Financial Conduct Authority

FINAL NOTICE

To:	**Asia Resource Minerals plc (formerly Bumi plc)**
Company No:	07460129
Of:	Atlas House 3rd Floor 173 Victoria Street London SW1E 5NH
Date:	12 June 2015

1. ACTION

1.1. For the reasons given in this notice, the Authority hereby imposes on Asia Resource Minerals plc a financial penalty of £4,651,200.

1.2. Asia Resource Minerals plc agreed to settle at an early stage of the Authority's investigation. Asia Resource Minerals plc therefore qualified for a 30% (stage 1) discount under the Authority's executive settlement procedures. Were it not for this discount, the Authority would have imposed a financial penalty of £6,644,641 on Asia Resource Minerals plc.

2. SUMMARY OF REASONS

2.1. Asia Resource Minerals plc ("ARM" or "the Company"), is a company incorporated in the UK with a premium listing of its ordinary shares on the Official List. The Company was admitted to the premium listed segment of the Official List on 28 June 2011. Prior to listing, the Company acquired holdings in coal mining operations based in Indonesia. These acquisitions included an 84.7% shareholding in an Indonesian-incorporated company engaged in mining activities called PT Berau Coal Energy Tbk (the "Subsidiary"). The Subsidiary is listed on the Indonesian Stock Exchange.

2.2. 24 September 2012, approximately 15 months after listing, the Company announced that it had become aware of allegations concerning potential financial and other irregularities in its Indonesian operations. The Company commissioned an investigation into the allegations. On 21 January 2013, the Company announced that the investigation had been completed and that it was addressing the issues raised by that investigation.

2.3. In around October 2012, the Company commenced a review of the effectiveness of its internal controls, which included a review of its related party processes. From December 2012, the Company commenced a separate review of any historic potential related party transactions that had been entered into by the Subsidiary so as to have a complete record of such transactions prior to the preparation of the Company's Annual Financial Report for the year end 31 December 2012 ("AFR 2012"). In addition, as part of its preparation of the AFR 2012, the Company investigated certain transactions where the ultimate counterparty or beneficiary was not clear.

2.4. As a result of the review of historic potential related party transactions, on 17 March 2013, the Company indicated to its financial advisers that it may have failed to comply with its obligations under the Listing Rules ("LRs") and the Disclosure and Transparency Rules ("DTRs") with regard to what might have been related party transactions. The Company subsequently provided its financial advisers with a list of historic potential related party transactions (the "Schedule") in order to determine whether there was a requirement to notify the Authority of any breach of LR 11.

2.5. On 19 April 2013 the Company notified the UK Listing Authority ("UKLA") that while it continued to review the integrity of a number of items on the balance sheet of the Subsidiary, including performing the review of the historic potential related party transactions, it would be unable to publish its AFR 2012 by 30 April 2013. With effect from 22 April 2013, the Company's shares were suspended from the Official List. The Company eventually published its AFR 2012 on 31 May 2013, but was in breach of DTR 4.1.3R for failing to publish within four months of the end of its financial year. The Company's shares were suspended from trading for approximately three months, eventually returning to trading on 22 July 2013 after the Company had confirmed, at the request of the UKLA, that it was now compliant with Listing Principles 2 and 4.

2.6. Following consultation with its financial advisers between March and May 2013 regarding the transactions on the Schedule, the Company identified certain transactions which were, in fact, Related Party Transactions for the purpose of the LRs ("RPTs"). In a letter dated 23 May 2013, the Company's financial advisers notified the UKLA that three transactions which took place during the period from its listing on 28 June 2011 to 19 July 2013, the date that the Authority approved the return of the Company's shares to trading (the "Relevant Period") were RPTs, that they had not been identified as such previously and that there had been a breach of the requirements of the LRs in respect of those three transactions (the "Admitted RPTs").

2.7. In addition to certain specific breaches of the LRs relating to RPTs, the Authority considers that the Company was also in breach of Listing Principle 2 ("LP2"). Throughout the Relevant Period, the Company failed to take reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, in breach of LP2. In particular, the Company's breach of LP2 impacted its ability to identify whether any obligations arose under LR 11. Although the Company had a policy and procedures in relation to the treatment of RPTs (the "RPT Policy"), the Company's procedures, systems and controls in relation to RPTs were inadequate in that the Company failed to:

(1) take reasonable steps to manage the increased risk of the occurrence of RPTs given the Company's structure and its Subsidiary director relationships;

(2) establish adequate management oversight and control over the Subsidiary in a timely manner; and

(3) implement the RPT Policy at both the Company and Subsidiary level.

2.8. The Company also breached specific LRs and DTRs, namely LR 8.2.3R, LR 11.1.10R, LR 11.1.11R and DTR 4.1.3R, during the Relevant Period.

2.9. The Admitted RPTs were transactions, other than in the ordinary course of business, between the Subsidiary and Related Parties within the meaning of the LRs. The total value of the Admitted RPTs was US$12,700,000 (£8,054,111). The counterparties to the Admitted RPTs were companies associated with Mr Rosan Roeslani ("Mr Roeslani"), a Non-Executive Director of the Company from 11 April

2011 to 19 December 2012 and the President Director[1] of the Subsidiary from July 2010 to 7 March 2013. In relation to the Admitted RPTs, the Company breached the requirements of LR 11.1.10R as it did not provide the required confirmations to the Authority before entering into certain of those transactions and breached LR 11.1.11R on the basis that it did not aggregate those transactions as required under the LRs.

2.10. The Company was also required under LR 8.2.3R to obtain the guidance of a Sponsor when proposing to enter into a transaction which is, or may be, an RPT in order to assess the application of the LRs and DTRs. A transaction which is in the ordinary course of business or clearly falls beneath the percentage threshold set out in LR 11 Annex 1(1) will not amount to an RPT. A listed company may itself be well placed to determine whether a transaction is an RPT, for example where the transaction is clearly in the ordinary course of business or falls within the small transaction exemption. However, where there is sufficient uncertainty as to whether a proposed transaction is an RPT, a Sponsor must be consulted. The Company failed to consult a Sponsor when proposing to enter each of the transactions in the Schedule and did not carry out any analysis at that time as to the status of the transactions being RPTs. Moreover, the Company had sufficient uncertainty about the transactions in the Schedule so as to make them the subject of review by the Company's financial advisers between March and May 2013. From this review by their financial advisers, the Admitted RPTs were identified. Accordingly, the Authority considers that the Company breached LR 8.2.3R both in relation to each of the Admitted RPTs and in relation to the remaining transactions set out in the Schedule (the latter being referred to as the "Sponsor Review Transactions" in this notice).

2.11. Despite undertaking an extensive internal investigation, the Company was not able to identify the ultimate beneficiaries of and/or counterparties to a number of transactions involving the Subsidiary. The Company classified these transactions as the 'Other Transactions' in its AFR 2012 and attributed a total value of US$225.3 million to them (the "Other Transactions"). The Authority considers that the Company's failure to take reasonable steps to implement and maintain adequate procedures, systems and controls may have contributed to its inability to identify, prevent and take action earlier in respect of the transactions which it has classified as the Other Transactions.

[1] Equivalent to a Chief Executive Officer

2.12. The Authority therefore imposes a financial penalty on the Company in the amount of £4,651,200 pursuant to section 91 of the Act for its breach of LP2, LR 8.2.3R, LR 11.1.10R, LR 11.1.11R and DTR 4.1.3R during the Relevant Period.

3. DEFINITIONS

3.1. The definitions below are used in this Final Notice.

Act"	means the Financial Services and Markets Act 2000.
"Admitted RPT"	means any one of the three RPTs admitted by the Company in a letter dated 23 May 2013 to be in breach of certain LRs, collectively the "Admitted RPTs".
"AFR 2012"	means the Annual Financial Report for the year ending 31 December 2012 published on 31 May 2013.
"ARM"	means Asia Resource Minerals plc, formerly Bumi plc, a company incorporated in England and Wales (company number 07460129).
"Auditors"	means the Company's Auditors during the Relevant Period.
"Authority"	means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority.
"Company"	means ARM.
"Conflicts Committee"	means the Conflicts Committee established by the Company's Board of Directors prior to listing on 28 June 2011.
"DEPP"	means the Authority's Decision Procedure and Penalties Guide.
"DTRs"	means the Disclosure Rules and Transparency Rules.

"FRP Review"	The review performed by the Company's internal audit team between 17 April 2013 and 8 July 2013 into the Company's Financial Reporting Procedures in response to the Authority's request for confirmation that the Company was compliant with LP 2 and LP4.
"LP2"	means Listing Principle 2 as in force during the Relevant Period.
"LRs"	means the UKLA Listing Rules.
"Official List"	means the list maintained by the Authority (acting in its capacity as the UKLA) in accordance with Section 74(1) of the Act for the purpose of Part VI of the Act.
"Other Transaction"	means a transaction referred to in the Company's AFR 2012 at Note 31.2 as 'Other Transactions (where the ultimate counterparty or beneficiary is not clear)'.
"Related Companies"	means the companies with which the Subsidiary entered into the Admitted RPTs, such companies being associates of Mr Roeslani.
"Related Party"	means a related party within the meaning of the LRs, or plurally "Related Parties".
"Relevant Period"	means 28 June 2011 to 19 July 2013 inclusive.
"Mr Roeslani"	means Mr Rosan Roeslani, a Non-Executive Director of the Company from 11 April 2011 to 19 December 2012 and the President Director of the Subsidiary from July 2010 to March 2013.
"RP List"	means the Related Party list created and updated by the Company from time to time with a record of individuals, connected

	parties, major shareholders, relationship agreements and associates disclosed by Directors at the Company and its subsidiaries.
"RPT"	means a Related Party Transaction as defined by the LRs.
"RPT Policy"	means the Company's related party transaction policy and procedures.
"Schedule"	the list of historic potential related party transactions provided by the Company to its financial advisors between March and May 2013 in order to determine whether there was a requirement to notify the Authority of any breach of LR 11.
"Sponsor"	means a sponsor as defined by the LRs, and includes an independent advisor acceptable to the Authority as referred to in LR 11.1.10R prior to the amendment to the rule on 31 December 2012 whereupon it referred to a Sponsor.
"Sponsor Review Transaction"	means any one of the historic potential related party transactions, other than the Admitted RPTs, included on the Schedule.
"Subsidiary"	means PT Berau Coal Energy Tbk, a majority-owned subsidiary of the Company which is incorporated in Indonesia and listed on the Indonesian Stock Exchange.
"Tribunal"	means the Upper Tribunal (Tax and Chancery Chamber).
"UKLA"	means the United Kingdom Listing Authority, a department within the FCA.

4. FACTS AND MATTERS

Background

4.1. The Company is the parent company of a thermal coal exploration and production group with interests in some of the largest coal assets in Indonesia. The Company was admitted to the premium listed segment of the Official List on 28 June 2011 with a market capitalisation of £2.474 billion. During the Relevant Period, the Company was in the FTSE 250. The Company is currently in the FTSE All-Share Index with a market capitalisation of £36.7 million as of 19 March 2015.

4.2. The Company should have been aware of the need to have a robust RPT policy from the outset of listing and to ensure that this was implemented within both the Company and the Subsidiary. This was particularly important in the case of the Company because:

(1) the Subsidiary is an Indonesian company with Indonesian senior management who were unfamiliar with UK listing requirements;

(2) there were a number of Company Board Directors, including directors nominated by the shareholders who were founders of the Company, and Subsidiary Board Directors, with senior management or Board positions in other companies in the same industry, and other operations and financial interests in Indonesia, with whom the Subsidiary might potentially enter into agreements which increased the risk of RPTs arising; and

(3) there were past concerns, identified in an independent analyst report published shortly before the Company listed, about transactions entered into by the Company prior to listing with parties related to the Company.

4.3. As part of the Authority's investigation, a senior individual at the Company observed that:

> *"... the nature of the structure [of the Company], with the founder shareholders also having relationship agreements and having their representatives on the board, I would think ...it would have been a high risk of Related Party Transactions coming out of that structure as opposed to a completely independent structure."*

4.4. It should, therefore, have been understood at a senior level within the Company that the composition and nature of the group created a high risk of RPTs. This being the case, the Company should have paid especially close attention to

ensuring that it took reasonable steps to establish and implement an effective RPT Policy including at Subsidiary level

The RPT Policy

4.5. Prior to listing, the Company created and the Company's Board approved the RPT Policy. The RPT Policy was captured in a flow diagram and was designed to identify RPTs before they were entered into by the Company so that the Company could, inter alia, comply with its obligations under the LRs in relation to RPTs.

4.6. It was intended that the RPT Policy would operate, broadly, as follows:

(1) the RPT Policy relied on the creation and maintenance of an RP List which set out the Company's Related Parties;

(2) prior to entering a transaction, that proposed transaction should be considered against the RP List to see if it involved a Related Party or if the purpose and effect was to benefit a Related Party;

(3) if the transaction was with a Related Party, it was considered to be caught by the LRs, unless the transaction was in the ordinary course of business;

(4) if the transaction was not considered to be in the ordinary course of business, specific members of the Company's senior management and the Conflicts Committee would be notified of the transaction and a Sponsor would be instructed to calculate the class test percentage ratios;

(5) if it was determined by a Sponsor that the transaction was less than 0.25% of each of the class test percentage ratios on an individual or aggregate basis, the Conflict Committee would review the transaction, and authorise and approve it where appropriate; and

(6) if any of the class test percentage ratios were equal to or greater than 0.25%, the Conflicts Committee would review the transaction and, if it was approved, would make a recommendation to the Board of the Company for further approval. If approved by the Board, the Sponsor would then take steps to notify the Authority in accordance with the requirements under the LRs depending on which class test percentage ratios had been reached or exceeded.

4.7. The existence of an RPT policy, however, was not sufficient on its own; the RPT Policy required effective implementation. In fact, the Company's implementation of its RPT Policy was inadequate, as set out in greater detail below.

Responsibility for the RPT Policy

4.8. The monitoring of transactions with Related Parties for the purposes of the LRs was a matter reserved for the Board or appropriate Board Committee. Prior to listing, the Board established a Conflicts Committee, whose duties included:

(1) establishing and maintaining a process regarding Related Parties and RPTs;

(2) ensuring that any RPT entered into by the Company was, to the extent applicable, compliant with Chapter 11 of the LRs; and

(3) ensuring that the Company Board was briefed on related party issues and, as and when appropriate, making recommendations to the Board for the authorisation of RPTs.

4.9. The Conflicts Committee was required to meet as often as was deemed necessary. As it transpired, the Conflicts Committee met seven times during the Relevant Period.

4.10. In its Annual Financial Report for 2013, the Company stated that the Conflicts Committee "reviewed its terms of reference and the performance of the Conflicts Committee as a result of which the Committee has decided to meet more frequently in 2014. As disclosed in the Company's 2012 annual report, this Committee had not operated as effectively as it should in 2012 as a result of noncompliance with certain of the Company's policies and lack of disclosure by former [Subsidiary] management."

Training on the RPT Policy

4.11. The Company prepared materials for a workshop for the Directors and other senior management at the Subsidiary to be held shortly prior to listing on 28 June 2011. The training was aimed at explaining the rules, regulations and guidelines to which the Company, as a UK public listed company, and its directors must adhere. It included training on the LRs, LP2, financial reporting under DTR 4, RPTs and the application of the class tests. The initial training sessions were not attended by certain key members of the Subsidiary Board. This non-attendance was not followed up within a reasonable time and no record has been provided by the Company that the relevant individuals received this training.

4.12. A subsequent programme of training for new directors at both Company and Subsidiary level was created in March 2012. However, again, it is not clear when and to whom this training was given.

4.13. In addition, the Company does not appear to have provided any training for employees of the Subsidiary below director or senior management level in relation to transaction reporting or the RPT Policy.

Communication and Approval of the RPT Policy at Subsidiary level

4.14. On 8 June 2011, shortly prior to listing, the Conflicts Committee convened for the first time and approved the RPT Policy. The Conflicts Committee recommended to the Company Board at its meeting on 9 June 2011 that the RPT Policy be adopted on behalf of the Company and the other members of the group. The Company Board gave responsibility for the communication of the RPT Policy throughout the group, including to the Subsidiary, to certain senior individuals at the Company. However, as it transpired, the RPT Policy was only communicated to the Subsidiary, at the earliest, in October 2011 and the RPT Policy was only approved by the Subsidiary Board at a meeting on 30 November 2011, five months after the Company's listing on 28 June 2011.

4.15. The Company subsequently developed a process designed to underpin and implement the approved RPT Policy. Broadly, it was proposed that the related party process be incorporated into the finance department's processes which already included a requirement to record related party transactions for the purposes of the International Financial Reporting Standards international accounting standards.

4.16. The Conflicts Committee did not meet to approve this underlying related party process but instead agreed it by email on 12 December 2011. At the Board Meeting on 20 December 2011, it was reported that the underlying related party process had been approved by the Conflicts Committee. The Conflicts Committee formally confirmed its approval for this underlying related party process when it met again on 25 March 2012, nine months after listing.

4.17. At its Board meeting on 30 November 2011, the Subsidiary Board designated responsibility to two individuals at the Subsidiary to determine how to implement the RPT Policy at Subsidiary level. However, it was not until 20 February 2012 that Mr Roeslani, the President Director of the Subsidiary, circulated a memorandum to the Subsidiary Board of Directors and other senior management

noting the policies approved by the Company, including the RPT Policy, and requesting co-operation with them. It was only then that the individuals at the Subsidiary directed to implement the RPT Policy confirmed that steps were being taken to that effect, some eight months after listing.

The RP List

4.18. For the RPT Policy to work effectively, it was necessary that the Company established and maintained a comprehensive RP List. The RP List was compiled by the Company and was collated using the responses provided by the Company and Subsidiary Directors to their Conflicts Questionnaires and Emolument forms and from information provided by the finance departments of the Company and the Subsidiary. It also included other companies known at that time to be connected to the Company and the Subsidiary and was updated twice a year. An RP List was available in November 2011 but it was not complete at that time; substantive updates to add further Related Parties took place thereafter in January 2012, June 2012, December 2012 and April 2013. Pursuant to the Company's RPT Policy, it was the responsibility of the Directors of the Company and the Subsidiary to keep the information regarding their Related Parties up to date. By February 2013, during the preparation of the AFR 2012 the Company became aware that the RP Lists were not complete as the Subsidiary had not provided the necessary information. Without a complete RP List, the Company could not perform adequate checks as to whether a prospective transaction involved a Related Party, as envisaged by the RPT Policy.

Management Oversight of the Subsidiary and implementation of the Company's policies at the Subsidiary

Representation on the Board of the Subsidiary

4.19. In December 2011, at meetings of the Audit Committee and the Board of the Company it was agreed that certain senior individuals from the Company should be appointed as Board members of the Subsidiary and/or be entitled to attend the Subsidiary Board meetings to provide a degree of oversight and control over the Subsidiary, including in respect of the implementation of the RPT Policy.

4.20. Approximately three months later, a report to the Audit Committee by the Auditors dated 21 March 2012 stated that while progress had been made in addressing the Company's key process and control deficiencies:

> *"... there remain significant challenges for the Group to address if it is to establish and embed fully effective oversight and reporting mechanisms. Key*

elements in making short term progress include, most notably: ... Increasing [the Company's] representation on the Board of [the Subsidiary]...".

4.21. At an Audit Committee meeting on 12 December 2012, over one year after the requirement for greater oversight of the Subsidiary had been agreed by the Audit Committee and the Board of the Company, the Audit Committee was still dealing with this oversight issue which remained unresolved. The Audit Committee agreed with regard to the effectiveness of the internal controls, which included the related party process, that:

"...the Company had the required expertise but that more corporate oversight was required from the Company as regards the proper implementation of these controls across [the Subsidiary]".

4.22. As it transpired, management oversight of the Subsidiary through representation on its Board effectively did not happen until March 2013, 15 months after the requirement for such management oversight had been agreed by the Company and 21 months after listing.

The Executive Committee

4.23. At a Board meeting of the Company on 20 December 2011, a need for an effective and operating Executive Committee ("Exco") was identified to approve policies and processes, and to oversee the effective implementation of policies across the group. In fact, Exco convened for the first time in May 2012 (nearly a year after listing) and a formalised Exco was not established until March 2013. While it was proposed that Exco would meet every fortnight, in practice, it met less frequently during the Relevant Period.

4.24. As part of the Authority's investigation, one of the Auditors noted that:

"I think it is fair to say that the ... Exec Committee... didn't meet as often as it should and therefore the ... connection between London and [the Subsidiary] wasn't as cohesive and as connected as it could have been... Some of the committees and some of the structures that had been designed weren't operating as effectively as they might've done."

4.25. The implementation of the RPT Policy within the Subsidiary was explicitly referenced as a "particular matter of concern" at the Exco meeting in July 2012. Specific potential RPTs were discussed at subsequent meetings, however, the

Authority considers that the expressed concern was not addressed sufficiently quickly and effectively.

AFR 2012

4.26. The Company has acknowledged in its AFR 2012 that there was a breakdown in management oversight of the Subsidiary and the Company policies had not been implemented, noting that without enhanced governance "[the Company] would remain exposed to controls over its Indonesian operations not being fully effective." In summary, as part of the Authority's investigation, a senior individual at the Company observed that:

> *"...the [RPT Policy] was pretty well designed and thought through, but there wasn't much evidence of implementation."*

Red flags regarding the effective operation of the RPT Policy

4.27. On a number of occasions, the Company was or should have been put on notice that its RPT Policy was not effective and, more generally, of the importance of complying with its obligations under the listing regime in relation to RPTs. Such red flags included recommendations from Internal Audit, external auditor enquiries and concerns, a retrospective RPT referral and a relevant and timely Final Notice on RPTs published by the FCA, as detailed below at paragraph 4.35.

Internal Audit

4.28. From its listing on 28 June 2011 until September 2012, the Company outsourced its internal audit function to external advisers. From August 2011, the Company identified a need to recruit a Group Head of Audit and Risk to manage the internal function from within the Company and replace the external advisers. Although a target date of 31 December 2011 was initially set, an appointment to this role was not made until October 2012, some ten months later.

4.29. In August 2011, the external advisors given responsibility for the internal audit function completed a Risk Management and Audit Review of the Company and its group. The external advisers identified numerous risks and areas for improvement, and made a number of recommendations to the Company. Among the recommendations in this review, was the need to provide training to key staff throughout the group in order to embed standard processes and to perform a detailed review and testing of the RPT processes in place to capture and identify RPTs across the Company. At meetings on 16 August 2011, the Audit Committee and the Company Board approved and adopted these recommendations. As it

transpired, training to key staff was limited (as described above) and until a Group Head of Audit and Risk was appointed ten months later, a review and testing of the RPT processes was not put in place.

The Company's Auditors

4.30. The Company's Auditors regularly reported to the Company's Audit Committee and the Board. The Auditors identified from as early as August 2011, that limited or incomplete information was available in relation to certain transactions which the Auditors considered should be examined and, if appropriate, re-negotiated. However, as stated above, full information regarding the transactions which the Company characterised as the Other Transactions in its AFR 2012 was still not available at the time that the Company reported the Admitted RPTs to the UKLA in May 2013.

4.31. Between December 2011 and May 2013, on a number of occasions the Company and its Auditors requested information from the Subsidiary in respect of potential related parties, potential related party transactions and the Other Transactions. The information received from the Subsidiary in response to these requests was often delayed, incomplete or inaccurate, such that the Company and its Auditors had to repeat or persist with responses for accurate information. The failure or delay by the Subsidiary in reporting financial information has been described by the Company and its Auditors as resulting from behaviour that ranged from incompetence, to a lack of resources, a lack of quality processes and appropriately skilled finance professionals, to simply uncooperative behaviour on the part of the Subsidiary.

4.32. One consequence of this was that the related party disclosures and the Other Transactions in the Annual Financial Report for the year end 31 December 2011, published on 30 April 2012, had to be restated in the AFR 2012. The Company did not take steps to address the inadequate flow of information from the Subsidiary until after it became aware of alleged financial irregularities in its Indonesian operations.

Other Red Flags

4.33. On 25 March 2012, the Conflicts Committee retrospectively considered a transaction which had already been entered into by the Subsidiary and a Related Party. While the Conflicts Committee on behalf of the Company ultimately concluded that this transaction was in the ordinary course of business and therefore not an RPT, it nonetheless called into question whether the RPT Policy

was being implemented effectively at the Subsidiary. At the same Conflicts Committee meeting, the Conflicts Committee agreed that it should be made clear to the Subsidiary that retrospective approval of RPTs was not considered acceptable. However, it is not clear what further steps were taken to consider the effectiveness of the RPT Policy at that time.

4.34. A Non-Executive Director of the Company during the Relevant Period agreed, during the course of the Authority's investigation, that this retrospectively approved transaction should have been identified by the RPT Policy but that there was a "hole in the process to identify it".

4.35. In June 2012, the Company circulated to the Conflicts Committee and the Subsidiary the Authority's Final Notice in relation to Exillon Energy plc dated 26 April 2012 (the "Exillon Notice") which imposed a penalty for breaches of the LRs in relation to RPTs. The Company noted that this penalty illustrated the need to identify all Related Parties and follow the relevant procedures under the LRs, and demonstrated that the Authority was very serious about all aspects of compliance with the rules. The Company reminded senior management at the Subsidiary that, in relation to transactions requiring approval of the Company Board or any Committee, approval should be sought prior to the transaction being entered into. The Company also included a list of recommendations developed by the Company's external advisers to ensure compliance with the LRs. However, no substantive steps were taken by the Company to review the effectiveness of the RPT Policy or its processes surrounding related party transactions until after September 2012.

The Discovery of Financial Irregularities and Subsequent Company Reviews

4.36. On 24 September 2012, the Company announced that it had become aware of allegations concerning, among other matters, potential financial irregularities in its Indonesian operations. This was one of the events that prompted the Company to take steps to review its transactions and, ultimately, to take remedial action.

Review of historic potential related party transactions

4.37. In particular, from October 2012, the Company's Internal Audit team commenced a review of the effectiveness of the Company's internal controls, including the Company's related party processes. In December 2012, the Internal Audit team also commenced a review of the historic potential related party transactions entered into by the Subsidiary for the purpose of completing the AFR 2012.

4.38. The outcome of the Internal Audit team's review of historic potential related party transactions was formally presented to the Conflicts Committee on 25 March 2013 and it identified a number of potential RPTs which had already been entered into by the Subsidiary. The Internal Audit team's review of historic potential related party transactions formed the basis of the Schedule that was provided to the Company's financial advisers.

4.39. Shortly prior to this, on 17 March 2013, the Company indicated to its financial advisers that it may have failed to comply with its obligations under the LRs and DTRs with regard to historic potential related party transactions. Accordingly, the Schedule was subsequently provided to the Company's financial advisers with a view to identifying which historic potential related party transactions, if any, were (in hindsight) RPTs. The Company's financial advisers concluded that three of the transactions were, in fact, RPTs and accordingly notified the Authority of this by the letter dated 23 May 2013.

Review of the Other Transactions

4.40. By 19 March 2013, as part of its preparation of the AFR 2012, the Company had become aware of material financial irregularities, unverified transactions and unaccounted expenses on the balance sheet of the Subsidiary. At this point, having become aware of these financial irregularities and the historic potential related party transactions, it became clear to the Company that extensive work was required in order to finalise its AFR 2012.

4.41. Consequently, on 19 March 2013 the Company announced that it would defer publishing its AFR 2012 to 24 April 2013. Between March and April 2013, the Company took steps to investigate and substantiate the unverified transactions entered into by the Subsidiary. Ultimately, these transactions were included in the Company's AFR 2012 as the Other Transactions and were described as having no clear business purpose or where the ultimate counterparty or beneficiary was unclear.

4.42. The Company has stated that it was and remains unable to perform a related party analysis in relation to the Other Transactions as the Company either (i) did not know about the transactions in advance of them being entered into, or (ii) the Company did know about them and was unaware of the identity of the ultimate beneficiary or counterparty, but considered the transactions to be in the ordinary course of business and so considered that no further analysis was necessary as to whether they were RPTs.

4.43. The Authority has made no findings regarding the nature of the Other Transactions.

Suspension and Compliance with LPs

4.44. On 17 April 2013, the Authority asked the Company to confirm that it was compliant with LP2 and LP4. On 19 April 2013, the Company requested a suspension of its shares as the publication of the AFR 2012 had become highly unlikely while it took steps to review the integrity of a number of items on the balance sheet of the Subsidiary. At the same time, the Company agreed that it would confirm that it was in compliance with LP2 and LP4 at the point that the Company's shares ceased to be suspended. As a result, the Company's shares were suspended from trading from 22 April 2013.

4.45. Between the suspension of its shares on 22 April 2013 and 8 July 2013, the Company continued to review the integrity of a number of items on the balance sheet of its Subsidiary in order to be able to publish its AFR 2012 and be in a position to provide confirmation that the Company was compliant with LP2 and LP4. The Company's Internal Audit team had already commenced an investigation into the effectiveness of its internal controls, with updates provided to the Audit Committee on 25 March and 17 April 2013. Having been asked by the Authority on 17 April 2013 to confirm that it was in compliance with LP2 and LP4 this review became part of a wider review of the adequacy of the Company's Financial Reporting Procedures (the "FRP Review").

4.46. The FRP Review identified a number of historical issues at the Company and the Subsidiary involving its financial reporting procedures. The FRP Review also described details of the actions taken, or in progress, since December 2012 (in the case of the Company) and March 2013 (in the case of the Subsidiary), by the Company to resolve these historical issues.

4.47. The historical issues identified included:

(1) the Conflicts Committee's ineffectiveness as a result of a failure by the Subsidiary to disclose certain related party transactions;

(2) an informal and ineffective Exco;

(3) a lack of skill, knowledge and organisation within certain members of the senior management at the Subsidiary; and

(4) ineffective processes within the Subsidiary for identifying and recording RPTs.

4.48. The Company published its AFR 2012 on 31 May 2013 and stated that:

> *"Following concerns that its policies were not being fully complied with, the Board, through the Audit Committee, undertook a review of contracts and payments to identify counterparties and the extent of any transactions with related parties. This work concluded that a number of related party transactions had not been disclosed by former directors of PT Berau and that a number of large payments could not be determined as having a clear business purpose."*

4.49. In the AFR 2012, disclosures were made in respect of transactions which the Company characterised as the Other Transactions (where the ultimate counterparty or beneficiary was unclear) to the value of US$157.7 million for 2012 and it restated the position for 2011 at US$67.6 million, amounting to a total of US$225.3 million. Disclosures were also made in relation to related party transactions and this included the three Admitted RPTs amounting to US$12.7 million.

4.50. The AFR 2012 went on to identify priority areas to be addressed in order to enhance controls which included increasing direct exercise of parent company control through Exco, ensuring appropriate resources and skills were more effectively deployed throughout the group, and ensuring that policies and procedures were fully implemented and effective.

4.51. On 8 July 2013, the Company confirmed by letter to the Authority that it considered it was compliant with LP2 and LP4, stating:

> *"Following the replacement of the President Director ... the Board changed the management at Berau, reviewed the organisation structure to increase alignment with Bumi plc and reinforced the application of Group policies and procedures within Berau ... The Board now believes that it is able to meet its obligations pursuant to Listing Principle 2 and Listing Principle 4 and would like to work actively with the FCA so that the suspension can be lifted as soon as possible."*

4.52. The Company's shares were finally restored to trading on 22 July 2013.

4.53. The events leading up to and surrounding the suspension of the Company's shares for a period of three months between 22 April 2012 and 22 July 2013 caused considerable disruption to trading in the Company's shares over an extended period of time. At the time the Company was first listed, its shares were valued at around 1180p per share. Prior to the announcement by the Company on 24 September 2012 regarding the financial irregularities, the closing share price was 195.9p; the closing share price then dropped to 147.6p after the announcement. On 22 April 2013, when the Company announced that it was delaying the publication of its AFR 2012 the closing share price was 259.3p and on returning from suspension the closing share price was 237p.

The Admitted RPTs and related party disclosures

4.54. In its letter to the UKLA dated 23 May 2013, the Company's financial advisers confirmed that, following the Company's various reviews, the Company had discovered three previously unidentified transactions which were RPTs for the purpose of the LRs (namely the Admitted RPTs) and that there had been a breach of the requirements of certain of the LRs in respect of those transactions. The Company's financial advisers confirmed that, on an aggregated basis, it appeared that the Company had breached the requirements of LR11.1.10R by not providing the required confirmations to the UKLA prior to the transactions being entered into and accepted that it had not obtained the advice of a Sponsor in this regard. The Admitted RPTs referred to in the 23 May 2013 letter took place during the Relevant Period and were between the Subsidiary and companies associated with Mr Roeslani ("the Related Companies"), as follows:

(1) an unsecured loan of $7.1 was provided to PT Bukit Mutiara, a subsidiary undertaking of the Recapital group. The Company's review of this transaction found that the interest rate was considered below normal commercial terms ("Admitted RPT 1");

(2) PT AR Jet Asia, a company 50% owned by a 99.5% subsidiary undertaking of the Recapital group, provided private jet hire for use by members of the Subsidiary's senior management, amounting to a cost to the Subsidiary of $1.2m in 2011 and $3.7m in 2012. The Company's review of this transaction found that the majority of the jet's use was not in the ordinary course of business ("Admitted RPT 2"); and

(3) the purchase of a vessel by the Subsidiary from PT Capitalinc Finance, a subsidiary undertaking of the Recapital group, for a total consideration of

$0.7m in 2012. The Company's review of this transaction found that the purchase of this vessel was not in the ordinary course of business ("Admitted RPT 3");

(together the "Admitted RPTs").

4.55. The total value of the Admitted RPTs was US$12,700.000.

4.56. While the Company was able to report that it had breached certain LRs in relation to the Admitted RPTs, it was not able to confirm that all previously unknown RPTs during the Relevant Period had been identified.

Steps Taken by the Company

4.57. During the Relevant Period and subsequently, the Company has taken steps to address its failings with regard to its LP2, LR and DTR obligations, including the following:

(1) the Company, via its Sponsor, referred the Admitted RPTs to the Authority;

(2) the Company made changes to the senior management and Boards of the Company and the Subsidiary and its subsidiaries;

(3) the Company has implemented a wide scale training programme at the Company and the Subsidiary in relation to the RPT policy;

(4) the oversight and control of the Conflicts Committee has been strengthened;

(5) the Exco has been formalised to be more effective; and

(6) the Company has implemented and supported an improved culture within the Subsidiary and its subsidiaries.

5. FAILINGS

5.1. The regulatory provisions relevant to this Final Notice are referred to in Annex A. The Company was, throughout the Relevant Period, a company incorporated in England and Wales with a premium listing of its ordinary shares on the Official List.

5.2. The Company has breached a number of the LRs and the DTRs, namely:

(1) Listing Principle 2;

(2) Listing Rule 11.1.11R;

(3) Listing Rule 11.1.10R;

(4) Listing Rule 8.2.3R; and

(5) Disclosure and Transparency Rule 4.1.3R.

Breach of LP2

5.3. The Company breached LP2 by failing to take reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations as a listed company.

5.4. LR 7.2.2G sets out the areas on which the Authority considers a listed company should place particular emphasis and this includes identifying whether any obligations arise under LR 11 (Related Party Transactions). In reaching the conclusion that the Company has breached LP2, the Authority has considered the factors set out below.

(A) The Company failed to take reasonable steps to manage the increased risk of the occurrence of RPTs

5.5. The Company should have been aware from the outset of the heightened risk of RPTs taking place but did not take sufficient steps to mitigate this risk. In particular, the Company was aware of the following matters.

(1) Given that the Subsidiary was based in Indonesia, its Directors were unfamiliar with the UK listing regime.

(2) The number of potentially connected parties among the founding shareholders, their Indonesian operations and subsidiaries.

(3) The number of Board Directors and Subsidiary Board Directors with senior management or Board positions in other companies in the same industry, and other operations and financial interests in Indonesia.

(4) Past concerns regarding related party transactions.

(B) The Company failed to establish adequate management oversight and control over the Subsidiary in a timely manner

5.6. The Company has acknowledged that during the Relevant Period it failed to establish adequate management oversight and control over the Subsidiary. In particular:

(1) there were significant delays (of approximately 15 months) in attaining the Company's representation on the Board of the Subsidiary and thereby enhancing management oversight of the Subsidiary;

(2) there was an overreliance on senior management at the Subsidiary to implement the RPT Policy;

(3) there was insufficient monitoring by the Company to ensure that the RPT Policy was being implemented across the Subsidiary. Mr Roeslani, as the President Director, circulated a memorandum to the Subsidiary Board in February 2012 (eight months after listing) but, other than that, there was no material confirmation that the RPT Policy had been implemented in practice;

(4) the Conflicts Committee provided limited oversight of the Subsidiary, did not act effectively and met insufficiently often; and

(5) oversight from Exco was similarly limited, initially identifying the RPT Policy as a concern but then taking no steps to address it.

(C) The Company failed to implement the RPT Policy at both the Company and Subsidiary level

5.7. While the Company created and approved an RPT Policy prior to listing, the existence of that RPT policy was not sufficient on its own and it required effective implementation. In a number of ways, the Company's implementation of the RPT Policy was inadequate, including as follows:

(1) There was inadequate training in relation to the RPT Policy. In particular, the Company did not compel the attendance of the Subsidiary's senior management at relevant training sessions, did not take adequate steps to follow up on the non-attendance by senior management at these sessions, did not provide sufficient follow up training and did not keep adequate training records.

(2) The Company relied on its Directors, the Subsidiary's Directors and other senior individuals, including in the Subsidiary's finance team (into whose processes the RPT Policy was intended to be embedded), to identify potential RPTs and report them in accordance with its RPT Policy. But, in providing inadequate training, the Company failed to ensure that these individuals had the requisite knowledge and understanding of their obligations pursuant to the LRs in relation to RPTs.

(3) The Company communicated the RPT Policy to the Subsidiary, for the first time, approximately four months after listing and, as a result, there was delay in approving the RPT Policy at Subsidiary level, with formal approval at Subsidiary Board level only taking place in November 2011, approximately five months after listing. The Company also communicated the process designed to underpin the RPT Policy to the Subsidiary, for the first time, approximately six months after listing and itself approved this process approximately nine months after listing.

(4) The Company did not check the adequacy of the information received from the Subsidiary and failed to maintain an accurate RP List. There was delay in updating the RP List and Related Parties that should have appeared on the RP List for 2011 and 2012, did not appear on the RP list until April 2013, following the Internal Audit team's review of historic potential related party transactions.

(5) The Company only obtained a better understanding of the Subsidiary's historic transactions after appointing a Head of Internal Audit in October 2012 and the subsequent review undertaken by the Internal Audit team of the historic potential related party transactions, commenced some 18 months after listing. The Company has acknowledged that the lack of an in-house Internal Audit function was an impediment and that progress was made more quickly after this appointment.

(6) The Company allocated responsibility for the RPT Policy to the Conflicts Committee which met only seven times during the Relevant Period and whose performance was acknowledged by the Company as not being as effective as it could have been in its Annual Financial Report 2013. Moreover, there was no clear allocation of responsibility or accountability, within the Conflicts Committee or outside it, in relation to consulting a Sponsor on the application of the LRs and DTRs, for applying the class tests and aggregating any RPTs in accordance with the LRs.

(7) The Company had no process in place to review and monitor the financial/transactional information provided by the Subsidiary to the Company both in relation to RPTs and the Other Transactions. Accordingly, the Company was not able to determine whether the appropriate information was being provided to the Conflicts Committee for review and,

ultimately, whether the RPT process was being applied effectively at the Subsidiary.

(8) The failure by the Subsidiary to provide financial/transactional information, both to the Company and its external advisors, should have been addressed by the Company much earlier. By May 2012, the Company was aware of this problem but steps were not taken to address it until after September 2012, following the announcement of financial irregularities and the various reviews which followed.

5.8. The Company has acknowledged that there were problems with the effective implementation of the RPT Policy within the group and that, had its procedures, systems and controls been more effective, the Admitted RPTs would have been identified at an earlier stage.

(D) Summary of LP2 Failings

5.9. The Authority considers that all of the factors above demonstrate a serious failure in the Relevant Period to take reasonable steps to establish and maintain appropriate procedures, systems and controls in breach of LP2. It is not sufficient to have well-drafted policies and committees with detailed terms of reference at a holding company level when those policies are not effectively communicated, implemented and monitored at subsidiary level, where the underlying business of the group is conducted.

5.10. The Company's failure to take reasonable steps to establish and maintain adequate procedures, systems and controls is particularly serious given the number of red flags that should have caused the Company to consider and review its existing procedures. These red flags, individually or collectively, should have put the Company on notice at an earlier stage that its RPT Policy was not being implemented effectively.

5.11. The Authority also considers that the Company's failure to take reasonable steps to establish and maintain adequate procedures, systems and controls contributed to its failure to identify, prevent or take action earlier in connection with the Admitted RPTs, the Sponsor Review Transactions and the Other Transactions.

Specific Listing Rule Breaches

The Admitted RPTs

5.12. As a Non-Executive Director of the Company and the President Director of the Subsidiary when the Admitted RPTs were entered into, Mr Roeslani was a Related Party for the purposes of LR 11.1.4R(2). Mr Roeslani was also the Chairman, Co-Founder, and Co-Chief Executive Officer of the Recapital group. The Recapital group is controlled by Mr Roeslani and the counterparties to the Admitted RPTs were all entities within the Recapital group and, as such, were associates of Mr Roeslani for the purpose of LR 11.1.4R(5). These counterparties were:

- PT Bukit Mutiara (a subsidiary undertaking of the Recapital group and former shareholder of the Company);
- PT AR Jet Asia (50% owned by a 99.5% subsidiary undertaking of the Recapital group); and
- PT Capitalinc Finance (a subsidiary undertaking of the Recapital group).

Individual RPT breaches LR 11.1.10R

5.13. The Company has breached LR 11.1.10R in respect of Admitted RPT 1 and Admitted RPT 2 where, in applying the class tests to these individual transactions as set out at LR 10 Annex 1, each of the percentage ratios is less than 5% but, for one of the class tests (Class Test 3 Consideration test), the percentage ratio exceeds 0.25%.

5.14. In these circumstances, the Company failed before entering into Admitted RPT 1 and Admitted RPT 2 to:

(a) inform the Authority in writing of the details of the proposed transactions;

(b) provide the Authority with written confirmation from an independent adviser acceptable to the Authority that the terms of the proposed transaction were fair and reasonable as far as the shareholders of the Company were concerned; and

(c) undertake in writing to the Authority to include details of the transaction in the Company's next published annual accounts.

in breach of LR 11.1.10R(2)(a)-(c).

Failure to aggregate - LR 11.1.11R

5.15. Further, as each of the Admitted RPTs was a transaction entered into by the Subsidiary with the same Related Party or any its associates for the purposes of LR 11.1.11R(1), within a 12 month period, the Company breached LR 11.1.11R(1) by failing to aggregate all three of the Admitted RPTs.

Admitted RPTs and Sponsor Review Transactions

Failure to obtain the guidance of a Sponsor - LR 8.2.3R

5.16. The Company breached LR 8.2.3R in that, when proposing to enter into the Admitted RPTs and the Sponsor Review Transactions, it failed to obtain the guidance of a Sponsor in order to assess the application of the LRs and the DTRs.

5.17. In the case of the Admitted RPTs and the Sponsor Review Transactions, the Company did not carry out any analysis at the time the transactions were proposed to determine their status as RPTs. Moreover, the Company had sufficient uncertainty as to whether these transactions amounted to RPTs such that it provided the Schedule, containing 33 transactions out of many, to its financial advisers in order to determine retrospectively whether these transactions were RPTs. As it transpired, three of the transactions on the Schedule were, in fact, identified as RPTs (the Admitted RPTs) whereas the remainder were concluded not to be RPTs (the Sponsor Review Transactions). However, as LR 8.2.3R states that a Company must obtain the guidance of a Sponsor when it proposes to enter into any transaction which is or may be an RPT, the Authority considers that the Company breached LR 8.2.3R in respect of both the Admitted RPTs and the Sponsor Review Transactions, notwithstanding that the Company ultimately concluded that the Sponsor Review Transactions were not RPTs.

5.18. The Authority has acknowledged the different impact of the Sponsor Review Transactions compared to that of the Admitted RPTs and, in light of all the circumstances of this case, has not included the Sponsor Review Transactions as the basis for calculation of the penalty; rather it has considered them to represent a factor going to the seriousness of the Company's failings.

5.19. The Sponsor regime is a cornerstone of the UK listing regime. Sponsors provide listed companies with specific expertise, assist them in meeting their obligations under the listing regime, and helping ensure high standards of due diligence for premium listed companies. The UK listing regime has a number of features within

it designed to protect investors and the requirement to consult a Sponsor ensures that all relevant rules are correctly applied. The RPT rules play an important investor protection role. As such, where a Sponsor is not consulted, there is a risk that any subsequent shareholder protections are also not provided. This is precisely what happened in relation to the Admitted RPTs.

Breaches of Disclosure and Transparency Rules

5.20. The Company breached DTR 4.1.3R by failing to publish its AFR 2012 at the latest four months after the end of the financial year. In the event, the Company published its AFR 2012 on 31 May 2013.

6. SANCTION

6.1. The Authority's policy for imposing a financial penalty is set out in Chapter 6 of the Decision Procedures and Penalties Manual ("DEPP"), which is part of the Authority's Handbook. In determining the penalty to be imposed on the Company, the Authority has had regard to Chapter 6 of DEPP as it applied during the Relevant Period.

6.2. The principal purpose of imposing a financial penalty is to promote high standards of regulatory conduct by deterring firms who have breached regulatory requirements from committing further breaches and demonstrating to firms the benefit of compliant behaviour (DEPP 6.1.2G).

6.3. In respect of conduct occurring on or after 6 March 2010, the Authority applies a five step framework to determine the appropriate level of financial penalty. DEPP 6.5A sets out the details of the five step framework that applies in respect of financial penalties imposed on firms.

6.4. The Authority considers that the breaches of LP2, LR 11.1.11R, LR 11.1.10R, LR 8.2.3R and DTR 4.1.3R occurring during the Relevant Period arise from a single course of conduct by the Company. In the particular circumstances of this case, the Authority has concluded that it is appropriate to impose a combined penalty in respect of these breaches.

Step 1: Disgorgement

6.5. Pursuant to DEPP 6.5A.1G, at Step 1 the Authority seeks to deprive a firm of the financial benefit derived directly from the breach. In this case, the Company did not derive any financial benefit from the breaches.

6.6. The Step 1 figure is £0.

Step 2: the Seriousness of the Breach

Appropriate indicator of the seriousness of the breach

6.7. Pursuant to DEPP 6.5A.2G, at Step 2 the Authority determines a figure that reflects the seriousness of the breach. Where the amount of revenue generated by a firm from a particular product line or business area is indicative of the harm or potential harm that the breach may cause, that figure will be based on a percentage of the firm's revenue from the relevant products or business area.

6.8. However, in this case, the Authority considers that the revenue generated by the Company is not an appropriate indicator as the Company's revenue stream did not benefit from the transactions in question. Accordingly, the Authority has determined to use the value of the Admitted RPTs as the relevant indicator. The value of the Admitted RPTs is US$12,700,000 or £8,054,111.

Scale

6.9. In cases where revenue is not the appropriate indicator of the harm or potential harm of the firm's breach, DEPP 6.5A.2G (13) allows the Authority to adopt a scale other than the 0-20% scale prescribed in DEPP 6.5A.2G (3).

6.10. The Authority considers that in using the Admitted RPTs as the relevant indicator, it is not appropriate to use a 0-20% penalty range considering the Admitted RPTs are the impugned transactions. Accordingly, the Authority has used a 0-100% range to ensure the penalty properly reflects the seriousness of the breach.

Level of Seriousness

6.11. The Authority has determined that the breach is a Level 4 breach (75% of the value of the Admitted RPTs) for the following reasons.

(1) The Company's breaches include a breach of LP 2, as well as a range of specific LR and DTR breaches.

(2) The Company's breaches revealed serious and systemic weaknesses in the procedures and internal controls relating to the Company's business.

(3) The Company did not identify the breaches through its own monitoring but was prompted to review its internal position after allegations of financial irregularities were brought to its attention by an external source.

(4) Even after an extended internal review, at the point the Company notified the Authority of the breaches, it was still unable to confirm that all RPTs had been identified and it was not able to confirm the ultimate beneficiaries/counterparties to the Other Transactions including for the purpose of performing a related party analysis.

(5) The behaviour constituting the breaches involved a significant departure from the standards expected of premium-listed companies.

(6) The Company should have been aware that, following the acquisition of its interests in Indonesia, there was an increased risk of the occurrence of RPTs but failed adequately to mitigate that risk.

(7) The Company breached LR 8.2.3R in the context of the Admitted RPTs but also in respect of the Sponsor Review Transactions.

(8) The Company's inadequate systems and controls may have contributed to its inability to identify, prevent and take action earlier in respect of the Other Transactions.

(9) The Company's failure to publish its AFR 2012 within the four month timeframe prescribed by the DTRs gave rise to a risk that investors might make decisions based on incomplete information. Further, it resulted in the shares of the Company being suspended from trading for three months which, in turn, gave rise to the risk of an adverse effect on the orderliness of and confidence in the main market.

6.12. Therefore, the Step 2 figure is 75% of £8,054,111 which is £6,040,583.

Step 3: Mitigating and Aggravating factors

6.13. Pursuant to DEPP 6.5A.3G, at Step 3 the Authority may increase or decrease the amount of the financial penalty arrived at after Step 2 by a percentage to take into account mitigating or aggravating factors.

6.14. The Authority considers that the following factor aggravates the breach.

(1) The Authority published a Final Notice in relation to Exillon dated 26 April 2012, which highlighted relevant concerns in relation to RPTs. Whilst the Company was aware of this Final Notice and took steps to improve its RPT procedures, the Authority considers that these were not carried out

sufficiently quickly and effectively in response to the concerns set out in the Final Notice.

6.15. The Authority acknowledges that the Company has co-operated fully with the investigation and has taken the remedial steps set out above at paragraph 4.57. The Authority however does not consider these steps constitute mitigating factors for the purposes of calculation of the penalty.

6.16. Having taken into account this aggravating factor, the Authority considers that an upward adjustment of 10% should be made to the penalty figure at Step 2.

6.17. The Step 3 figure is therefore £6,644,641.

Step 4: Adjustment for Deterrence

6.18. Pursuant to DEPP 6.5A.4G, if the Authority considers that the figure arrived at after Step 3 is insufficient to deter the firm which committed the breach, or others, from committing further or similar breaches, then the Authority may increase the penalty.

6.19. The Authority considers that the Step 3 figure of £6,644,641 represents a sufficient deterrent to the Company and others, and so has not increased the penalty at Step 4.

6.20. The Step 4 figure is therefore £6,644,641.

Step 5: Settlement Discount

6.21. Pursuant to DEPP 6.5A.5G, if the Authority and the firm on whom a penalty is to be imposed agree the amount of the financial penalty and other terms, DEPP 6.7 provides that the amount of the financial penalty which might otherwise have been payable will be reduced to reflect the stage at which the Authority and the firm reached agreement.

6.22. The Authority and the Company reached agreement at Stage 1 and so a 30% discount applies to the Step 4 figure, reducing it to £4,651,200 (rounded down to the nearest £100).

6.23. The Step 5 figure is £4,651,200.

7. PROCEDURAL MATTERS

Decision maker

7.1. The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.

7.2. This Final Notice is given under, and in accordance with, section 390 of the Act.

Manner of and time for Payment

7.3. The financial penalty must be paid in full by Asia Resource Minerals plc to the Authority by no later than 26 June 2015, 14 days from the date of the Final Notice.

If the financial penalty is not paid

7.4. If all or any of the financial penalty is outstanding on 27 June 2015, the Authority may recover the outstanding amount as a debt owed by Asia Resource Minerals plc and due to the Authority.

Publicity

7.5. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the Authority must publish such information about the matter to which this notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.

7.6. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

7.7. For more information concerning this matter generally, contact Evan Benge (direct line: 020 7066 1660) or Fiona Paddon (direct line: 0207 066 1116) of the Enforcement and Market Oversight Division of the Authority.

Mario Theodosiou

Financial Conduct Authority, Enforcement and Market Oversight Division

Annex A

Relevant Statutory and regulatory provisions as at 28 June 2011

Transactions where a Sponsor's guidance is sought

1.1 LR 8.2.3R2[2] states that:

If a listed company is proposing to enter into a transaction which is, or may be, a related party transaction it must obtain the guidance of a sponsor in order to assess the application of the listing rules and disclosure rules and transparency rules.

Related Party Transactions

1.2 LR 11.1.3R states that:

"*A reference in this chapter:*

(1) to a transaction or arrangement by a listed company includes a transaction or arrangement by its subsidiary undertaking; and

(2) *to a transaction or arrangement is, unless the contrary intention appears, a reference to the entering into of the agreement for the transaction or the entering into of the arrangement."*

1.3 LR 11.1.4R defines a related party as:

(1) *a person who is (or was within the 12 months before the date of the transaction or arrangement) a substantial shareholder; or*

(2) a person who is (or was within the 12 months before the date of the transaction or arrangement) a director or shadow director of the listed company or of any other company which is (and, if he has ceased to be such, was while he was a director or shadow director of such other company) its subsidiary undertaking or parent undertaking or a fellow subsidiary undertaking of its parent undertaking; or

[2] This rule was amended on 31/12/12 as follows: "If a listed company" was amended to "If a company with a premium listing".

(4) a person exercising significant influence; or

(5) an associate of a related party referred to in paragraph (1), (2) or (4).

1.4 LR 11.1.5R3[3] defines a related party transaction as:

(1) a transaction (other than a transaction of a revenue nature in the ordinary course of business) between a listed company and a related party; or

(2) an arrangement pursuant to which a listed company and a related party each invests in, or provides finance to, another undertaking or asset; or

(3) any other similar transaction or arrangement (other than a transaction of a revenue nature in the ordinary course of business) between a listed company and any other person the purpose and effect of which is to benefit a related party.

1.5 LR 11.1.10R[4] states that:

(1) This rule applies to a related party transaction if each of the percentage ratios is less than 5%, but one or more of the percentage ratios exceeds 0.25%.

(2) Where this rule applies, LR 11.1.7 R does not apply but instead the listed company must before entering into the transaction or arrangement (as the case may be):

(a) inform the [Authority] in writing of the details of the proposed transaction or arrangement;

(b) provide the [Authority] with written confirmation from an independent adviser acceptable to the FSA that the terms of the proposed transaction or arrangement with the related party are fair and reasonable as far as the shareholders of the listed company are concerned; and

[3] 11.1.5R (1) and (3) was amended on 31/12/12 as follows: the words "of a revenue nature" were deleted.
[4] LR 11.1.10R(2)(b) was amended on 31/12/2012 as follows: "an independent adviser acceptable to the FSA" was amended to "a sponsor".

(c) undertake in writing to the [Authority] to include details of the transaction or arrangement in the listed company's next published annual accounts, including, if relevant, the identity of the related party, the value of the consideration for the transaction or arrangement and all other relevant circumstances.

1.6 LR 11.1.11R states that:

(1) If a listed company enters into transactions or arrangements with the same related party (and any of its associates) in any 12 month period and the transactions or arrangements have not been approved by shareholders the transactions or arrangements must be aggregated.[5]

(2) If any percentage ratio is 5% or more for the aggregated transactions or arrangements, the listed company must comply with LR 11.1.7 R in respect of the latest transaction or arrangement.

Note: LR 13.6.1R (8) requires details of each of the transactions or arrangements being aggregated to be included in the circular.

(3) If transactions or arrangements that are small transactions under LR 11 Annex 1 paragraph 1 are aggregated under paragraph (1) of this rule and for the aggregated small transactions each of the percentage ratios is less than 5%, but one or more of the percentage ratios exceeds 0.25%, the listed company must comply with:

(a) LR 11.1.10R (2)(b) in respect of the latest small transaction; and

(b) LR 11.1.10R (2)(a) and LR 11.1.10R (2)(c) in respect of the aggregated small transactions

<u>The Class Tests</u>

1.7 LR Chapter 10 provides a framework for calculating the significance of transactions entered into by listed companies. A transaction is classified by

[5] LR11.1.11R (1) was amended on 01/10/12 as follows: If a listed company enters into transactions or arrangements with the same related party (and any of its associates) in any 12 month period and the transactions or arrangements have not been approved by shareholders the transactions or arrangements, including transactions or arrangements falling under LR 11.1.10 R, or small related party transactions under LR 11 Annex 1.1R (1), must be aggregated.

assessing its size relative to that of the listed company proposing to make it. The comparison of size is made by using the percentage ratios result from applying the Class Test calculations to the transaction. The Class Tests are set out in LR 10 Annex 1.

Disclosure and Transparency Rules

1.8 DTR 4.1.3R states that:

An issuer must make public its annual financial report at the latest four months after the end of each financial year.

The Listing Principles

1.9 Listing Principle 2 states that:

A listed company must take reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations.

Guidance on Principle 2

1.10 LR 7.2.2G states that:

Principle 2 is intended to ensure that listed companies have adequate procedures, systems and controls to enable them to comply with their obligations under the listing rules and disclosure rules and transparency rules. In particular, the [Authority] considers that listed companies should place particular emphasis on ensuring that they have adequate procedures, systems and controls in relation to:

(1) identifying whether any obligations arise under LR 10 (Significant transactions) and LR 11 (Related party transactions); and

(2) the timely and accurate disclosure of information to the market.

Disciplinary Powers

Section 91 of the Financial Services and Markets Act 2000 provides that if the Authority considers that an issuer of securities has contravened any provision of the LRs, it may impose a penalty of such amount as it considers appropriate.