permitting the directors to impose any limit 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 12 and/or the sale of treasury shares for cash, to the allotment of equity shares or sale of treasury shares up to an aggregate nominal amount of £495,454.

Such power shall apply during the period expiring on the date of the next annual general meeting or on 30 June 2024 (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.

14 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 2024 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.

15 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.

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

That, with effect from the conclusion of the Annual General Meeting, the draft Articles of Association in the form produced to the Annual General Meeting, and initialled by the Chairman of the meeting for the purpose of identification, be approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all existing Articles of Association.

By order of the Board
CETC (Nominees) Limited
Company Secretary
12 May 2023

Notice of Annual General Meeting

Notes:

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders on the register of members of the Company at close of business on 14 June 2023 shall be entitled to vote in respect of the number of shares registered in their name at that time. Changes to the register of members after 14 June 2023 or, if the meeting is adjourned, in the register of members at close of business on the date which is two days before the day of the adjourned meeting shall be disregarded in determining the rights of any person to vote at the meeting by proxy.
2. As at 12 May 2023 (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 a.m. on 20 May 2023 is 39,636,372.
3. A member of the Company may appoint one or more proxies to 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. Members are encouraged to appoint the Chairman of the meeting as their proxy.
4. The instrument appointing a proxy must be deposited at the office of the Registrar by 9.30 a.m. (UK time) on 14 June 2023 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 16 June 2023 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 Computershare Investor Services PLC [CREST ID: 3RA50] by 9.30 a.m. on 14 June 2023. 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 link <https://www-uk.computershare.com/investor/>. If not already registered, you will need your Shareholder Reference Number ("SRN") which is detailed on your share certificates.
8. The statement of the rights of shareholders in relation to the appointment of proxies does not apply to a person who receives this notice of general meeting as a person nominated to enjoy "information rights" under section 146 of the Companies Act 2006. If you have been sent this notice of meeting because you are such a nominated person the following statements apply: (i) you may have a right under an agreement between you and the registered shareholder by whom you were nominated to be appointed (or to have someone else appointed) as a proxy for this general meeting and (ii) if you have no such a right, or do not wish to exercise it, you may have a right under such an agreement to give instructions to that registered shareholder as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
9. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the meeting. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.
10. Members satisfying the requirements of section 527 of the Companies Act 2006 may require the Company to publish on a website a statement by them (at the Company's cost) relating to the audit of the Company's accounts which are being laid before this meeting (including the auditor's report and the conduct of the audit) or, where applicable, any circumstances connected with an auditor of the Company ceasing to hold office since the previous general meeting at which accounts were laid. Should such a statement be received, it will be published on the Company's website at <https://www.angloeastern.co.uk/>. In those circumstances the Company would be under an obligation to forward a copy of the statement to the auditor forthwith and the statement would form part of the business which may be dealt with at this meeting.
11. Shareholders are welcomed to submit questions to the Board by email to datojohnlim@angloeastern.co.uk by 14 June 2023 and they will be answered after the AGM or at the AGM for those shareholders who are in attendance. The Company must cause to be answered any such questions relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation of the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
12. A copy of this notice and the other information required by section 311A of the Companies Act 2006 can be found at <https://www.angloeastern.co.uk/>.

Notice of Annual General Meeting

- 13 Resolution 16 proposes that the Company's articles of association (the "Existing Articles of Association") be replaced by new articles of association (the "New Articles"). In accordance with section 21 of the Companies Act 2006 ("CA 2006"), shareholder approval will be sought for the adoption of the New Articles by way of special resolution. The changes to the Existing Articles of Association which will result from the adoption of the New Articles are the following (in addition to minor amendments for numbering, grammatical or typographical issues):
1. Article 6
Additional provisions have been inserted to allow the Company to enforce the provisions of the Uncertified Securities Regulations 2001.
 2. Article 26
The interest rate payable on unpaid calls has been amended to the rate stated in the terms of allotment or in the notice of the call. If there is no rate specified, then the Board shall have the right to decide up to the higher of 5% or the appropriate rate (as defined in CA 2006).
 3. Article 50
The provisions relating to untraced shareholders and the sale of shares have been amended to provide for reasonable efforts to trace a member and to remove the requirement to advertise in a national newspaper to trace a shareholder, and also to provide for the Company to forfeit sale proceeds after 2 years for sale.
 4. Articles 54 and 64-65 and 68-69
Additional language has been inserted to facilitate a combined physical and electronic meeting if required.
 5. Article 60
The requirement to advertise a change of place or time of a meeting has been amended to give the board discretion as to how to advertise the change.
 6. Article 61
Additional language has been inserted to enable satellite meetings to be held.
 7. Article 62
The power to restrict entry on health and safety grounds has been included.
 8. Article 98
Increasing the total aggregate which may be paid to non-executive directors by way of Directors' fees from £100,000 to £250,000.
 9. Article 133 and 134
The requirement to keep hard copy books and records has been deleted and the provisions regarding company registers brought up-to-date
 10. Article 143
The provisions regarding unclaimed dividends have been amended to give the Company more flexibility to treat a dividend as unclaimed.
14. If you are in any doubt as to any aspect of Resolutions 12 to 16 or as to the action you should take, you should immediately take your own advice from a stockbroker, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000. The Board believes that these Resolutions are in the best interests of the Company and shareholders as a whole.
15. If you have sold or otherwise transferred all your shares in the Company, please hand this document and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of existing shares please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.
16. The following documents are available for inspection by members at the registered office of the Company during normal business hours (except Bank Holidays) and at the place of the meeting not less than 15 minutes prior to and during the meeting. The documents can also be obtained by email to datojohnlim@angloeastern.co.uk:
- (a) a copy of the Executive Director's service agreement;
 - (b) copies of Non-Executive Directors' letters of appointment;
 - (c) relationship agreement with the majority shareholder;
 - (d) a copy of the Company's existing Articles of Association; and
 - (e) a copy of the New Articles marked to show all the changes (as described at note 13 above), as required by Listing Rule 13.8.10.

Company addresses

London Office

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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, 6th Floor
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London E1W 1YW
United Kingdom
Tel: 44 (0)20 7216 4600
Fax: 44 (0)20 7767 2602

Company website

<https://www.angloeastern.co.uk/>

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