EQUATORIAL PALM OIL PLC

ANNUAL REPORT AND ACCOUNTS

For the year ended 30 September 2017

Registered Number 5555087

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FOR THE YEAR ENDED 30 SEPTEMBER 2017

CHAIRMAN'S STATEMENT

Introduction

Equatorial Palm Oil's ("EPO" or "the Company") investment through its 50 percent share in the joint venture company Liberian Palm Developments Limited ("LPD") continues to make excellent progress through development of the oil palm estates in Liberia and we look forward to first production from the new palm oil mill anticipated for Q3 2018. LPD continues to engage with all communities and stakeholders in and around our concessions as we seek consent for all land development as part of the free, prior and informed consent ("FPIC") process.

Liberia is currently going through the process of electing a new President which will be the 3rd election since the end of the last civil war. Peaceful and transparent elections are crucial for the continued development of a country that has faced significant recent challenges, including Ebola and the downturn in commodity prices.

We do however very much believe in the country and its people and we continue to invest significant funds into our Liberia palm oil operations on the basis that EPO is in this business for the long term.

Liberian Palm Developments Limited ("LPD")

LPD is a joint venture company that is owned 50:50 by EPO and KLK Agro Plantations Pte Ltd, a 100% owned subsidiary of Kuala Lumpur Kepong Behard ("KLK").

– Operational Review

Construction of 60mt/hr Palm Oil Mill Update

The construction of the 60 metric tonnes per hour ("mt/hr") palm oil mill ("POM") at Palm Bay estate is progressing well. As announced in April 2016, the POM is being constructed in a modular fashion with two lines of 30mt/hr each, however, the ground preparation has been completed for a 60mt/hr POM. The first stage to be commissioned with a 30mt/hr POM is now likely to be operational and will deliver first production in Q3 2018 as announced on 12 October 2017.

Production at the POM can begin immediately upon commissioning, given the oil palms which were planted in 2011-2013, are now bearing fruit.

Palm Bay estate is located 24km from the port of Buchanan where LPD's subsidiary has leased approximately 4.5 acres of land for a tank farm and an export facility that is in close proximity to the wharf from which vessels will load oil palm produce for onward shipment to its customers. Preliminary land infill work is due to start imminently at the port and tenders are currently being received for the construction of the tank farm and export facility which will be completed in conjunction with the commissioning of the POM.

Funding

On 12 October 2017, EPO announced that LPD entered into a loan agreement for a facility of up to US$30m with KLK Agro Plantations Pte Ltd ("KLK Agro"), a wholly owned subsidiary of Kuala Lumpur Kepong Berhad ("KLK"), to fund the operations and capital requirements of LPD (the "Loan").

The Loan will be used to continue with the next phase of growth of LPD and fund the construction of the first 30mt/hr line of the POM being built on Palm Bay estate.

The key terms of the Loan, which is unsecured, are as follows:

- Amount - up to US$30m
- Term - 5 years from the date of the Loan Agreement, being 11 October 2017 (the "Term")
- Interest - 3-months USD LIBOR + 5 per cent per annum
- Repayment - loan principal (together with all accrued interest) due on expiry of the Term or such earlier date as LPD may decide.

CHAIRMAN'S STATEMENT (CONT.)

The Loan is in addition and on predominantly the same terms (save that repayment date is 10 October 2022) as the loan of US$20.5m and $30.0m which EPO announced on 27 January 2015 and 5 September 2016 respectively, both of which have now been fully drawn down and remain outstanding (both loans falling due on 25 January 2020).

Amendment to Concession Agreements - Extension of Tax and Duty-Free Periods

On 17 March 2017, the Company announced that LPD's subsidiaries' (referred to below) tax and duty-free allowance had been extended for a further five years under the concession agreements granted to LPD's Liberian subsidiaries for the development of the two existing oil palm estates at Palm Bay and Butaw (the "Concession Agreements").

The Concession Agreements became effective on 6 August 2008 and were granted for a term of 50 years. In accordance with the Concession Agreements, the LPD's Liberian subsidiaries were granted certain tax and duty-free status for the first seven years of operations ("Rehabilitation Term").

As a consequence of factors outside the LPDs control, which resulted in slower than planned development of the concession areas, the Government of Liberia, at LPD's request, approved an amendment to the Concession Agreements for both of LPD's Liberian subsidiaries being Libinc Oil Palm Inc. (Palm Bay estate) and Liberia Forest Products Inc (Butaw estate).

The amendments, which were ratified by the Liberian legislature and authorised by the President of Liberia, extend the Rehabilitation Term for a further five years from 27 February 2017 for Libinc Oil Palm Inc and from 14 March 2017 for Liberia Forest Products Inc, which were the dates on which the amendments to the Concession Agreements became effective. The extension of the Rehabilitation Term by five years has resulted in the term of the Concession Agreements also being extended by a similar period and both shall now end on 6 August 2063 being the fifty-fifth anniversary of the effective date of the Concession Agreements.

This timely extension to the Rehabilitation Term reinforces the Government of Liberia's commitment to foreign investors and EPO.

Palm Bay and Butaw Estates

Since January 2017, LPD has begun making small sales of fresh fruit bunches ("FFB") from its newly maturing oil palms at Palm Bay estate to a local oil palm developer who has an existing mill and also to local farmers in the area. The sales volumes are currently relatively small, being less than 100 mt of FFB per day, and as soon as our POM is in operation, these sales of FFB will cease and LPD will process all of its FFB at the new mill on Palm Bay estate. Accordingly, at the end of 2016 we started training some 200 workers to become harvesters.

Work has been ongoing at both Palm Bay and Butaw estates to tend to the already 7,900 ha planted since 2011. Field upkeep continues to keep the plantation in a good husbandry state.

Human Rights

On 7 November 2017, the Company announced the release of the Executive Summary of a Human Rights Impact Assessment ("HRIA"). The HRIA was undertaken by Ms Anna Triponel, who visited the Company's estates in Liberia, in order that EPO could develop its understanding of where its human rights risks lie and better address them.

EPO is committed to respecting internationally recognised human rights throughout our operations, and we use the UN Guiding Principles on Business and Human Rights ("UN Guiding Principles") to help the Company assess the relevant policies and processes to put in place. EPO's sustainability policy commits the Company to respecting, supporting and upholding fundamental human rights, and we encourage the application of our policy amongst our business partners including contractors, suppliers, trading and joint venture partners.

CHAIRMAN'S STATEMENT (CONT.)

Human Rights (cont.)

Ms Anna Triponel is a business and human rights expert with extensive experience in the UN Guiding Principles. Through this process, we have identified the salient areas where there is the potential for inadvertent human rights infringements, which should be prioritised.

EPO's human rights priorities include, as a high-priority, those related to contractor wages and employment status, accidents on the estates due to uneven terrain or use of chemicals, the impact of our use of land on communities, employee housing conditions, the health and well-being of all our employees, and exercising the right to freedom of association. These are the impact areas that the Company is dedicating the most resources to addressing and strengthening through a range of actions. Other human rights areas that we are looking at include transportation accidents, ensuring no child labour, transportation of workers and employee living wage.

As EPO has made the executive summary of our HRIA work public, we will be providing updates on the actions we have taken and the lessons learned on the Company's human rights journey in due course.

Corporate Social Responsibility ("CSR") and Sustainability

During the year, the Company released its Sustainability Report 2016, which is intended to provide an update on EPO's Sustainability Report 2015. The 2016 publication is an interim report which provides an update on the Company's community work in Liberia, illustrating the Company and its subsidiaries' (the "Group") CSR activities following the detailed report released in 2015. The 2016 report reviews projects to date and details how the Group has resolved some of the land rights issues experienced in Liberia. The report can be found at:

http://www.epoil.co.uk/uploads/epo-sustainability-report-2016.pdf

The report also addresses:

- EPO's commitment to the Roundtable on Sustainable Palm Oil ("RSPO"), including the key principle of free, prior informed consent ("FPIC") from communities as essential for land development;
- The Company's plans to help make the certified sustainable palm oil industry the basis of stable, long term economic development in Liberia;
- EPO and the World Bank Smallerholder Tree Crop Revitialisation Project;
- EPO's tax and royalty regime, employment and training policy;
- "Concession Company of the Year 2016" awarded by The Inquirer newspaper in Liberia;
- Case study: EPO schools and clinics; and
- Data outlining all EPO's CSR initiatives for an illustrative time period.

The Sustainability Report not only highlighted all the benefits of the work that EPO is doing in Liberia for its host communities but also noted areas where we can add more value, which we are actively progressing.

EPO has a long term commitment to Liberia and its people, and such reports will be produced on an annual basis as a record of our commitment to continuous CSR activities.

In addition to producing an annual sustainability report, EPO's monthly CSR activities and sustainability progress can be monitored via the Company's dedicated microsite, which can be found at:

www.csr21.org/company/equatorial-palm-oil

CHAIRMAN'S STATEMENT (CONT.)

Corporate Social Responsibility ("CSR") and Sustainability (cont.)

Relevant articles, photos and videos are posted and updated, including information on EPO's reaction to the Ebola crisis.

EPO is committed to ensuring economic and social benefits in Liberia for the local people and communities in which we operate and respecting their right to give consent to proposed developments or conservation through the FPIC process.

RSPO

EPO has consistently adopted best practices and procedures to ensure that the CPO ("Crude Palm Oil") produced from our new plantings will meet with international sustainability standards, thereby enabling our CPO to be labelled "sustainable" palm oil.

EPO has been a member of the RSPO since 2007 and from March 2017, EPO's membership of the RSPO will be retained through KLK's membership, due to KLK's shareholding in EPO following a recent change in the RSPO membership rules. KLK has been a member of the RSPO since 2004, and EPO's status and contribution to the RPSO will be unaffected by this change.

Sustainability is a long-term objective for all our operations in Liberia. Our Liberian companies have consistently adopted best practices and procedures to ensure that the CPO to be produced from our estates meet international sustainability standards.

Personnel

During the period, we welcomed Mr Lee Guo Zhang to the board of directors of the Company. Mr Lee works for our JV partner KLK which he joined in 2010 as an executive. He has experience across various departments in KLK and was promoted to his current position as a Senior Manager in the Plantations Division in 2015. Mr Lee visits our Liberia estates on a regular basis and we very much welcome him onto the board.

Our staff members based in Liberia continue to do an outstanding job in a very challenging environment. Our team in Liberia is ably led by Mr Sashi Nambiar who, as Country Manager, leads a very experienced and capable Senior Management team.

I would like to take this opportunity to thank all our staff for their continued dedication in supporting the Company's efforts to further the growth of the business.

Financial Review

The loss of the Group for the year ended 30 September 2017 of US$2,982,000 (year ended 30 September 2016: US$1,276,000) was in line with expectations.

Cash held by the Group as at 30 September 2017 was US$182,000 (30 September 2016: US$465,000).

Outlook

As at the time of signing off these accounts, we note that Liberia is going through its 3rd Presidential election since the last civil war. It is imperative that these elections are peaceful, transparent and conducted in the right manner as this is extremely important for foreign investors already in Liberia but also for those looking to invest in Liberia.

The construction of the palm oil mill at Palm Bay estate is progressing well and is likely to be commissioned in Q3 2018. This will be a significant milestone for the Company and is very much part of the long-term commitments we have made to both Liberia and its people.

EPO is clearly demonstrating the significant social and economic benefits that agricultural development can bring to a country like Liberia, and we are proud to play a part in this process. This is especially so given the recent setbacks of Ebola and the downturn in commodities prices.

CHAIRMAN'S STATEMENT (CONT.)

I would like to thank KLK and all of our shareholders for their continued support and I look forward to updating you on our progress in the year ahead.

Michael Frayne

Chairman

STRATEGIC REPORT

Performance and Outlook

The development, performance, financial position and outlook of the Company are discussed in detail in the Chairman's Statement on pages 3 to 7.

Key Performance Indicators and Milestones

The key performance indicators and milestones for Equatorial Palm Oil plc and its subsidiaries (the "Group") for the reported period include:

- Additional US$30m funding commitment for LPD from KLK Agro (post year-end)
- Amendment to Concession Agreements - Extension of Tax and Duty-Free Periods
- Construction of 60mt/hr Palm Oil Mill Update proceeding on time and budget
- Completion of Sustainability Report 2016
- Human Rights Impact Assessment report completed

Business Risks and Uncertainties

Going concern and financial risks are discussed in Note 1 and Note 8 respectively. Going concern is also set out in the Directors' Report on page 10.

The Group has identified certain other risks pertinent to its business, which also apply to its joint venture, including:

Ebola Virus Disease

All of LPDs operational activities are located in Liberia and the Group is therefore exposed to health & safety risks associated with the Ebola outbreak in West Africa. The outbreak was largely brought under control toward the end of 2015 with some additional cases of the virus reported in April 2016. On 9 June 2016, after 42 days of surveillance, Liberia was declared Ebola-free.

The Company is a member of the Ebola Private Sector Mobilisation Group ("EPSMG") which comprises over 70 companies and 40 public bodies/NGOs with operations in or near Ebola countries. Like the Company, these companies have made long term commitments to these countries and their people and intend to honour these commitments.

Agricultural risk

As with any agricultural operation, there are risks that crops may be affected by pests, diseases and weather conditions. Agricultural best practice, if achieved, can to some extent mitigate the risk of outbreaks of pests and diseases but such risks cannot be entirely removed. The only significant disease in West Africa for oil palms is fusarium wilt. All seeds sourced by LPD have resistance to fusarium wilt. Unusually high levels of rainfall for the relevant plantation area can disrupt estate operations and access to the estates. There is the possibility of adverse climatic conditions including lightning strikes, lack of rainfall, excessive rainfall and insufficient sunshine. Unusually low levels of rainfall that lead to water availability falling below the minimum required for the normal development of the oil palms may lead to a reduction in subsequent crop levels. Such reduction is likely to be broadly proportional to the size of the cumulative water deficit.

Whilst rainfall on our estates are estimated at above 3,000 millimetres per annum, which is well above the level of 2,000 millimetres per annum that is considered to be the minimum for growth of a palm oil plantation, there can be material variations from the norm in any individual year.

Commodity and Crude Palm Oil ("CPO") prices

The Group's earnings will be largely dependent on the prices of the commodities which it will sell. These fluctuate due to factors beyond the Group's control, including world supply and demand. The

STRATEGIC REPORT (CONT.)

price of vegetable oils depends on the production levels of all edible oils as many oils, including palm oil, are substitutable by users to various degrees. In particular, the price of CPO is volatile and is influenced by factors beyond the Group's control. These factors include global supply and demand of CPO, petroleum oil prices, exchange rates, interest rates, inflation rates and political events. A significant prolonged decline in CPO prices could impact the viability of some or all of the Group's activities. Additionally, production from geographically isolated countries may be sold at a discount to current market prices. To offset price risk, LPD may, from time to time, enter into hedging contracts in respect of its future CPO production.

Management attempts to mitigate the risk by modelling the sensitivity of the Group's earnings to fluctuations in the CPO price and ensuring the business model remains viable.

Economic and political risks

All of LPDs operational activities are located in Liberia and LPD is therefore dependent on the political and economic situation in Liberia. Whilst LPD intends to make every effort to ensure it has and continues to have robust commercial agreements covering its activities, there is a risk that LPD's activities and financial performance are adversely impacted by economic and political factors such as exchange rates, interest rates, inflation rates, the imposition of additional taxes and charges, cancellation or suspension of licences or agreements, expropriation, war, terrorism, insurrection, strikes and lock outs, and changes to laws governing the Group's operations including certain outcomes from HCS study. There is also the possibility that the terms of any agreement or permit in which the Group holds an interest may be changed.

Management attempts to mitigate the risk by maintaining good relations with the Liberian government.

The first round of the Liberian presidential elections took place on 10 October 2017. No candidate won a majority in the first round of the presidential vote, so a run-off will be held on a date yet to be determined.

Relationship with KLK

The Group has a joint venture agreement with KLK Agro which provides for KLK to manage LPD. There is a risk of a dispute under the joint venture agreement.

Management attempts to mitigate the risk by maintaining good relations with KLK through regular monthly meetings and regular visits to Liberia to meet management and review progress. The Company's interests are also aligned with KLK's representation on the Board of EPO.

This report was approved by order of the board on 13 November 2017.

Michael Frayne

Chairman

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of Equatorial Palm Oil plc and its subsidiaries (the "Group") for the year ended 30 September 2017.

Principal Activities

The principal activity of the Group is the cultivation of oil palms for the production of crude palm oil and associated products in Liberia.

Results and Dividends

The loss of the Group after taxation for the 12 months ended 30 September 2017 amounted to $2,982,000 (12 months ended 30 September 2016: Loss of $1,276,000).

The Directors do not propose the payment of a dividend (2016: nil).

Directors

The Directors who served during the year ended 30 September 2017 are as follows:

- Michael Frayne
- Geoffrey Brown
- Lee Oi Hian
- Teh Sar Moh Nee
- Yap Miow Kien
- Lee Guo Zhang – appointed 10 May 2017

Insurance

The Group maintained insurance in respect of its Directors and Officers against liabilities in relation to the Group.

Financial Instruments

Financial instrument risks are discussed in Note 8.

Events after the Reporting Period

Significant events after the reporting period, being 30 September 2017, but before the approval of these financial statements, are set out in Note 19.

Going Concern

The financial statements have been prepared on a going concern basis.

Based upon the Company's current cash balance and forecast income and expenditure, the Directors consider that the Company will have sufficient cash to fund the Company's ongoing commitments for a period of at least a year after the approval of these financial statements.

Regarding the funding of LPD, subsequent to year end, on 12 October 2017, the Company announced that LPD had entered into a US$30m loan agreement with KLK Agro (the "Loan Agreement") to fund the operations of LPD. This is in addition to the US$20.5m loan granted on 27 January 2015 and $30m loan granted on 2 September 2016. The term of this recent Loan Agreement is 5 years and the interest rate is 3-months USD LIBOR + 5 percent per annum. To date the LPD Group has fully drawn on the US$20.5m loan granted 27 January 2015 and the US$30m loan granted 2 September 2016.

DIRECTORS' REPORT (CONT.)

Based upon the current financial position of LPD, which held US$182,000 in cash as at 30 September 2017 and, as mentioned above, can draw down a further amount of US$30m on the Loan Agreement announced subsequent to year end, the Directors are satisfied that LPD is able to fund its activities for a period of at least 12 months from the date of the approval of these financial statements. KLK have provided a letter of support to LPD, which states that KLK will provide further funding as necessary in order for LPD to continue its normal operations.

Employment Policies and Remuneration

The Group is committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure ongoing success for the business. Employees and those who seek to work with the Group are treated equally regardless of sex, marital status, creed, age, colour, race or ethnic origin.

The Company remunerates the Directors at a level commensurate with the size of the Company and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Company with regard to this issue.

Details of Directors' emoluments and payments made for professional services rendered are set out in Note 4 to the financial statements.

Health & Safety

The Group's aim is to maintain its record of workplace safety. In order to achieve this objective, the Group provides training and support to employees and sets demanding standards for workplace safety.

Auditors

The auditor, BDO LLP, will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006. BDO has signified its willingness to continue in office as auditor.

Corporate Governance

The Directors are committed to maintaining high standards of corporate governance. Although the Company does not comply with the UK Corporate Governance Code, the Directors have established procedures, so far as is practicable, given the Company's size, to comply with the UK Corporate Governance Code. The Company has adopted and operates a share dealing code for Directors and senior employees in line with EU Market Abuse Regulation.

The Board

The Board meets throughout the year. To enable the Board to perform its duties, each of the Directors has full access to all relevant information and to the services of the Company Secretary. If necessary, the non-executive Directors may take independent professional advice at the Company's expense. The Board currently includes four non-executive Directors. The Board has delegated specific responsibilities to the committees described below.

The Audit Committee

The Company has an Audit Committee, which comprises three directors: Lee Oi Hian, Yap Miow Kien, and is chaired by Michael Frayne. The Audit Committee meets at least twice each year and at any other time when it is appropriate to consider and discuss audit and accounting related issues. The Audit Committee is responsible for monitoring the quality of internal controls and for ensuring that the financial performance of the Company is properly monitored, controlled and reported on. It reviews a wide range of matters, including half-year and annual results before their submission to the Board. It also meets the Company's auditors without executive Board members being present and reviews reports from the auditors relating to accounts and internal control systems.

DIRECTORS' REPORT (CONT.)

The Remuneration Committee

The Company has a Remuneration Committee, which comprises three directors: Yap Miow Kien, Michael Frayne, and is chaired by Lee Oi Hian. The Remuneration Committee reviews the performance of the executive Directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of Shareholders. In determining the remuneration of executive Directors, the Remuneration Committee seeks to enable the Company to attract and retain executives of the highest calibre. The Remuneration Committee also makes recommendations to the Board concerning the allocation of share options, bonus schemes, pension rights and compensation payments. No Director is permitted to participate in discussions or decisions concerning their own remuneration.

The Nominations Committee

The Company has a Nominations Committee, which comprises three Directors, Yap Miow Kien, Michael Frayne and is chaired by Lee Oi Hian. The Nominations Committee meets at such times during the year as required. This committee reviews the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and makes recommendations to the Board with regard to any changes. In addition, it gives full consideration to succession planning for Directors and other senior executives, and is responsible for identifying, evaluating and nominating Board candidates. It also reviews annually the time required from non-executive Directors.

Control Procedures

The Board has approved financial budgets and cash forecasts. In addition, it has implemented procedures to ensure compliance with accounting standards and effective reporting.

Provision of information to auditors

As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken appropriate steps to ensure that they are aware of such relevant information, and that the Company's auditors are aware of that information.

Annual General Meeting

This report and financial statements will be presented to shareholders for their approval at an Annual General Meeting ("AGM"). The Notice of the AGM will be distributed to shareholders together with the Annual Report.

By order of the Board

Michael Frayne

Chairman

13 November 2017

Independent auditor's report to the members of Equatorial Palm Oil Plc

Opinion

We have audited the financial statements of Equatorial Palm Oil Plc (the "parent Company") and its subsidiaries (the "Group") for the year ended 30 September 2017 which comprise the Group statement of comprehensive income and the Group and Company statements of financial position, the Group and Company cash flow statements, the Group and Company statements of changes in equity including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 30 September 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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) 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.

MATTER	OUR RESPONSE
Impairment risk of investment in and loan to associate As shown in the Group Statement of Financial Position and Notes 9 and 11 to the Financial Statements, the Group has an investment of $19.4m in an associate, LPD, and a further loan balance receivable from the associate of $6.7m. The investment is accounted for under the equity method of accounting as described in the statement of accounting policies. The associate is at a development stage. There is a significant risk that the investment or the loan balance may be impaired with the consequential need for write down in the Group's financial statements. Assessment of the need for impairment is a matter requiring significant management judgement and estimates. We therefore considered this to be a key audit matter.	We performed a review of management's impairment assessment of the investment in order to determine whether there is an indication that an impairment of the loan and investment in the associate is necessary. Our review involved making direct enquiries of plantation management in Liberia and corroborating Management's impairment assessment, including the cash-flow forecasts and management assumptions, to supporting evidence such as industry data and historic information. We also considered the associate's ability to continue as a going concern and its need for future financing as described below.
Biological asset of the associate Included within the assets of the associate, disclosed in note 9, are the oil palm plantations which are currently in the development phase. The allocation of plantation costs between capital and operating expenditure requires judgement with regard to the nature of the cost incurred. A misallocation of costs could have a significant impact on the share of losses of the associate recognised in the Group accounts and on the amount attributed to the Company's investment in the associate, therefore we consider this to be a key audit matter.	We substantively reviewed a sample of expenditure and checked whether the expenditure was correctly treated as capital or expensed. We reviewed the costs incurred on mature plantations to ensure these are recognised in the profit and loss account of the associate.
Going Concern In order to continue as a going concern, the Company is reliant on the ability of the associate to provide cash payments in respect of management fees and payments of interest receivable. The ability of the associate to make such payments depends on its ability to continue as a going concern which is currently dependent on the availability of continued funding for its operational and capital commitments. We considered the assessment in relation to going concern to be a key audit matter.	We critically assessed management's financial forecast models, over a forecast period of 12 months from the approval of the financial statements, and the key underlying estimates and judgements. In doing so, we considered factors such as historic and empirical performance. We reviewed management's sensitivity analysis performed in respect of key assumptions underpinning the forecasts. We performed our own sensitivities in respect of areas requiring significant judgement.

	We reviewed a letter of financial support that the Company's largest shareholder, Kuala Lumpur Kepong Behard ("KLK"), have provided to the associate which states that KLK will provide further funding as necessary in order for the associate to continue its operations. We reviewed Management assessment of KLK's ability to provide continued support and corroborated this by reference to publically available financial statements.

Our application of materiality

Company materiality FY 2017	Company materiality FY 2016	Basis for materiality
£500,000	£600,000	We consider total assets to be the most appropriate basis for materiality as the Group is still in the development phase and have not yet commenced full operations.

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. 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.

Our basis for determination of materiality has remained unchanged. The reduction in materiality is due to the loss made by the Joint Venture reducing the carrying value of investment in the financial statements.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £25,000 (2016: £30,000). We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

The parent Company and its subsidiaries were subject to full scope audits. A full-scope audit was also carried out on the financial statements of the associate and its subsidiaries. This was carried by the group engagement team and involved visiting the operations in Liberia.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, 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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Scott McNaughton (Partner)

For and on behalf of BDO LLP, Statutory Auditor

London

United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 September 2017 $'000	Year ended 30 September 2016 $'000
Revenue	12	167	192
Administrative expenses		(739)	(847)
Operating loss	2	(572)	(655)
Interest income	11	519	504
Other income	12	46	66
Share of loss of associate	9	(2,975)	(1,191)
Loss for the year before and after taxation attributable to owners of the parent	3	(2,982)	(1,276)
Other comprehensive income			
Items that will or may be reclassified to profit or loss			
Exchange losses arising on translation of foreign operations		6	(100)
Total comprehensive income for the year attributable to owners of the parent		(2,976)	(1,376)
Loss per share expressed in cents per share			
- Basic & diluted	7	(0.8) cents	(0.4) cents

The notes on pages 24 to 38 form part of these financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

Registered Number 5555087

	Note	As at 30 September 2017 $'000	As at 30 September 2016 $'000
ASSETS			
Non-current assets			
Investment in associate	9	19,447	22,422
Property, plant and equipment		2	3
Receivables from associate	11	6,736	6,386
		26,185	28,811
Current assets			
Trade and other receivables	13	22	121
Cash & cash equivalents		182	465
		204	586
LIABILITIES			
Current liabilities			
Trade and other payables	14	62	94
		62	94
Net current assets		142	492
NET ASSETS		26,327	29,303
SHAREHOLDERS' EQUITY			
Share capital	15	5,598	5,598
Share premium		46,791	46,791
Foreign exchange reserve		522	516
Retained loss		(26,584)	(23,602)
Total equity		26,327	29,303

The financial statements were approved by the Board of Directors on 13 November 2017 and were signed on its behalf by:

Michael Frayne

Chairman

The notes on pages 24 to 38 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

Registered Number 5555087

	Notes	As at 30 September 2017 $'000	As at 30 September 2016 $'000
ASSETS			
Non-current assets			
Investment in subsidiaries	9	20,199	23,174
Property Plant and Equipment		2	3
Receivables from associate	11	6,736	6,386
		26,937	29,563
Current assets			
Trade and other receivables	13	21	119
Loans to subsidiaries	10	142	137
Cash & cash equivalents		182	465
		345	721
LIABILITIES			
Current liabilities			
Trade and other payables	14	64	94
		64	94
Net current assets		281	627
NET ASSETS		27,218	30,190
SHAREHOLDERS' EQUITY			
Share capital	15	5,598	5,598
Share premium		46,791	46,791
Foreign exchange reserve		(555)	(345)
Retained loss		(24,616)	(21,854)
Total equity		27,218	30,190

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent Company has not been separately presented in these accounts. The parent Company loss for the year was $2,762,000 (2016: $1,269,000).

The financial statements were approved by the Board of Directors on 13 November 2017 and were signed on its behalf by:

Michael Frayne

Chairman

The notes on pages 24 to 38 form part of these financial statements.

STATEMENT OF CASH FLOWS

	Group	Group	Company	Company
	Year ended 30 September 2017 $'000	**Year ended 30 September 2016 $'000**	**Year ended 30 September 2017 $'000**	**Year ended 30 September 2016 $'000**
Cash flows from operating activities				
Loss for the year before and after taxation	(2,982)	(1,276)	(2,762)	(407)
Depreciation	1	1	1	1
Increase in receivables	14	(9)	14	(9)
(Decrease) / increase in payables	(18)	35	(18)	35
Unrealised translation forex gain	-	-	(220)	-
Interest income	(519)	(504)	(519)	(504)
Other income	(46)	(62)	(46)	(62)
Share of loss of associate/impairment of investment	2,975	1,191	2,975	1,191
Net cash outflow from operating activities	(575)	(624)	(575)	245
Cash flows from investing activities				
Purchase of property, plant and equipment	-	(3)	-	(3)
Funds invested in and loaned to associate	-	(5)	-	(13)
Interest income received	256	172	256	172
Other income received	32	38	32	38
Net cash outflow from investing activities	288	202	288	194
Cash flows from financing activities				
Issue of ordinary share capital	-	-	-	-
Net cash inflow from financing activities	-	-	-	-
Net decrease in cash and cash equivalents	(287)	(422)	(287)	439
Cash and cash equivalents at beginning of period	465	987	465	987
Exchange gains on cash and cash equivalents	4	(100)	4	(961)
Cash and cash equivalents at end of period	182	465	182	465

The notes on pages 24 to 38 form part of these financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

GROUP	Called up share capital $'000	Share premium reserve $'000	Foreign exchange reserve $'000	Warrant and option reserve $'000	Retained earnings $'000	Total equity $'000
As at 30 September 2015	**5,598**	**46,791**	**616**	**108**	**(22,434)**	**30,679**
Expiry of warrants and options	-	-	-	(108)	108	**-**
Loss for the year	-	-	-	-	(1,276)	**(1,276)**
Other comprehensive loss for the year	-	-	(100)	-	-	**(100)**
As at 30 September 2016	**5,598**	**46,791**	**516**	**-**	**(23,602)**	**29,303**
Loss for the year	-	-	-	-	(2,982)	(2,982)
Other comprehensive income for the year	-	-	6	-	-	6
As at 30 September 2017	**5,598**	**46,791**	**522**	**-**	**(26,584)**	**26,327**

The following describes the nature and purpose of each reserve within owners' equity:

Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Foreign exchange	Foreign exchange differences arising on translating into the reporting currency.
Warrant and option	Amount representing the cumulative charge recognised under IFRS 2 in respect of warrants and share options, including the valuation of warrants issued with shares.
Retained earnings	Cumulative net gains and losses recognised in the financial statements.

The notes on pages 24 to 38 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

COMPANY	Called up share capital $'000	Share premium reserve $'000	Foreign exchange reserve $'000	Warrant and option reserve $'000	Retained earnings $'000	Total equity $'000
As at 30 September 2015	**5,598**	**46,791**	**616**	**108**	**(21,555)**	**31,558**
Exercise and expiry of warrants and options	-	-	-	(108)	108	-
Loss for the year	-	-	-	-	(407)	(407)
Other comprehensive loss for the year	-	-	(961)	-	-	(961)
As at 30 September 2016	**5,598**	**46,791**	**(345)**	**-**	**(21,854)**	**30,190**
Loss for the year	-	-	-	-	(2,762)	(2,762)
Other comprehensive income for the year	-	-	(210)	-	-	(210)
As at 30 September 2017	**5,598**	**46,791**	**(555)**	**-**	**(24,616)**	**27,218**

The notes on pages 24 to 38 form part of these financial statements.

1. Summary of Significant Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

Authorisation of financial statements

The consolidated financial statements of Equatorial Palm Oil plc for the year ended 30 September 2017 were authorised for issue by the Board of Directors on 13 November 2017 and the statements of financial position signed on the Board's behalf by Michael Frayne.

Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and IFRIC interpretations and with those parts of the Companies Act, 2006 applicable to companies reporting under IFRS.

The accounts have been prepared to the nearest $'000.

These financial statements have been prepared on a going concern basis, as disclosed in the directors' report.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee; exposure to variable returns from the investee; and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group"). The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Foreign currency translation

(i) Functional and presentation currency

Items included in the individual financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US Dollars, which is Equatorial Palm Oil's presentation currency and differs from its functional currency, Sterling. The Company's strategy is focused on developing its investment in Liberian oil palm funded by shareholder equity and other financial assets, which are principally denominated in Sterling.

(ii) Transactions and balances

Transactions denominated in a foreign currency are translated into the functional currency at the exchange rate at the date of the transaction. Assets and liabilities in foreign currencies are translated to the functional currency at rates of exchange ruling at balance date. Gains or losses arising from settlement of transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement for the period.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

- income and expenses for each income statement are translated at the average exchange rate; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Investment

The Group interest in LPD is disclosed in Note 9. This investment in which the Group has significant influence is included in the financial statements and accounted for using the equity method. The Group accounts for its share of the net assets of LPD as an investment within the statement of financial position. The Group's share of the gains or losses of LPD are included within the income statement, except for exchange gains and losses on translation. LPD prepares accounts in accordance with the Group's accounting policies.

Upon initial transfer of assets and subsidiaries to LPD, the Group derecognises the assets at their carrying amounts at the date when control is lost. Initial recognition of the investment in LPD is at its fair value. Any resulting difference is recognised as a gain or loss in the statement of comprehensive income.

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value.

Impairment of non-financial assets

Non-financial assets and identifiable intangibles are reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment review is based on discounted future cash flows. If the expected discounted future cash flow from the use of the assets and their eventual disposal is less than the carrying amount of the assets, an impairment loss is recognised and measured using the asset's fair value or discounted cash flows.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on all plant and equipment to write off the cost less estimated residual value of each asset over its expected useful economic life at the following annual rates:

Straight-Line

Buildings	7%
Plant and Equipment	20% - 33%
Vehicles	20% - 33%
Palm Oil Mill	10%

Assets under construction are carried within a separate category of property, plant and equipment at cost and are not depreciated until they are commissioned.

Liberian leasehold (concession) land is depreciated on a straight-line basis over the term of the agreement being 50 years.

Plantation development comprises all plantation development costs such as direct materials, labour and an appropriate proportion of fixed overheads.

Biological Assets

The accounting policies of the Group's associate in respect of Biological assets are:

Biological assets comprise oil palm trees from initial preparation of land and planting of seedlings through to maturity and the entire productive life of the oil palms and are estimated to have a total life of 25 years.

Oil palms which are not yet harvestable or not producing fresh fruit bunches ("FFB"), are classified as immature and are valued at cost.

Oil palms are classified as mature when they are ready for harvest and are carried at cost less depreciation on a straight-line basis over the remainder of its useful life.

The FFB on the mature oil palms are carried at fair value.

Plantation development costs comprise of all costs such as direct materials, labour and an appropriate proportion of overheads incurred to bring the oil palms to maturity. Once classified as mature, these costs are recognised through profit and loss.

Loans Receivable

Loans and advances made to third parties and companies which are not consolidated are recognised when cash is advanced to a borrower. They are derecognised when either the borrower repays its obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less any reduction for impairment or uncollectibility.

Revenue Recognition

Revenue represents management fees charged to LPD for consultancy and administrative services. Revenue is recognised when services are provided.

Revenue within LPD comprises the fair value of consideration received upon the sale of crude palm oil and palm kernel oil. Revenue is recognised when the risks and rewards are transferred which is when crude palm oil is received by the customer.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Share-based payments

In accordance with IFRS 2 'Share-based payments', the Group reflects the economic cost of awarding shares and share options to employees and Directors by recording an expense in the statement of comprehensive income equal to the fair value of the benefit awarded. The expense is recognised in the statement of comprehensive income over the vesting period of the award.

Fair value is measured by use of a Black-Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is charged to the consolidated statement of comprehensive income and amortised over the remaining vesting period.

Where an option or a warrant is issued to a third party the Directors value the service received at fair value, where this is not ascertainable the Directors will value the service based on the fair value of the instruments issued as described above.

Financial Instruments

The Group's financial assets consist of cash and trade and other receivables.

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

Cash and cash equivalents consist of cash on hand and cash held on current account or on short-term deposits, with initial maturity of three months or less at variable interest rates. Any interest earned is accrued monthly and classified as interest. A breakdown of the cash held as at 30 September 2017 is as follows:

- Cash on hand: $75,000.
- Cash held in 1-month time deposit: $107,000

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans are initially recorded at fair value less any directly attributable costs, with subsequent measurement at amortised cost. Finance costs are accounted for on an accruals basis in the income statement using the effective interest method.

Segment information

The Group complies with IFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance.

In the opinion of the Directors, the operations of the Group comprise one class of business, being the cultivation of oil palms for the production of crude palm oil and associated products in Liberia.

Critical accounting estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on practical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary, if there are changes in the circumstances on which the estimate was based or as a result of new information. Such changes are amortised in the period in which the estimate is revised.

The key area where management have made estimates and assumptions is:

Investment in associate – if there are indicators of impairment, management undertake an impairment review of the carrying value of the investment in the associate. The impairment review may contain critical estimates such as the future yield of the oil palm plantation, the future price of palm oil and the discount rate applied.

Critical judgements in applying the Group's accounting policies

The application of the Group's accounting policies may require management to make judgements, apart from those involving estimates, which can have a significant effect on the amounts amortised in the financial statements. Management judgement is particularly required when assessing the substance of transactions that have a complicated structure or legal form.

Adoption of new and amended Accounting Standards

(i) *New and amended standards adopted for the first time for the financial periods beginning on or after 1 October 2015*

A number of new standards and amendments to standards and interpretations are effective or have been early adopted for the financial year beginning on or after 1 October 2015 and have been applied in preparing these Financial Statements.

Agriculture: Bearer Plants: Amendments to IAS 16 and IAS 41

The amendments change the financial reporting for bearer plants, such as oil palms. It requires that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

Annual Improvements Cycle 2010-2012

Amendments to IFRS 2 (Share-based payments – Definition of "vesting condition"), IFRS 3 (Business combinations – accounting for contingent consideration in a business combination), IFRS 8 (Operating segments – aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets), IFRS 13 (Fair value measurement – short-term receivables and payables), IAS 16 (Property, plant and equipment – revaluation method – proportionate restatement of accumulated depreciation), IAS 24 (Related party disclosures – key management personnel), and IAS 38 (Intangible assets – revaluation method – proportionate restatement of accumulated amortization). Effective 1 February 2015.

Annual Improvements Cycle 2011-2013

Amendments to IFRS 1 (First time adoption of International Financial Reporting Standards – meaning of effective IFRSs), IFRS 3 (Business combinations – scope of exception for joint ventures), IFRS 13 (Fair value measurement – scope of paragraph 52 (portfolio exception)), and IAS 40 (Investment property – clarifying the inter-relationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property). Effective 1 January 2015.

The adoption of these standards had no impact on the financial statements other than changes to disclosures.

(ii) *New standards, amendments and Interpretations in issue but not yet effective or not yet endorsed and not early adopted*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Financial Statements are listed below. The Company and Group intend to adopt these standards, if applicable, when they become effective.

Standard	Impact on initial application	Effective date
<u>New Standards</u>		
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 16	Leases	1 January 2019
<u>Amendments to Existing Standards</u>		
IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 7	Disclosure Initiatives	1 January 2017

IFRS 15 (Clarification)	Revenue from Contracts with Customers	1 January 2018
IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
	Annual Improvements to IFRSs (2014-2016 Cycle)	1 January 2017 & 1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IAS 40	Transfers of Investment Property	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

* Subject to EU endorsement

^ Effective date deferred indefinitely

The Group is evaluating the impact of the new and amended standards above. The introduction of IFRS 9 may have an impact however an assessment of what the impact may be has not been undertaken at this stage.

2. Operating Loss

The operating loss is stated after charging:

		Group	**Group**
		Year ended 30 September 2017 $'000	**Year ended 30 September 2016 $'000**
Auditors' remuneration	– audit services	32	38
	– other services	20	-
Directors' emoluments (Note 4)		185	206
Operating lease charges		77	104

In addition to the above, the Auditors charged $47,000 (2016 – $45,300) in relation to the associate. The costs were borne by the associate.

3. Taxation

	Group Year ended 30 September 2017 $'000	Group Year ended 30 September 2016 $'000
Factors affecting the tax charge for the year		
Loss on ordinary activities before tax	(2,982)	(1,276)
Loss on ordinary activities at the UK standard rate of 19% (2016: 20%)	(567)	(255)
Effects:		
Share of operating loss of associate not taxable	565	238
Expenses not deductible for tax purposes	-	1
Tax losses carried forward not recognised	2	16
Total taxation	-	-

No deferred tax assets have been recognised (2016: nil). The Group has total carried forward losses of $8,677,829 (2016: $8,892,954). The taxed value of the unrecognised deferred tax asset is $1,648,787 (2016: $1,863,912) and these losses do not expire.

4. Directors' emoluments

	Salary Year ended 30 September 2017 $'000	Salary Year ended 30 September 2016 $'000
Michael Frayne	63	71
Geoffrey Brown	122	135
Lee Oi Hian (1)	-	-
Teh Sar Moh Nee (1)	-	-
Yap Miow Kien (1)	-	-
Lee Guo Zhang (1)	-	-
Total	185	206

All Directors' remuneration is paid in cash.

(1) KLK representatives not remunerated by the Company

5. Compensation of Key Management Personnel

	Group Year ended 30 September 2017 $'000	Group Year ended 30 September 2016 $'000
Short-term employee benefits	313	347
Social security costs	39	43
Total	352	390

Key Management Personnel includes the Directors of the Company and senior management.

6. Staff Costs (including Directors)

	Group Year ended 30 September 2017 $'000	Group Year ended 30 September 2016 $'000
Staff Costs		
Salaries & Wages	313	347
Social Security Costs	39	43
Total Staff Costs	352	390

	Company Year ended 30 September 2017 $'000	Company Year ended 30 September 2016 $'000
Staff Costs		
Salaries & Wages	313	347
Social Security Costs	39	43
Total Staff Costs	352	390

The Group and Company averaged 3 employees during the year ended 30 September 2017 of which all were involved in administration activities (30 September 2016: 3).

7. Loss Per Share

The basic loss per share is derived by dividing the loss for the year attributable to ordinary shareholders by the weighted average number of shares in issue.

As inclusion of the potential ordinary shares would result in a decrease in the loss per share they are considered to be anti-dilutive, as such, diluted earnings per share is equivalent to basic earnings per share.

	Group Year ended 30 September 2017 $'000	Group Year ended 30 September 2016 $'000
Loss for the year	(2,982)	(1,276)
Weighted average number of ordinary shares of 1p in issue	356.3 million	356.3 million
Loss per share – basic and diluted	(0.8) cents	(0.4) cents

Details of any potentially dilutive shares are included in the share based payment note, Note 16.

8. Financial Instruments

The Group (including the Company, its subsidiary and its interest in LPD) is exposed through its operations to the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Foreign exchange risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the Group, and classified as loans and receivables, from which financial instrument risk arises are as follows:

- Receivables from associate;
- Trade and other receivables;
- Cash and cash equivalents;
- Loans to associates; and
- Loans to subsidiaries.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The overall objective of the Board is to set policies that seek to reduce risk exposure as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

The Group is exposed to credit risk from its cash deposits. The Group reviews the banks and financial institutions it deals with to ensure that standards of credit worthiness are maintained.

The Group is also exposed to credit risk from its loans to LPD. The ability of LPD to repay its debts is supported by a joint venture agreement between the Company and KLK (refer Note 9) and the projected future cash flows from the plantation.

The Group does not enter into derivatives to manage credit risk.

At the reporting date the Group does not envisage any losses from non-performance of counterparties.

The maximum exposure to credit risk at the reporting date from the Group's financial assets is the carrying value of each financial asset. The Group does not hold any collateral as security.

Interest rate risk

The Group is exposed to fluctuations of the LIBOR rate on the interest accrued relating to its receivable due from associate. The Group measures its risk through a sensitivity analysis considering 10% favourable and adverse changes in the LIBOR rate. At 30 September 2017 a 10% movement of LIBOR would not have resulted in an increase or decrease in the interest accrued as interest is accrued at the higher of LIBOR + 4% or 8%.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The Directors receive information regarding cash balances on a monthly basis. As soon as funding shortfalls are identified, the Directors take action to identify and subsequently secure the necessary funds from existing or new investors or in the form of short and long term borrowings. Further disclosure of going concern is given in Note 1.

Market risk

The most significant component of market risk affecting the Group is the market price of CPO, which will be determined by local market prices and demand for CPO and also the Group's access and route to export sales. There is currently no revenue from CPO.

Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in the UK and Liberia, which enter into transactions in currencies which are not the same as the functional currency of the Company. Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations, as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. Wherever possible in order to monitor the continuing effectiveness of this policy, the Board, through their approval of capital expenditure budgets and review of the monthly management accounts, considers the effectiveness of the policy on an ongoing basis.

Foreign currency sensitivity analysis

The Group is mainly exposed to currency rate fluctuations of the UK Pound versus the US$, and measures its foreign currency risk through a sensitivity analysis considering 10% favourable and adverse changes in market rates on exposed monetary assets and liabilities denominated in UK Pounds. At 30 September 2017 a 10% revaluation of the Pound against the Dollar would have resulted in a US $14,200 increase or decrease in the net assets of the Group (30 September 2016: US$49,200).

Capital management policies

The Group considers its capital to be its ordinary share capital, share premium, other reserves, retained deficit and external borrowings. The Board of Directors has established principles for the management of the Group's capital resources based on a long-term strategy that continually evaluates and monitors the achievement of corporate objectives. Specific capital management policies set forth include the following:

- Sufficient resources to maintain and develop its concessions and to maximise discretionary spending on further accelerating its plantation development;
- The reinvestment of profits into new and existing assets that fit the corporate objectives;
- To identify the appropriate mix of debt, equity and partner sharing opportunities in order to maintain and comply with its growth and development plans alongside those commitments of its concession agreements with a view of generating the highest returns to shareholders overall with the most advantageous timing of investment flows;
- Retain maximum flexibility to allocate capital resources between new planting and production of CPO enhancing projects based on available funds and the quality of opportunities.

On a regular basis, management receives financial and operational performance reports that enable continuous management of assets, liabilities and liquidity.

The above policies and practices are consistent with strategies and objectives employed in prior years and are expected to remain consistent in the extension of future resource allocation objectives.

9. Investment in associate & subsidiaries

The Company, through its investment in Equatorial Biofuels (Guernsey) Limited, owns a 50% interest in LPD.

In the period ended 30 September 2014, a Joint Venture Agreement ("JVA") was signed pursuant to which cash and funding commitments of up to $35.5m were made available to LPD. Under the JVA, the Company retained a 50% economic and voting interest in LPD. Also under the JVA, KLK has the power to appoint the Chairman to the Board of LPD and in the case of a tied vote the Chairman has the casting vote. For this reason, the Company accounts for its investment in LPD as an equity investment in which it has significant influence.

The Group and Company's interest in LPD is as follows:

	30 September 2017	30 September 2016
	$'000	$'000
Interest in associate at beginning of year	**22,422**	**23,613**
Share of losses of associate	(2,975)	(1,191)
Interest in associate at end of year	**19,447**	**22,422**

The consolidated results of Liberian Palm Developments Limited for the year ended 30 September 2017 were as follows:

	30 September 2017	30 September 2016
	$'000	$'000
Non-current assets	103,687	90,143
Current assets	10,758	6,354
Non-current liabilities	(73,228)	(49,939)
Current liabilities	(2,322)	(1,714)
TOTAL NET ASSETS	**38,895**	**44,844**
Group's share (50%)	19,447	22,422
Income	291	-
Expenses	(6,241)	(2,382)
Loss after tax	**(5,950)**	**(2,382)**
Group's share (50%)	(2,975)	(1,191)

Subsidiaries and associates of Equatorial Palm Oil plc

Company	Country of Registration	Holding 30 September 2017	Holding 30 September 2016	Nature of business
Direct (subsidiaries)				
Equatorial Biofuels (Guernsey) Limited	Guernsey	100%	100%	Holding Company
Indirect (associates)				
Liberian Palm Developments Limited (1)	Mauritius	50%	50%	Holding Company
EBF (Mauritius) Limited (2)	Mauritius	50%	50%	Holding Company
EPO (Mauritius) Limited (2)	Mauritius	50%	50%	Holding Company
Equatorial Palm Oil (Liberia) Inc (3)	Liberia	50%	50%	Operating company in Liberia
Liberia Forest Products Incorporated (4)	Liberia	50%	50%	Operating company in Liberia
Liberia Agricultural Development Corporation (3)	Liberia	50%	50%	Non-operating companyin Liberia
LIBINC Oil Palm Inc. (4)	Liberia	50%	50%	Operating companyin Liberia

(1) 50% held by Equatorial Biofuels (Guernsey) Limited
(2) 100% held by Liberian Palm Developments Limited
(3) 100% held by EPO (Mauritius) Limited
(4) 100% held by EBF (Mauritius) Limited

The Company's investment in Equatorial Biofuels (Guernsey) Limited is as follows:

	30 September 2017 $'000	30 September 2016 $'000
Investment at beginning of year	**23,174**	**24,365**
Impairment	(2,975)	(1,191)
Investment at end of year	**20,199**	**23,174**

The impairment of the Company's investment reflects the share of losses incurred during the current and prior year.

10. Loans to Subsidiaries

	Company 30 September 2017 $'000	Company 30 September 2016 $'000
Equatorial Biofuels (Guernsey) Limited	142	137
Total	142	137

The loan to the subsidiary as set out in Note 10 is interest free and has no fixed repayment date. They are denominated in UK Pounds. Repayment of loans is subject to the Directors' assessment of the Group's requirements and availability of appropriate liquid resources.

11. Non-current receivables

	Group 30 September 2017 $'000	Group 30 September 2016 $'000	Company 30 September 2017 $'000	Company 30 September 2016 $'000
Receivable due from associate	6,736	6,386	6,736	6,386
	6,736	6,386	6,736	6,386

The receivable due from the associate relates to a loan, denominated in USD, with a five-year term concluding on 6 November 2018, that will accrue interest at a rate of LIBOR + 4% or 8% per annum, whichever is higher. Interest will accrue on the principal amount of the loan (including any accrued interest) and is repayable in full at the end of the five-year term or earlier at the discretion of LPD. Interest accrued for the year amounted to $519,000 (2016: $504,000).

	30 September 2017 $'000	30 September 2016 $'000
Receivable due from associate at beginning of year	**6,386**	**6,054**
Interest paid by associate	(255)	(172)
Interest income accrued	519	504
Management fee paid by associate	(81)	**(192)**
Management fee accrued	167	**192**
Receivable due from associate at end of year	**6,736**	**6,386**

12. Revenue and Other Income

	Group 30 September 2017 $'000	Group 30 September 2016 $'000
Rental income	46	62
Other	-	4
Other Income	**46**	**66**
Management fees income	167	192
Revenue	**167**	**192**

13. Trade and other receivables

	Group 30 September 2017 $'000	Group 30 September 2016 $'000	Company 30 September 2017 $'000	Company 30 September 2016 $'000
Prepayments	7	8	7	8
VAT receivables	9	6	9	6
Other receivables	6	107	5	105
	22	121	21	119

The fair value of all receivables is the same as their carrying values stated above. As at 30 September 2017 all trade and other receivables were fully performing. No ageing analysis is considered necessary as the Group has no trade receivable which would require analysis to be disclosed under the requirements of IFRS 7.

The carrying amounts of the Group and Company's trade and other receivables are denominated in the following currencies:

	Group 30 September 2017 $'000	Group 30 September 2016 $'000	Company 30 September 2017 $'000	Company 30 September 2016 $'000
UK Pounds	21	120	21	119
US Dollars	1	1	-	-
	22	121	21	119

14. Trade and other payables

	Group 30 September 2017 $'000	Group 30 September 2016 $'000	Company 30 September 2017 $'000	Company 30 September 2016 $'000
Trade payables	51	3	51	3
Other payables	11	91	13	91
	62	94	64	94

15. Called Up Share Capital

Allotted, called up and fully paid	30 September 2017 $'000	30 September 2016 $'000
356,277,502 (2016: 356,277,502) Ordinary shares of 1p each	5,598	5,598

During the year the Group did not issue any shares.

16. Share based payments

During the year ended 30 September 2017, no warrants or options were issued and there was no share based payment charge.

During the year ended 30 September 2016, no warrants or options were issued and there was no share based payment charge.

As at 30 September 2017, there were nil warrants to subscribe for Ordinary shares outstanding:

Share Options

There were no share options outstanding during the period (2016: nil).

17. Related Party Transactions

KLK

On 11 April 2014, the Company announced that it had entered into a joint venture agreement ("JVA") with KLK Agro Plantations Pte Ltd ("KLK Agro"), a wholly owned subsidiary of KLK, in relation to the operations and funding for Liberian Palm Developments Limited ("LPD"). Under the terms of the JVA, KLK Agro and EPO (through its wholly owned subsidiary Equatorial Biofuels (Guernsey) Limited) each subscribed for US$7,500,000 of new equity in LPD. In addition, KLK Agro agreed to provide any further funding required by LPD up to a maximum of US$20,500,000 (the "KLK Funding Commitment") which may, at the discretion of KLK Agro, be provided by way of debt or preferential equity finance which will incur interest or preferential dividend (as appropriate) at USD LIBOR plus a maximum of 500 basis points. LPD also has the option to obtain financing from parties other than KLK irrespective of whether or not the KLK Funding Commitment has been fully invested in LPD and provided that the terms of such external financing are better than that of KLK's Funding Commitment.

On 27 January 2015, the Company announced that LPD had entered into a US$20.5m loan agreement with KLK Agro (the "2015 Loan Agreement") for the operations and funding for LPD. The term of the 2015 Loan Agreement is 5 years and the interest rate is 3-months USD LIBOR + 5 percent per annum. As at 30 September 2016, this loan is fully drawn and no interest has been paid to date.

On 2 September 2016, the Company announced that LPD had entered into a US$30m loan agreement with KLK Agro (the "2016 Loan Agreement") to further the operations and funding for LPD. This loan is in addition to the 2015 Loan Agreement. The term of the 2016 Loan Agreement is 5 years and the interest rate is 3-months USD LIBOR + 5 percent per annum. As at 30 September 2017, this loan is fully drawn and no interest has been paid to date.

Recharges between EPO and LPD

For the year ended 30 September 2017, EPO recharged LPD $167,000 (2016: $192,000) with $86,000 outstanding at year end (2016: $nil).

Loans to Subsidiaries and Receivables from Associates

Details of loans to subsidiaries are disclosed in Note 10 and receivables from associate in Note 11.

18. Controlling Entity

The parent company and ultimate controlling company is Kuala Lumpur Kepong Berhad ("KLK"), a company incorporated in Malaysia, the accounts of which are available from www.klk.com.my. KLK own and control 62.86% of the Company's share capital as at 30 September 2017 and they are deemed to be the ultimate controlling entity.

19. Events After the Reporting Period

On 12 October 2017, the Company announced that LPD has entered in a $30.0m loan agreement with KLK Agro (the "2017 Loan Agreement") for the operations and funding for LPD. The term of the 2017 Loan Agreement is 5 years and the interest rate is 3-months USD LIBOR + 5 percent per annum.

20. Availability of accounts

The audited Annual Report and Financial Statements for the period ended 30 September 2017 will shortly be sent to shareholders and published at www.epoil.co.uk .