

2018

Annual Report & Financial Statements

ANNUAL REPORT

For the year ended 31 December 2018



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COMPANIES HOUSE

M.P. Evans
GROUP PLC



CONTENTS

- 1 Group financial highlights
- 2 Chairman's statement
- 6 Operational highlights and map
- 8 The Group's business model
- 10 The palm-oil market

STRATEGIC REPORT

- 13 Strategy
- 14 Results and financial position
- 16 Operations: Indonesian palm oil
- 24 Operations: Malaysian property
- 26 Risk management

SUSTAINABILITY

- 31 Approach
- 33 Zero waste and zero burning
- 34 Communities
- 35 Conservation and new land

REPORT OF THE DIRECTORS

- 36 Board of directors
- 41 Corporate governance
- 46 Directors' remuneration report

FINANCIAL STATEMENTS

- 50 Independent auditors' report
- 58 Consolidated income statement
- 60 Consolidated balance sheet
- 62 Consolidated cash-flow statement
- 63 Notes to the consolidated accounts

PARENT COMPANY

- 84 Parent-Company balance sheet
- 86 Notes to the parent-Company accounts

OTHER INFORMATION

- 90 Subsidiary and associated undertakings
- 91 Analysis of Indonesian plantation land areas
- 92 Analysis of Group equity value
- 93 Five-year summary
- 94 Notice and venue of meeting
- 96 Officers, professional advisers & representatives

M.P. Evans aspires to the quality of its output and management of its plantations being regarded as a reference point for the industry.

" A record year for production of crude palm oil, which increased by 25%, but even this combined with falling costs could not outweigh a year of significantly lower palm-oil prices so profit for the year fell to US\$7.2 million."

Peter Hadsley-Chaplin

→ Read more in the Chairman's statement on pages 2 to 4

→ Read more on the Group's commitment to sustainability on pages 30 to 35



GROUP FINANCIAL HIGHLIGHTS

-7%
REVENUE

2018
US\$ 108.6m
2017 US\$ 116.5m

-27%
GROSS PROFIT

2018
US\$ 26.5m
2017 US\$ 36.2m

-43%
OPERATING
PROFIT

2018
US\$ 19.5m
2017 US\$ 34.0m

-74%
CONTINUING
PROFIT
FOR THE YEAR

2018
US\$ 7.2m
2017 US\$ 27.0m

-4%
TOTAL EQUITY

2018
US\$ 401.0m
2017 US\$ 417.0m

-38%
OPERATING
CASH
GENERATED

2018
US\$ 25.6m
2017 US\$ 41.2m

-76%
CONTINUING
BASIC EARNINGS
PER SHARE

2018
9.9 US cents
2017 41.8 US cents

-0%
NORMAL
DIVIDEND
PER SHARE

2018
17.75 pence
2017 17.75 pence



Profit for the year US\$7.2 million (2017 US\$95.0 million, including US\$68.0 million profit on sale of share in Agro Muko joint venture)



Operating profit US\$19.5 million after uncrystallised foreign exchange loss of US\$4.1 million



Continuing EPS 9.9 US cents (2017 – 41.8 US cents)



Proposed to maintain **final dividend at 12.75p per share**



CHAIRMAN'S STATEMENT

By the end of 2023 the Group plans to have six mills in operation where, little more than ten years earlier, it had only a single mill.

STRATEGIC DEVELOPMENTS

The Group has become well established as a producer of sustainable Indonesian palm oil. During 2018, the Group continued to consolidate its position in line with its strategy of controlling all its operations and wherever possible milling its own crop of fresh fruit bunches ("ffb"). The Group already has three mills: at Pangkatan, Bangka and in Kota Bangun, which are all certified by the Roundtable on Sustainable Palm Oil ("RSPO"). A second mill in Kota Bangun is being constructed and is expected to go into operation at the end of 2020. It will be followed by new mills at Bumi Mas and Musi Rawas, so that by the end of 2023 the Group plans to have six mills in operation where, little more than ten years earlier, it had only a single mill at Pangkatan. In this way the Group is extracting the best possible returns from its land and oil-palm plantings, increasing value for shareholders.

The Group's strategy of controlling all its operations means it is best able to draw on its excellent operational management team, with a proven track record of developing and improving estates in the most effective, productive and sustainable way. A strong balance sheet enables the Group to maintain its planned programme of investment in development projects

notwithstanding a cyclical fall in the price of crude palm oil ("CPO"). The need to build roads, permanent housing and water-management infrastructure, quite apart from the construction of mills, represents a significant commitment for a number of years after the palms in its new projects are planted. A strong balance sheet also allows the Group to acquire incremental hectareage for planting around its existing projects, or to provide working capital loans to support the creation or extension of smallholder co-operative areas attached to its own hectareage.

RESULTS

Whilst 2018 marked another record year for crops and production, profit was lower than in 2017 in the face of a weak CPO price, especially during the second half of the year. Operating profit was US\$19.5 million compared with US\$34.0 million in the previous year, as lower operating costs per tonne of production were not enough to outweigh the reduction in the price of CPO. Furthermore, the Group incurred both a deferred-tax charge and a translational foreign-exchange loss in the year. Additionally, there was no repeat in 2018 of the US\$68.0 million profit recorded in 2017 on selling the Group's Agro Muko palm-oil joint venture. Overall, profit for the year fell to US\$7.2 million (2017 – US\$95.0 million).



The Group's crops increased by 32% in 2018; by 48% on the smallholder areas attached to its new projects. This maintained the momentum experienced during the first half of the year as the Group increased the areas of palms being harvested and its existing areas continued to mature, giving rise to higher yields. The increase in crops was concentrated in the newer estates at Kota Bangun and Bangka. The latter in particular had a very strong year, with crops increasing by 48% in the Group's area and 41% in the associated smallholder co-operatives. The Group also benefitted from the crop harvested at Bumi Mas, the estate in East Kalimantan acquired in December 2017, and the first full year of harvesting at Musi Rawas in South Sumatra. Allowing for a small fall in ffb bought from third parties, the Group processed 27% more crop than in the previous year.

The average price of CPO in 2018 was US\$598 per tonne, 16% lower than the US\$714 in 2017. The fall in price was concentrated during the second half of the year as a widespread surge in production of CPO coincided with plentiful supplies of competing vegetable oils. This led to a significant build-up of CPO stocks and downward pressure on prices. Despite measures introduced by Indonesia to stimulate the production of domestic biofuel using palm oil, year-end world stocks of palm oil reached a record level of 15.1 million tonnes. However, the price of CPO had reached a low point of US\$440 per tonne in the middle of November before climbing strongly to finish the year at US\$508 per tonne. The price of palm-kernel oil, and hence that of palm kernels which the Group sells, experienced similar pressures but without the mitigating use of the oil as a feedstock for

biofuel production. As a result, the price received by the Group for palm kernels in 2018 fell by 28% compared with the previous year.

DIVIDEND

An interim dividend of 5.00p per share (2017 – 5.00p per share) was paid on 2 November 2018. No special dividend was paid in 2018 (2017 – 10.00p per share) but the board is recommending a final dividend of 12.75p per share (2017 – 12.75p per share). This maintains dividends for the year in respect of normal operations at 17.75p per share.

Whilst, most unusually, the proposed dividend for the year is not covered by earnings, the board proposes this year to maintain its long-standing policy of a progressive dividend given the strong increase in crop and production projected over the coming years. The board's intention continues to be, where possible, to maintain or increase its normal dividend in future years. It believes the anticipated increase in yield from its young plantations and the acquisition of Bumi Mas provide a basis for sustained future crop growth and, hence, enhanced dividends.

OPERATIONAL DEVELOPMENTS

The Group continues to make good progress in planting its development area at Musi Rawas in South Sumatra, where areas, largely of old rubber, are being replanted to oil palm. The Group planted 2,100 hectares during the year, of which 1,500 hectares were for itself and 600 for its associated smallholder co-operatives. At the end of the year, a total of 7,300 hectares had been planted. Planting in Kota Bangun and Bangka is now substantively complete, although the Group will continue to invest in

incremental hectareage where this becomes available. The accelerated replanting programme in North Sumatra referred to in previous reports continued at a good pace as it approaches its expected completion in 2022. At the end of 2018, the Group's share of its subsidiaries' planted areas stood at 34,200 hectares.

At the beginning of 2018, the Group took operational control of the estate at Bumi Mas acquired at the end of December 2017. There was some disruption to production of ffb during the first half of the year as the Group's management introduced its high agronomic and operating standards. However, production strengthened during the second half of the year. The board believes the plantings in Bumi Mas have excellent potential which will be fulfilled once the estate is fully brought up to Group standards over the next 12 months or so. A significant investment in workers' housing and roads was made during the year, and this programme of investment will continue, not least with a tender process for the construction of a mill expected to begin before the end of 2019. This estate is expected quickly to contribute to the anticipated acceleration of future growth in Group crops, currently led by its existing young projects in Bangka and at Kota Bangun.

The Group continues to perform well in comparison with its peers regarding extraction rates. Overall, the Group achieved an extraction rate of 23.5% compared with 23.6% in the previous year. Whilst there was a small improvement in extraction rates in the Pangkatan and Bangka mills, there was a fall in the extraction at Kota Bangun



CHAIRMAN'S STATEMENT continued

from 24.7% in 2017 to 23.9% in 2018. This came about since the Group's single mill in Kota Bangun had to work at a very high level of capacity utilisation in order to process the surging crop in this area through the middle of 2018. This resulted in longer maintenance intervals which in turn made itself felt in lower extraction rates. Once the peak crop had passed, the backlog of maintenance work was done and, by the end of 2018, extraction rates had returned to levels experienced in 2017. This improvement is expected to persist in 2019. The availability of a second mill in this area during 2020 will allow the Group to maintain high extraction rates, even at times of unusually high crop.

A RECORD YEAR FOR CROP ALSO MEANT A RECORD YEAR FOR GROUP CPO PRODUCTION WHICH ROSE BY 25% TO REACH 192,500 TONNES.

Ffb processed in the Group's own mills represented 90% of this total, with the balance comprising ffb milled under contract by third parties, including at Musi Rawas and Bumi Mas where the Group does not yet have its own mills. During 2018, the Group was able to continue purchasing significant quantities of ffb from third-party smallholders, particularly in Bangka, albeit at a slightly lower level than in 2017.

GROUP VALUATION

Continuing development of the Group's Indonesian plantations, notably at Musi Rawas, has produced a small increase in the total US Dollar value during the year. With the benefit of a small increase in the US Dollar:sterling exchange rate, the Group's equity valuation rose by 3% to £11.33 per share.

PROSPECTS

Crops are expected to continue rising until at least 2028. This is without assuming more than planting out the relatively small remaining areas for which the Group already has permissions, mainly at Musi Rawas in South Sumatra. The average age of the palms on the Group's plantations and associated smallholder areas is only seven years, which signals the tremendous capacity for crops to increase as the palms mature.

The year 2018 was not only a record year for world palm-oil production, but one in which other vegetable oils were in plentiful supply. This inevitably led to a large increase in stocks of crude palm oil and hence downward pressure on prices. However, the growth in palm-oil production is expected to slow in 2019 and any increase in consumption would quickly lead to a reduction in stocks and a strengthening price for CPO. In the longer term, insufficient levels of replanting in Malaysia and a reduction in new Indonesian planting are likely to curb growth in production. The board remains of the view that palm oil is well placed to benefit from rising global demand for vegetable oil and, therefore, that the outlook remains positive.

ACKNOWLEDGEMENTS

I should like to put on record the board's thanks to the Group's managers, staff and workers in all our operations for their dedication and hard work during a challenging year in which they have continued to build up our operations to deliver consistent growth.

Peter Hadsley-Chaplin
Chairman

2 April 2019



OUR VALUES



INTEGRITY

The Group is a reliable partner and employer with a reputation for keeping its word and not tolerating any form of bribery or corruption.



TEAMWORK

We are open about our challenges and solve them together.



EXCELLENCE

The Group aspires to the quality of its output and management of its plantations being a reference point for the industry.

OPERATIONAL HIGHLIGHTS

INDONESIAN PALM OIL

- Group crops increased 32% to 573,000 tonnes
- Costs down by 14% to US\$320 per tonne of palm product including depreciation and regional overheads
- Group's high agronomic standards introduced at Bumi Mas, acquired in December 2017
- Record production of crude palm oil: up 25% to 192,500 tonnes
- 77% of Group production certified sustainable
- Mill-building programme continuing in Kota Bangun, East Kalimantan
- New planting of 1,500 hectares for Group; 600 for smallholders
- Investment to supply bio-electricity to Indonesian grid in East Kalimantan

MALAYSIAN PROPERTY

- Fewer finished properties sold as Malaysian property market slowed down

M.P. EVANS GROUP PLC

- Net current assets of US\$43.0 million at 31 December 2018
- Group equity value of £11.33 per share at 31 December 2018

1. PANGKATAN GROUP

7,400 hectares

Group planted area: 7,000 hectares

Grouping of three estates (Pangkalan, Bilah, Sennah) whose fruit is processed in a 40-tonne mill built on Pangkatan in 2005. Combination of a long-established, mature (ex-rubber) oil-palm estate (Pangkalan), and land acquired or planted over the last 30 years (Bilah and Sennah).

5. MUSI RAWAS

10,000 hectares

Group planted area: 5,200 hectares

Smallholder co-operatives planted area: 2,100 hectares

Located in South Sumatra near the town of Lubuk Linggau, the project was started in 2012. Much had previously been planted with smallholders' rubber, which had been abandoned. The Group began planting oil palm at the end of 2014, and harvesting started in 2017.

6. KOTA BANGUN

16,000 hectares

Group planted area: 10,500 hectares

Smallholder co-operatives planted area: 4,600 hectares

Located in East Kalimantan, close to Kota Bangun and next to the Mahakam River, the land was acquired in 2006. The first areas planted started production during 2010; a 60-tonne mill was commissioned in December 2012, and a second mill will be commissioned in 2020.



2. KERASAAN

Planted area: 2,300 hectares

Group minority share: 38%

Mature (ex-rubber) oil-palm estate near the town of Pematangsiantar in North Sumatra. Fresh fruit bunches are processed in the neighbouring Bukit Marajah mill, owned by the SIPEF Group - also the majority shareholder in Kerasaan.

3. SIMPANG KIRI

2,600 hectares

Group planted area: 2,400 hectares

Mature oil-palm estate in the province of Aceh, near the border with North Sumatra, which was acquired in the early 1980s. Fresh fruit bunches are processed in a nearby third-party mill.

4. BANGKA

10,000 hectares

Group planted area: 6,100 hectares

Smallholder co-operatives planted area: 3,900 hectares

Located on the island of Bangka, the land was acquired in 2005. The first areas planted started production during 2009. A 45-tonne mill with composting facility and biogas plant was commissioned in May 2016.

7. BUMI MAS

10,000 hectares

Group planted area: 7,500 hectares

Smallholder co-operatives planted area: 1,400 hectares

Located in East Kalimantan, north-east of Sangatta next to the Manubar River. The land was acquired in 2017. It was largely planted in 2012-14, with the first harvesting taking place during 2015.

8. BERTAM PROPERTIES AND BERTAM ESTATE

Bertam Properties: 280 hectares (Group minority share: 40%)

Bertam Estate: 70 hectares

This land was previously the Group's Bertam Estate, most of which was sold into a joint venture, Bertam Properties, with two Malaysian partners. Starting in 1992, the area has been developed into a new township. The remaining developable land amounts to 179 hectares. Both Bertam Estate and Bertam Properties have significant value as property-development land.



THE GROUP'S BUSINESS MODEL

Producing sustainable Indonesian palm oil to deliver strong results and growing returns for shareholders.

OUR MAIN RESOURCES

PLANTATION LAND

The Group's plantation land is used to grow oil palms and harvest them to the fullest extent.

38,700

HECTARES OF GROUP
OIL PALM

RELATIONSHIPS WITH COMMUNITIES

The Group engages with the local communities living on and near its operations and manages superlative smallholder schemes on their behalf.

12,000

HECTARES OF SMALLHOLDER
OIL PALM

PEOPLE

The Group has over 5,000 employees, including 190 agronomic staff, 80 engineers and more than 3,500 harvesters.

5,300

EMPLOYEES

STABLE FUNDING

The Group has a robust capital structure with a market capitalisation of more than US\$470 million*, cash of US\$22 million and low levels of debt.

1%

NET GEARING

*Based on a share price of 679p on 31 December 2018.

OUTCOMES

SUSTAINABLE PRODUCTION

77%

CERTIFIED SUSTAINABLE



HOW WE OPERATE

PROMOTE A PHILOSOPHY OF ZERO WASTE

The Group turns its empty bunches into compost and generates electricity from methane collected from mill effluent. It establishes and maintains conservation areas and strictly adheres to environmental standards.

FOCUS ON OUR STRENGTH AS A PRODUCER OF SUSTAINABLE INDONESIAN PALM OIL

The Group builds shareholder returns by exploiting the Group's strengths as an efficient producer of sustainable Indonesian palm oil to generate increasing crop, production and revenues.

DO A THOUSAND SMALL THINGS WELL, REPEATEDLY

Even our most senior agronomic managers are resident in our operations, controlling a system of supervision and support that focuses on high agronomic and engineering standards. Staff in Jakarta and the UK are frequent visitors to the operations.



CONTROL OUR OPERATIONS

The Group makes the most of its mature areas and maximises the potential of new areas by being in control of its operations. It makes use of the expertise concentrated in its Jakarta regional office.

MAKE SMALLHOLDER CO-OPERATIVES A SUCCESS

The Group treats its smallholder co-operatives equally, planting, maintaining and harvesting land to the same standard as its own areas. As a result, smallholders own a valuable asset and identify their own success with the Group's success.

MAINTAIN STRONGLY INCREASING CROP

Having young plantations underpins strong projected crop growth to the end of the 2020s because of the way oil palms increase yield as they mature. New planting or acquisition of young estates helps keep the average age low.

GROWING PRODUCTION

192,500

TONNES OF
CRUDE PALM OIL

LOW AND FALLING COSTS

US\$ 320

PER TONNE OWN
PALM PRODUCT

IMPROVING RETURNS, RISING DIVIDENDS

17.75P

TOTAL DIVIDEND
FOR 2018

THE PALM-OIL MARKET

In 2018, the world produced more than 75 million tonnes of crude palm oil ("CPO"), a new record for production. Record production was combined with little growth in overall demand for imports of CPO. This led to a pronounced increase in CPO stock levels and hence downward pressure on its price, notably during the second half of the year.

In Indonesia, the 2017 rebound in global production following the end of an El Niño weather pattern continued into 2018: output increased by 11% in 2018. This was counterbalanced to some extent in Malaysia, the other major palm-oil producer, where increasing average palm age and difficulty in attracting workers to the industry affected output. Whilst Indonesian production increased by 4.2 million tonnes in 2018, in Malaysia it fell by 0.4 million tonnes. At the same time, whilst global growth in vegetable oil consumption grew by

4.5% in 2018, competing vegetable oils were in plentiful supply. The ready availability of competing oils affected import demand for CPO in India and the European Union, although this was more than offset by increasing demand in China, amongst others. Overall, there was only a modest increase in the total volume of CPO traded during the year. Towards the end of the year, the Indonesian government introduced measures to increase the uptake of biofuel, stimulating demand for CPO. In summary, however, the rise in production dominated the other factors leading to an increase in world CPO stocks at the year end. These reached 15.1 million tonnes, also a record level.

At the beginning of 2018, the price of CPO was US\$674 per tonne (cif Rotterdam). Whilst the average price of CPO during the first half of 2018 was only a little lower than

this at US\$663 per tonne, the price had begun to fall before the end of May. It fell very steadily from that time before reaching a low point of US\$440 per tonne in the middle of November, but then recovering to US\$508 by the end of 2018. Over the year as a whole, the CPO price averaged US\$598 per tonne, US\$116 per tonne (16%) lower than the average of US\$714 in 2017.

The production increase in CPO was mirrored in the production of palm-kernel oil. This increase in supply was exacerbated by a surge in production of its main competitor, coconut oil, leading to sharp downward pressure on the price. Unlike CPO, palm-kernel oil did not benefit from the introduction of the measures in Indonesia to increase consumption of biofuel. At the end of 2018, world palm-kernel oil stocks were 1.3 million tonnes, some 27% higher than a year earlier.

CRUDE PALM-OIL PRICE



**WORLD CONSUMPTION
OF PALM OIL DURING
2018 ROSE BY 7% TO
70 MILLION TONNES.**

**MAIN PRODUCERS
OF PALM OIL
2018**

**MAIN CONSUMERS
OF PALM OIL
2018**



STRATEGY

The Group's strategy is to maintain steady expansion of its majority-owned Indonesian palm-oil areas in a sustainable and cost-effective manner.

The Group's principal activity is the ownership, management and development of sustainable oil-palm estates in Indonesia, together with the management and development of smallholder areas attached to those estates. The Group's strategy is to expand its principal activity and maintain a steady rate of growth in crops and in planted hectareage controlled by it. Majority control enables the Group to deploy its operational expertise to greatest effect with the aim of generating better returns to shareholders through a sustained increase in dividends. It designs its procedures to address the risks of operating in Indonesia. The Group has confidence in both the palm-oil sector and Indonesia as an area of operation to provide a basis for successfully delivering its strategy.

The total planted area of the Group's majority-held Indonesian operations extends to approximately 38,700 hectares. The smallholder areas adjoining the new projects amount to 12,000 planted hectares. The estimated unplanted land bank is some 1,800 hectares on the Group's estates and some 900 hectares on the adjoining smallholder areas managed by the Group, at Musi Rawas in South Sumatra. It is the board's aim for these areas to be planted as rapidly as the availability of environmentally-suitable land permits. When fully planted, and without taking account of any future

acquisitions, the combined Group and smallholder areas are expected to reach 53,000 hectares. In addition, the Group owns a 38% share of the 2,300-hectare Kerasaan estate in North Sumatra which, in line with its strategy, could potentially be sold to finance the expansion of majority-held areas.

In addition to the expenditure on new planting, the Group will invest in three new mills; at Kota Bangun, Bumi Mas and Musi Rawas, to take maximum advantage of the rapidly-increasing crop in the areas planted since 2005. Substantial further investment is being made into infrastructure in these areas, such as housing for staff and workers, estate-road networks, power and water distribution as well as workshops, stores and administrative offices. The Group seeks continually to maintain and improve agronomic standards and productivity on its estates, including investment to manage both excessive rainfall and dry spells, with the objective of increasing crops of fresh fruit bunches ("ffb") and production of crude palm oil ("CPO"). In addition, it has ambitions in the medium term to add to its portfolio of estates to maintain its ability to increase crop and future profits.

The Group is exploring the acquisition of new land. In Kota Bangun, East Kalimantan, the board is actively engaged in extending the Group's areas from the currently-

planted 15,100 hectares to bring the project to the equivalent of two 10,000-hectare units. Its experience is that 10,000 hectares of oil palm with a mill able to process 60 tonnes of ffb per hour provides a unit, which is both big enough to provide economies of scale in production and administration, and small enough to allow the careful scrutiny by field management needed to maintain high standards. The Group's projects in Bangka, Bumi Mas and Musi Rawas, including smallholder areas, are of this size. Following the acquisition of a 51% share in 600 hectares of potentially plantable land close to one of its Kota Bangun divisions, further areas are being assessed for prospective acquisition.

In Malaysia, the Group owns a small area of productive oil-palm land with property-development potential, as well as a significant minority share of a property-development company. In retaining these assets, the Group is maximising the opportunity to share in any ongoing increase in the value of property-development land in Malaysia. However, one, other or both could be sold to finance the Group's strategic expansion of its Indonesian oil-palm hectareage. It is the Group's long-term intention to dispose of its property-development assets in order to fund the acquisition or development of oil-palm estates in Indonesia and so, in consequence, to exit from Malaysia.

STRATEGIC REPORT continued

RESULTS & FINANCIAL POSITION

REVENUE AND GROSS PROFIT

The Group's revenue for 2018 was US\$108.6 million, 7% lower than the US\$116.5 million achieved in 2017. Production of CPO and palm kernels increased by 25% and 30% respectively in the year, as shown on page 18. The fall in revenue was principally due to average sales prices for CPO and palm kernels falling by 17% and 28% respectively, as discussed in the section on mill-gate price on page 21. Revenue was also affected by an increase in inventory of finished products during the year.

The Group's cost of production per tonne of palm product (a combined measure for CPO and palm kernels) for its own mills fell significantly in the year, both for the Group's own ffb and when including ffb purchased from smallholders and third parties. Further details are in the costs section on page 20. As a result, the Group achieved a gross margin of US\$164 (2017 US\$190) per tonne on sales of CPO from its own mills during the year. In addition, the Group incurred expected losses during the development phase of its projects at both Musi Rawas and Bumi Mas.

Allowing for all of the above, the Group's gross profit was US\$26.5 million, 27% lower than the US\$36.2 million for 2017.

FOREIGN EXCHANGE LOSSES

During 2018, the Indonesian Rupiah weakened by approximately 6% against the US Dollar. The Group holds monetary assets denominated in Rupiah: operating cash, other receivables, and receivables from its associated smallholder co-operatives, as described in note 20 to the financial statements on page 75. A foreign-exchange loss of US\$4.1 million arose during the year on the retranslation of these balances.

TAXATION

The Group tax charge for the year was US\$12.7 million (2017 US\$11.2 million). The Group's effective tax rate was higher than the standard tax rate mainly due to the elimination of deferred tax assets amounting to US\$7.0 million in Indonesia which could no longer be carried forward under local tax rules.

ASSOCIATED COMPANIES

Indonesia

The Group's Indonesian associate, PT Kerasaan Indonesia, (38% owned) contributed US\$0.9 million (2017 US\$1.2 million) to Group profit in the year, and the Group received dividends of US\$0.4 million (2017 US\$0.4 million).

Malaysia

The Group's Malaysian associate, Bertam Properties Sdn Berhad, (40% owned) contributed US\$0.6 million (2017 US\$2.0 million) to Group profit in the year, and the Group received dividends of US\$1.2 million (2017 US\$1.9 million).

PROFIT FOR THE YEAR

As a result of the above, the Group's profit for the year was US\$7.2 million (2017 US\$95.0 million, including US\$68.0 million profit on the sale of the Group's share in the Agro Muko joint venture).

NET ASSETS AND BORROWING

At the end of the year, the Group's net assets were US\$401.0 million (2017 US\$417.0 million). Current assets exceeded current liabilities by US\$43.0 million (2017 US\$92.4 million). The decrease in net current assets was principally as a result of the Group making the final payment due for the acquisition of Bumi Mas.

At the end of the year, the Group had cash and liquid resources of US\$24.1 million (2017 US\$120.8 million). The Group utilised US\$80.0 million on investing activities including finalising the Bumi Mas acquisition in early 2018, and capital expenditure during the year of US\$31.9 million. It had a cash outflow of US\$28.2 million on financing activities, including total dividends paid of US\$20.8 million.

At the year end, net debt was US\$5.9 million (2017 net funds of US\$81.4 million) resulting in net gearing of 1% (2017 nil); gross gearing was 7% (2017 – 8%). During the year, in view of the substantial planned capital investment programme, and to allow capacity for new acquisitions, the Group agreed a new finance facility of up to US\$120 million.



GROSS PROFIT

-27%

REVENUE

-7%

**CRUDE PALM OIL
PRODUCTION**

+25%

**PALM KERNEL
PRODUCTION**

+30%



OPERATIONS: INDONESIAN PALM OIL

CROPS

The rebound in crops experienced during 2017 continued in 2018 with the return to a more normal pattern of rainfall following the end of the 2015-16 El Niño weather phenomenon. This was enhanced by higher yield from the Group's maturing palms, the addition of hectareage at Bumi Mas, and an increase in hectareage under harvesting. Mature hectareage increased by more than 4,700 hectares during 2018 for the Group and its associated smallholder co-operatives. Crop grew strongly in all the Group's areas. In Kota Bangun, the pace of crop growth increased during the second half of the year as a male-flowering phase in the palms, a last reminder of the 2015-16 El Niño, came to an end. In Bangka, the extraordinary crop growth seen during the first half of 2018 persisted until nearly the end of the year.

As in previous years, Group and smallholder crops were supplemented by significant purchases of ffb from third parties, notably in Bangka. Here, the Group's newest mill still has spare capacity whilst the Group's own plantings continue to mature and so currently yield less than the levels that will be attained in time. The Group has continued to make profitable use of this spare capacity by purchasing crop from outside suppliers. This was at a slightly lower level than in 2017 following the commissioning of another mill in the vicinity which began competing to purchase ffb from third-party smallholders. In Kota Bangun, high levels of crop from the Group and associated smallholder co-operative areas during the middle of the year left no spare capacity to buy outside crop. Taking into account purchases



CROP

	2018 TONNES	INCREASE/ (DECREASE) %	2017 TONNES
Own crops			
Kota Bangun	200,400	36	147,600
Bangka	133,500	48	90,200
Pangkalan group	161,100	2	157,400
Bumi Mas	38,700	—	—
Musi Rawas	4,700	1,075	400
Simpang Kiri	34,600	(11)	38,900
	573,000	32	434,500
Smallholder co-operative crops			
Kota Bangun	84,600	40	60,500
Bangka	57,700	41	40,800
Bumi Mas	5,700	—	—
Musi Rawas	1,600	—	—
	149,600	48	101,300
Outside crop purchased			
Kota Bangun	13,500	(20)	16,800
Bangka	81,000	(5)	85,400
Pangkalan group	12,000	(25)	16,100
	106,500	(10)	118,300
TOTAL CROP	829,100	27	654,100

of outside ffb, total crop processed by the Group rose by 27% to 829,000 tonnes.

As expected, the unusual combination of conditions at Kota Bangun that held back the Group's crop in 2017 did not persist into 2018. Crop in this area increased by 36% compared to 2017. The burgeoning productivity of the palms put pressure on the estates' harvesters and the availability of transport to take the crop from the field to the mill. The Group has continued to invest in harvester and worker housing, and to improve the network of roads on the estate to ensure it is well placed to maximise the yield from this maturing area.

During 2018, water in the southern part of the estate was not able to flow freely through the estate to the nearby Mahakam river, causing persistent low-level flooding in some fields. This hampered the Group's ability to fertilise the palms properly, gain access to all the mature palms and efficiently evacuate the ffb to the mill. In response, the Group is continuing to construct a network of bunds (earthen embankments), channels and pumps to protect the estates from the Mahakam river when in flood, and to manage the flow of water through the estate from neighbouring higher ground.

Crop from Bumi Mas was below potential during the first half of

2018 as the Group took operational control of the estate and began to introduce new operating procedures, new staff and new management. Following discussion with the trade union and workforce, a labour dispute was successfully settled. A programme of investment is well under way, initially to improve the road network and worker housing. Production strengthened during the second half of the year as the Group's managers strove to improve field conditions and harvesting productivity. This trend is expected to continue as the application of the Group's agronomic standards improves yields. This is in addition to the rising yield flowing from the increasing maturity of the young palms in this estate.

In Bangka, the Group is systematically working to improve the soil structure in parts of the estate using compost produced in its mill from empty bunches. This benefit is in addition to the compost's value as an organic fertiliser. Furthermore, much of this estate has excellent sources of laterite for constructing high-quality roads, enabling the Group to maximise the crop it can harvest from its palms. Bangka suffered the longest dry spell of the Group's operations during the 2015-16 El Niño, but this has given way to two years of exceptional crop growth: 48% in both 2017 and 2018 in the Group's areas, and a similar figure in the associated smallholder co-operatives. Crop in Bangka will continue to increase, but palms cannot sustain the rates of growth experienced over the last two years.

The Group's estates supplying the Pangkatan mill in North Sumatra were not affected by unusual



STRATEGIC REPORT continued

PRODUCTION AND EXTRACTION RATES GROUP AND THIRD-PARTY MILLS

	2018	INCREASE/ (DECREASE)	2017
PRODUCTION	TONNES	%	TONNES
Crude palm oil			
Kota Bangun	71,400	28	55,600
Bangka	63,200	26	50,000
Pangkatan group	39,900	—	39,800
	174,500	20	145,400
Bumi Mas	9,100	—	—
Musi Rawas	1,200	—	—
Simpang Kiri	7,700	(10)	8,600
	18,000	109	8,600
	192,500	25	154,000
Palm kernels			
Kota Bangun	14,800	47	10,100
Bangka	15,100	29	11,700
Pangkatan group	9,600	(2)	9,800
	39,500	25	31,600
Bumi Mas	2,000	—	—
Musi Rawas	300	—	—
Simpang Kiri	1,700	(11)	1,900
	4,000	111	1,900
	43,500	30	33,500
	2018	INCREASE/ (DECREASE)	2017
EXTRACTION RATES	%	%	%
Crude palm oil			
Kota Bangun	23.9	(3)	24.7
Bangka	23.2	—	23.1
Pangkatan group	23.1	1	22.9
	23.5	—	23.6
Bumi Mas	20.4	—	—
Musi Rawas	19.2	—	—
Simpang Kiri	22.3	—	22.3
Palm kernels			
Kota Bangun	5.0	11	4.5
Bangka	5.5	2	5.4
Pangkatan group	5.5	(4)	5.7
	5.3	4	5.1
Bumi Mas	4.6	—	—
Musi Rawas	4.8	—	—
Simpang Kiri	5.0	2	4.9

weather during the year and so crop increased slightly from that in 2017. Bilah Estate, which supplies the Pangkatan mill, is undergoing replanting which limits the scope for crop growth from the Pangkatan group over the next few years. The only exception to crop growth was at Simpang Kiri where, as described in previous reports, an accelerated programme of replanting is under way, freed from the consideration of having to maintain throughput in a Group mill since its ffb are sold to an independent mill.

PRODUCTION

The acquisition of Bumi Mas combined with increasing crops in existing areas made 2018 another record year for the Group's production. CPO production rose 25% to reach 192,500 tonnes; that of palm kernels by 30% to 43,500 tonnes. The Group does not yet have its own mills at Bumi Mas or Musi Rawas, nor at Simpang Kiri. Instead, it has contracts to sell ffb to local mills based on the commodity price for CPO and an assumed rate of extraction. To reflect the substance of this arrangement, oil produced from these estates' crops has been included in CPO production figures (see table).

Currently, 77% of the Group's production is certified sustainable palm oil. This percentage will rise as the Group constructs its own mills and works with third-party smallholders wanting to supply it with ffb to achieve certification by the Roundtable for Sustainable Palm Oil ("RSPO"). Before the end of 2023, the Group anticipates that all of its production, other than from Simpang Kiri (too small an estate to warrant construction of a mill), will be certified sustainable.



Extraction rates have continued at good levels. High crop during the middle part of 2018 contributed to the reduction in the oil-extraction rate at Kota Bangun. With the mill running at full capacity, some routine maintenance of equipment was delayed, which in turn affected the amount of CPO the Group was able to extract from the ffb. In addition, it has become clear that the service life of some machinery and parts in the mill, manufactured from stainless steel, is shorter than originally anticipated. This has led to some unscheduled maintenance which also affected the oil-extraction rate. With the passing of the crop peak, the accelerated replacement of some parts as well as routine

maintenance work was done and, before the end of the year, extraction rates were back to the levels experienced in 2017. The Group compares its performance with other mills in the region and remains confident that its mills continue to perform at a high level compared with its peers. The performance of the mill in Bangka, at 23.2%, continues at a creditable level despite the high volume of outside fruit being processed, which is not of the same standard as that produced by the Group and its smallholder co-operatives. Outside fruit is predominantly from *dura* palms, which tend to have larger kernels and less flesh from which to

squeeze CPO. This can be seen in the increase in the kernel-extraction rate and emphasises the good performance in CPO extraction.

The Group continues to buy outside fruit to utilise spare capacity at all three of its mills. Whilst, as noted above, outside fruit yields significantly less CPO than fruit from the Group's own areas or that of its associated smallholder co-operatives, this is reflected in the price the Group pays for it. Hence, purchases of outside fruit make an acceptable profit margin notwithstanding the reduction in the mill's average rate of extraction their purchase entails.



STRATEGIC REPORT continued

The composting and biogas facilities in Kota Bangun and Bangka are processing all of the empty ffb and most of the mill effluent at these locations. The compost is a valuable nutrient applied in a carefully controlled and supervised manner by the Group. The biogas plant at the Bumi Permai mill at Kota Bangun supplies all of these estates' electricity needs. An extension to the existing biogas facility at the Bumi Permai mill is under construction following agreement on a memorandum of understanding with the state electricity company, PLN, to sell the Group's surplus power at this site to the state electricity grid. This extension will allow the Group to produce electricity from 100% of the mill effluent rather than the 30% processed in the existing facility. In Bangka, the biogas plant

was designed to process all of the mill's effluent and the Group has been supplying PLN with its surplus electricity since January 2017. At both sites, production of power will increase with the volume of crop processed by the mills.

Construction of a second mill, the Rahayu mill, at the Kota Bangun estates has begun. The new mill is expected to begin production during 2020. Preparation for tendering has also begun for the planned mill at Bumi Mas.

COSTS

The combined cost per tonne of palm product from the Group's mills in 2018 was US\$320 (2017 US\$370). Whilst there was continuing upward pressure on costs, notably that of labour in East Kalimantan, this was

offset by the falling cost of fertiliser, as well as the benefit of diluting fixed and overhead costs in significantly increased production.

Some of the decrease can be attributed to the weakness of the Indonesian Rupiah during 2018.

The Group makes maximum use of access to the sea and waterways from its estates to achieve procurement savings, notably in the bulk purchase and transport of fertilisers. The Group's policy is to include all depreciation, general charges, administrative costs and overheads, including those of its Jakarta office, in its calculation of cost per tonne. Excluding depreciation and regional overheads reduces the Group's cost to below US\$240 per tonne of palm product. As overall crop volume continues to grow, unit costs are expected to fall further.



Unlike the cost of production using the Group's own ffb, the cost per tonne of palm product for ffb purchased from both the Group's smallholder co-operatives and outsiders varies with the world market price for CPO. The Group's aggregate total cost per tonne of palm product, including ffb from all sources, was US\$340, much lower than the US\$415 achieved in 2017 on account of the lower cost of ffb purchased from smallholders.

MILL-GATE PRICE

The average mill-gate price for CPO received by the Group in 2018, excluding sustainability premia, was US\$498 per tonne, significantly lower than the US\$600 received in 2017. The picture for palm kernels was very similar, with a mill-gate price in 2018 of US\$374 per tonne compared with US\$506 per tonne in 2017.

Sustainability premia were available, although at different levels, for both CPO and palm kernels produced by all the Group's mills; ffb processed at third-party mills does not qualify for a sustainability premium. The very high sustainability premia available for palm kernels during 2017 had already halved during the first half of 2018 and fell further during the remainder of the year. Averaged across the Group's total tonnage sold, revenue from sustainability premia for palm kernels amounted to US\$10 per tonne in 2018, significantly lower than the US\$25 per tonne in 2017. The sustainability premium for CPO calculated on the same basis was broadly similar between the two years, amounting to US\$6 per tonne in 2018 (2017 US\$5 per tonne). In total, the Group received some US\$1.4 million in sustainability

premia during 2018, US\$0.4 million less than in 2017.

Taking into account sustainability premia, the average mill gate price per tonne of CPO for the year was US\$504 (2017 US\$605); per tonne of palm kernels it was US\$384 (2017 US\$531).

PLANTING

New planting is now essentially confined to the Group's estate at Musi Rawas in South Sumatra. Here, development continued at a good rate, with 2,100 hectares being planted: 1,500 for the Group and 600 for the associated smallholder co-operatives. Steady progress was made towards reaching the total area of 10,000 hectares that the Group expects to plant, having reached 7,300 hectares at the end of 2018.

The projects at Kota Bangun and Bangka are now fully planted, although the Group will continue to look for incremental hectareage close to its existing areas in these locations. The Group is investing in a network of bunds, tide gates and pumps to improve the way water is managed on the estates at Kota Bangun. This investment is designed to improve the yield of existing plantings by reducing the risk of temporary low-level flooding in certain areas at the southern end of this project. Once completed, this investment may also allow new planting in some areas within the existing estates that have hitherto been judged as being at too great a risk of flooding.

In addition to its new planting, the Group replanted 600 hectares in its mature North Sumatran estates. Replanting continues at Simpang

Kiri and a replanting programme has begun on Bilah estate, which was largely planted originally in the late 1980s and early 1990s. This replanting programme is expected to conclude in 2021. There is likely then to be a short pause in replanting before routine replanting in North Sumatra resumes at a rate of some 300 hectares per annum.

ASSOCIATED COMPANY:

KERASAAN

Crops at Kerasaan were 51,700 tonnes (2017 – 50,000 tonnes). Ffb crops grew strongly in the first quarter of the year, then abated slightly in the middle two quarters before finishing the year with a final quarter that was better than that in 2017. Some 30% of its planting dates from the early to mid-1990s, so a programme of replanting will begin in the coming years.

PERFORMANCE EVALUATION

Plantation and mill operations

Management monitors and assesses the efficiency of operations with regard to crops and production using performance indicators. The crop yield per hectare on each year's planting on each estate is budgeted, recorded and monitored. Yields can vary widely because of factors such as soil type, terrain, sunshine hours, rainfall, distribution of rainfall and the fertility cycle of the palms. The most important factor is a palm's age. The Group's average yield of 19.3 tonnes per hectare reflects the young average age of its palms. This is slightly lower than in 2017 on account of the substantial addition of 4,700 mature hectares during the course of 2018, but can be expected to rise in future years. The inclusion of Bumi Mas estate accounted for some 1,000 hectares of this



STRATEGIC REPORT continued

increase. Monitoring of performance takes into account the conditions on each year's planting on each estate. Key factors which are under management's control are husbandry standards, fertiliser application, harvester numbers and productivity, and the quality of infrastructure (estate roads and drains, for example). These are monitored by management on the ground and, in some cases, independently verified and advised upon. Decisions, such as when and how to replant, are taken based on local conditions. Overall, the Group achieved total crop from its own areas and those of its smallholder co-operatives of 722,600 tonnes.

The development of new plantings is monitored by management, as is the area to be planted in a given year and the cost per hectare of that planting. A budget for planting programmes is set in the previous year to allow sufficient planting material to be purchased for the nursery. A high proportion of planting work is undertaken by contractors, and management monitors the progress achieved on the contracted areas. Planting costs are monitored by management for each individual estate. As with other plantation activities, costs per hectare are influenced by factors such as the weather pattern, the soil type and terrain. Ultimately, the total planted hectareage determines future crop. At the end of 2018, the Group had reached 50,600 hectares planted for itself and its smallholder co-operatives.

With regard to mill production, the key performance indicators are: the extraction rate of palm oil and palm kernels per tonne of ffb; throughput; and the percentage of free fatty acids, oil losses, dirt and moisture. Extraction rates vary according to factors such as the type and quality of planting material, the age profile of plantings, rainfall, etc. Throughput is monitored on a daily basis. Oil losses, dirt and moisture content are expressed in terms of percentages and actual achievement against maximum permitted levels is monitored by management. An average oil-extraction rate of 23.5% in 2018, compares favourably with industry norms and with mills operating in the same areas as the Group.

Plantation and mill costs

Management monitors and assesses the efficiency of plantation costs by means of performance indicators which identify field costs per hectare and per kilogram of ffb, and mill costs per tonne of palm product. A significant proportion of costs both in the field and in the mill are fixed and therefore vary little with different levels of utilisation. Field costs also vary from estate to estate depending upon such factors as terrain and rainfall pattern, so the performance indicators are monitored by management for each individual estate. The projected increase in crop is expected to bring down the US\$320 it currently costs the Group to produce one tonne of palm product.

PERFORMANCE EVALUATION

The Group uses key performance indicators at all levels in the Group, both in Indonesia and in the UK, in assessing its plantation operations and directing management effort in supervising those operations.

CPO AND PK EXTRACTION RATES

The rate at which the Group is able to convert its ffb into CPO and PK, quantified as oil- and kernel-extraction rates, is the most important measure of its processing efficiency.

23.5%
OIL-EXTRACTION RATE
(2017: 23.6%)

COST PER TONNE OF PALM PRODUCT

The Group's long-term profitability depends on its success in minimising the unit cost of production that is summarised in this measure.

US\$320
PER TONNE PALM
PRODUCT
(2017: US\$370)



PLANTED HECTARAGE

Planting new hectareage and replanting hectareage that has reached the end of its economic life determines the Group's capacity to produce crop growth in the future.

50,600 HECTARES
GROUP AND SMALLHOLDERS
(2017: 48,400 HECTARES)

FFB CROP

The volume of ffb crop is the primary determinant of the Group's ability to generate CPO and PK for sale.

722,600
TONNES
(2017: 535,800 TONNES)

FFB YIELD PER HECTARE

The rate at which the Group is able to generate ffb from its mature planted hectareage is the most important measure of its agricultural efficiency.

19.3
TONNES PER HECTARE
(2017: 19.9 TONNES PER
HECTARE)

CURRENT TRADING AND PROSPECTS

Crops during the first two months of 2019 have been ahead of last year in all regions. At the end of February, total crop for processing (including smallholder co-operatives and third-party ffb) stood at 122,200 tonnes, 7% ahead of the same period in 2018. Following a period of strong growth, crop in Kota Bangun was lower than expected in the first two months of 2019, but is expected to accelerate as the year progresses. The Group continues to purchase outside crop, which contributes to growing production. However, the increasing crop in its own areas has limited the spare capacity in its mills available to process outside crop.

The Group's crop is rising due to the young age of its palms, an average of 7 years. This is a consequence of the development of its projects in Bangka and East Kalimantan over the last ten years and the recent acquisition of Bumi Mas. The upward trend in crop is expected to last until the end of the next decade. This would be further augmented by the acquisition or development of new project areas.

As noted by the respected publication, Oil World, the recent growth in palm-oil production is expected to slow in 2019. At the same time, soybean crushing, of which palm oil's main competitor, soy oil, is a by-product, has been reduced by uncertainty over the trading relationship between the USA and China. Furthermore, the South American soybean crop is expected to decline in 2019. In respect of demand, the increase in world consumption of vegetable oil in 2019 is projected to exceed the increase in production. Stocks of CPO have fallen during the first two months of 2019, and this trend is expected to continue. The average CPO price cif Rotterdam rose from US\$508 per tonne at the beginning of the year to US\$520 per tonne at the end of March. The futures market for CPO anticipates significant further price increases. The board is of the view that palm oil, because of its high yield and low cost of production, is well placed to benefit from increasing demand for vegetable oil and hence the outlook remains encouraging.

The details are set out in the following table:

	2 MONTHS ENDED 28 FEBRUARY 2019 TONNES	INCREASE/ (DECREASE) %	2 MONTHS ENDED 28 FEBRUARY 2018 TONNES
Own crops	87,200	11	78,300
Smallholder crops	21,600	14	18,900
Outside crops purchased	13,400	(20)	16,700
	122,200	7	113,900



OPERATIONS: MALAYSIAN PROPERTY

MAJORITY-OWNED:

BERTAM ESTATE

The value of Bertam Estate's land, situated in a prime position not far from the slip road onto the highway heading to Penang Island, rises as development progresses on the neighbouring Bertam Properties land. It remains the board's intention to sell Bertam Estate at a suitable time taking into account market conditions and the Group's capacity profitably to redeploy the proceeds into its Indonesian plantations.

In the meantime, the minor residual oil-palm operation on 65 hectares of cultivated land yielded a crop of 1,200 tonnes (2017 – 1,500 tonnes). The Group has three junior employees on Bertam Estate and no other employees or office space in Malaysia. Administrative and agricultural advice and work are carried out by its agent, Straits Estates Sdn Berhad, and other external service providers.

ASSOCIATED COMPANY:

BERTAM PROPERTIES

Mixed development of residential housing and commercial properties continues to progress on Bertam Properties' land. At the end of 2018, Bertam Properties owned 179 hectares of development land, including 51 hectares already under development, and a 103-hectare golf course. The development land includes 39 hectares officially redesignated as development land from the golf course.



During 2018, Bertam Properties sold fewer properties than in 2017. This reduction in sales volume applied to all types of property; fewer sales and lower revenue was also reflected in a lower sales margin. No land was sold for development during 2018. Whilst there has been a slowdown in the Malaysian property market over the last 24 months, this has not been uniform across Malaysia regions or property types. New-build commercial property in Kuala Lumpur has been the worst affected. Generally, residential property and the Penang region have been less affected. More development was begun by Bertam Properties in 2018 than in preceding years, although the housing market remains sensitive to tighter lending conditions introduced by banks in 2017.

The remaining development land at Bertam Properties continues to be a valuable asset whose value has appreciated as development in the project is completed and the new town attracts residents and businesses to an area that is designated by the Malaysian government as a 'hub' for education. The board expects the value of this land to continue to appreciate in future.

STRATEGIC REPORT continued

RISK MANAGEMENT

The Group regularly considers its principal risks. They are reviewed and assessed by the audit committee at least annually and reported to the board for approval.

The 2018 review concluded that the principal risks reported in the 2017 annual report remain risks to the Group, and that no new principal risks have been identified. Set out below is the board's evaluation of the principal areas of potential risk. Risks have been classified as being either specific to the Group or of a general nature. The risk to the Group is described, along with the steps taken to mitigate that risk. The board regards the principal risk to the Group to be a reduction in the commodity price for CPO.

SPECIFIC RISKS

INDONESIA COUNTRY RISK

The Group's strategy is based on maintaining control over its plantation assets and identifying opportunities to expand by acquisition of additional plantation areas.

→ Read more in the strategic report on page 13

The Group relies on the continuing ability to acquire and enforce property rights in Indonesia. The country has benefitted from a period of political stability and economic growth. There is a tendency for nationalist sentiment to increase during presidential elections, although there has been no sign of this in the lead-up to the 2019 Presidential election scheduled to take place in April 2019. In any case, given Indonesia's significant need for infrastructure development and to attract inward investment, the board continues to perceive a low risk of, for example, nationalisation or the imposition of exchange controls, and the attendant risk that the Group will be unable to extract profits from its subsidiaries and associated companies in Indonesia.

In 2014, a draft law including a restriction of 30% on foreign ownership of plantations in Indonesia was tabled but not enacted. Rather, a new law mandated the government to prioritise domestic investment, protect local customary rights, empower local farmers and set a cap on foreign investment at some point in the future. The board continues to monitor the situation and will,

if necessary, liaise with other plantation companies and industry bodies to lobby the government not to enact such proposals.

Security of land tenure is a matter of fundamental concern to plantation operators. The Group holds land in its established estates under 25- or 30-year renewable leases ("HGU's") which are legally renewable, and which have to date been renewed without difficulty when falling due. The Group has already obtained the HGU for most of the land it has developed since it began its expansion in 2005. Where the Group has not yet received the HGU, it has obtained the necessary licences for these projects, including a valid right to develop the land (izin lokasi) and operating licences (izin usaha perusahaan). In all its new project areas, the Group compensates smallholders and ensures full and prompt payment of relevant government taxes. Both are important activities that are assessed during the final application for an HGU. Where other companies have been granted licences which potentially conflict with those held by the Group, swift and determined legal action has been taken to defend the Group's position.

Operations in Indonesia are deemed to be at high risk from the threat of bribery and corruption. The Group has a robust policy on bribery and corruption, completes risk assessments and conducts training of senior management in Indonesia and Malaysia. It requires all its business partners to complete questionnaires on their respective anti-bribery and anti-corruption activities and policies. The Group has employed external advisers to ensure its actions carry the maximum prospect of preventing bribery and corruption in its operations.



RELATIONSHIP WITH LOCAL POPULATIONS

The Group's business model includes making smallholder co-operatives a success. Smallholder areas are planted, maintained and harvested to the same standard as the Group's own areas.

→ See the business model on pages 8 to 9

A breakdown in relations could significantly disrupt the Group's operations, for example through strikes, or lead ultimately to a stoppage in production should villagers cause disruption by blocking roads in order to prevent ffb, a perishable crop, from reaching the mill to be processed.

Particular attention is paid to the Group's relationship with the local population where development is taking place. On each of the projects, there has been extensive communication not only with local government officials but also with local people collectively and through their representatives: the local mayor and village heads. Smallholder co-operative schemes ("KKPA") are being developed alongside the Group's areas and managed by the Group. Staff members have been appointed to deal with compensation for losing the use of land and crops, and to explain the basis and workings of the KKPA schemes and to gain the support of the villages surrounding the Group's project areas. This is a time-consuming but effective process.

SUPERVISION OF OPERATIONS

The business model explains how the Group controls and supervises its operations using expert staff. The Group also uses key performance indicators (KPIs) to monitor plantation operations.

→ See the business model on pages 8 to 9

→ Find out more in the KPIs on pages 22 to 23

Geographical distance between the UK head office and its operations located in Indonesia and Malaysia puts a premium on strong supervision of the Group's operations. Regular written reporting from all its operating companies is supplemented with routine telephone contact and frequent visits by the executive directors to all areas

of the Group's operations, including the operations of associated companies. In order to strengthen its controls, the Group is putting in place an integrated operations and accounting software system which staff will be able to access from the UK as well as Indonesia and Malaysia. The Group has seats on the board of its large Malaysian associated company and regularly attends its board meetings, as well as maintaining a dialogue with its chief executive and senior management.

At the Group's regional office in Jakarta, the local president director has a team of senior managers (agricultural, engineering, legal, procurement, marketing, finance, human resources, internal audit and sustainability) with extensive experience and expertise, well qualified to confront the problems that arise on developing and mature estates. Senior agronomic managers are resident in Sumatra (also covering Bangka and Musi Rawas) and Kalimantan.

The Group uses its Kalimantan training school to instil the Group's systems and high standards into new and existing staff, covering agriculture, engineering, finance, health and safety and social and environmental topics.

RELATIONSHIP WITH LOCAL PARTNERS

As set out in the business model, the Group's strength is as a producer of Indonesian palm oil. The Group seeks to have a local partner in each subsidiary with at least 5% of the equity.

→ The Group's business model is on pages 8 to 9

A breakdown in relations with a local partner could affect relations with the local populations where the Group is operating, with a detrimental effect on operations. The board recognises the importance of building and maintaining a good relationship with the minority partners and fellow shareholders in its Indonesian plantation projects but inevitably disagreements do sometimes arise. The executive directors endeavour to maintain regular and open contact, both formal and informal, with the Group's partners to discuss current and future issues affecting the Group's operations. Where differences do arise, the Group seeks to negotiate a mutually acceptable settlement.

STRATEGIC REPORT continued

PROTECTION OF THE ENVIRONMENT

Sustainable production and zero waste are priority areas for the Group. Further information is included in the section on sustainability and in the business model.

→ Read more about sustainability: pages 30 to 35

→ See the business model on pages 8 to 9

Concerns about global warming and particularly the destruction of tropical rainforest have received, and continue to receive, close scrutiny in the media. The palm-oil industry, unfairly in some cases, is closely associated with cutting down rainforest and destroying the habitat of endangered species. The Group may therefore receive attention from the many organisations connected with climate change and South East Asian tropical rainforests.

The Group is a member of the Round Table on Sustainable Palm Oil ("RSPO"). The RSPO has strict guidelines by which members must abide in order to be able to state that they are producing sustainable palm oil, including the protection of forested areas. The Group endorses the "Principles and Criteria" which have been adopted by the membership. The Group has specialist RSPO officers, supported by external consultants, working to ensure the Group complies with RSPO best practice. All of its mills have been accredited by the RSPO. Additionally, the Group's Pangkatan mill in North Sumatra and Bumi Permai mill in East Kalimantan are certified under the strict requirements of International Sustainability Carbon Certification ("ISCC").

The Group has a clear policy that only heavily degraded land will be acquired and developed. As required under RSPO principles, an environmental assessment is undertaken by an independent consultant for any new project. Implicit in these studies is the requirement to maintain riparian-buffer zones and nature-conservation areas and to compensate people cultivating land to be developed in a fair and transparent way.

With regard to its mills, the Group has installed composting systems which utilise both the "empty" fruit bunches (i.e. after the fruit has been removed from them) and the liquid effluent from the mill. The resulting

compost is tested for its nutrient value and applied in the field, reducing the requirement for inorganic fertiliser. No effluent is discharged into external water courses. At the mills in Kalimantan and Bangka, methane is captured from the mill effluent before the effluent is used for composting; the methane is used in a biogas engine to generate electricity.

Management follows industry best-practice guidelines and abides by Indonesian law with regard to such matters as fertiliser application and health and safety. Any accidents are thoroughly investigated by senior head-office staff. Health and safety inspections are carried out annually. The managers of all of the Group's estates and mills hold a monthly meeting with key staff to review health and safety. These meetings are minuted and actions identified and followed up.

GENERAL RISKS

COMMODITY-PRICE FLUCTUATION

Sales of CPO and palm kernels take place based on a world market over which the Group has no control. This has been considered as part of the Group's assessment of viability.

→ Assessment of viability report is on pages 43 to 44

The prices of crude palm oil ("CPO") and palm kernels determine the Group's revenue and earnings. Fluctuations in the price directly affect the Group's reported earnings and its ability to generate cash inflows from its operations.

The Group relies on its ability to sell its palm oil, palm kernels and ffb into a world market over which it has no control. Palm oil is a permanent tree crop with ffb being harvested every day of the year. Palm oil and palm kernels are sold on an approximately fortnightly basis by open tender and ffb are sold on a day-by-day basis under contract at a price derived from the quoted world price. Over a year, by selling on a "spot" basis, an average price is therefore achieved. Given this, the directors have taken the view that in the long run it is not generally cost-effective to sell forward contracts for the delivery of CPO, particularly since the presence of a progressive Indonesian export tax increases the risk in such contracts



given it is determined and levied at the time of delivery, not at the time at which the contract is agreed.

The price of palm oil is determined both by disposable income around the world generated by economic activity and by the supply, pricing and demand for competing vegetable oils. These factors can result in fluctuations in the price. The Group's ability to collect sustainability premiums helps to mitigate the effect of falling prices. As with any commodity, over supply does occur in the vegetable-oil market which exerts downward pressure on prices. The competing oils, the main ones of which are soybean, oilseed rape and sunflower, are annual crops and producers tend to react to low prices by switching to other crops which has, in the past, quickly reduced over supply and restored upward pressure on prices.

The board is satisfied that the fundamental structure of the vegetable-oil market, and particularly the palm-oil market, is sound. Continuing strong demand from the fast-developing economies, such as India, China and Indonesia itself, as well as from more established markets in Europe, for vegetable oil for human consumption has supported prices, as has demand for vegetable oils as a biofuel. Palm oil is the vegetable oil with the highest production in the world, has the lowest cost and is the most productive, by a wide margin, in terms of yield per hectare.

WEATHER AND NATURAL DISASTERS

The Group projects a sustained increase in crop. Adverse weather events may temporarily slow the rate of increase in crop.

→ More detail about our strategy is on page 13

Oil palms rely on regular sunshine and rainfall but these patterns can vary and extremes such as unusual dry periods or, conversely, heavy rainfall leading in some locations to flooding, can occur. Dry periods, in particular, will affect yields in the short- and medium-term but any deficits so caused tend to be made up at a later date. Where appropriate, bunding is built around flood-prone areas and drainage constructed and adapted either to evacuate surplus water or to maintain water levels in areas quick to dry out.

Whilst a remarkably hardy plant, the oil palm can be subject to attack from such pests as caterpillars and other insects, and certain diseases. The practice of proper management and husbandry instilled by the Group in its field staff is designed to identify and prevent these attacks from becoming widespread. Appropriate agronomic measures are taken where any outbreaks occur. Senior agricultural staff are kept up to date with current research in this area, for example by attending relevant conferences.

The board has taken the view that acceptance of weather risk is part of the business. It is mitigated by the geographical diversity of its operations.

EXCHANGE-RATE FLUCTUATION

The Group's functional currency is the US Dollar. Risks associated with changes in exchange rates have been assessed by the board, as set out in note 32 to the financial statements.

→ Note 32, containing further detail, is on page 82

Palm oil is a US-Dollar-denominated commodity and a significant proportion of direct costs in Indonesia (such as fertiliser and fuel) and development costs (such as heavy machinery and fuel) are US-Dollar related. Hence, adverse movements in the Indonesian Rupiah against the US Dollar can have a negative effect both on other revenue costs in US-Dollar terms, and when Rupiah-denominated assets are translated into US Dollars. Similarly, the movement of the Malaysian Ringgit against the US Dollar has an effect in US-Dollar terms when Malaysian assets are translated into US Dollars.

The board has taken the view that these risks are part of the business and feels that adopting hedging mechanisms to counter the negative effects of exchange movements is both difficult to achieve and would not be cost-effective. Surplus cash balances are largely held in US Dollars.

Approved by the board of directors and signed on its behalf

Tristan Price
Chief executive
2 April 2019



SUSTAINABILITY

The Group produces certified sustainable palm oil in all its palm-oil mills.



APPROACH

The Group recognises public concerns about the impact of the palm-oil industry's agronomic practices on the environment and natural habitat in the regions where it operates, and the risk to the Group's reputation and operations of failing to address these concerns.

The Group makes sustainable long-term decisions investing in land, the environment, a skilled workforce and the communities in and around its operations. The Group has a dedicated sustainability manager based in Jakarta supported by field staff resident on the Group's estates.

In 2017, the Group launched a social survey in collaboration with the University of Indonesia that collected information about the quality of life of people living on and around its operations in Indonesia. A report on Musi Rawas was published in 2018 and the team from the University of Indonesia will now conduct a similar survey at Kota Bangun and Bumi Mas in East Kalimantan. This work will help ensure the Group understands the future impact of its operations on those living on and around its plantations.

Certification

The Group demonstrates its commitment to sustainability through its membership of the Roundtable on Sustainable Palm Oil ("RSPO"). Compliance with RSPO standards is independently verified. All its estates, whether they have a mill or not, and including all smallholder schemes attached to the Group's projects, are run in accordance with the RSPO's standards. These relate to environmental, social and ethical

plantation practices. The Group's policy is for all its mills to be certified by the RSPO, with any new mills achieving RSPO certification within 18 months of commencing operation. All three of its existing mills have been certified.

In addition, the Pangkatan and Kalimantan mills are certified under ISCC, which is a leading certification system for sustainability and greenhouse gas emissions.

ISCC was one of the first schemes to comply with the requirements of the EU's Renewable Energy Directive, and can be used to meet legal requirements in the bioenergy markets as well as to demonstrate sustainability and traceability in the food, feedstock and chemical industries. The Bangka mill will become ISCC-certified as soon as the Group has constructed its own bulking facility on Bangka for the crude palm oil produced there.



Barn owls have been introduced to keep the rat population down.

The oil squeezed from the fruit flesh is clarified, purified and stored, ready for sale to a refinery.

Water transport is used in preference to road transport, wherever possible.

Fresh fruit bunches are sterilised to loosen the fruitlets from the bunch. The nuts are separated from the fruitlets' flesh, which is then squeezed to produce CPO. The residue, and nut shells, are used as fuel in the boiler to provide steam to the steriliser.

Empty bunches and waste water are turned into compost which is put out into the plantations, providing vital nutrition and helping to improve soil structure.

The nuts removed from the fruit are cracked and the kernels sold to producers who make palm kernel oil.

The waste water is then pumped from the biogas pond and used to produce compost.

All waste water from sterilisation is pumped into a large covered pond.

The pond is stirred, which promotes the collection of methane under the cover. This biogas is filtered, cleaned and burned to produce electricity for the Group's mills, housing, pumps and workers' villages. Any surplus is sold to the electricity grid as renewable energy.



ZERO WASTE: GOOD FOR THE ENVIRONMENT WHILST KEEPING DOWN M.P. EVANS' COSTS

ENVIRONMENT

Zero waste

The Group's mills in Kota Bangun (East Kalimantan) and Bangka capture methane from mill effluent. This methane is used to fuel a biogas engine which generates electricity for office compounds, housing and workers' villages in the vicinity of the mill, giving rise to a significant reduction in the use of diesel for the generators which would otherwise have been needed. In Bangka, the Group began selling surplus electricity to the state electricity company ("PLN") in January 2017. It is extending the biogas facility in Kota Bangun and has signed a memorandum of understanding with PLN to begin supplying it with surplus electricity as soon as this extension is complete.

In addition to capturing methane from the mill effluent, the Group operates a composting facility in its three mills. Effluent is applied to the empty fruit bunches to create a nutritious compost. The compost, in turn, is applied in the field, reducing the requirement for inorganic fertilisers. Surplus effluent (which can occur during very rainy periods) is applied directly in the field, which acts as a beneficial organic fertiliser.

The generation of electricity from mill effluent and the use of empty bunches to produce compost are at the heart of what the Group does to achieve 'zero waste'.

Zero burning

The Group operates a strict policy prohibiting the burning of vegetation or old palms in order to clear land and when carrying out new planting or replanting on its estates. Vegetation or old palms are chipped and stacked in inter-rows between the new planting lines and allowed to rot down.

All the Group's managers are trained to be alert to fires and react quickly to any that do arise through natural forces or by accident. The Group operates a fire watch on all its estates. It also maintains water tenders that can be quickly deployed and used to pump water from drains on the estate in an effort to extinguish any fire.

The Group is not aware of any fire hotspots on or near the Group's estates developed since 2005.



SUSTAINABILITY continued

COMMUNITIES

Doing the right thing for the long term naturally includes doing the right thing both for the environment and for the communities that live on and around the Group's operations.

The Group believes the success of its operations is bound up with the success of smallholders operating alongside it. Successful smallholders foster strong support for the Group's activities amongst the local communities where it operates. The Group's managers get to know the village heads of the communities near Group operations, and maintain an open dialogue with them on any issues that affect their communities.

On the plantations, the Group ensures workers have access to medical care either in a local hospital or in clinics and medical centres we build and staff. The Group provides crèches to care for workers' children, and builds nursery schools. For primary and secondary education, the Group either provides buildings or organises buses to transport students to the nearest government school.



INTEGRITY

The Group is committed to respecting the rights of all our workers, whether they be permanent, temporary or casual, indigenous or immigrants from other Indonesian islands or elsewhere.

Smallholder schemes

The main way in which the Group supports local communities is through smallholder co-operative schemes that operate alongside the Group's own areas. When it undertakes new development, the Group enters into an arrangement with the local community to provide land planted with oil palms. The Group carries out an intensive programme of 'socialisation' designed to ensure that all individuals giving up rights to land do so freely and only after they fully

understand what is being given up, in terms of either legal or customary rights, in return for financial compensation offered by the Group.

In the early stages, the Group loans the finance to plant these areas and helps the co-operative to obtain its own bank finance, guaranteed by the Group, once official land titles have been issued. More importantly for the future, the Group ensures co-operative areas are planted and managed to exactly the same standard as its own areas.



The Group then manages the co-operative schemes on behalf of the members, and buys their fresh fruit bunches at a price set by the provincial Indonesian government.

This has been a successful way of engendering goodwill with the community in and around our areas of operation, as well as providing it with a tangible and remunerative business which is owned by them.

Co-operatives potentially give a triple benefit to those living near the Group's operations:

1. Members receive a compensation payment if they offer land to the Group to develop;
2. Members may earn a wage if they come and work for the Group; and
3. As a co-operative member they receive an income from a well-managed and productive asset.

Employees

The Group undertakes to train and motivate its staff and workforce, to help employees improve their skills and extend their education and qualifications.

Medical care is provided on the plantations in polyclinics staffed on a daily basis by trained employees. Doctors visit these clinics once or twice a week. On its Kalimantan project, the Group employs two full-time doctors. The Group pays for hospital treatment if this is required.

The Group provides good-quality housing for its employees, together with clean, potable water and proper sanitation. All houses on the Group's estates have an allotment for which the Group provides seeds and advice free of charge.

CONSERVATION AND NEW LAND

The Group ensures that any new plantation development is undertaken only in heavily-degraded areas which will not be suitable habitats for major endangered species. On new projects, well-marked conservation areas are set aside in areas designated as having 'high conservation value' ("HCV") status. There are ongoing programmes of planting native species. Areas alongside river banks are set aside as conservation areas both to prevent leaching of fertilisers into water courses and to provide wildlife corridors.

The Group has more than 3,400 hectares of conservation areas, which are regularly monitored by sustainability teams resident on its estates.

Outside the conservation areas, beneficial "host" plants are planted alongside estate roads to attract predators of leaf pests (insects). The predators feed on leaf-pest larvae, thus reducing the need for chemical spraying. Barn owls are, where possible, introduced and bred to control rats, thus minimising the need for chemical baits.

New planting procedure ('NPP') documents have been routinely lodged with the RSPO Secretariat in a timely manner and are available on the RSPO website. All new plantings carried out since the beginning of 2015 have been covered by an HCV and high carbon stock ("HCS") assessment. In accordance with its RSPO commitments, the Group does not plant in peat.



REPORT OF THE DIRECTORS

BOARD OF DIRECTORS

Peter Hadsley-Chaplin

EXECUTIVE CHAIRMAN

Appointed a director in 1989, chairman in 2010. Former executive chairman of Bertam Holdings PLC and Lendu Holdings PLC. Former chairman of The Association of the International Rubber Trade. Prior to joining the Group in 1988 he was a commodity broker with C Czarnikow Limited.

Tristan Price

CHIEF EXECUTIVE

Appointed a director in 2010, chief executive in June 2016. Previously worked as a senior UK diplomat, as an economist at the Organisation for Economic Co-operation and Development (OECD) and at the Treuhandanstalt (East German privatisation agency).

Matthew Coulson

FINANCE DIRECTOR

Appointed a director in 2017. Joined the Group as chief finance officer in 2016 with previous experience as an audit director of Deloitte LLP, including work on companies in the agricultural sector and in the technical policy team.



Jock Green-Armytage

SENIOR INDEPENDENT
NON-EXECUTIVE DIRECTOR

Appointed a director and chairman of the audit and remuneration committees in 2013. Formerly a director of Rowe Evans Investments PLC from 1989 to 1994. Currently chairman of JZ International Limited and chairman or director of many of its investee companies. Previously chief executive of The Guthrie Corporation PLC and chairman of AMEC PLC.

Richard Robinow

NON-EXECUTIVE DIRECTOR

Appointed a director in 1999 and chairman from 2005 to 2009. A non-executive director of R.E.A. Holdings PLC (previously chairman) and a former director of the Belgian plantation group, SA SIPEF NV. Member of the audit and remuneration committees.

Philip Fletcher

NON-EXECUTIVE DIRECTOR

Retired as managing director in June 2016, having been appointed director in 1987 and managing director in 1991. He was executive chairman between 1999 and 2005. Former executive director of Bertam Holdings PLC and Lendu Holdings PLC. Joined the Group in 1982 after an initial career in accountancy with KPMG in London and Sydney and in industry with the Rio Tinto plc group. Member of the audit committee.

Bruce Tozer

INDEPENDENT
NON-EXECUTIVE DIRECTOR

Appointed a director in 2016. Has held senior roles at Rabobank International, JP Morgan, and Credit Agricole. Chairman of Climate Mundial Ltd (an FCA-regulated advisory firm focused on environmental and climate finance) and on the advisory board of Generation 10, a data analytics and commodity logistics software company. Member of the audit and remuneration committees.

REPORT OF THE DIRECTORS continued

The directors present the audited consolidated and parent-Company financial statements of M.P. Evans Group PLC for the year ended 31 December 2018.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A review of the year and future prospects (including the principal risks and uncertainties facing the Company) is included in the chairman's statement (pages 2 to 4) and in the strategic report (pages 12 to 29) and is incorporated in this report by reference.

RESULTS AND DIVIDEND

Details of the profit for the year are given in the consolidated income statement on page 58.

An interim dividend of 5.00p (2017 – 5.00p) per share in respect of 2018 was paid on 2 November 2018. The board recommends a final dividend of 12.75p (2017 – 12.75p) per share. This dividend will be paid on or after 21 June 2019 to those shareholders on the register at the close of business on 23 April 2019. This final dividend is not provided for in the 2018 financial statements.

SHARE CAPITAL

The Company has one class of share. Details of the issued share capital of the Company are as follows:

	SHARES OF 10P EACH
Issued (fully-paid and voting) at 1 January 2018	54,883,451
Issued in respect of options exercised	75,000
Bought back and cancelled	(280,579)
Issued (fully-paid and voting) at 31 December 2018	54,677,872

During the year, the Company bought back and cancelled 280,579 (2017 – 951,268) 10p shares for a total cost of US\$2,733,000 (2017-US\$9,188,000), representing 0.5% (2017 – 1.7%) of the Company's issued share capital, as the board considered that the share price undervalued the Group's assets and that purchases would enhance earnings.

DIRECTORS AND DIRECTORS' INTERESTS

The present membership of the board is detailed on pages 36 and 37. All of the directors served throughout the year and up to the date of signing of these financial statements. Richard Robinow, Philip Fletcher and Tristan Price will

retire from the board at the forthcoming annual general meeting in accordance with the articles of association and, being eligible, will offer themselves for re-election.

The directors serving at the end of the year, together with their interests at the beginning and end of the year in the shares of 10p each in the Company, were as follows:

	BENEFICIAL	OPTIONS
At 31 December 2018		
P E Hadsley-Chaplin	1,561,717	—
T R J Price	50,000	153,406
M H Coulson	1,500	16,664
P A Fletcher	1,048,171	—
J M Green-Armytage	—	—
R M Robinow	96,147	—
B C J Tozer	—	—
At 1 January 2018		
P E Hadsley-Chaplin	1,561,717	—
T R J Price	18,000	216,347
M H Coulson	1,500	8,333
P A Fletcher	1,048,171	—
J M Green-Armytage	—	—
R M Robinow	96,147	—
B C J Tozer	—	—

Further details of the directors' interests in share options are disclosed in the directors' remuneration report, on pages 46 to 49.

None of the directors holds any beneficial interest in, or holds options to buy shares in, any subsidiary undertaking of the Company as at the date of this report.

No director has had a material interest in any contract of significance in relation to the business of the Company, or any of its subsidiary undertakings, during the financial year or had such an interest at the end of the financial year.

As permitted by the Company's articles of association, there was throughout the year to 31 December 2018, and is at the date of this report, a qualifying third-party indemnity provision, as defined in section 234 of the Companies Act 2006 in force for the benefit of the directors.



SUBSTANTIAL INTERESTS

The following substantial interests have been disclosed to the Company as at the date of this report:

	NATURE	SHARES	%
KL-Kepong International Ltd	Direct	11,177,286	20.46
Standard Life Aberdeen plc	Indirect	6,444,287	11.79
Nokia Bell Pensioenfonds ofp	Direct	5,750,000	10.52
JP Morgan Asset Management (UK) Limited	Direct	2,580,000	4.72
MM Hadsley-Chaplin	Direct	1,928,254	3.53

OUTSTANDING OPTIONS TO SUBSCRIBE

As at the date of this report, there were options to subscribe for 225,000 shares outstanding under the executive share-option schemes and options to subscribe for 202,618 shares outstanding under the 2017 long-term incentive scheme. If all of the options were exercised, the resulting number of shares would represent (a) 0.78% of the enlarged issued share capital at that date; and (b) 0.86% of the enlarged issued equity share capital at that date if the proposed authority to purchase shares was exercised in full (excluding any share capital which may be purchased and held in treasury).

PAYMENTS TO SUPPLIERS

It is the Group's normal practice to make payments to suppliers in line with agreed terms, provided that the supplier has performed in accordance with the relevant terms and conditions. The Group's average creditor days calculated as at 31 December 2018 amounted to 39 days (2017 - 39 days).

FINANCIAL INSTRUMENTS

Details of the Group's financial instruments, and the board's policy with regard to their use, are given in note 32 to the consolidated accounts on pages 82 and 83.

SUBSIDIARY COMPANIES

Details of the Group's subsidiary companies, including their country of operation, are given on page 90.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practices (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101") and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable United Kingdom accounting standards, including FRS101, have been followed, subject to any material departures disclosed and explained in the Group's and Company's financial statements respectively; and
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the



REPORT OF THE DIRECTORS continued

assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

In the case of each director in office at the date the report of the directors is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and parent Company's auditors are aware of that information.

GOING CONCERN

The Group's operations are funded through a combination of cash resources, loan finance, and long-term equity. The board has undertaken a recent review of the Group's financial position, including forecasts, risks and sensitivities. The review has considered the Group's plans for further development in Indonesia, along with the required funding for that development. Based on that review, the board has concluded that the Group is expected to be able to continue in operational existence for the foreseeable future, being at least the next 12 months from the date of approval of these financial statements. As a result, the board has concluded that the going-concern basis continues to be appropriate in preparing the financial statements.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed by its order


Katya Merrick
Company secretary
2 April 2019



CORPORATE GOVERNANCE

The board recognises the importance of a sound system of corporate governance and internal control and has formally adopted the Quoted Companies Alliance Corporate Governance Code ("QCA Code") published in 2018 as its recognised corporate governance code. The board is committed to following the principles set out in the QCA Code, to disclose and report on the corporate-governance structures and processes operated by the Group and to develop these further to continue to meet the appropriate standards. An explanation of how the Group has applied the principles is included on the Group's website (www.mpevans.co.uk). The chairman's statement on corporate governance is set out below.

In June 2018, as required under the AIM Rules, the Group's board formally adopted the Quoted Companies Alliance Corporate Governance Code ("QCA Code") as its 'recognised corporate governance code'. The Group has for some years sought to follow the previous QCA Code as far as was considered relevant to the Group, rather than the UK Corporate Governance Code that applies to all fully-listed companies. In some respects, the Group's corporate governance is more developed than required under the QCA Code, but the board judged that overall the QCA Code was the most relevant applicable corporate governance code, given the Group's size and the nature of its operations.

The board recognises the importance of a sound system of corporate governance and internal control. The board is made up of three executive directors and four non-executives. This structure is designed to ensure that there is a clear balance of responsibilities between the executive and the non-executive functions. As chairman I am primarily responsible for setting the Group's strategy in conjunction with the board, and for ensuring the effective operation of the board. This includes making sure the board continues to develop its corporate governance in response to changes in official standards and public expectations through full and timely discussion at board meetings. Board evaluation and a review of corporate governance will take place at least every two years, although the corporate governance information on our website will be reviewed annually. A good system of corporate governance is of no use without a board whose members continue to develop their skills and capabilities. Our board members have extensive experience and remain professionally active and motivated to broaden their knowledge. All directors have the opportunity to attend seminars and formal training courses; they keep in touch with relevant developments through discussion amongst their business and professional contacts; and they read relevant trade and other professional publications. This activity is now being recorded by the Group's company secretary.

The board conducted the first formal evaluation of itself during the first quarter of 2019. This was conducted internally, led by me and supported by the company secretary. Its design drew on an independent framework and recommended questions assessing the nature and performance of the board and its committees. Each board member invested a significant amount of time in answering a series of structured questions. A consolidated report of these assessments has been considered by the board and actions in response to it were agreed. We will monitor their implementation and the effect they have.

Effective risk management and acknowledging the role that stakeholders play in our Group's operations are central to our success. We believe compliance with the QCA Code provides a valuable support in strengthening our ability to grow and so deliver returns to our shareholders that also benefits our wider stakeholders. The Group sees ethical behaviour as a competitive advantage to building trust with suppliers and attracting and retaining high-performing staff. This too is emphasised in the QCA Code. Finally, the Group operates in a sector where timelines are long and hence where there is a premium on boards in which shareholders can place their long-term trust.

Other than adoption of the revised QCA Code and the board evaluation, there have been no significant changes to the Group's corporate governance during the year.

Peter Hadsley-Chaplin, Chairman

2 April 2019

CORPORATE GOVERNANCE continued

OPERATION OF THE BOARD

Directors

Details of the Company's board, together with those of the audit and remuneration committees, are set out on pages 36 and 37. The board comprises an executive chairman, working on a part-time basis, two further full-time executive directors and four non-executive directors, one of whom chairs the audit and remuneration committees. The maximum number of directors permitted under the articles of association is eight.

This structure is designed to ensure that there is a clear balance of responsibilities between the executive and the non-executive functions. Non-executive directors are expected to contribute two to three days' service per month to the Company, in addition to attendance at board meetings and the AGM. The board meets at least quarterly and is provided with information at least monthly. It receives operating summaries, executive operating reports, management accounts and budgets. All of the executive directors and non-executive directors attended each of the eleven full board meetings held in 2018, with the exception of Bruce Tozer who was excused from the meeting held on 1 October 2018 and Richard Robinow who recused himself from four meetings held during the first quarter of 2018 due to a potential conflict of interest, and who was unable to attend the meeting on 1 October 2018.

The board as a whole is collectively responsible for the success of the Company. The personal attributes of each of the directors facilitates rigorous but constructive debate, informed and considered decision making and effective monitoring of progress in achieving the Group's strategic objectives. It promotes a culture founded on its values of integrity, teamwork and excellence. Members of the board lead by example during their frequent visits to operations and interactions with staff. Remuneration of all staff rewards those who display these behaviours; access to the Group's long-term incentive scheme is likewise offered to senior staff who qualify on grounds of length of service and promote the Group's values. The Group dismisses staff found to have breached the value of integrity.

The board reserves to itself a range of key decisions (which can be found at www.mpevans.co.uk) to ensure it retains proper direction and control of the Company,

whilst delegating authority to individual executive directors who are responsible for the day-to-day management of the business. All major and strategic decisions of the Company are made in the United Kingdom. The executive and non-executive directors discuss progress against budgets and other business issues, both during board meetings and at other times.

The board has access to independent professional advice at the Group's expense when the board deems it necessary in order for them to carry out their responsibilities. Currently, the board retains Peel Hunt LLP as the Company's nominated adviser. The board additionally receives advice from independent professionals on legal matters, corporate public relations, taxation, and valuation of the Group's property assets. The company secretary provides support on matters of corporate governance.

Independence and re-election of long-serving directors

During the year, the board has sought to maintain a balance of executive and non-executive directors. A description of the roles and responsibilities of the directors is set out on pages 36 and 37. More than half of the directors are non-executive, and in accordance with the QCA Code, two of the non-executives, Jock Green-Armytage and Bruce Tozer, are independent.

The board considers that Richard Robinow has valuable technical and operational experience in the palm-oil industry, having been in senior roles in a number of related businesses. Jock Green-Armytage also brings significant industry knowledge as well as experience in both corporate finance and corporate governance, as well as chairing FTSE-listed companies. Bruce Tozer's background is in commodity finance, environmental markets, and agri-business project finance, including palm oil, contributing insight from the finance sector. Philip Fletcher, as former managing director and finance director of the Group, has extensive specific knowledge of both the sector, operations in Indonesia and the finances of the Group.

The board has an executive chairman, Peter Hadsley-Chaplin. Given the time that he has served the Company both as a director and chairman, as well as the size of his shareholding in the Company, Mr Hadsley-Chaplin is not considered independent.



Each executive director, and non-executive director with less than nine years' tenure, retires and must seek re-election at least every three years. Non-executive directors who have served on the board continuously for a period of nine years or more will offer themselves for re-election at each year's annual general meeting.

Directors' remuneration and appointment

As set out in the report on pages 46 to 49, the remuneration of the executive directors is determined by the remuneration committee whilst that of the non executives is determined by the whole board. The committee, which during the course of 2018 comprised Jock Green-Armitage, Richard Robinow and Bruce Tozer, met twice and all meetings were attended by all members of the committee.

The Company does not currently have a nominations committee. Any new appointments to the board are discussed at a full board meeting, taking into account the current skills and experience of the board and that of the candidate. Each member of the board is given the opportunity to meet the individual concerned before an appointment is made.

Relations with shareholders

The board attaches great importance to communications with both institutional and private shareholders. The executive directors regularly meet shareholders to update them on the progress of the Group and discuss any areas of concern that they may have. At other times the executive directors respond to questions they receive from shareholders. Any issues raised by major shareholders are discussed by the board as a whole. Whilst this is not always possible with smaller shareholders, the chairman personally responds to communications received from individuals, and the annual general meeting provides an opportunity for smaller shareholders to meet executive and non-executive members of the board, to raise any issues and discuss the development of the business with them. Many of the Group's smaller shareholders have become personally known to the directors through their many years of regular attendance at the Company's AGMs.

The board uses the Group's website (www.mpevans.co.uk) to make available details of the AGMs, and the results of the votes cast at those meetings, and reports and presentations given at meetings with investors.

ACCOUNTABILITY

Financial reporting

A detailed review of the performance and financial position of the Group is included in the chairman's statement and the strategic report. The board uses these and the report of the directors to present a balanced and understandable assessment of the Group's position and prospects. The directors' responsibility for the financial statements is described on pages 39 and 40 of the report of the directors.

Risk management

The directors acknowledge their responsibilities for the Group's system of risk management. Such a system can provide reasonable, but not absolute, assurance against material misstatement or loss. A review of the process of risk identification, evaluation and management is carried out and reviewed by the audit committee. The committee considers the Group's principal risks, and a summary is presented to the board for discussion and approval. The review process considers the control environment and the major business risks faced by the Group. In summary, this is reported on pages 26 to 29.

Important control procedures, in addition to the day-to-day supervision of parent-Company business, include regular executive visits to the areas of operation of the Group and of its associates, comparison of operating performance and monthly management accounts with plans and budgets, application of authorisation limits, internal audit of subsidiary undertakings and frequent communication with local management. Internal audit is subject to periodic external review.

Going concern

The board has assessed and concluded on the going-concern status of the Group, and further information is included in the directors' report on page 40.

Viability

The board considers the Group's longer-term viability on a regular basis. In order to do this, both short-term budgets and longer-term projections are prepared and reviewed by the board. Due to the long-term nature of the industry within which the Group operates, the board has concluded that projections should be prepared, and therefore viability considered, over a 10-year period.

CORPORATE GOVERNANCE continued

At the year end, the Group held cash and other liquid funds of US\$24.1 million. Furthermore, as disclosed in note 23, at the year end the Group had available undrawn finance facilities of up to US\$125 million. The Group's plans for further development of its Indonesian operations have been taken into consideration, as set out in the strategic report, including development of existing projects, investment in new hectareage, and appropriate financing where necessary.

Principal areas of risk, and their mitigation, are included in the section on risk management on pages 26 to 29. As noted, whilst legislative changes in Indonesia could adversely impact on the viability of the Group in its current form, the board monitors the situation carefully and considers the risk to be low. Financially, the main risk to the Group's results is commodity-price fluctuation, and as has been demonstrated, the Group is able to continue delivering returns even during periods of lower crude palm oil prices.

The Group's prospects remain sound, in particular given the young average age of its palms, at seven years. An upward trend in crop is expected to last until towards the end of the next decade. Given these prospects and the resources available to the Group, the board intends, where possible, to maintain or increase, normal dividends in future years from their current levels.

In light of the above, the board has not identified any significant concerns regarding the Group's longer-term viability.

AUDIT COMMITTEE

The audit committee is formally constituted with written terms of reference (which are available on the Company's website www.mpevans.co.uk) and is chaired by Jock Green-Armytage. The other members are Richard Robinow, Bruce Tozer and Philip Fletcher. All served throughout the year. The executive directors are not members of the committee but can be invited to attend its meetings. The auditors of the Group may also attend part or all of each meeting and they have direct access to the committee for independent discussions, without the presence of the executive directors. The committee met four times during 2018 and each meeting was attended by all of the members. The external auditors attended two of the meetings.



The audit committee may examine any matters relating to the financial affairs of the Group or the Group's audit; this includes reviews of the annual accounts and announcements, accounting policies, compliance with accounting standards, reviewing the Group's principal risks, the appointment of and fees of auditors and such other related matters as the board may require.

During the year the audit committee has:

- reviewed the Group's external financial reporting, including receiving a report from the external auditors on the audit work they have performed;
- reviewed the effectiveness of the Group's internal controls, including a review of the main findings of the internal-audit team in Indonesia;
- assessed critical accounting judgements and key estimates made during the year, in particular in relation to the carrying value of the Group's deferred tax assets;
- considered and approved the Group's risk analysis;
- reviewed the quality and effectiveness of the external audit; and
- considered and approved plans for tendering the Group external audit appointment.

Auditors

The auditors were first appointed, following a tender exercise, in 2009. The audit partner changes at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity, with Darryl Phillips the audit partner for the 2018 audit. Current policy is to tender the external audit at least every ten years, so the Group plans to conduct a tender exercise during 2019.

The audit committee meets the external auditors to consider audit planning and the results of the external audit. The committee specifically considered the scope of the Group auditors' engagement and agreed the significant risks for the audit of the 2018 results.

The external auditors have provided only audit services during the current year, other than very limited tax compliance services in Indonesia and Malaysia.

Accordingly, the board does not consider there to be a risk that the provision of non-audit services may compromise the external auditors' independence.

To assess the effectiveness of the auditors, the committee reviewed their fulfilment of the agreed audit plan and variations from it, and the auditors' report on issues arising during the course of the audit.

Financial reporting and review of financial statements

The committee is able to ensure it has a full understanding of business performance through its receipt of regular financial and operational reporting, its review of the budget and long-term plan and its discussion of key accounting policies and judgements. It has specifically addressed:

- the finalisation of the acquisition accounting for PT Bumi Mas Agro;
- the impact of the change in revenue accounting at the Group's property associate as a result of the implementation of IFRS 15, and the related prior-year adjustment to the Group accounts;
- the impact of new accounting standards, in particular the introduction of IFRS 9 *Financial instruments*, IFRS 16 *Leases*; and
- the ongoing validity of key judgements in the financial statements. The committee considered the judgements that deferred tax should not be provided on unremitted earnings of subsidiaries and associates, and the judgement that depreciation should not be provided on leasehold land, and concluded that both remained appropriate.

After reviewing presentations and reports from management and consulting with the auditors, the audit committee is satisfied that the financial statements properly present the critical judgements and key estimates for both the amounts reported and relevant disclosures. The committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.



DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE

The remuneration committee, which is formally constituted with written terms of reference (available on the Company's website at www.mpevans.co.uk), keeps under review the remuneration and terms of employment of the executive directors and recommends such remuneration and terms to the board. The committee comprises Jock Green-Armytage, Richard Robinow and Bruce Tozer, and is chaired by Jock Green-Armytage.

SERVICE CONTRACTS

All of the executive directors have service contracts with the Company. These contracts continue until terminated by either party giving not less than one year's notice in writing. The non-executive directors do not have service contracts or provisions for pre-determined compensation on termination of their appointment.

BOARD PERFORMANCE EVALUATION

The board undertook a performance evaluation during the first quarter of 2019. This was an internal evaluation drawing on material purchased from a professional adviser. Each director was asked to complete the questionnaires for the Group bodies of which they were a member. Separate questionnaires were distributed and completed by the:

- whole board;
- audit committee;
- remuneration committee;
- non-executive directors.

The results of these questionnaires were analysed by the company secretary. Whilst no category covered in the questionnaires returned a low score, the board assessed its best performing area to be its work on strategy. The full board discussed the outcome of the evaluation and agreed some actions in response to it. The actions agreed by the board included reviewing its agendas to allocate time for discussion appropriately; reviewing the structure of delegation from the board to its committees; formal recording of risk appetite as well as of risks; increased board-level monitoring of anti-bribery and corruption efforts; setting frequency of external internal audit reviews of its operations; regular review of stakeholder identification at board level; and more disclosure of the board's mix of skills and experience.

SUCCESSION PLANNING

The chairman maintains a strong individual relationship with all the directors and any changes to the board are managed collaboratively and with minimal cost and disruption to the Group. It is considered that the board would be robust to any unplanned retirements and be able to recruit suitable, well-qualified, candidates within a reasonable time period. Any recruitment of new members to the board takes into account the board's assessment of its composition and the skills and experience required in the board successfully to formulate and execute Group strategy.

REMUNERATION POLICY

The Group's remuneration committee recognises that the Group's success depends, in part, on the performance of the directors and senior management and the importance of ensuring that employees are incentivised. Its philosophy is to offer a transparent and simple remuneration package to the executive directors, comprising a salary and a bonus related to current results and personal performance (including significant additional contribution in terms of time and expertise). Half of the bonus is payable in cash and half is deferred into an award of fully-paid shares which vest three years after their grant, subject to continued employment by the Group. This structure for remuneration is designed to be easily understood by both executives and shareholders. It aims to encourage the executive directors to work collegiately, focus their efforts on making decisions that are in the Group's best long-term interests, and, to some extent, share in the benefits that accrue to shareholders from a higher future share price. This avoids the need for complex performance measures and the risk that numerical targets encourage behaviour that sacrifices long-term growth potential in favour of short-term results.

LONG-TERM INCENTIVE SCHEME

The long-term incentive scheme established in 2017 governs the grant of both deferred-bonus awards to executive directors and annual awards of fully-paid shares to senior staff other than directors. The award of fully-paid shares has the advantage of being substantially less dilutive than market-priced share options, whilst continuing to provide an adequate level of incentive to the recipient.



TOTAL DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2018

	SALARY AND FEES £	BONUS PAID £	BONUS DEFERRED £	OTHER BENEFITS £	SALARY IN LIEU OF PENSION £	PENSION COSTS £	GAIN ON EXERCISE OF SHARE OPTIONS £	TOTAL REMUN- ERATION 2018 £	TOTAL REMUN- ERATION 2017 £
Executive directors									
P E Hadsley-Chaplin	175,600	32,925	-	27,664	27,004	-	-	263,193	273,153
T R J Price ^{1,2}	292,500	54,844	54,844	40,712	23,341	10,000	442,875	919,116	811,332
M H Coulson ^{1,2,3}	206,000	38,625	38,625	28,914	13,840	10,000	-	336,004	349,831
	674,100	126,394	93,469	97,290	64,185	20,000	442,875	1,518,313	1,434,316
Non-executive directors									
R M Robinow	33,000	-	-	-	-	-	-	33,000	32,000
J M Green-Armytage	38,500	-	-	-	-	-	-	38,500	37,300
B C J Tozer	33,000	-	-	-	-	-	-	33,000	32,000
P A Fletcher	33,000	-	-	-	-	-	-	33,000	32,000
J D Shaw	-	-	-	-	-	-	-	-	2,667
	137,500	-	-	-	-	-	-	137,500	135,967
Total	811,600	126,394	93,469	97,290	64,185	20,000	442,875	1,655,813	1,570,283

1. In line with Group remuneration policy, half of the bonuses for the year to Mr T R J Price and Mr M H Coulson have been deferred into an award of fully-paid shares of equal value which vest after three years subject to continued employment by the Group.
2. The pension costs for Mr T R J Price and Mr M H Coulson are the contributions made by the Company to Company-sponsored self-invested personal pensions.
3. Mr M H Coulson's remuneration for 2017 is for the period from his appointment on 1 February 2017.

The long-term incentive for executive directors is through the award of fully-paid share options under the deferred-bonus policy described above. No additional performance criteria attach to the deferred-bonus awards since the original bonus will have been performance-related.

In respect of senior staff who are not directors, the Group aims annually to give a limited number of fully-paid shares which vest after three years subject to continued employment by the Group. This is designed to retain valued individuals in a growing and competitive sector. No performance criteria attach to these awards.

EXECUTIVE DIRECTORS

When determining the remuneration of the executive directors, the remuneration committee considers the pay and conditions across the Group, particularly those of the senior management of the operations in Indonesia. The Group aims to provide remuneration packages for the directors and senior management which are a fair reward for their contribution to the business, having regard to the complexity of the Group's operations and the need to attract, retain and motivate high-quality senior management. Remuneration packages are designed to

be broadly comparable with those offered by similar businesses, such as European plantation and AIM-listed companies.

Non-pensionable bonuses may be awarded annually in arrears at the discretion of the committee, taking account of the Group's performance during the period and other targeted objectives. Bonuses do not exceed twelve months' salary, half payable in cash and half deferred into an award of fully-paid shares which vest three years after their grant subject to continued employment by the Group (as described above). The bonus in respect of 2018 took into account the extent of the Group's production increase in 2018 and progress on new planting, as well as the lower CPO price which led to lower earnings. The absolute value of these measures was assessed, as was their outturn against expected performance. The remuneration committee also noted achievements by the executive directors such as the successful roll-out of a complex IT project in Bangka and North Sumatra, successful negotiation of a US\$120 million bank facility and the adoption of both a new sustainability policy and corporate governance code.



DIRECTORS' REMUNERATION REPORT continued

NON-EXECUTIVE DIRECTORS

The fees of the non-executive directors are determined by the board having regard to the complexity of the Group's operations and the need to attract, retain and motivate high-quality non-executive directors and the level of fees paid for similar roles in equivalent companies.

EXECUTIVE SHARE-OPTION SCHEMES

During 2018, the chief executive was a member of executive share-option schemes which were established in 2001 and 2012. No further options can be granted under the scheme established in 2001 and the remaining options under that scheme were exercised during 2018. The remuneration committee does not intend to grant any further share options under the scheme established in 2012.

Options which were previously granted under the 2001 and 2012 schemes give the chief executive the right to purchase shares on a future date at the market price of the shares on the date that the options are granted. As such, the value of any option is closely tied to the performance of the Group as reflected in its share price. There will be no gain in exercise unless the share price

on the exercise date exceeds the share price on the date the options were granted. On 31 December 2018, options over 125,000 (2017 – 200,000) shares granted to him under these schemes remained outstanding. During the year, 75,000 options were exercised (2017 – 75,000) shortly before they were due to lapse, and none (2017 none) lapsed.

The chief executive and finance director are members of the long-term incentive scheme established in 2017 described above, under which half of any discretionary bonus is deferred into fully-paid shares. Under this arrangement 20,390 fully-paid shares were awarded in 2018 (2017 – 24,680), representing half of the bonus awarded to these individuals in respect of 2017.

No options are held by either the chairman or non-executive directors.

At 31 December 2018 the middle-market quotation for the Company's shares, as derived from the London Stock Exchange Daily Official List, was 679p, as compared with the high and low quotations for the year of 800p and 670p respectively.

OPTIONS HELD OVER SHARES OF THE COMPANY BY THE EXECUTIVE DIRECTORS DURING THE YEAR ENDED 31 DECEMBER 2018

	BALANCE AT 1 JAN 2018	GRANTED IN THE YEAR	EXERCISED IN THE YEAR	BALANCE AT 31 DEC 2018	EXERCISE PRICE	DATE OF GRANT	DATE FROM WHICH NORMALLY EXERCISABLE	EXPIRY DATE
Executive share-option scheme								
T R J Price	*75,000	-	75,000	-	159.50	24 Nov 08	24 Nov 11	24 Nov 18
	50,000	-	-	50,000	483.21	19 Jun 12	19 Jun 15	19 Jun 22
	5,750	-	-	5,750	520.00	17 Jan 13	17 Jan 16	17 Jan 23
	44,250	-	-	44,250	510.00	17 Jan 13	17 Jan 16	17 Jan 23
	25,000	-	-	25,000	410.50	13 Jun 16	13 Jun 19	13 Jun 26
Total	200,000	-	75,000	125,000				
Long-term incentive scheme								
T R J Price	16,347	-	-	16,347	0.00	8 Jun 17	3 Apr 20	2 Apr 27
	-	12,059	-	12,059	0.00	12 Jan 18	12 Jan 21	11 Jan 28
	16,347	12,059	-	28,406				
M H Coulson	8,333	-	-	8,333	0.00	8 Jun 17	3 Apr 20	2 Apr 27
	-	8,331	-	8,331	0.00	12 Jan 18	12 Jan 21	11 Jan 28
	8,333	8,331	-	16,664				
Total	24,680	20,390	-	45,070				

* Held at appointment on 1 January 2010.

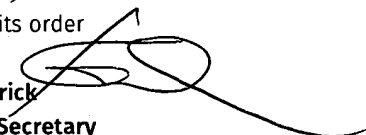


PENSIONS

The Company sponsors self-invested personal pensions ("SIPPs") for the UK executive directors. Contributions made by the Company to the SIPPs and to a life-assurance company give the executives a pension at retirement, a pension to a spouse payable on death whilst in the employment of the Company, and life-assurance cover based on a multiple of salary. No element of a director's remuneration package, other than basic salary, is pensionable. Individuals may elect

to forgo contributions to the SIPP, in which case they receive an additional salary paid in lieu of the employer's pension contributions at the same cost to the Company.

Approved by the board of directors and
signed by its order


Katya Merrick
Company Secretary

2 April 2019



INDEPENDENT AUDITORS' REPORT

To the members of M.P. Evans Group PLC Report on the audit of the financial statements

OPINION

In our opinion:

- M.P. Evans Group PLC's Group financial statements and parent-Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent-Company's affairs as at 31 December 2018 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent-Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the annual report, which comprise: the consolidated and parent-Company balance sheets as at 31 December 2018; the consolidated income statement and statement of comprehensive income, the consolidated cash-flow statement, and the consolidated and parent-Company statements of changes in equity for the year then ended; and the notes to the financial statements which include a description of the significant accounting policies.

BASIS FOR OPINION

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

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.



INDEPENDENT AUDITORS' REPORT continued

OUR AUDIT APPROACH

Overview

- Overall Group materiality: US\$1.0 million (2017: US\$1.7 million), based on 5.5% (2017 - 5%) of profit before tax (excluding profit from discontinued operations).
 - Overall parent-Company materiality: US\$1.9 million (2017: US\$1.3 million), based on 1% of total assets.
-
- We performed audit work over the complete financial information for reporting units which accounted for approximately 99% (2017: 100%) of the Group's revenue and 99% (2017: 100%) of the Group's profit before taxation, excluding the share of profit from associates. These reporting units comprised certain operating businesses in Indonesia and centralised functions.
 - Identified 30 reporting units, 4 of which were significant due to their size and 8 of which we brought in to provide sufficient coverage. These comprised certain operating businesses, associates and centralised functions which required an audit of their complete financial information.
 - Conducted specific audit procedures on certain balances and transactions in respect of a number of other reporting units.
-
- Acquisition accounting and disclosures in respect of Sunrich Plantations Pte Ltd (Group).
 - Capitalisation of costs in relation to plantation assets (Group).
 - Risk of fraud in revenue recognition (Group).

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT continued

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Acquisition accounting and disclosures in respect of Sunrich Plantations Pte Ltd. (Group) <i>Refer to page 41 (corporate governance), notes 3 and 13 for the related accounting policies, judgements and estimates for further information.</i> On 22 December 2017, the Group completed the purchase of 100% of the share capital of Sunrich Plantations Pte Ltd. In accordance with IFRS3, management are required to separately identify and record the fair value of the acquired assets and liabilities, including plantation assets and land rights. The accounting for a significant acquisition can be complex, in particular where there are a number of consideration payments, escrow arrangements and fair value assessments. Management prepared its assessment of the acquisition accounting and associated disclosure taking account of their experience of other acquisitions as well as already running a number of other similar plantations. The accounting for the acquisition was disclosed as 'provisional' in the 2017 annual report. In accordance with IFRS3 (revised) the accounting has been finalised during 2018 before 12 months since the date of acquisition.	We assessed the completeness and accuracy of management's purchase price allocation through the following procedures: • We obtained, read and understood the sale and purchase agreement ("SPA") and vouched the consideration paid to corroborating evidence including bank statements. We ensured that any consideration adjustments, including those through amounts in escrow accounts, were substantiated and appropriately reflected; • We performed audit work over the acquired balance sheet, which included the vouching of key balances to corroborating evidence such as contracts, bank confirmations and other accounting records and verifying liabilities for completeness by reviewing post-acquisition transactions. This work was carried out by our local PwC team with direction and oversight from the Group team; • We tested the fair value adjustments and purchase price allocation (specifically land and plantation assets), by assessing management's rationale and explanations against other recent market transactions as well as against historical records within the Group such as costs of planting per hectare. Further, we assessed if other assets and liabilities (in particular intangible assets), such as customer relationships and contracts, should be recognised (which they were not) given the nature of the entity; and A number of the procedures above were carried out in the prior year audit. We updated our procedures as required in 2018 in particular to audit the adjustments to the 'provisional' amounts and to ensure completeness of procedures. We discussed the results of this analysis with management and the audit committee and ensured appropriate disclosure was included within the annual report, which describes the nature of the acquisition and arising fair value adjustments. Based on the work performed in this area, we have determined that the accounting and disclosures are appropriate.



KEY AUDIT MATTER
Capitalisation of costs in relation to plantation assets (Group)

Refer to page 41 (corporate governance), notes 3 and 15 for the related accounting policies, judgements and estimates for further information.

The Group accounts for bearer plants (oil palms), in accordance with IAS16 Property, Plant and Equipment ("IAS 16"), under the historic accumulated cost model (before maturity) and subsequently records depreciation over the useful economic life of the asset as estimated by management once maturity is reached.

As at 31 December 2018 the Group held a net book value of US\$157.0 million (2017 US\$130.1 million) in relation to "Planting", of which US\$45.9 million (2017 US\$44.3 million) related to immature planting and was not depreciated.

Management allocate directly attributable costs between immature plantations (capitalised when incurred) and mature plantations (expensed when incurred) based on internal records which identify areas and dates of planting activities. The allocation of costs is performed using systematic calculations on where time and costs are spent.

Capitalised costs are depreciated once they reach maturity, over 20 years. Oil palms are declared mature once they produce economically viable fruit, typically 30 months. They continue to produce fruit over their whole lives, but become uneconomic to harvest after 20-25 years of harvesting because of their height. This pattern is common throughout the industry.

Given the size of the balance, and the amount of work required by management to split costs between directly attributable and overhead, and mature and immature, there is a risk, more error than judgement, that costs have been incorrectly categorised.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We have audited the level of capitalised assets within "Planting" through a number of procedures, which included the following:

- We agreed the split of hectares between mature (depreciating) and immature (non-depreciating) areas. This was done through site visits, our knowledge of the business, through prior year audits, and ensuring that the records were consistent with internal management information including the views of management's agro-economic team;
- We recalculated management's allocation of costs between the categories by systematically applying costs incurred over mature and immature areas;
- We tested a sample of additions to immature areas by verifying the nature of the costs capitalised against corroborating evidence and assessing whether the nature of the costs capitalised meet the required criteria defined in IAS 16; and
- We audited management's assumptions used to estimate the period over which palms mature and the useful economic life used for depreciation, by comparing to scientific literature, industry standards and licencing agreements over land rights.

Based on the evidence obtained we believe that the policies and estimates used in terms of capitalising and depreciating these costs are reasonable and the related disclosures are appropriate.



INDEPENDENT AUDITORS' REPORT continued

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Risk of fraud in Revenue recognition (Group) <i>Refer to page 41 (corporate governance), and note 3 for the related accounting policies, judgements and estimates for further information.</i> There is a rebuttable presumption that there exists a risk of fraud in revenue recognition under ISAs (UK). We have not rebutted that risk and we consider the risk more significant around the assertions of 'occurrence' and 'cut-off'. For the Group's main business of Palm Oil production in Indonesia, given the high volume, low value nature of the produce the risk is considered more around manual journals posted by management. This is where we have focussed our audit efforts. Given this is the first year of adoption of IFRS15 for the Group we have audited management's assessment of the change in accounting standard and any complexities that this may bring. In particular around revenues for the Bertam Associate where IFRS 15 introduces changes for the residential property market.	Our main audit procedures have included: <i>For the UK entities:</i> - Given that UK revenue is not material, we have performed desktop review procedures over revenue. This involves discussing with management and corroborating key movements year on year. <i>For the Palm Oil business in Indonesia:</i> - Reconfirming the revenue recognition accounting policy (ensuring compliance with IFRS 15); - Controls testing including ensuring invoices and delivery orders are reviewed prior to the invoice being raised; - Cut-off testing ensuring revenue is recognised in the correct period; - Substantive testing, agreeing revenue to invoice and delivery notes; and where possible vouching to its subsequent receipts; and - Substantively tested a sample of revenue journals which were deemed to have unusual account combinations. <i>For Bertam Properties Sdn Bhd (a property associate) the procedures included:</i> - Reviewing the revenue recognition accounting policy, ensuring compliance with IFRS 15, which has changed from IAS 18 in the Malaysian residential property market; - Verifying revenue through to certificate of compliance and completion (these specify the date, project, plot and stage of work with sign off from the architect); and - vouching sale to sales and purchase agreements and the fund release from the purchaser's bank to the developer. We discussed the results of this with management and the audit committee and ensured appropriate disclosure was included within the annual report around the adoption of IFRS15. Based on the work performed in this area, we have determined that the accounting and disclosures are appropriate.

We determined that there were no key audit matters applicable to the parent-Company to communicate in our report.



HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent Company, the accounting processes and controls, and the industry in which they operate.

M.P. Evans Group PLC ("MP Evans") is traded on the London Stock Exchange's Alternative Investment Market ("AIM"). The Group's assets consist of oil-palm plantations (both majority and minority held) in Indonesia and property development in Malaysia. The Group is structured to include UK-based holding entities and Indonesian-based operating subsidiaries. The Group also has associate interests in PT Kerasaan, an Indonesian palm-oil producer and in Bertam Properties, a Malaysian property developer. The Group operates with a head office management and finance team in the UK, as well as a local management and finance team in Indonesia.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or by component Auditors of other PwC network firms and other firms operating under our instruction. As the majority of the Group's operations are in Indonesia, we have carried out full scope audits over the principal trading subsidiaries in Indonesia, utilising our component audit team. Where the work was performed by component Auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

We identified 30 reporting units, 4 of which were significant due to their size and 8 of which we brought in to provide sufficient coverage. These comprised certain operating business and centralised functions which required an audit of their complete financial information. We also conducted specific audit procedures on certain balances and transactions in respect of a number of other reporting units. This gave us coverage of approximately 99% of the Group's profit before taxation, excluding the share of profit from associates. This, together with the additional procedures performed at the Group level, including testing the consolidation process gave us the evidence we needed for our opinion on the Group financial statements as a whole.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

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

	GROUP FINANCIAL STATEMENTS	PARENT-COMPANY FINANCIAL STATEMENTS
OVERALL MATERIALITY	US\$1.0 million (2017: US\$1.7 million).	US\$1.9 million (2017: US\$1.3 million).
HOW WE DETERMINED IT	5.5% (2017 -5%) of profit before tax (excluding profit from discontinued operations).	1% of total assets.



INDEPENDENT AUDITORS' REPORT continued

	GROUP FINANCIAL STATEMENTS	PARENT-COMPANY FINANCIAL STATEMENTS
RATIONALE FOR BENCHMARK APPLIED	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	The parent Company does not generate income but incurs some expenses which include salaries (including directors), administrative expenses linked with the parent Company operation and interest expense for the bank loan. The entity itself is predominantly that of a holding company and as such total assets is deemed to be the most appropriate benchmark. Investors are interested in the investments held by the parent.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between US\$32,000 and US\$960,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the audit committee that we would report to them misstatements identified during our audit above US\$50,000 (Group audit) (2017: US\$70,000) and US\$20,000 (parent-Company audit) (2017: US\$32,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

ISAs (UK) require us to report to you when:

- 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 and 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent-Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers, and the wider economy.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the annual report other than the financial statements and our auditors' report thereon. The directors are

responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the strategic report and report of the directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.



STRATEGIC REPORT AND REPORT OF THE DIRECTORS

In our opinion, based on the work undertaken in the course of the audit, the information given in the strategic report and report of the directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent-Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the strategic report and report of the directors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent-Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Darryl Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, London
2 April 2019



CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	2018 US\$'000	2017* US\$'000
Continuing operations			
Revenue		108,553	116,536
Cost of sales		(82,028)	(80,290)
Gross profit		26,525	36,246
(Loss)/Gain on biological assets		(703)	47
Foreign-exchange (losses)/gains		(4,056)	365
Other administrative expenses		(2,940)	(3,068)
Other income		652	360
Operating profit		19,478	33,950
Finance income	6	300	2,147
Finance costs	7	(1,430)	(1,027)
Profit before tax	8	18,348	35,070
Tax on profit on ordinary activities	9	(12,657)	(11,244)
Profit after tax		5,691	23,826
Share of associated companies' profit after tax		1,470	3,205
Profit for the year from continuing operations		7,161	27,031
Profit for the year from discontinued operations	11	—	68,018
Profit for the year		7,161	95,049
Attributable to:			
Owners of M.P. Evans Group PLC		5,405	91,129
Non-controlling interests	29	1,756	3,920
		7,161	95,049
		US cents	US cents
Continuing operations			
Basic earnings per 10p share	12	9.9	41.8
Diluted earnings per 10p share	12	9.8	41.6
Continuing and discontinued operations			
Basic earnings per 10p share	12	9.9	164.9
Diluted earnings per 10p share	12	9.8	164.1

*Restated for the introduction of IFRS 15 – see note 16.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 US\$'000	2017* US\$'000
Other comprehensive income		
<i>Items that may be reclassified to the income statement</i>		
Exchange (loss)/gain on translation of foreign operations	(393)	1,655
Release of deferred profit on sale of land	(164)	(135)
<i>Items that will not be reclassified to the income statement</i>		
Other comprehensive income/(expense)	711	(473)
Other comprehensive income for the year	154	1,047
Profit for the year	7,161	95,049
Total comprehensive income	7,315	96,096
Attributable to:		
Owners of M.P. Evans Group PLC	5,469	92,114
Non-controlling interests	1,846	3,982
	7,315	96,096

*Restated for the introduction of IFRS 15 – see note 16.



CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	2018 US\$'000	2017* US\$'000
Non-current assets			
Goodwill	14	11,767	12,228
Property, plant and equipment	15	338,225	321,558
Investments in associates	16	23,020	23,503
Investments	17	62	53
Deferred-tax asset	24	5,192	12,280
Trade and other receivables	20	8,740	5,465
		387,006	375,087
Current assets			
Biological assets	18	1,140	1,843
Inventories	19	12,883	10,462
Trade and other receivables	20	39,681	34,368
Current-tax asset		3,470	4,614
Current-asset investments	21	2,502	6,913
Cash and cash equivalents	21	21,626	113,910
		81,302	172,110
Total assets		468,308	547,197
Current liabilities			
Borrowings	23	20,883	9,159
Trade and other payables	22	15,029	65,194
Current-tax liability		2,423	5,317
		38,335	79,670
Net current assets		42,967	92,440
Non-current liabilities			
Borrowings	23	9,173	30,285
Deferred-tax liability	24	11,505	11,813
Retirement-benefit obligations	25	8,251	8,434
		28,929	50,532
Total liabilities		67,264	130,202
Net assets		401,044	416,995
Equity			
Share capital	26	9,228	9,255
Other reserves	28	54,948	54,382
Retained earnings	28	315,565	323,397
Equity attributable to the owners of M.P. Evans Group PLC		379,741	387,034
Non-controlling interests	29	21,303	29,961
Total equity		401,044	416,995

*Restated for the introduction of IFRS 15 – see note 16.

The financial statements on pages 58 to 83 were approved by the board of directors on 2 April 2019 and signed on its behalf by

Tristan Price
Chief executive

Matthew Coulson
Finance director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	SHARE CAPITAL US\$'000	OTHER RESERVES US\$'000	RETAINED EARNINGS US\$'000	TOTAL US\$'000	NON- CONTROLLING INTERESTS US\$'000	TOTAL EQUITY US\$'000
Profit for the year		—	1,470	3,935	5,405	1,756	7,161
Other comprehensive income for the year		—	12	52	64	90	154
Total comprehensive income for the year		—	1,482	3,987	5,469	1,846	7,315
Issue of share capital	26	10	149	—	159	—	159
Share buy-backs		(37)	37	(2,733)	(2,733)	—	(2,733)
Dividends paid	10, 29	—	—	(12,725)	(12,725)	(8,105)	(20,830)
Dividends from associates	16	—	(1,568)	1,568	—	—	—
Credit to equity for equity-settled share-based payments	27	—	466	24	490	—	490
Group reconstruction		—	—	(9)	(9)	—	(9)
Reclassification	29	—	—	2,056	2,056	(2,056)	—
Acquisition	13	—	—	—	—	(343)	(343)
Transactions with owners		(27)	(916)	(11,819)	(12,762)	(10,504)	(23,266)
At 1 January 2018		9,255	54,382	323,397	387,034	29,961	416,995
At 31 December 2018		9,228	54,948	315,565	379,741	21,303	401,044
Profit for the year*		—	3,205	87,924	91,129	3,920	95,049
Other comprehensive income for the year		—	535	450	985	62	1,047
Total comprehensive income for the year		—	3,740	88,374	92,114	3,982	96,096
Issue of share capital	26	13	493	—	506	—	506
Share buy-backs		(124)	124	(9,188)	(9,188)	—	(9,188)
Dividends paid	10	—	—	(19,995)	(19,995)	—	(19,995)
Dividends from associates	16	—	(2,240)	2,240	—	—	—
Credit to equity for equity-settled share-based payments	27	—	175	54	229	—	229
Group reconstruction		—	—	(52)	(52)	—	(52)
Minority interest arising on acquisition	13	—	—	—	—	2,755	2,755
Transactions with owners		(111)	(1,448)	(26,941)	(28,500)	2,755	(25,745)
At 1 January 2017 - as previously stated		9,366	49,669	261,964	320,999	23,224	344,223
Restatement*		—	2,421	—	2,421	—	2,421
At 1 January 2017 - as restated		9,366	52,090	261,964	323,420	23,224	346,644
At 31 December 2017*		9,255	54,382	323,397	387,034	29,961	416,995

*Restated for the introduction of IFRS 15 – see note 16.



CONSOLIDATED CASH-FLOW STATEMENT

For the year ended 31 December 2018

	Note	2018 US\$'000	2017 US\$'000
Net cash generated by operating activities	30	16,629	20,723
Investing activities			
Purchase of property, plant and equipment	15	(31,879)	(29,533)
Interest received	6	300	2,147
Proceeds on disposal of property, plant and equipment		727	67
Purchase of subsidiary undertaking		(49,167)	(39,589)
Disposal of associated undertaking		—	99,769
Net cash (used)/generated by investing activities		(80,019)	32,861
Financing activities			
Repayment of borrowings		(9,159)	(9,552)
Decrease in bank deposits treated as current-asset investments		4,411	7,349
Dividends paid to Company shareholders		(12,725)	(19,995)
Dividends paid to non-controlling interests		(8,105)	—
Exercise of Company share options		159	506
Buy-back of Company shares		(2,733)	(9,188)
Net cash used by financing activities		(28,152)	(30,880)
Net (decrease)/increase in cash and cash equivalents		(91,542)	22,704
Net cash and cash equivalents at 1 January		113,910	91,405
Effect of foreign-exchange rates on cash and cash equivalents		(742)	(199)
Cash and cash equivalents at 31 December	21	21,626	113,910



NOTES TO THE CONSOLIDATED ACCOUNTS

For the year ended 31 December 2018

1 General information

M.P. Evans Group PLC is a public limited company incorporated in the United Kingdom under the Companies Act 2006 and listed on the London Stock Exchange's Alternative Investment Market ("AIM"). The Company is registered in England and Wales, and the address of its registered office is given on page 96. The nature of the Group's operations and its principal activities are set out in note 4 and in the strategic report on pages 12 to 29. The Group is domiciled in the UK.

The functional currency of M.P. Evans Group PLC, determined under IAS 21, is the US Dollar. Likewise, the functional currency of subsidiaries operating in the palm-oil sector is the US Dollar, reflecting the primary economic environment in which the Group operates. The presentational currency for the Group accounts is also the US Dollar.

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the year. M.P. Evans Group PLC reported a profit of US\$115,929,000 for the financial year ended 31 December 2018 (2017 loss of US\$1,426,000). The Company's separate financial statements are set out on pages 84 to 89.

By virtue of Section 479A of the Companies Act 2006, the Company's subsidiary Bertam Consolidated Rubber Company Limited is exempt from the requirement to have an audit and prepare individual accounts. Details of all subsidiary companies are shown on page 90.

2 Adoption of new and revised accounting standards

(a) New and amended standards adopted by the Group

There have been a number of new and amended standards issued by the International Accounting Standards Board ("IASB") that became effective for the first time during the year ended 31 December 2018. The Group has assessed each of them, and concluded that the following standards and amendments have not had a material impact on the Group's results or financial position.

IFRS 9 Financial instruments

IFRIC 22 Foreign currency transactions and advance consideration

IFRS 2 (amendments) Classification and measurement of share-based payment transactions

IAS 40 (amendments) Transfers of investment property

Annual Improvements to IFRS Standards 2014-2016 Cycle

In addition, the Group concluded that, whilst there was no change to its own revenue accounting, under IFRS 15 there was a change in revenue recognition at the Group's property associate, resulting in a prior year adjustment. Further information is provided in note 16.

(b) New standards, amendments and interpretations issued but not effective for the year beginning 1 January 2018 and not adopted early

At the date of authorisation of these financial statements, a number of new and revised IFRSs have been issued by the IASB but are not yet effective, as listed below. The directors have performed an initial review of each of the new and revised standards and, based on the Group's current operations and accounting policies, are of the view that their adoption will not lead to any material change in the Group's financial reporting.

IFRS 17 Insurance contracts

IFRIC 23 Uncertainty over income tax treatments

IAS 28 (amendments) Long-term interests in associates and joint ventures

IAS 19 (amendments) Plan amendment, curtailment or settlement

Annual Improvements to IFRS Standards 2015-2017 Cycle

Amendments to references in the conceptual framework in IFRS Standards

IFRS 3 (amendments) Definition of a business

IAS 1 and IAS 8 (amendments) Definition of material

In addition to the above, IFRS 16 Leases was not effective for the 2018 Group accounts and has not been adopted early, but will be adopted in 2019. At the date of authorisation of these financial statements, the directors have completed their review of Group leases, and due to the small number and value of leases that have not already been capitalised, have concluded that no material change is expected.

(c) Accounting standard changes arising due to a departure from the European Union

The directors will continue to monitor the situation regarding any departure of the United Kingdom from the European Union, along with the introduction of any new UK endorsement body for new or amended accounting standards.

NOTES TO THE CONSOLIDATED ACCOUNTS continued

3 Accounting policies

(a) Accounting convention and basis of presentation

The consolidated financial statements of M.P. Evans Group PLC have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union, and the Companies Act 2006 as applicable to companies reporting under IFRS. They have been prepared under the historical cost convention, as modified by the valuation of biological assets and available-for-sale financial assets. The Group's financial statements therefore comply with the AIM rules.

(b) Going concern

The financial statements have been prepared on a going-concern basis. The directors have conducted a review of projected cash flows from operations, investing and financing, concluding that the Group has sufficient projected funds to carry on its business and its planned investment programme in the medium term. Furthermore, the Group has control over its main cash expenditure, investment in its new estates and mills, which it can manage according to the resources available. Further details are given in the report of the directors on page 40.

(c) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiaries, and equity accounts for its associated undertakings. The Group treats as subsidiaries those entities in which it has power over the investee, has the rights or exposure to variable returns, and has the ability to affect those returns. All subsidiary and associated undertakings prepare their financial statements to 31 December.

Where necessary, the financial statements of subsidiary and associated companies are adjusted prior to consolidation or equity accounting to bring them into line with the Group's accounting policies. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. The results of subsidiaries or associated companies acquired or disposed of during the year are included in the consolidated income statement from or up to the effective point of gaining or losing either control or significant influence as appropriate.

Non-controlling interests in the net assets of subsidiaries are separately identified. They consist of non-controlling interests at the date of business combination, and the non-controlling interest's share of subsequent changes in equity.

On disposal of a subsidiary or associated company, the gain or loss on disposal is calculated as the difference between the fair value of the proceeds received and the Group's consolidated carrying value of the assets and liabilities of the subsidiary or associated undertaking, including goodwill where relevant. If required by IFRS 5, results (including comparative amounts) of the disposed of subsidiary or associated undertaking are included within discontinued operations.

(d) Revenue

Revenue represents the fair value of crops and produce sold during the year, excluding sales taxes. Income is recognised at the point of delivery, which is deemed to be the point at which the performance obligations are satisfied. Revenue in respect of commercial construction contracts is recognised at the point the sale of the developed property is fully completed. In accordance with the five-step model in IFRS 15, for certain residential properties revenue is recognised proportionately over the contract period.

(e) Retirement benefits

The Group operates a defined-contribution pension scheme. The pension charge represents the contributions payable by the Group under the rules of the scheme. In Indonesia, as required by law, a lump sum is paid to employees on retirement or on leaving the Group's employment. This terminal benefit is unfunded, but the expense is accrued by the Group based on an annual actuarial review, and charged to the income statement on the basis of individuals' service at the balance-sheet date.

(f) Share-based payments

The Group issues equity-settled, share-based payments to certain employees. Such share-based payments are measured at fair value (excluding the effect of any non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled, share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by application of the Black-Scholes model, using management's best estimates assuming that: options are exercised in the middle of the vesting period for market-priced options and at the start of the vesting period for options issued under the long-term incentive scheme; dividend yield is the latest annual dividend divided by the share price on the date the options are granted; share-price volatility is assessed as the average standard deviation over one year using share prices since 1 January 1993. At each balance-sheet date the Group estimates the number of options it expects to vest. Any changes from the previous estimate are recognised in the income statement.



3 Accounting policies continued

(g) Goodwill

On acquisition of shares in subsidiary companies or associated undertakings, the directors compare the fair value of the consideration given for the shares with the fair value of the identifiable net assets acquired, including an estimation of the fair value of property, plant and equipment, intangible fixed assets and biological assets. This comparison is used to establish the value of goodwill or the excess of fair value of the identifiable net assets and liabilities acquired over their cost.

Goodwill arising on acquisition is ascribed to an operating subsidiary and capitalised, with provision being made for any impairment. Goodwill is tested for impairment at least annually but provisions, once made, are not reversed.

(h) Biological assets

For internal reporting and decision-making, the Group's policy is to recognise fresh fruit bunches ("ffb") at the point of harvest. For the purposes of statutory reporting, taking into account advice from the Group's auditor on the interpretation of IAS 41, the Group's policy is to include an estimate of the fair value of ffb prior to harvest as a biological asset in the Group's financial statements (see note 18). The impact of initial valuations and subsequent changes in value are included in the Group's income statement. The valuation falls into the IFRS category 'Level 3', since sales of ffb prior to harvest are never transacted.

Deferred tax is recognised at the relevant local rate on the difference between the cost of biological assets and their carrying value determined under IAS 41.

(i) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes all expenditure incurred in acquiring the asset, including directly-attributable borrowing costs. Leasehold land in Indonesia is held on 25- or 30-year leases and is not depreciated as the leases can be renewed without significant cost. Perpetual-leasehold land in Malaysia is classified as freehold land, which is not depreciated. Oil-palm plantings are recognised at cost and depreciated, once they reach maturity, over 20 years.

Land and buildings, plant, equipment and vehicles, are written off over their estimated useful lives at rates which vary between 0% and 50% per annum. Estimated useful lives are reviewed at each balance-sheet date. Where the board judges the residual value of an asset to exceed its carrying value, no provision is made for depreciation.

Construction in progress is measured at cost and is not depreciated.

(j) Investments in associated companies

Undertakings over which the Group has the ability to exert significant influence, but not control, through shareholdings and board membership, are treated as associated undertakings. Investments in associated undertakings are held in the consolidated financial statements under the equity method of accounting. The consolidated income statement includes the Group's share of the profit or loss on ordinary activities after taxation based on audited financial information for the year ended 31 December 2018. In the consolidated balance sheet, the investments in the associated undertakings are shown as the Group share of net assets at the balance-sheet date, as adjusted for any associated goodwill.

(k) Assets held for sale

The Group treats assets as held for sale once the sale is considered highly probable and is expected to complete within 12 months of the balance-sheet date. They are valued at the lower of carrying amount, and fair value less costs to sell.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value. In the case of palm oil, cost represents the weighted-average cost of production, including appropriate overheads. Other inventories are valued on the basis of first in, first out.

(m) Taxation

The tax charge for the year comprises current and deferred tax. The Group's current-tax asset or liability is calculated using tax rates that have been enacted or substantively enacted by the balance-sheet date.

Deferred tax is accounted for using the balance-sheet-liability method, calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Liabilities are generally recognised for all taxable temporary differences; deferred-tax assets are recognised if it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is not provided on initial recognition of goodwill.

The Group recognises deferred-tax liabilities arising from taxable temporary differences on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred-tax assets is reviewed at each balance-sheet date.

Deferred-tax assets and liabilities are offset when there is a legally-enforceable right to set off current-tax assets against current-tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current-tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED ACCOUNTS continued

3 Accounting policies continued

(n) Financial instruments

Financial assets and financial liabilities are initially recognised on the Group's balance sheet at fair value when the Group becomes a party to the contractual provisions of the instrument.

Financial assets at fair value through profit or loss – the Group's investments in unlisted shares (other than associated undertakings) are classified as fair value through profit or loss and stated at fair value, with gains and losses recognised directly in the income statement. Fair value is the directors' estimate of sales proceeds at the balance-sheet date.

Trade and other receivables – these represent both amounts due from customers in the normal course of business and financing made available to smallholder co-operatives. In both cases balances are not interest-bearing, and are initially stated at their fair value, and subsequently measured at amortised cost, using the effective-interest-rate method, as reduced by appropriate allowances for estimated expected credit losses, which are charged to the income statement.

Cash and cash equivalents – these include cash at hand, and bank deposits with original maturities of three months or less.

Current-asset investments – these include bank deposits with original maturities of between three and twelve months.

Bank borrowings – interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the income statement using the effective-interest-rate method.

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

Equity instruments – equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(o) Foreign currencies

As set out in note 1, the functional currency of the parent Company and of subsidiaries operating in the palm-oil sector is the US Dollar. The functional currency of Group companies operating in the property-development sector is the local currency, the Malaysian Ringgit. Where relevant, results of all Group companies are translated for the purposes of consolidation into the Group's presentation currency, the US Dollar. The monetary assets and liabilities of the Group's foreign operations are translated at exchange rates on the balance-sheet date. Items in the income statement are translated at the average exchange rate for the period.

Exchange differences are recognised as a profit or loss in the period in which they arise, except for exchange differences on monetary items payable to foreign operations where settlement is, neither planned nor likely to occur, in which case the difference is recognised initially in other comprehensive income. In addition, exchange differences arising from translating the results of Group companies that do not have the US Dollar as their functional currency are also recognised in other comprehensive income.

(p) Segmental reporting

Operating segments are consistent with the internal reporting provided to the chief operating-decision maker. The chief operating-decision maker, which is responsible for allocating resources and assessing performance of the operating segments, is the board of directors. The Group's reportable operating segments are included in note 4.

(q) Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect how its policies are applied and hence amounts are reported in the financial statements. Estimates and judgements are periodically evaluated. They are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from estimates.

The critical judgements and key estimates which have the most significant impact on the carrying amount of assets and liabilities are identified below and discussed further in the relevant notes to the accounts.

Critical judgements

- Deferred tax on unremitted earnings (note 24); and
- Depreciation of leasehold land (note 15).

Key estimates

- Carrying value of deferred-tax assets relating to losses (note 24); and
- Valuation of biological assets – growing produce (note 18).



4 Segment information

The Group's reportable segments are distinguished by location and product: palm oil plantation crops in Indonesia and property development in Malaysia.

	PLANTATION INDONESIA US\$'000	PROPERTY MALAYSIA US\$'000	OTHER US\$'000	TOTAL US\$'000
2018				
Continuing operations				
Revenue	108,445	—	108	*108,553
Gross profit/(loss)	26,583	—	(58)	26,525
Loss on biological assets	(703)	—	—	(703)
Foreign-exchange (loss)/gain	(3,448)	—	(608)	(4,056)
Other administrative expenses	(181)	—	(2,759)	(2,940)
Other income	646	—	6	652
Operating profit				19,478
Finance income	291	—	9	300
Finance costs	(1,026)	—	(404)	(1,430)
Profit before tax				18,348
Tax	(12,167)	—	(490)	(12,657)
Profit after tax				5,691
Share of associated companies' profit after tax	864	606	—	1,470
Profit for the year from continuing operations				7,161
Profit for the year from discontinued operations				—
Profit for the year				7,161
Consolidated total assets				
Assets	402,855	—	42,433	445,288
Investments in associates	3,587	19,433	—	23,020
	406,442	19,433	42,433	468,308
Consolidated total liabilities				
Liabilities	61,489	5,775	—	67,264
Other information				
Additions to property, plant and equipment	31,875	—	4	31,879
Depreciation	14,441	—	33	14,474

* US\$69.5 million of revenue (64.0%) was from sales of CPO to four customers (18.0%, 16.8%, 14.9% and 14.3% respectively).



NOTES TO THE CONSOLIDATED ACCOUNTS continued

4 Segment information continued

	PLANTATION INDONESIA US\$'000	PROPERTY MALAYSIA US\$'000	OTHER US\$'000	TOTAL US\$'000
2017				
Continuing operations				
Revenue	116,393	—	143	*116,536
Gross profit/(loss)	36,256	—	(10)	36,246
Gain on biological assets	47	—	—	47
Foreign-exchange (loss)/gain	(766)	—	1,131	365
Other administrative expenses	(108)	—	(2,960)	(3,068)
Other income	360	—	—	360
Operating profit				33,950
Finance income	1,355	—	792	2,147
Finance costs	(552)	—	(475)	(1,027)
Profit before tax				35,070
Tax	(10,780)	—	(464)	(11,244)
Profit after tax				23,826
Share of associated companies' profit after tax**	1,189	2,016	—	3,205
Profit for the year from continuing operations				27,031
Profit for the year from discontinued operations				68,018
Profit for the year				95,049
Consolidated total assets				
Assets	456,485	—	67,209	523,694
Investments in associates**	3,105	20,398	—	23,503
	459,590	20,398	67,209	547,197
Consolidated total liabilities				
Liabilities	70,061	—	60,141	130,202
Other information				
Additions to property, plant and equipment	29,507	—	26	29,533
Depreciation	11,430	—	42	11,472

* US\$37.2 million of revenue (31.9%) was from sales of CPO to two customers (16.7% and 15.2% respectively).

** Restated for the introduction of IFRS 15 – see note 16.



5 Employees

	2018 US\$'000	2017 US\$'000
Employee costs during the year		
Wages and salaries	16,204	13,499
Social security costs	1,630	1,925
Current service cost of retirement benefit (see note 25)	1,576	1,160
Other pension costs	105	137
Share-based payment charge	490	229
	20,005	16,950
	Number	Number
Average monthly number of persons employed (including executive directors)		
Estate manual	5,211	4,706
Local management	99	79
United Kingdom head office	7	7
	5,317	4,792

Details of directors' remuneration required by the Companies Act 2006 are shown within the directors' remuneration report on page 47 and form part of these audited financial statements.

6 Finance income

	2018 US\$'000	2017 US\$'000
Interest receivable on bank deposits	300	2,147

7 Finance costs

	2018 US\$'000	2017 US\$'000
Interest payable on bank loans and overdrafts	1,430	1,027

8 Profit before tax

	2018 US\$'000	2017 US\$'000
Profit before tax is stated after charging:		
Depreciation of property, plant and equipment	14,474	11,472
Auditors' remuneration	416	394
Employee costs (note 5)	20,005	16,950
The analysis of auditors' remuneration is as follows:		
Fees payable to the Company's auditor and their associates for services to the Group*		
Audit of UK parent Company	23	23
Audit of consolidated financial statements	119	116
Audit of overseas subsidiaries	229	233
Total audit services	371	372
Taxation advisory services	7	—
Total non-audit services	7	—

* In addition to the above, US\$38,000 (2017 US\$22,000) were payable to other firms for the audit of subsidiary companies.



NOTES TO THE CONSOLIDATED ACCOUNTS continued

9 Tax on profit on ordinary activities

	2018 US\$'000	2017 US\$'000
United Kingdom corporation tax charge for the year	448	432
Relief for overseas taxation	(448)	(432)
	—	—
Overseas taxation	5,799	6,436
Adjustments in respect of prior years	3	(5)
Total current tax	5,802	6,431
Deferred taxation – origination and reversal of temporary differences (see note 24)	6,855	4,813
	12,657	11,244

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax, was 19% (2017 – 19.25%). The standard rate of Indonesian tax was 25% (2017 – 25%). The actual tax charge is higher than the standard rate for the reasons set out in the reconciliation below. The tax paid in the year (note 30) was higher than the current tax charge due to the settlement of tax liabilities acquired with PT Bumi Mas Agro (note 13).

	2018 US\$'000	2017 US\$'000
Profit on ordinary activities before tax	18,348	35,070
Tax on profit on ordinary activities at the standard rate	3,486	6,751
Factors affecting the charge for the year		
Profits taxed at higher standard tax rate	3,038	2,587
Losses no longer available	5,331	1,011
Unrealised Indonesian exchange differences not included in Group profit	(341)	(549)
Withholding tax on overseas dividends and interest	38	38
Adjustment relating to intercompany loan relationships	—	1,211
Utilisation of losses brought forward	(663)	(870)
Unrelieved losses	1,367	443
Other differences	401	622
Total tax charge	12,657	11,244

10 Dividends paid and proposed

	2018 US\$'000	2017 US\$'000
2018 interim dividend – 5.00p per 10p share (2017 interim dividend 5.00p)	3,504	3,660
2018 special dividend – 0.00p per 10p share (2017 – 10.00p)	—	7,155
2017 final dividend – 12.75p per 10p share (2016 final dividend 12.75p)	9,221	9,180
	12,725	19,995

Following the year end, the board has proposed a final dividend for 2018 of 12.75p per 10p share, amounting to US\$9.3 million. The dividend will be paid on or after 21 June 2019 to shareholders on the register at the close of business on 23 April 2019.

In 2017, a special dividend of 10.00p per share was paid following the sale of the Group's interest in PT Agro Muko.



11 Discontinued operations

	2018 US\$'000	2017 US\$'000
Agro Muko		
Share of associated companies' profit	—	1,622
Profit on disposal of discontinued operations	—	66,396
Net profit from discontinued operations	—	68,018

In the prior year, the Group disposed of its 36.84% interest in PT Agro Muko.

12 Basic and diluted earnings per share

The calculation of earnings per 10p share is based on:

	2018 US\$'000	2018 NUMBER OF SHARES	2017* US\$'000	2017 NUMBER OF SHARES
Profit for the year attributable to the owners of M.P. Evans Group PLC	5,405		91,129	
Average number of shares in issue		54,787,105		55,255,776
Diluted average number of shares in issue**		55,058,331		55,545,708

* Restated for the introduction of IFRS 15 – see note 16

** The difference between the number of shares in issue and the diluted number of shares relates to unexercised share options held by directors and key employees of the Group.

13 Acquisition of subsidiary

On 22 December 2017, the Group acquired 100% of Sunrich Plantations Pte Ltd ("Sunrich"), which in turn owns 95% of the issued share capital of PT Bumi Mas Agro ("Bumi Mas"), a company owning an oil-palm plantation in Indonesia. The acquisition was made in line with the Group's strategy of expanding its majority-owned planted oil-palm area in Indonesia. Provisional fair values were recognised in the 2017 annual report in respect of the identifiable assets acquired and liabilities assumed. These provisional fair values were finalised in 2018 as set out in the table below:

	PROVISIONAL AT 31 DECEMBER 2017 US\$'000	ADJUSTMENT US\$'000	FINAL AT 31 DECEMBER 2018 US\$'000
Property, plant and equipment	102,353	5	102,358
Deferred tax asset	1,333	(348)	985
Current assets	8,731	—	8,731
Current liabilities (excluding borrowings)	(5,336)	—	(5,336)
Bank borrowings	(18,667)	—	(18,667)
Shareholder loans	(32,658)	(6,514)	(39,172)
Deferred-tax liability	(11,071)	461	(10,610)
Retirement benefit obligations	(665)	—	(665)
Minority interest	(2,755)	343	(2,412)
Total identifiable assets	41,265	(6,053)	35,212
Goodwill	11,071	(461)	10,610
	52,336	(6,514)	45,822
Satisfied by:			
Cash	7,442	(6,514)	928
Deferred consideration	44,894	—	44,894
	52,336	(6,514)	45,822

Whilst the total amount allocated as payment for the equity of Sunrich reduced by US\$6.5 million, the total consideration for the purchase did not change as there was a corresponding increase in the amount allocated to settle loans from the former shareholders.



NOTES TO THE CONSOLIDATED ACCOUNTS continued

14 Goodwill

	2018 US\$'000
At 1 January	12,228
Acquisition (see note 13)	(461)
At 31 December	11,767

Goodwill is carried at cost. Goodwill relates to the Group's projects at Bumi Mas, Kota Bangun and Bangka. No impairment indicators have been identified.

15 Property, plant and equipment

	LEASEHOLD LAND US\$'000	PLANTING US\$'000	BUILDINGS US\$'000	PLANT EQUIPMENT & VEHICLES US\$'000	CON- STRUCTION IN PROGRESS US\$'000	TOTAL US\$'000
Cost or valuation						
At 1 January 2018	99,837	171,635	70,118	46,875	2,347	390,812
Additions	1,724	18,319	387	3,277	8,172	31,879
Acquisition	5	—	—	—	—	5
Re-classification	—	—	2,673	194	(2,867)	—
Exchange differences	(3)	—	(4)	(1)	—	(8)
Disposals	(224)	(727)	(106)	(1,724)	(157)	(2,938)
At 31 December 2018	101,339	189,227	73,068	48,621	7,495	419,750
Accumulated depreciation						
At 1 January 2018	267	26,328	19,133	23,526	—	69,254
Charge for the year	32	6,334	4,555	3,553	—	14,474
Exchange differences	—	—	(4)	(1)	—	(5)
Disposals	(187)	(431)	(232)	(1,348)	—	(2,198)
At 31 December 2018	112	32,231	23,452	25,730	—	81,525
Net book value at 31 December 2018	101,227	156,996	49,616	22,891	7,495	338,225
Cost or valuation						
At 1 January 2017	38,564	112,608	62,478	42,973	3,805	260,428
Additions	7,625	14,209	282	1,811	5,606	29,533
Acquisition	53,628	45,449	2,391	870	15	102,353
Re-classification	—	—	5,031	2,048	(7,079)	—
Exchange differences	20	—	18	5	—	43
Disposals	—	(631)	(82)	(832)	—	(1,545)
At 31 December 2017	99,837	171,635	70,118	46,875	2,347	390,812
Accumulated depreciation						
At 1 January 2017	250	21,991	15,687	20,711	—	58,639
Charge for the year	17	4,654	3,473	3,328	—	11,472
Exchange differences	—	—	16	5	—	21
Disposals	—	(317)	(43)	(518)	—	(878)
At 31 December 2017	267	26,328	19,133	23,526	—	69,254
Net book value at 31 December 2017	99,570	145,307	50,985	23,349	2,347	321,558

Included in planting is immature planting of US\$45,860,000 (2017 US\$44,270,000) which is not depreciated.



15 Property, plant and equipment continued

Critical judgement

Included in leasehold land is land in Indonesia which is not being depreciated. Land is held on 25- or 30-year leases, and as those leases can be renewed without significant cost and the Group has previous experience of successful lease renewals, the directors have concluded that the land should not be depreciated. The carrying value of the land at the end of the year is US\$100,716,000 (2017 US\$98,858,000).

As at 31 December 2018, the Group had entered into contractual commitments for the acquisition of property, plant and equipment of US\$7,552,000 (2017 US\$1,041,000).

Depreciation is charged to cost of sales, other than US\$29,000 (2017 US\$37,000) charged to other administrative expenses.

16 Investments in associates

Details of the Group's subsidiary and associated undertakings are given on page 90. The Group's associated companies are both unlisted.

	2018 US\$'000	2017 US\$'000
Share of net assets		
At 1 January	23,503	20,813
Exchange differences	(385)	1,725
Profit for the year	1,470	3,205
Dividends received	(1,568)	(2,240)
At 31 December	23,020	23,503

The summarised results of the Group's associated undertakings and the Group's aggregate share of their summarised results are shown below:

	2018			2017*		
	KERASAAN US\$'000	BERTAM PROPERTIES US\$'000	TOTAL US\$'000	KERASAAN US\$'000	BERTAM PROPERTIES US\$'000	TOTAL US\$'000
Total						
Revenue	6,129	19,929		7,126	27,705	
Profit after tax	2,275	1,514		3,130	5,040	
Non-current assets	4,534	26,293		4,687	27,867	
Current assets	6,078	35,802		4,828	29,653	
Current liabilities	(656)	(9,314)		(826)	(2,321)	
Non-current liabilities	(516)	(4,199)		(517)	(4,206)	
Net assets	9,440	48,582		8,172	50,993	
Group share	(38%)	(40%)		(38%)	(40%)	
Revenue	2,329	7,972	10,301	2,708	11,082	13,790
Profit after tax	864	606	1,470	1,189	2,016	3,205
Non-current assets	1,723	10,518	12,241	1,781	11,147	12,928
Current assets	2,309	14,321	16,630	1,835	11,862	13,697
Current liabilities	(249)	(3,726)	(3,975)	(314)	(929)	(1,243)
Non-current liabilities	(196)	(1,680)	(1,876)	(197)	(1,682)	(1,879)
Carrying value at 31 December	3,587	19,433	23,020	3,105	20,398	23,503

* The Group's associate, Bertam Properties, changed its accounting policy for recognising revenue from January 2018, in accordance with IFRS 15. Previously, revenue from construction contracts on developed property was recognised in full at completion of a sale. From 1 January 2018, this continued to be the case for commercial properties. However, in accordance with the five-step model in IFRS 15, for certain residential properties, revenue is now recognised proportionately over the contract period due to the contract terms in Malaysia.



NOTES TO THE CONSOLIDATED ACCOUNTS continued

16 Investments in associates continued

A prior period adjustment has been made to reflect this change in accounting policy using the retrospective method. The impact of the change has been to increase the Group's investment in associates and associated reserves at 1 January 2017 by US\$2.4 million, and increase the Group's share of associated companies' profit after tax for the year ended 31 December 2017 by US\$0.6 million. Opening reserves at 1 January 2018 have therefore increased by US\$3.0 million. The increase in basic earnings per share for the year ended 31 December was 1.1 US cents.

17 Investments

	2018 US\$'000	2017 US\$'000
Financial assets at fair value through profit or loss (unlisted)		
At 1 January	53	66
Revaluation gain/(loss)	10	(20)
Exchange differences	(1)	7
At 31 December	62	53

18 Current biological assets

	2018 US\$'000	2017 US\$'000
Ffb prior to harvest	1,140	1,843

Oil palms are harvested continuously, many times throughout the year, and at any given time each palm will be at a different point in its production cycle. It is not possible to undertake a full census of all palms, and so it is necessary to measure the volume of growing ffb indirectly. The gain or loss shown in the consolidated income statement represents the net movement in the fair value of ffb prior to harvest during the year.

Key estimate

The estimation in respect of ffb prior to harvest is based on the market price of ffb in each of the Group's locations on 31 December, less the cost of harvesting and transport to mill. The market price is applied to a weight of ffb. This weight derives from the assumption that value accrues exponentially to ffb from the increase in oil content in the four weeks prior to harvest: in terms of tonnage at any given month end, equivalent to 32% of the following month's crop.

The chosen valuation methodology determines the value presented for ffb prior to harvest. Changes to the assumed tonnage will have a directly equivalent proportional effect on the reported valuation. Different defensible valuation methods will give widely differing answers. Changes to both tonnage and methodology lead to a range of valuations between US\$1.1 million and US\$11.5 million. The Group has never included ffb prior to harvest in its internal reporting and decision-making.

19 Inventories

	2018 US\$'000	2017 US\$'000
Processed produce for sale	5,048	3,504
Estate stores	6,497	5,574
Nurseries	1,338	1,384
	12,883	10,462



20 Trade and other receivables

	2018 US\$'000	2017 US\$'000
Current assets		
Trade receivables	893	495
Receivable from smallholder co-operatives	25,200	23,807
Other receivables	12,205	9,148
Prepayments and accrued income	1,383	918
	39,681	34,368
Non-current assets		
Receivable from smallholder co-operatives	8,740	5,465
<i>Trade and other receivables analysed by currency of receivable:</i>		
Indonesian Rupiah	44,933	34,844
US Dollar	3,299	4,273
Sterling	181	711
Malaysian Ringgit	8	5
	48,421	39,833

Sales of palm oil are made for cash payment in advance of delivery. The Group makes full provision against invoices outstanding for more than 30 days. At 31 December 2018 there was no provision for impairment of trade receivables (2017 US\$nil). The directors consider the carrying amount of trade and other receivables approximates their fair value. The Group's expected credit loss on its trade and other receivables is not material.

The Group makes finance available to its associated smallholder co-operatives, both during the immature stage of initial plantings, and as working capital facilities for mature areas. All balances due from smallholders, including those for immature areas, are repayable on demand. However, the Group may allow a longer period of finance at its discretion. At an early stage in the development of a new project, costs are incurred but not yet allocated to a specific smallholder, awaiting the completion of further development.

Given the above, receivables from smallholders have been classified as current assets with the exception of those balances not yet allocated to a specific smallholder which are expected to take greater than 12 months to recover. An analysis of the balance is as follows:

	2018 US\$'000	2017 US\$'000
Immature areas - allocated	7,304	15,022
Mature areas	17,896	8,785
Current asset	25,200	23,807
Non-current asset – immature areas – not allocated	8,740	5,465
	33,940	29,272

21 Cash and other liquid resources

	2018 US\$'000	2017 US\$'000
Cash and cash equivalents	21,626	113,910
Current-asset investments	2,502	6,913
	24,128	120,823

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Current-asset investments are bank deposits with a maturity of twelve months or less, which have been pledged as security against bank loans. The carrying value of these assets approximates their fair value.



NOTES TO THE CONSOLIDATED ACCOUNTS continued

22 Trade and other payables

	2018 US\$'000	2017 US\$'000
Trade payables	7,243	8,131
Amounts owed to associated undertakings	20	18
Other payables	7,766	57,045
	15,029	65,194

The average credit period taken for trade purchases is 39 days (2017 – 37 days). The Group has processes in place to ensure payables are settled within the agreed terms. The amounts above also reflect the Group's anticipated cash outflows for these financial liabilities. During the year, the Group settled deferred consideration of US\$49.2 million on the purchase of PT Bumi Mas Agro.

23 Borrowings

	2018 US\$'000	2017 US\$'000
Secured borrowing at amortised cost		
Bank loans	30,056	39,444
Total borrowings		
Amount due for settlement within one year	20,883	9,159
Due for settlement in one to two years	5,327	8,573
Due for settlement in two to five years	3,009	20,157
Due for settlement after five years	837	1,555
Amount due for settlement after one year	9,173	30,285
	30,056	39,444
<i>Analysis of borrowings by currency:</i>		
US Dollar	26,336	35,495
Indonesian Rupiah	3,720	3,949
	30,056	39,444
<i>Analysis of anticipated cash outflows:</i>		
Within one year	21,863	11,301
Due within one to two years	5,844	10,252
Due within two to five years	3,631	22,108
Due after five years	898	1,758
	32,236	45,419

Bank loans from lenders in Malaysia are secured on the assets of Bertam Estate. Bank loans in Indonesia are secured against certain assets within subsidiary companies, comprising land titles, fixed assets, inventory and cash balances. No new credit facilities were drawn in the year and, following the agreement during the year of new finance facilities of up to US\$120 million, at 31 December 2018, the Group had undrawn available credit facilities of up to US\$125 million (2017 – US\$5 million).

The weighted-average interest rate paid on bank loans in the year was 6.5% (2017 – 6.2%).

The analysis of anticipated cash outflows above is based on interest and exchange rates in force at the balance-sheet date.



24 Deferred tax

The following are the major deferred-tax liabilities and assets recognised by the Group and movements thereon:

	ACCELERATED TAX DEPRECIATION US\$'000	RETIREMENT- BENEFIT OBLIGATIONS US\$'000	OTHER TIMING DIFFERENCES US\$'000	TOTAL US\$'000
At 1 January 2018	(4,678)	1,944	3,201	467
(Charge)/credit to income statement	(1,386)	229	(5,698)	(6,855)
Acquisition of subsidiary (note 13)	—	—	113	113
Exchange differences	278	(112)	(204)	(38)
At 31 December 2018	(5,786)	2,061	(2,588)	(6,313)
At 1 January 2017	(3,236)	1,418	16,678	14,860
(Charge)/credit to income statement	(896)	545	(4,462)	(4,813)
Acquisition of subsidiary	(590)	2	(9,150)	(9,738)
Exchange differences	44	(21)	135	158
At 31 December 2017	(4,678)	1,944	3,201	467

Other timing differences relate to losses with the exception of the deferred tax liability arising on acquisition of PT Bumi Mas Agro, as shown in note 13.

Certain deferred-tax assets and liabilities have been offset. The following is the analysis of deferred-tax balances (after offset) for financial reporting purposes:

	2018 US\$'000	2017 US\$'000
Deferred-tax assets	5,192	12,280
Deferred-tax liabilities	(11,505)	(11,813)
	(6,313)	467

Critical judgement

At the balance-sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred-tax liabilities have not been recognised was US\$461,369,000 (2017 US\$554,030,000). No liability has been recognised in respect of these differences because either the Group is in a position to control the timing of the reversal of the temporary differences, or such a reversal would not give rise to an additional tax liability.

At the balance-sheet date, the aggregate amount of temporary differences associated with undistributed earnings of associates for which deferred-tax liabilities have not been recognised was US\$17,029,000 (2017 US\$14,361,000). No liability has been recognised in respect of these differences because the reversal would not give rise to an additional tax liability as the dividends would not be taxed on receipt.

Key estimate

At the balance-sheet date, the Group had unused tax losses of US\$61,168,000 (2017 US\$63,421,000) available for offset against future profits. The directors have reviewed estimates of future profits and a deferred-tax asset has been recognised in respect of US\$33,795,000 (2017 US\$49,399,000) of such losses. No deferred-tax asset has been recognised in respect of the remaining US\$27,372,000 (2017 US\$14,022,000) due to the unpredictability of future profit streams and due to the 5-year time limit on utilisation of tax losses in Indonesia.

The directors have considered the sensitivity of the deferred-tax asset recognised in respect of losses to changes in estimated future profits, particularly with regard to changes in the price of CPO. If CPO prices were to fall by 10% from those initially estimated, then the deferred-tax asset would be reduced by approximately US\$0.3 million.

At the balance-sheet date, the aggregate amount of temporary differences associated with outstanding executive share options for which deferred-tax assets have not been recognised was US\$2,249,000 (2017 US\$3,145,000). No asset has been recognised in respect of these differences due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED ACCOUNTS continued

25 Retirement-benefit obligations

The Group's only obligation relates to an unfunded, non-contributory, post-employment statutory benefit scheme in Indonesia. A lump sum is paid to employees on retirement or on leaving the Group's employment. This terminal benefit is accrued by the Group based on an annual actuarial review, and charged in the income statement on the basis of individuals' service at the balance-sheet date. Retirement is assumed at the earlier of age 55 years or 30 years' service. Standard Indonesian mortality assumptions are used, and no allowance is made for internal promotion.

	2018 %	2017 %
The main assumptions used to assess the Group's liabilities are:		
Discount rate	8.25	7.25
Salary increase per annum	8.00	8.00
	2018 US\$'000	2017 US\$'000
Reconciliation of scheme liabilities:		
Current-service cost	1,576	1,160
Interest cost	568	444
Past service cost	103	—
Effect of settlement	(750)	—
Actuarial (gain)/loss	(836)	733
	661	2,337
Less: Benefits paid out	(344)	(195)
Movement in the year	317	2,142
At 1 January	8,434	5,675
Acquired on acquisition	—	665
Exchange differences	(500)	(48)
At 31 December	8,251	8,434

26 Share capital

	AUTHORISED NUMBER	ALLOTTED, FULLY PAID AND VOTING NUMBER	AUTHORISED £'000	ALLOTTED FULLY PAID AND VOTING US\$'000
At 1 January 2018	87,000,000	54,883,451	8,700	9,255
Issued during the year	—	75,000	—	10
Redeemed during the year	—	(280,579)	—	(37)
At 31 December 2018	87,000,000	54,677,872	8,700	9,228
At 1 January 2017	87,000,000	55,739,719	8,700	9,366
Issued during the year	—	95,000	—	13
Redeemed during the year	—	(951,268)	—	(124)
At 31 December 2017	87,000,000	54,883,451	8,700	9,255

During the year, as the result of the exercise of share options, the Company issued 75,000 10p shares for US\$159,000 cash consideration. In addition, the Company bought back and cancelled 280,579 10p shares for a total cost of US\$2,733,000 (an average of 731 pence per share).



27 Share-based payments

The Group has equity-settled share-option schemes in place for directors and selected employees of the Group. Under the schemes established in 2001 and 2012, options are exercisable at a price equal to the quoted market price of the Company's shares on the date of grant. Under the Group's long-term incentive scheme established in 2017, options are exercisable at nil cost. For all schemes, the vesting period is three years and if the options remain unexercised after a period of ten years from the date of grant, the options lapse. Options may be forfeited if the employee leaves the Group before the options vest. Details of the share options outstanding during the year are as follows:

	NUMBER OF SHARE OPTIONS	2018 WEIGHTED- AVERAGE EXERCISE PRICE (PENCE)	NUMBER OF SHARE OPTIONS	2017 WEIGHTED- AVERAGE EXERCISE PRICE (PENCE)
At 1 January	439,680	253.5	395,000	379.5
Granted during the year	42,640	0.0	139,680	0.0
Exercised during the year	(75,000)	159.5	(95,000)	405.0
At 31 December	407,320	244.2	439,680	253.4
Exercisable at the end of the year	200,000	446.0	255,000	364.4

The weighted-average share price at the date of exercise for share options exercised during the year was 750p. The options outstanding at 31 December 2018 had a weighted-average remaining contractual life of 5.9 years and exercise prices in the range of nil to 520p. The Group recognised total expenses of US\$490,000 related to equity-settled share based payments (2017 US\$229,000). Details of the directors' share options are set out in the directors' remuneration report on pages 46 to 48.



NOTES TO THE CONSOLIDATED ACCOUNTS continued

28 Reserves

	SHARE- PREMIUM ACCOUNT US\$'000	REVALU- ATION RESERVE US\$'000	CAPITAL- REDEMPTION RESERVE US\$'000	MERGER RESERVE US\$'000	SHARE- OPTION RESERVE US\$'000	SHARE OF ASSOCIATES' RESERVES US\$'000	FOREIGN- EXCHANGE RESERVE US\$'000	TOTAL US\$'000	RETAINED EARNINGS US\$'000
At 1 January 2018	31,221	2,081	4,211	766	722	15,802	(421)	54,382	323,397
Exchange differences	—	(2)	—	—	—	(270)	448	176	(569)
Release of deferred profit on sale of land	—	(164)	—	—	—	—	—	(164)	—
Retirement-benefit obligations	—	—	—	—	—	—	—	—	621
Issue of shares	149	—	—	—	—	—	—	149	—
Share-based payments	—	—	—	—	466	—	—	466	24
Share buy-back	—	—	37	—	—	—	—	37	(2,733)
Group reconstruction	—	—	—	—	—	—	—	—	(9)
Reclassification (note 29)	—	—	—	—	—	—	—	—	2,056
Dividends from associates	—	—	—	—	—	(1,568)	—	(1,568)	1,568
Profit for the financial year	—	—	—	—	—	1,470	—	1,470	3,935
Dividends paid	—	—	—	—	—	—	—	—	(12,725)
At 31 December 2018	31,370	1,915	4,248	766	1,188	15,434	27	54,948	315,565
At 1 January 2017*	30,728	2,202	4,087	766	547	13,693	67	52,090	261,964
Exchange differences	—	14	—	—	—	1,144	(488)	670	984
Release of deferred profit on sale of land	—	(135)	—	—	—	—	—	(135)	—
Retirement-benefit obligations	—	—	—	—	—	—	—	—	(534)
Issue of shares	493	—	124	—	—	—	—	617	—
Share-based payments	—	—	—	—	175	—	—	175	54
Share buy-back	—	—	—	—	—	—	—	—	(9,188)
Group reconstruction	—	—	—	—	—	—	—	—	(52)
Dividends from associates	—	—	—	—	—	(2,240)	—	(2,240)	2,240
Profit for the financial year*	—	—	—	—	—	3,205	—	3,205	87,924
Dividends paid	—	—	—	—	—	—	—	—	(19,995)
At 31 December 2017*	31,221	2,081	4,211	766	722	15,802	(421)	54,382	323,397

*Restated for the introduction of IFRS 15 – see note 16.

29 Non-controlling interests

	2018 US\$'000	2017 US\$'000
At 1 January	29,961	23,224
Share of profit in the year	1,756	3,920
Dividends paid	(8,105)	—
Reclassification*	(2,056)	—
Share of retirement benefit credited to other comprehensive income	90	62
Acquisition	(343)	2,755
At 31 December	21,303	29,961

* At 31 December 2018 US\$2,056,000 has been reclassified from non-controlling interests to retained earnings to reflect the Group's effective interest in its operating subsidiaries.



30 Note to the consolidated cash-flow statement

	2018 US\$'000	2017 US\$'000
Operating profit	19,478	33,950
Biological loss/(gain)	703	(47)
Disposal of property, plant and equipment	13	600
Release of deferred profit	(164)	(135)
Depreciation of property, plant and equipment	14,474	11,472
Remeasurement of investment	(10)	20
Retirement-benefit obligations	2,122	1,865
Share-based payments	490	229
Dividends from associated companies	1,568	2,240
Operating cash flows before movements in working capital	38,674	50,194
(Increase)/decrease in inventories	(2,421)	4,586
Increase in receivables	(8,588)	(7,258)
Decrease in payables	(2,092)	(6,369)
Cash generated by operating activities	25,573	41,153
Income tax paid	(7,514)	(19,403)
Interest paid	(1,430)	(1,027)
Net cash generated by operating activities	16,629	20,723

31 Analysis of movements in net funds/(debt)

	CASH AND CASH EQUIVALENTS US\$'000	CURRENT ASSET INVESTMENTS US\$'000	BORROWINGS DUE WITHIN ONE YEAR US\$'000	BORROWINGS DUE AFTER ONE YEAR US\$'000	TOTAL US\$'000
At 1 January 2018	113,910	6,913	(9,159)	(30,285)	81,379
Net decrease in cash and cash equivalents	(91,542)	—	—	—	(91,542)
Repayment of borrowings	—	—	9,159	—	9,159
Change in deposits	—	(4,411)	—	—	(4,411)
Reclassification	—	—	(21,112)	21,112	—
Foreign-exchange movements	(742)	—	229	—	(513)
At 31 December 2018	21,626	2,502	(20,883)	(9,173)	(5,928)
At 1 January 2017	91,405	14,262	(9,519)	(20,810)	75,338
Net increase in cash and cash equivalents	22,704	—	—	—	22,704
Acquisition of subsidiary	—	—	(2,667)	(16,000)	(18,667)
Repayment of borrowings	—	—	9,552	—	9,552
Change in deposits	—	(7,349)	—	—	(7,349)
Reclassification	—	—	(6,525)	6,525	—
Foreign-exchange movements	(199)	—	—	—	(199)
At 31 December 2017	113,910	6,913	(9,159)	(30,285)	81,379



NOTES TO THE CONSOLIDATED ACCOUNTS continued

32 Financial instruments

Capital-risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising returns to shareholders. The capital structure of the Group consists of debt (see note 23), cash and cash equivalents, current-asset investments and equity attributable to the owners of the parent Company, comprising issued capital, reserves and retained earnings. The Group is not subject to any externally-imposed capital requirements.

The Group's board continues to monitor the capital structure based on the funding requirements of the Group. At the balance-sheet date the Group had net debt of US\$5,928,000 (2017 net funds of US\$81,379,000) and equity attributable to the owners of the parent Company of US\$379,741,000 (2017 US\$387,034,000). The board intends to fund its continuing Indonesian expansion by a combination of the Group's cash and other liquid resources, debt finance (see note 23), and considering the sale of further non-core assets where appropriate.

Categories of financial instruments

All of the Group's financial assets (other than cash and other liquid resources) are classified as loans and receivables, with the exception of its other investments shown in note 16, which are classified as financial assets at fair value through profit or loss. All of the Group's financial liabilities are measured at amortised cost. In the opinion of the directors, there was no significant difference between the carrying values and estimated fair values of the Group's primary financial assets and liabilities at either the current, or preceding, financial year end.

Financial-risk management objectives

The majority of the Group's main risks arising from the Group's financial instruments are foreign-currency, interest-rate, credit and liquidity. The board reviews and agrees the policies for managing these risks. The policies and the impact of these risks on the Group's balance sheet at the end of the financial year are summarised below.

Foreign-currency risk

The majority of the Group's operations are undertaken in Indonesia and Malaysia. The Group does not have transactional currency exposures arising from sales or purchases by its operating units, but the Group's balance sheet can be significantly affected by movements in exchange rates. Whilst the Group's trading takes place in local currencies in South East Asia, relevant commodity prices are determined in US Dollars in a world market which reduces the Group's currency risk. The Group has a policy not to hedge exchange-rate fluctuation and does not make use of forward-currency contracts.

The currency profile of the Group's monetary assets, excluding trade and other receivables (the currency profile of which is given in note 20), are as follows:

	2018 US\$'000	2017 US\$'000
US Dollar	10,606	82,620
Indonesian Rupiah	10,913	36,278
Sterling	1,933	1,175
Malaysian Ringgit	496	549
Australian Dollar	180	201
	24,128	120,823

The currency profile of the Group's monetary liabilities, excluding trade and other payables, is shown in note 23.

The Group is exposed to changes in foreign-currency exchange rates. This is in relation to the impact of movements on its non-US Dollar monetary assets and in relation to the consolidation of its non-US Dollar-functional-currency subsidiary and associated undertakings. The most significant sensitivity arises in respect of movements in the Indonesian Rupiah. Management estimates that a 10% weakening of the US Dollar against the Indonesian Rupiah would result in a fall in profit for the year and net assets of US\$5,213,000 (2017 US\$6,555,000).



32 Financial instruments continued

Interest-rate risk

In order to optimise the income received on its cash deposits the Group continuously reviews the terms of these deposits to take advantage of the best market rates. UK funds are passed to banks who have a credit rating of at least A minus. The Group's only financial liabilities other than short-term trade and other payables are the borrowings referred to in note 23. The Group's net position means it is not materially exposed to changes in interest rates on its financial assets and liabilities.

Credit risk

The Group's credit risk on cash deposits is described above. Regarding trade receivables, the Group performs a credit evaluation before extending credit to customers. The Group does not have any significant concentrations of credit risk (defined by management as more than 10% of gross-monetary assets), other than in relation to bank deposits which management seeks to mitigate through the use of banks with high-credit ratings, and loans extended to the smallholder co-operative schemes attached to the Group's new projects. The Group's maximum exposure to credit risk is represented by the carrying amount of financial assets in the financial statements.

Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and banking facilities, and through actively monitoring the Group's forecast and actual cash flows. All of the Group's monetary financial assets and liabilities have a maturity profile of less than ten years. The maturity profile for financial liabilities is shown in note 23.

33 Related-party transactions

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out in the directors' remuneration report on page 47. The directors' participation in the executive share-option schemes and long-term incentive scheme is disclosed on page 48.

The Group received dividends from its associated companies during the year. These are set out in note 16.

PARENT-COMPANY BALANCE SHEET

As at 31 December 2018

	Note	2018 US\$'000	2017 US\$'000
Non-current assets			
Property, plant and equipment	iv	871	896
Investments in subsidiaries	v	15,799	31,494
		16,670	32,390
Current assets			
Trade and other receivables	vi	180,202	102,665
Cash and cash equivalents		2,091	1,336
		182,293	104,001
Total assets		198,963	136,391
Current liabilities			
Trade and other payables	vii	3,215	39,314
Net current assets		179,078	64,687
Non-current liabilities			
Borrowings		2,449	4,898
Total liabilities		5,664	44,212
Net assets		193,299	92,179
Equity			
Share capital	viii	9,228	9,255
Other reserves	ix	38,049	37,397
Retained earnings	ix	146,022	45,527
Total equity		193,299	92,179

The Company recorded a profit for the year of US\$115,929,000 (2017 loss US\$1,426,000).

The financial statements on pages 84 to 89 were approved by the board of directors on 2 April 2019 and signed on its behalf by

Tristan Price
Chief executive



Matthew Coulson
Finance director





PARENT-COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	SHARE CAPITAL US\$'000	OTHER RESERVES US\$'000	RETAINED EARNINGS US\$'000	TOTAL US\$'000
Profit for the year	—	—	115,929	115,929
Total comprehensive expense for the year	—	—	115,929	115,929
Issue of share capital	10	149	—	159
Dividends	—	—	(12,725)	(12,725)
Share buy-back	(37)	37	(2,733)	(2,733)
Credit to equity for equity-settled share-based payments	—	466	24	490
Transactions with owners	(27)	652	(15,434)	(14,809)
At 1 January 2018	9,255	37,397	45,527	92,179
At 31 December 2018	9,228	38,049	146,022	193,299
Loss for the year	—	—	(1,426)	(1,426)
Total comprehensive expense for the year	—	—	(1,426)	(1,426)
Issue of share capital	13	493	—	506
Dividends	—	—	(19,995)	(19,995)
Share buy-back	(124)	124	(9,188)	(9,188)
Credit to equity for equity-settled share-based payments	—	175	54	229
Transactions with owners	(111)	792	(29,129)	(28,448)
At 1 January 2017	9,366	36,605	76,082	122,053
At 31 December 2017	9,255	37,397	45,527	92,179

NOTES TO THE PARENT-COMPANY ACCOUNTS

For the year ended 31 December 2018

i Significant accounting policies

Basis of accounting

M.P. Evans Group PLC is a public limited company incorporated in the United Kingdom and registered in England and Wales, and the address of its registered office is given on page 96. The Group's principal activities are shown in the strategic report on page 13. The financial statements of the Company are presented as required by the Companies Act 2006. The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared on a going concern basis under the historical cost convention, in accordance with applicable accounting standards in the United Kingdom. The Company is domiciled in the UK.

The principal accounting policies have been consistently applied, and are summarised below. The directors have concluded that the functional currency is the US Dollar, reflecting the primary economic environment in which the Company operates. The presentational currency for the Company accounts is also the US Dollar.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in relation to certain assets, presentation of a cash-flow statement, and certain related party transactions.

Pursuant to Section 408 of the Companies Act 2006, the Company's own income statement and statement of other comprehensive income are not presented separately in the Company financial statements, but they have been approved by the board.

The Company has assessed the impact of new and revised accounting standards as described in note 2 to the consolidated financial statements, and has concluded that none have a material impact on the Company's results or financial position.

Going concern

The financial statements have been prepared on a going-concern basis. The directors have conducted a review of projected cash flows, concluding that the Company has sufficient projected funds to continue its business in the medium term. Further details are given in the report of the directors on page 40.

Cash-flow statement

The Company has not included a cash-flow statement as part of its financial statements since the consolidated financial statements of the Group, of which the Company is a member, include a cash-flow statement and are publicly available.

Property, plant and equipment

Property, plant and equipment are stated at the historic purchase cost less accumulated depreciation. Plant, equipment and vehicles are depreciated over their estimated useful lives at 25%. Estimated useful lives are reviewed at each balance-sheet date. Where the board judges the residual value of an asset to exceed its carrying value, no provision is made for depreciation.

Investments in subsidiaries

Investments in subsidiaries are shown at cost less provision for impairment.

Trade and other receivables

These represent amounts due from Group companies in the normal course of business, are repayable on demand, unsecured and are not interest-bearing. These are measured at amortised cost, reduced by appropriate allowances for expected credit losses.

Cash and cash-equivalents

These include cash in hand and deposits held with banks with original maturities of three months or less.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost. Borrowings are recorded at the proceeds received, net of direct issue costs.

Critical accounting judgements and key sources of estimation uncertainty

The critical judgements and accounting estimates relevant to the consolidated financial statements are shown in note 3(q) to the consolidated financial statements on page 66. The directors have concluded that there are no critical judgements and accounting estimates in the preparation of the parent-Company accounts.



ii Result for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. M.P. Evans Group PLC reported a profit for the year ended 31 December 2018 of US\$115,929,000 (2017 loss US\$1,426,000). The Company's main source of income is dividends from subsidiary companies.

The auditors' remuneration for audit services was US\$23,000 (2017 US\$23,000).

iii Employees

	2018 US\$'000	2017 US\$'000
Employee costs during the year		
Wages and salaries	1,562	1,762
Social security costs	344	299
Pension costs	58	52
Shared-based payments	152	65
	2,116	2,178

As recorded in the directors' remuneration report on page 46, wages and salary costs include bonuses paid to the directors in respect of 2018 and 2017.

	NUMBER	NUMBER
Average monthly number of persons employed		
Staff	4	4
Directors	3	3
	7	7

iv Property, plant and equipment

	LAND AND BUILDINGS US\$'000	PLANT, EQUIPMENT & VEHICLES US\$'000	TOTAL US\$'000
Cost			
At 1 January 2018	834	262	1,096
Additions	—	4	4
Disposals	—	(40)	(40)
At 31 December 2018	834	226	1,060
Accumulated depreciation			
At 1 January 2018	—	200	200
Charge for the year	—	29	29
Disposals	—	(40)	(40)
At 31 December 2018	—	189	189
Net book value at 31 December 2018	834	37	871
Net book value at 31 December 2017	834	62	896



NOTES TO THE PARENT-COMPANY ACCOUNTS continued

v Investments in subsidiaries

	US\$'000
Subsidiary undertakings	
At 1 January 2018	31,494
Elimination of dormant subsidiaries	(15,695)
At 31 December 2018	15,799

The following companies are the principal direct subsidiary companies of M.P. Evans Group PLC:

	COUNTRY OF OPERATION	HOLDING %
M.P. Evans & Co. Limited	UK	100
Sungkai Holdings Limited	UK	100

Holdings are all of ordinary shares. The directors believe the carrying value of investments is supported by their underlying net assets. Details of all subsidiary companies are shown on page 90.

vi Trade and other receivables

	2018 US\$'000	2017 US\$'000
Amounts owed by subsidiary undertakings	179,519	101,790
Other debtors	588	783
Prepayments and accrued income	95	92
	180,202	102,665

vii Trade and other payables

	2018 US\$'000	2017 US\$'000
Amounts owed to subsidiary undertakings	—	35,684
Borrowings	2,449	2,449
Other creditors	766	1,181
	3,215	39,314

viii Called-up share capital

See note 26 to the consolidated financial statements.



ix Reserves

	SHARE- PREMIUM ACCOUNT US\$'000	CAPITAL- REDEMPTION RESERVE US\$'000	MERGER RESERVE US\$'000	OTHER RESERVES US\$'000	TOTAL US\$'000	RETAINED EARNINGS US\$'000
At 1 January 2018	31,221	4,020	1,434	722	37,397	45,527
Issue of shares	149	—	—	—	149	—
Share buy-back	—	37	—	—	37	(2,733)
Share-based payments	—	—	—	466	466	24
Profit for the year	—	—	—	—	—	115,929
Dividends*	—	—	—	—	—	(12,725)
At 31 December 2018	31,370	4,057	1,434	1,188	38,049	146,022
At 1 January 2017	30,728	3,896	1,434	547	36,605	76,082
Issue of shares	493	-	-	-	493	-
Share buy-back	-	124	-	-	124	(9,188)
Share-based payments	-	-	-	175	175	54
Loss for the year	-	-	-	-	-	(1,426)
Dividends*	-	-	-	-	-	(19,995)
At 31 December 2017	31,221	4,020	1,434	722	37,397	45,527

* See note 10 to the consolidated financial statements.

x Reconciliation of movement in shareholders' funds

	2018 US\$'000	2017 US\$'000
Profit/(loss) for the financial year	115,929	(1,426)
Dividends	(12,725)	(19,995)
	103,204	(21,421)
Issue of shares	159	506
Share buy-back	(2,733)	(9,188)
Share-based payments	490	229
Net increase/(decrease) in shareholders' funds	101,120	(29,874)
At 1 January	92,179	122,053
At 31 December	193,299	92,179



SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

As at 31 December 2018

SUBSIDIARY UNDERTAKINGS

NAME OF SUBSIDIARY	% OF SHARES HELD	COUNTRY OF INCORPORATION	COUNTRY OF OPERATION	FIELD OF ACTIVITY
PT Prima Mitrajaya Mandiri	95	Indonesia	Indonesia	Production of CPO and PK
PT Teguh Jayaprima Abadi	95	Indonesia	Indonesia	Production of CPO and PK
PT Perkebunan Tenera Muarawis	51	Indonesia	Indonesia	Production of CPO and PK
PT Bumi Mas Agro	95	Indonesia	Indonesia	Production of CPO and PK
PT Gunung Pelawan Lestari	90	Indonesia	Indonesia	Production of CPO and PK
PT Evans Lestari	80	Indonesia	Indonesia	Production of CPO and PK
PT Pangkatan Indonesia	80	Indonesia	Indonesia	Production of CPO and PK
PT Bilah Plantindo	80	Indonesia	Indonesia	Production of CPO and PK
PT Sembada Sennah Maju	80	Indonesia	Indonesia	Production of CPO and PK
PT Simpang Kiri Plantation Indonesia	80	Indonesia	Indonesia	Production of CPO and PK
PT Evans Indonesia	100	Indonesia	Indonesia	Provision of agronomic and management-consultancy services
Bertam Consolidated Rubber Company Limited	100	England and Wales	Malaysia	Production of oil-palm ffb and property development
M.P. Evans & Co. Limited*	100	England and Wales	United Kingdom	Holding company
Sungkai Holdings Limited*	100	England and Wales	United Kingdom	Holding company
Sunrich Plantations Pte Ltd	100	Singapore	Singapore	Holding company
PT Surya Makmur	75	Indonesia	Indonesia	Holding company
PT Aceh Timor Indonesia	75	Indonesia	Indonesia	Holding company
Bertam (U.K.) Limited	100	England and Wales	United Kingdom	Dormant

The shareholdings in the above companies represent ordinary shares. Other than the companies marked *, all shareholdings are held indirectly.

KEY: CPO = crude palm oil, PK = palm kernels, ffb = fresh fruit bunches

ASSOCIATED UNDERTAKINGS

Details of the associated undertakings as at 31 December 2018 are as follows:

UNLISTED	ISSUED, FULLY-PAID SHARE CAPITAL	% HELD	COUNTRY OF INCORPORATION	COUNTRY OF OPERATION	FIELD OF ACTIVITY
PT Kerasaan Indonesia	Rp 138.07m	38	Indonesia	Indonesia	Production of oil-palm ffb
Bertam Properties Sdn. Berhad.	RM 60.00m	40	Malaysia	Malaysia	Property development



ANALYSIS OF INDONESIAN PLANTATION LAND AREAS

As at 31 December 2018

The information on pages 91 to 96 does not form part of the audited financial statements.

PLANTED HECTARAGE¹

	GROUP				SMALLHOLDER CO-OPERATIVE SCHEMES		
	OWNERSHIP %	MATURE HA	IMMATURE HA	TOTAL HA	MATURE HA	IMMATURE HA	TOTAL HA
Subsidiaries – oil palm							
Kota Bangun	95	9,530	983	10,513	4,037	563	4,600
Bumi Mas	95	5,594	1,895	7,489	1,175	191	1,366
Bangka	90	5,229	906	6,135	2,849	1,032	3,881
Musi Rawas ²	80	743	4,441	5,184	388	1,734	2,122
Pangkatan group	80	6,206	763	6,969			
Simpang Kiri	80	1,734	637	2,371			
Total		29,036	9,625	38,661	8,449	3,520	11,969
Group share of subsidiaries' land		26,019	8,222	34,241			
Associates – oil palm							
Kerasaan	38	2,296	21	2,317			
Group share of associates' land		872	8	880			
Memorandum:							
Group share of subsidiaries' land and share of associates' land		26,891	8,230	35,121			
Subsidiaries' land and Group share of associates' land		29,908	9,633	39,541			

Notes

1. All of the Group's areas in Bangka, the Pangkatan group, Simpang Kiri and Bumi Mas have a final land license ("HGU"), as does all of the associate's area at Kerasaan. At Kota Bangun the Group has HGUs covering 8,683 hectares; the remaining areas here and at Musi Rawas are in the process of obtaining HGUs, and have the necessary operating and development licences.
2. The board's current estimate is that it may be possible to plant 10,000 hectares, of which 7,000 hectares would relate to the Group and 3,000 hectares to the smallholder co-operatives.

ANALYSIS OF GROUP EQUITY VALUE

As at 31 December 2018

The information in the following table provides a directors' estimate of the Group equity value at 31 December 2018 utilising, except where indicated, an independent valuation of the Group's properties performed at the end of 2018.

	OWNERSHIP %	PLANTED AREA HA	TOTAL MARKET VALUE US\$'000	MARKET VALUE PER PLANTED HECTARE US\$	MARKET VALUE ATTRIBUTABLE TO GROUP US\$'000
INDONESIAN OIL PALM PLANTATIONS					
Group					
Kota Bangun ¹	95	10,513	222,430	21,200	211,309
Bumi Mas	95	7,489	110,000	14,700	104,500
Bangka ¹	90	6,135	123,500	20,100	111,150
Musi Rawas	80	5,184	75,200	14,500	60,160
Pangkalan group ¹	80	6,969	111,461	16,000	89,169
Simpang Kiri	80	2,371	29,840	12,600	23,872
		38,661	672,431	17,400	600,160
Smallholders					
Kota Bangun	95	4,600	26,940	5,900	25,593
Bumi Mas	95	1,366	5,300	3,900	5,035
Bangka	90	3,881	13,370	3,400	12,033
Musi Rawas	80	2,122	11,740	5,500	9,392
		11,969	57,350	4,800	52,053
Associates					
Kerasaan ²	38	2,317	34,200	14,800	12,996
Total Indonesia					665,209
MALAYSIAN PROPERTY					
Bertam Estate	100	n/a			36,170
Bertam Properties	40	n/a			52,716
Total Malaysia					88,886
Net debt³					(6,742)
Other assets and liabilities⁴					39,377
Total equity value					786,730
Equity value (£ per share⁵)					11.33

Notes:

1. Market value per planted hectare includes value of mills on the related estates.
2. The Group's only oil-palm associate, Kerasaan, was not included in the independent valuation at 31 December 2018. The value in the table above has been carried forward from the independent valuation performed at 31 December 2016.
3. Net debt is taken as cash and other liquid resources less borrowings from the 31 December 2018 balance sheet, attributable to the owners of M.P. Evans Group PLC.
4. Other assets and liabilities taken as net assets minus plantation and property-related assets, minus net cash from the 31 December 2018 balance sheet, attributable to the owners of M.P. Evans Group PLC.
5. Amount per share calculated using the year-end exchange rate and year-end shares in issue (see note 26).



FIVE-YEAR SUMMARY

	2018 Tonnes	2017 Tonnes	2016 Tonnes	2015 Tonnes	2014 Tonnes
Production					
Crude palm oil	192,500	154,000	125,600	112,000	104,000
Palm kernels	43,500	33,500	26,200	22,700	20,400
Crops					
Oil-palm fresh fruit bunches					
Own crops	573,000	434,500	399,300	423,900	385,500
Smallholder co-operative crops	149,600	101,300	92,400	100,700	86,700
Outside crop purchased	106,500	118,300	52,000	37,700	15,600
	829,100	654,100	543,700	562,300	487,800
Indonesian associated-company estates	51,700	50,000	384,000	382,100	386,900
	US\$	US\$	US\$	US\$	US\$
Average sale prices					
Crude palm oil – Rotterdam cif per tonne	598	714	700	622	821
Exchange rates					
US\$1 = Indonesian Rupiah – average	14,234	13,382	13,303	13,390	11,864
– year end	14,380	13,568	13,473	13,785	12,440
US\$1 = Malaysian Ringgit – average	4.04	4.30	4.14	3.91	3.27
– year end	4.13	4.05	4.49	4.29	3.50
£1 = US Dollar – average	1.34	1.29	1.35	1.53	1.65
– year end	1.27	1.35	1.24	1.47	1.56
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	108,553	116,536	83,864	72,528	89,956
Gross profit	26,525	36,246	24,384	15,059	31,767
Profit before tax	18,348	35,070	19,215	6,769	24,062
	US cents	US cents	US cents	US cents	US cents
Basic earnings per share	9.9	164.9	56.1	43.4	45.4
	PENCE	PENCE	PENCE	PENCE	PENCE
Dividends per share:					
Normal	17.75	17.75	15.00	8.75	8.75
Special	—	10.00	5.00	—	—
Total	17.75	27.75	20.00	8.75	8.75
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Equity attributable to the owners of M.P. Evans Group PLC	379,741	387,034	323,400	300,009	291,509
Net cash generated by operating activities	16,629	20,723	22,888	20,231	29,156

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of M.P. Evans Group PLC will be held at Tallow Chandlers' Hall, 4 Dowgate Hill, London EC4R 2SH on Friday 14 June 2019 at 12 noon for the following purposes:

AS ORDINARY BUSINESS

	RESOLUTION ON FORM OF PROXY
1 To receive and consider the report of the directors and the audited consolidated financial statements for the year ended 31 December 2018.	No 1
2 To re-elect Richard Robinow as a director.	No 2
3 To re-elect Philip Fletcher as a director.	No 3
4 To re-elect Tristan Price as a director.	No 4
5 To declare a final dividend.	No 5
6 To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the directors to determine their remuneration.	No 6

AS SPECIAL BUSINESS

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

	RESOLUTION ON FORM OF PROXY
7 That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 693 of the Companies Act 2006) of shares of 10p each in the capital of the Company provided that: a) the maximum number of shares hereby authorised to be purchased is 5,463,930; b) the minimum price which may be paid for each share is 10p (exclusive of expenses); c) the maximum price (exclusive of expenses) which may be paid for each share is an amount equal to 105% of the average of the middle-market quotations for such shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day of purchase; and d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or on 30 June 2020 whichever shall be the earlier save that the Company may, before the expiry of this authority, make a contract of purchase which will or may be executed wholly or partly after such expiry and may make a purchase of shares pursuant to any such contract.	No 7

By order of the board,


Katya Merrick
Company Secretary

2 April 2019



NOTES

1. A member of the Company entitled to attend, speak and vote at the meeting convened by this notice may appoint a proxy to exercise all or any of his or her rights to attend, speak and vote at the meeting on his or her behalf. A proxy need not be a member of the Company. Appointment of a proxy will not subsequently preclude a member from attending and voting at the meeting in person if he or she so wishes. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares held by the member. The form of proxy contains instructions on how to appoint more than one proxy.
2. A form of proxy for use at the meeting is enclosed. Please return the form of proxy as soon as possible. To be valid, it must be received by post or (during normal business hours only) by hand at the office of the registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ no later than 12 noon on 12 June 2019 (or, if the meeting is adjourned, no later than 48 hours before the time for holding the adjourned meeting, or, if a poll is taken otherwise than at or on the same day as the meeting at which it is demanded, no later than 24 hours before the time appointed for the taking of the poll).
3. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered on the register of members of the Company at 11.00 p.m. on 12 June 2019 (or, if the meeting is adjourned, 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.
5. As at 2 April 2019, the Company's issued share capital consisted of 54,639,302 shares carrying one vote each. Therefore the total number of voting rights in the Company as at that date was 54,639,302.
6. Copies of the directors' service contracts and terms and conditions of appointment will be available for inspection at the registered office of the Company during normal business hours and at the place of the meeting from 15 minutes prior to the meeting until its conclusion.
7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, but powers purported to be exercised by more than one authorised representative in respect of the same shares will be treated as not exercised.
8. Members who wish to communicate with the Company in relation to the meeting should do so by writing to the Registrars at The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. No other methods of communication will be accepted. In particular, no person may use any electronic address to communicate with the Company for any purposes other than those expressly stated in the relevant document.

Any addressee of this notice who has sold or transferred all of the shares of the Company held by him or her should pass the annual report of which this notice forms part (including the form of proxy enclosed herewith) to the person through whom the sale was effected for transmission to the transferee or purchaser.

THE ANNUAL GENERAL MEETING WILL BE HELD ON FRIDAY 14 JUNE 2019 AT NOON

VENUE

Tallow Chandlers' Hall
4 Dowgate Hill, London EC4R 2SH

TALLOW
CHANDLERS'
HALL



CLOSEST TRANSPORT LINKS

Mansion House (District and Circle Lines)
Cannon Street (District and Circle Lines, National Rail Services)
Bank (Central, Northern and Waterloo & City Lines)



OFFICERS, PROFESSIONAL ADVISERS & REPRESENTATIVES

EXECUTIVE DIRECTORS

Peter E Hadsley-Chaplin,
MA MBA
Chairman

Tristan R J Price, MA MSc FCA
Chief executive

Matthew H Coulson, BA FCA
Finance director

NON-EXECUTIVE DIRECTORS

Jock M Green-Armytage,
BA MBA *†
Senior independent, chair
of audit and remuneration
committee

Richard M Robinow, MA *†

Philip A Fletcher, FCA *

Bruce C J Tozer, BSc MSc MBA *†
Independent

* Member of the audit committee
† Member of the remuneration
committee

SECRETARY AND REGISTERED OFFICE

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SOLICITORS

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Atlantic House, 50 Holborn Viaduct, London EC1A 2FG

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place, London WC2N 6RH

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AmBank Group
55 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia

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