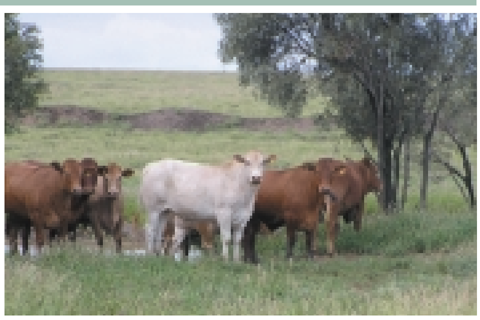
M.P. Evans GROUP PLC

ANNUAL REPORT 2006



Oil-palm plantations and property development in Malaysia

MAJORITY HELD 1,830 ha
MINORITY HELD 990 ha

Oil-palm plantations in Indonesia

MAJORITY HELD 46,000 ha
MINORITY HELD 25,250 ha

Beef-cattle farming in Australia

MAJORITY HELD 31,000 ha
MINORITY HELD 6,420,000 ha

Location of the Group's properties and those of its associates as at 30 April 2007

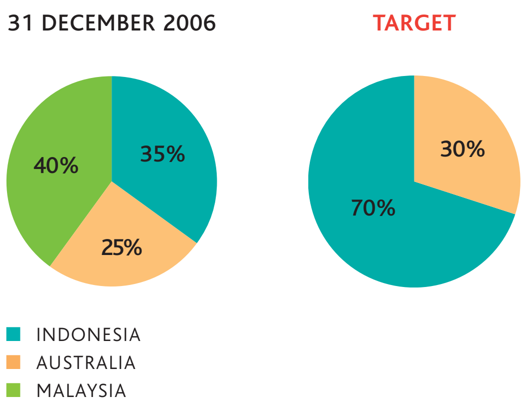
EXISTING PORTFOLIO

- 10,000 hectares of majority-held, mature oil-palm plantations in Sumatra, Indonesia
- 25,000 hectares of minority-held (equivalent to 8,000 hectares) mature oil-palm plantations in Sumatra, Indonesia
- 36,000 hectares of majority-held new land in Bangka and Kalimantan, Indonesia suitable for oil-palm development - some 2,000 hectares planted to date
- 31,000 hectares of cattle-backgrounding land in Southern Queensland, Australia
- 29% interest in a leading Australian cattle company, NAPCo, owning 6.4 million hectares in Queensland and Northern Territory
- 1,830 hectares of plantation land in Peninsula Malaysia, with real-estate-development premium
- 40% share of a substantial property-development company, Bertam Properties, near Penang Island, Malaysia with a land bank of some 980 hectares
- Net current assets of some £12 million

KEY OBJECTIVES

- **To establish 70,000 hectares of environmentally sustainable oil-palm plantations in Indonesia, producing 400,000 tonnes of crude palm oil**
- **To expand the Group's existing beef-cattle operations in Australia to represent approximately 30% of the Group's assets**
- **To dispose of the remainder of the Group's high-value property and plantation interests in Malaysia, to fund the expansionary objectives in Indonesia and Australia**

AGRICULTURAL ASSETS BY VALUE



Contents

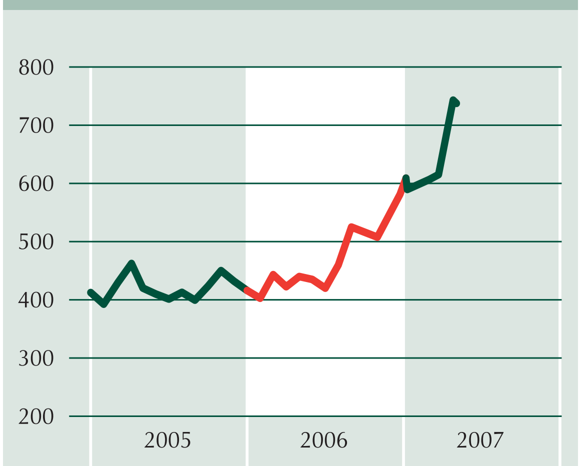
Highlights 2006

"Favourable trading conditions and excellent property realisations have contributed to an outstanding year"

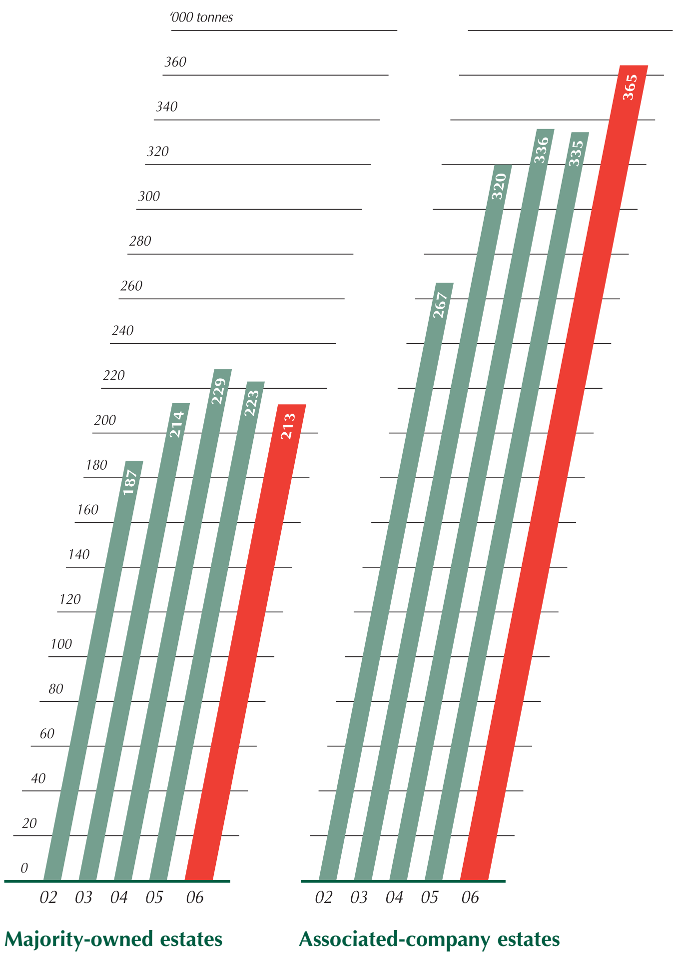
Palm oil

- World palm-oil prices increased markedly in the second half of 2006 following robust demand from both vegetable-oil and bio-fuel sectors
- Palm-oil prices have continued to rise markedly in 2007

Palm-oil price
US$ per tonne - Rotterdam c.i.f.



Crop of oil-palm fresh fruit bunches ("f.f.b.")



Summary of results

For the year ended 31 December 2006

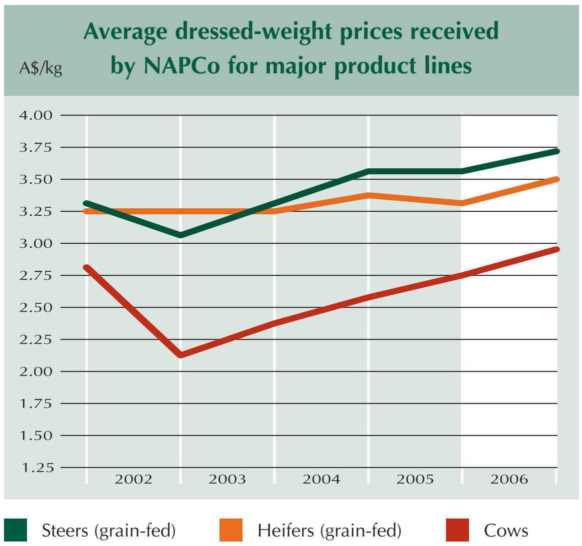
	2006	2005 *as restated**
	£'000	*£'000*
Turnover	**13,483**	12,182
Operating profit	**10,777**	7,883
Profit on ordinary activities before taxation	**19,894**	7,482
Operating cash flow	**769**	5,499
	Pence	Pence
Basic earnings per share	**31.63**	8.67
Dividend	**6.50**	6.25

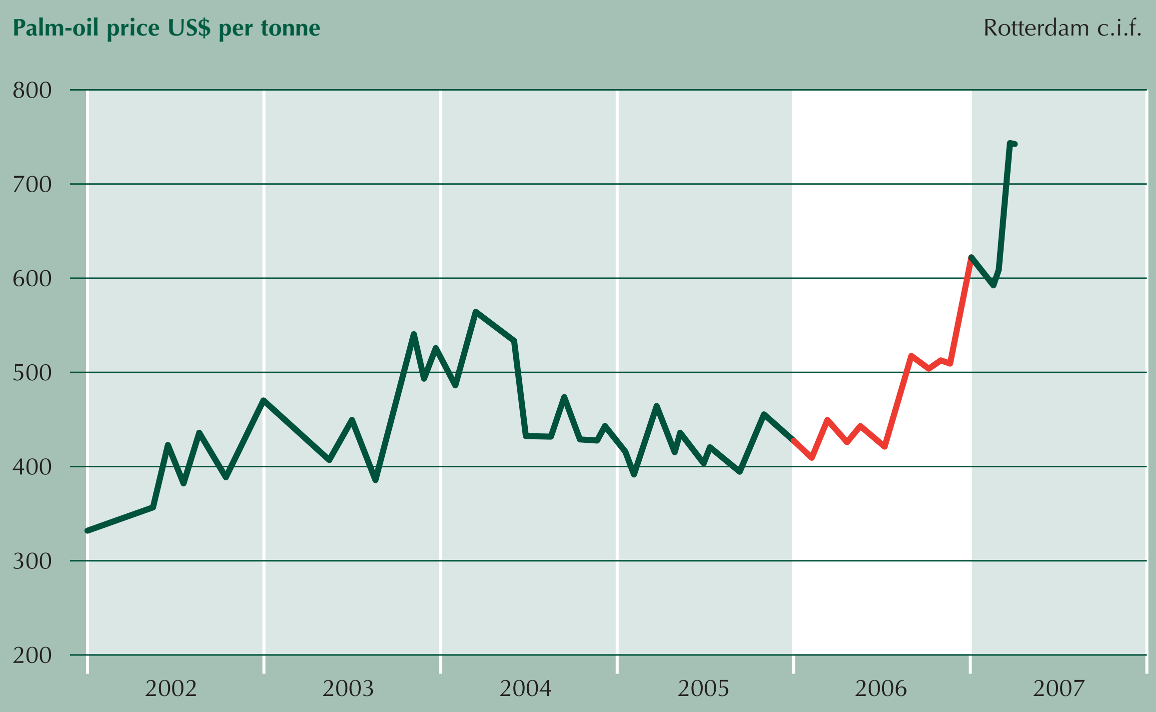
* *Details concerning the restatement of the comparative figures are dealt with in note 11 to the financial statements on page 51.*

- **Record profit before tax £19,894,000 (2005 £7,482,000)**
- **Final dividend for the year increased to 4.50p (2005 - 4.25p) per share - 2.00p (2005 - 2.00p) interim already paid**
- Group strategy of selling Malaysian estates and reinvestment in Indonesian palm oil and Australian beef cattle well on track; a minimum of 36,000 hectares of new Indonesian oil-palm land secured to date and Australian cattle aggregation, Woodlands, now expanded to 31,000 hectares
- Significant gains following strategic sale of three Malaysian estates and sale of land by 40% associate, Bertam Properties

Beef cattle

- Prices were robust for 'grain-finished' animals (as produced by NAPCo) but eased for lighter, grass-fed cattle (as produced by Woodlands)
- Australian cattle prices initially rose sharply in 2007 following best rainfall in six years on Woodlands and NAPCo properties, although dry conditions have returned and prices have now fallen back again





The palm-oil and vegetable-oil market

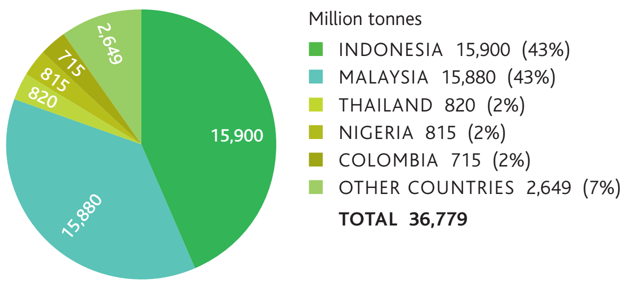
- Palm oil is used mainly as a cooking oil but also in margarine, shortenings (cakes, biscuits), soap, cosmetics, lubricants and increasingly in bio-diesel

- Palm oil has the lowest cost of production and is the most productive of all the major vegetable oils. Over 5 tonnes per hectare are produced, compared with around 0.5 tonnes for its main rival, soybean oil

- Palm oil is now the world's largest vegetable oil, with annual production of around 37 million tonnes and 30% of production of major vegetable oils

- The palm-oil price has risen significantly over the last year, further to continuing strong demand for cooking oil, in particular, from China and India. The increasing demand for palm oil, together with other vegetable oils, as a bio-diesel, has further underpinned demand

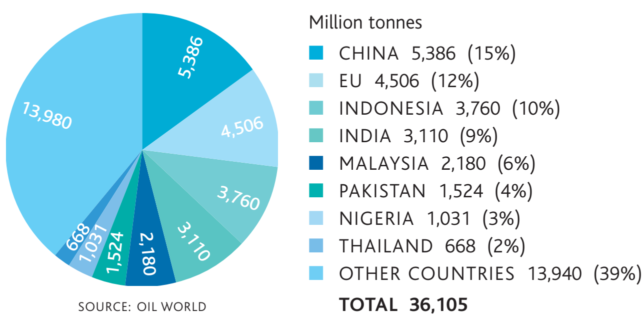
MAIN PRODUCERS OF PALM OIL - 2006



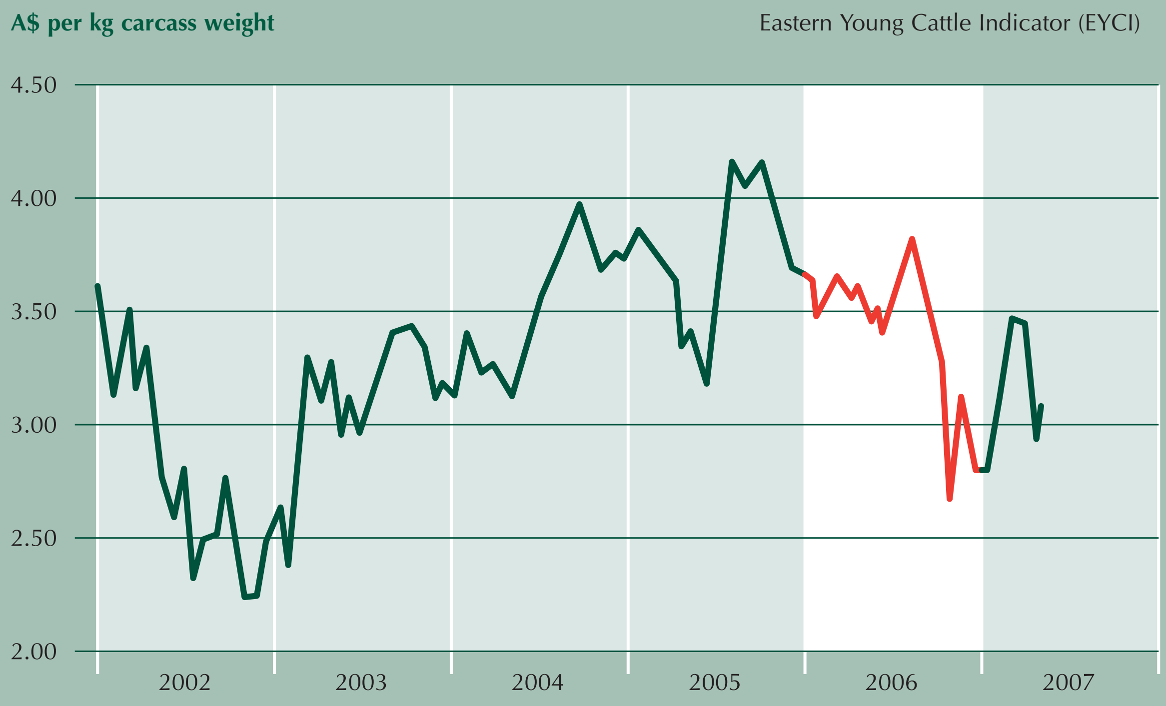
SOURCE: OIL WORLD

- Palm oil's main producers are Indonesia and Malaysia - each 43%

MAIN USERS OF PALM OIL - 2006



SOURCE: OIL WORLD



The Australian beef-cattle market

- Australia the world's sixth-largest beef producer
- Australia the world's second-largest beef exporter with some 20% of global trade
- Australia well placed geographically to serve Asia - the world's fastest-growing beef consumer
- 80% of Australia's beef exports to Japan, Korea and US
- Australia free of foot and mouth and BSE
- NAPCo (29.29% held) one of Australia's leading beef-cattle companies
- Australian beef-cattle prices have broadly increased in 2007 following welcome rains, although dry weather has returned and more rain is needed

"Continued good progress in 2006... divestment in Malaysia and investment in Indonesia and Australia"

Chairman's statement

Overview of results

I am delighted to report a record profit before tax of £19,894,000, compared with £7,482,000 last year. Earnings per share increased to 31.63p from 8.67p and this increase was largely attributable to the gains realised on a number of land sales. These included the sale, in line with the board's strategy, of three of the Group's Malaysian estates as well as the sale of some significant areas of land owned by the Group's 40% associate, Bertam Properties Sdn. Berhad ("Bertam Properties"). The balance sheet remains strong.

Dividend

In the light of the favourable results, your board proposes a final dividend of 4.50p per share, which, together with the interim dividend of 2.00p paid in November 2006, makes 6.50p for the year, compared with 6.25p in respect of 2005.

Strategy

The board remains committed to its long-term policy of increasing - to a total of approximately 70,000 hectares - its oil-palm areas in Indonesia and expanding its Australian beef-cattle interests. As part of this strategy, the board will seek to sell, when suitable opportunities arise, the remainder of its high-value Malaysian plantations and property investments, the proceeds from which will provide the core of the funding of the Group's expansion in Indonesia and Australia.

Since the new strategy was adopted at the time of the merger with Bertam Holdings PLC and Lendu Holdings PLC two years ago, considerable progress has been made in its implementation. In Malaysia, the Group has so far sold three of its estates, realising a total of some £16 million. In Indonesia, in addition to its existing mature estates, the Group has invested in two substantial projects, on Bangka Island and in East Kalimantan, and thereby secured sufficient land to develop a minimum of 36,000 hectares of oil palm. Although the rate of planting on the Bangka project has been slower than originally anticipated, 2,000 hectares of this land have now been planted. With effect from this year, the Group is aiming to plant approximately 6,000 hectares per annum over the next seven to eight years. This is subject to a number of material risks as referred to in the accompanying review of operations.

Expansion of the Group's Australian cattle investments has also continued apace. The acquisition of three new properties - Flinton, Baquabah and Springmount - which all adjoin Woodlands, has been completed (Springmount after the year end). The enlarged Woodlands aggregation now comprises 31,000 hectares and, further to the completion of some pasture-improvement work, will represent one of the largest and, it is anticipated, most productive cattle-backgrounding properties in Southern Queensland. Also, since 2005, the Group has slightly increased its holding in The North Australian Pastoral Company Pty Limited ("NAPCo") - one of Australia's leading beef-cattle companies - to just under 30%. The board will continue to review further investment opportunities in NAPCo as and when they arise.

The oil palm has a long gestation period and positive earnings and cash flows from the substantial investments referred to above will take time to achieve. In the intervening period before those are achieved, the Group will be relying on the earnings from the mature plantations (both majority-owned and owned by associates) in Sumatra. It is the board's intention at least to maintain the level of annual dividend, which, in respect of 2006, as referred to above, amounted in total to 6.50p per share.

Palm-oil activities and market

Crops of oil-palm fresh fruit bunches ("f.f.b.") from the Group's majority-owned estates were a little lower, as a result of losing the contribution of crop from the three Malaysian estates which were sold during the course of 2006. The crop from the Group's associates increased following a marked improvement by the 32%-held PT Agro Muko project in Sumatra.

The palm-oil price traded in the first half at levels similar to those prevailing in 2005, before increasing sharply in the second half. This was in response to heightened global demand for both palm oil and other vegetable oils not only in their traditional capacity as a cooking oil but also as a feedstock for the bio-fuels market.

Beef-cattle activities and market

Further to an unusually severe drought experienced across much of Australia, a loss was recorded of the Group's cattle-fattening property in Queensland, Woodlands. When the drought broke, however, it gave way to some of the best rainfall in six years. Whilst these drought-breaking rains were not received on Woodlands until early 2007, NAPCo had, by as early as March 2006, received excellent rainfall on its main breeding properties in the Northern Territory and Northern Queensland. This, to some degree, compensated for the continuing dry weather experienced, until early 2007, on NAPCo's growing-out properties located in central Queensland and demonstrates the benefits of the geographical diversity of its properties. NAPCo did not, however, sell as many fattened cattle as in the previous year and, as a result, reported lower profits.

Prices for the lighter-weight, grass-fed cattle – such as those bought and sold by Woodlands – eased during the year as a result of the drought. However, prices for heavier, "grain-finished" cattle – such as those produced by NAPCo – remained buoyant throughout the year.

Malaysian property activities and market

The Group's other principal associate, Bertam Properties Sdn. Berhad (40% owned), achieved a record profit, which, as I refer to above, arose principally from the sale of some significant parcels of land. Bertam Properties' results from its main activity, the construction and sale of housing, were satisfactory in the context of the continuing lacklustre state of the Malaysian property market. However, some welcome initiatives have recently been introduced by the Malaysian Government to support the construction and housing industries. These include the easing of restrictions on foreign ownership and the suspension of Real Property Gains Tax as from 1 April 2007 and may well help to stimulate demand in the property sector.

Current trading and prospects

To date in 2007, f.f.b. crops on the majority-held estates have been a little below both expectations and those recorded for the same period last year. Crops from the associated companies have, in line with estimates, been higher than last year.

Although it is a little early to make accurate predictions, it is expected that crops from both the majority-held and minority-held estates will be similar to those achieved in 2006. Naturally, any further estate sales in Malaysia will have a concomitant (but relatively modest) downward impact on total crops.

Palm-oil prices have continued to be strong, trading above the US$700 per tonne level, compared with around US$450 a year ago. This is in response to continued demand for vegetable oils both for their traditional uses and, increasingly, in the bio-fuels sector. The recent surge in the price of mineral oil has further contributed to this upward pressure. Beef-cattle prices in Australia, at both the lighter and heavier ends of the market, have fluctuated in early 2007 but are currently above year-end levels. Following the substantial rainfall to which I referred earlier, dry conditions have returned and follow-up rainfall will be required to ensure a good season. Export demand for Australian beef has recently eased in response to the strengthening Australian dollar, but values of beef-cattle properties continue to be robust. The board believes that the prospects for both Indonesian palm oil and Australian beef cattle remain favourable.

Acknowledgements

I should like to express the board's appreciation to all our managers, staffs and workforces in the Group's various areas of operation. Whilst the number of employees is growing in Indonesia, the number of employees in Malaysia is, regrettably, gradually diminishing as the estates are sold. Many such employees have served the Group for a considerable number of years and I am sure shareholders will join me in thanking them for their loyalty and support and in wishing them well for the future.

Richard Robinow
Chairman
3 May 2007

Review of operations

“2006 was the year in which our strategy started to be meaningfully realised”

Results in the context of the Group’s overall strategy

This section of the report contains a review of the Group’s operations and performance during 2006. Whilst this will be of interest to shareholders, not least in view of the record profit achieved, it is important to put the results arising from the portfolio of assets currently held into the context of the Group’s strategy as a whole.

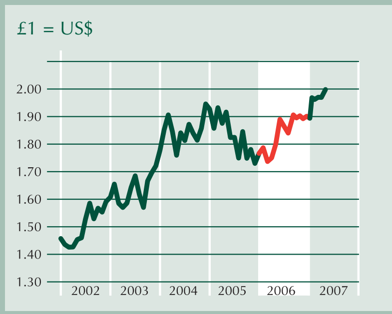
The Group’s principal objective is to progress from a relatively low-yielding, substantially asset-based business, to one which is substantially earnings-driven. This is in the course of being achieved by the realisation of the high real-estate values that have accrued to the Group’s Malaysian plantation and property interests over the past twenty or so years.

To date, approximately £16 million has been raised from these disposals and it is expected that in excess of another £45 million will be achieved. The proceeds from these sales, together with loan finance, will provide the Group with the means to expand its current oil-palm plantation areas in Indonesia from the equivalent, including the Group’s share of minority-held areas, of some 18,000 hectares at present (excluding the new projects) to some 70,000 hectares over the next seven to eight years. So far, a minimum of approximately 36,000 hectares of new land have been secured, which leaves a balance of around 16,000 hectares still to find. The board is hopeful of achieving this. Ultimately, when all these new areas are mature, it is aimed to produce some 400,000 tonnes of crude palm oil (“CPO”). This compares with the current level, which consists of the Group’s own production, its share of that of its associates and the CPO equivalent of the f.f.b. produced by those estates (both majority and minority owned) with no mills, of some 60,000 tonnes. It is also expected that the capital values of the new Indonesian estates will increase, both as they are developed and as they mature.

Alongside its expansion of palm oil, the Group’s objective is to increase its investments in the Australian beef-cattle sector to represent, in value terms, some 30% of the Group’s portfolio (with the balance of 70% comprising Indonesian palm oil). It is recognised that earnings from beef-cattle will not necessarily be as high as those from palm oil but it is anticipated that this will be compensated for by continuing favourable long-term growth in cattle-property values.

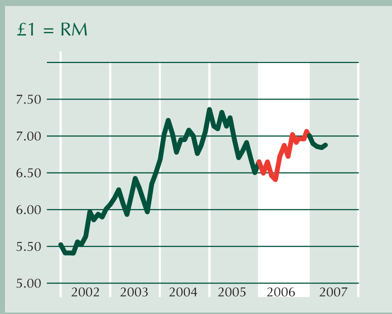
The Group’s investment in the Australian beef-cattle sector is regarded as a suitable hedge against its Indonesian palm-oil interests. It enables a spread of both country (or sovereign) risk, as well as commodity risk. The Group has gained some 25 years of experience in the Australian agricultural sector and the board believes that the prospects for, specifically, beef-cattle are favourable, in particular in view of the ever-growing demand for red meat in neighbouring Asia.

Sterling-v-US Dollar

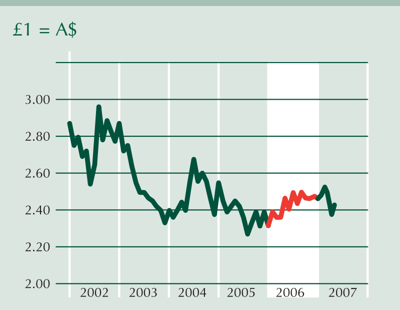


US Dollar-v-Indonesian Rupiah

Sterling-v-Malaysian Ringgit



Sterling-v-Australian Dollar



Review of the 2006 results

The result for 2006 was a record. It would have been better still but for the negative effect of the strengthening of both the Indonesian Rupiah and Sterling against the US Dollar. The result reflected:

Plantations

- palm-oil prices on average some 13% higher in US Dollars and 8% higher in local-currency terms
- similar crops of oil-palm fresh fruit bunches ("f.f.b.") from the Indonesian majority-owned estates and higher on the associated-company estates
- the phasing out of the Group's rubber activities in North Sumatra and the costs associated with reducing the size of the workforce
- lower f.f.b. crops in Malaysia following the sale during the year of three estates.

Cattle

- Australian cattle prices remaining firm during the year
- continuing drought leading to lower-than-expected activity on the Australian beef-cattle property, Woodlands, and lower profits from the 29.29%-owned The North Australian Pastoral Company Pty Limited ("NAPCo").

Estate sales and property activities

- substantial profits arising from the sale of three Malaysian estates
- substantial profits from the 40%-owned associate, Bertam Properties Sdn. Berhad ("Bertam Properties"), arising from significant property disposals.

The various aspects of the Group's operations are reviewed in more detail in the ensuing report.

Gross profit

In Indonesia, the combination of similar f.f.b. crops, improved palm-oil selling prices, the phasing out of the remaining rubber areas and disadvantageous exchange rates resulted in a gross profit of £3,742,000, similar to the £3,649,000 in 2005. Likewise, in Malaysia, very robust performances by two of the three remaining estates and the absence of crops from the three estates that were sold during the year resulted in a gross profit of £1,272,000, similar to the £1,170,000 in 2005. Continuing adverse weather conditions in Australia gave rise to a gross loss of £397,000 for the year compared with a profit of £175,000 in 2005. As a result of the above, together with the results of the Group's other activities, the Group gross profit for the year amounted to £4,746,000, compared with £5,082,000 in 2005. A detailed breakdown of this is provided in note 2 to the accounts on page 46, and the results of the Group's palm oil, cattle and asset-disposal activities are reviewed in more detail in the reports on pages 12 to 25.

Exchange rates

2006 was dominated by the general weakening of the US Dollar against most currencies. As the sales price of palm oil is denominated in US Dollars, this had a negative effect on results. The Group's policy is to retain surplus funds in Indonesia, and to some extent in the UK, in US Dollars. The weakening of the US Dollar during 2006 resulted in exchange losses on the restatement of these deposits which are reflected in the profit and loss account. In addition, other US Dollar-based assets were reduced in value in Sterling terms. Whilst the average rates of exchange for the year (the rate at which results are translated in the profit and loss account) were similar in both 2006 and 2005 for the Australian Dollar and the Malaysian Ringgit, the year-end rates (the rate at which balance-sheet items are translated) were weaker against Sterling. As a result, assets denominated in these two currencies were lower in Sterling terms at the year end.

Other administrative expenses

Other administrative expenses, prior to the net credit for the amortisation of negative goodwill, amounted to £2,573,000 in 2006, compared with £2,169,000 in 2005. There are several main contributory reasons for this marked increase; the inclusion for the first time of the administration costs both of the new Jakarta office and of the new Indonesian projects, the continuing increase, due to the strength of the share price, in the provision for potential national insurance on unexercised share options and legal costs associated with the Sennah Estate lawsuit in Indonesia.

Associated companies

The share of operating profits/(losses) in the associated companies was as follows:

	% Held	2006 £'000	2005 £'000
PT Agro Muko	**31.53**	**2,044**	1,759
PT Kerasaan Indonesia	**38.00**	**655**	605
NAPCo	**29.29**	**460**	885
Bertam Properties	**40.00**	**4,919**	395
Kennedy, Burkill & Co. Berhad	**20.01**	**127**	134
Asia Green Environmental Sdn. Bhd.	**30.00**	**(76)**	16
		8,129	3,794

Of the Indonesian associates, PT Agro Muko reported markedly higher f.f.b. crops and profits whilst PT Kerasaan Indonesia reported similar crops and slightly higher profits. NAPCo suffered from the effects of the extended drought in Australia which restricted its ability to produce, and sell, fattened steers and heifers. As a result, it reported lower profits in 2006. Substantial property disposals by Bertam Properties gave rise to significant profits and the Group received approximately £5.0 million during the year from loan repayments and dividends. The results and operations of the Group's associated companies in Indonesia, Australia and Malaysia are reviewed in more detail in the reports on pages 11 to 25.

Exceptional items

Exceptional gains of £7.81 million were made on the disposal of three of the Malaysian estates. As in previous years, Group profits (£1.37 million) which were withheld when land was originally sold by Group companies to Bertam Properties have been released when Bertam Properties sold that land to third parties. These exceptional items are reviewed in more detail in the reports on pages 11 to 25.

Profit before tax

As a result of all of the above, the Group profit on ordinary activities before taxation for the year amounted to £19,894,000, compared with £7,482,000 for 2005.

Palm oil

CLOCKWISE FROM TOP LEFT

A good set of ripening oil-palm fresh fruit bunches.

Harvesting a tall oil palm.

Rubber tapping on one of the estates owned by the Group's associate, PT Agro Muko. The Group no longer has any rubber areas of its own.

Young oil palms aged around four months in the nursery area. They will not be planted in the field until they are around ten months.

"Robust demand, underpinned by increasing requirements for bio-fuels, has resulted in upward pressure on palm-oil prices"

Indonesia

MAJORITY-OWNED MATURE ESTATES

Crops and production

F.f.b. crops from the four North Sumatran plantations, at 155,000 tonnes, were virtually identical to 2005's 156,000 tonnes. Production at Pangkatan mill was 24,000 tonnes (2005 - 21,600 tonnes) of crude palm oil and 6,200 tonnes (2005 - 5,000 tonnes) of palm kernels, although 2005 reflected the fact that production did not commence in full until February 2005. Sales of crude palm oil amounted to 23,400 tonnes (2005 - 21,400 tonnes) and of palm kernels to 6,100 tonnes (2005 - 5,000 tonnes). The extraction rate remained modest at around 21% which is primarily due to the poor-quality planting material on Sennah Estate. This is discussed in more detail under "Review of agricultural operations" on page 13.

Management monitors and assesses the efficiency of operations with regard to crops and production by means of key performance indicators. The assessment of crops is measured for each year's planting on each estate in terms of yield per hectare. The yield per hectare on each individual estate, indeed on each year's planting on each estate, is recorded and monitored. Yields can vary widely because of factors such as soil type, terrain, sunshine hours, rainfall, distribution of rainfall and palm fertility cycle. Because of this, monitoring is not carried out on a Group basis but rather taking into account the conditions in existence on each estate. Factors which are under management's control are husbandry standards, fertiliser application, the quality of infrastructure (estate roads, for example) and 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.

With regard to mill production, the key performance indicator is the extraction rate of palm oil and palm kernels per tonne of f.f.b. Again, extraction rates vary according to factors such as the type and quality of planting material, the age profile of plantings, rainfall, etc. Rates of up to 25% for palm oil and 5.5% for palm kernels can be achieved in some parts of Indonesia although in the Labuhan Batu area, where Pangkatan mill is located, 23% and 5% respectively is more likely to be the top level. As referred to below under "Review of agricultural operations", a significant proportion of the f.f.b. coming into Pangkatan is of a low standard and, as a consequence, the mill's composite palm-oil extraction rate is around 21%. This is expected to improve as Sennah Estate's oil-palm areas are replanted and the new areas on Pangkatan and Bilah Estates mature. All of these aforementioned areas are planted with modern, high-quality hybrid material.

Palm-oil market

The palm-oil price remained in the US$400-to-US$450-per-tonne band (cif Rotterdam) in the first half of 2006 before breaching the US$500 level in the second half of the year and it continued to forge ahead to break through the US$600 barrier at the end of the year. Since the year end, the price has strengthened further to the current level of over US$700. Continuing robust demand, particularly from China and Europe, for the conventional uses as a cooking oil

The crude-palm-oil tank terminal owned by P T Agro Muko at Padang, West Sumatra. The oil is transported here by road and stored until being pumped into vessels in the nearby port.

and in processed food, cosmetics, etc., has driven the upward trend of the price. In addition, the demand for palm oil as a bio-fuel has further added to demand and underpinned the price. The current high price of maize in the USA for use in the production of bio-ethanol has encouraged farmers to plant this crop rather than soybeans and this has added to the upward pressure on vegetable-oil prices.

Palm-kernel oil on the other hand was on a downward trend during 2005 and most of 2006 but, since the end of 2006, has performed robustly and is now testing the highest levels seen over the last five or so years.

Operating costs

Operating costs in Indonesia, especially wages, were subject to a high level of inflation during 2006. General inflation ran at 13% and the basic element of plantation workers' wages, which is determined by provincial government, increased by over 20%. One of the causes of this level of inflation was the removal of the subsidy on fuel in 2005 which filtered through into higher general costs in 2006. The rate has, however, since abated and Indonesian interest rates have also fallen.

As referred to below under "Review of agricultural operations", the replanting of the old rubber areas has now been completed. This, unfortunately, resulted in the need to retrench a number of rubber tappers and the costs associated with this during the year were £93,000 (2005 £64,000). The gross profit from the reduced rubber areas in 2006 was £69,000, compared with £144,000 in 2005.

Management monitors and assesses the efficiency of plantation operations in terms of cost by means of key performance indicators which identify field costs per hectare and per kilogramme of f.f.b. and factory costs per tonne of palm products (palm oil plus palm kernels). A significant proportion of costs both in the field and in the factory are fixed and therefore vary little with different levels of throughput. Field costs also vary from estate to estate depending upon such factors as terrain and rainfall pattern and the key performance indicators are monitored by management for each individual estate.

Turnover and the results from the Indonesian plantation operations are set out in note 2 to the accounts on page 46.

Review of agricultural operations

As referred to in last year's review of operations, an unusually large proportion of the Labuhan Batu estates (Pangkatan, Bilah and Sennah) is in the process of being replanted. This has arisen because the rubber areas of Pangkatan Estate had to be replanted into oil palms in order to maximise throughput in the new mill. With regard to Sennah Estate, this was acquired in 2002 in the knowledge that the oil-palm areas were of low quality and would need replanting. This programme is under way and should be completed within the next five or so years. The areas which have been planted to date have been at a high standard and with good-quality planting material.

In the meantime, the poor-quality fruit from Sennah is keeping the extraction rate at Pangkatan mill lower than what would reasonably be regarded as desirable. However, as the new areas mature on Pangkatan and Sennah and indeed the platform planting in the low-lying areas of Bilah, both yields and the mill's extraction rate should progressively improve. Details of the areas of the various estates are set out under "Analysis of land areas" on page 65.

Since the end of the year, part of the workforces of Pangkatan, Bilah and Sennah Estates have gone on strike over pay rates and have been suspended.
In the meantime, harvesting is continuing at near-normal levels with contract labour. Management took this step reluctantly after extensive consultation with the workers, their families and their union. The Group was both surprised and disappointed by their action since it offers an attractive remuneration package in terms not only of wages and harvesters' premia but also of housing, medical and other benefits. Although not required to, the companies made a goodwill gesture in offering to reinstate the striking workers, but the Group is standing firm in refusing to improve its terms. The union has now taken the matter to the Labour Court. The initial hearing of the case is expected to be in mid-May.

Simpang Kiri Estate has always been prone to flooding but just before the end of 2006 was hit by a flood, the like of which had never been experienced before. The emplacement, which includes the manager's house, the office and one of the main storage buildings, was completely inundated by up to three metres of flood water. Some of the workers' houses were affected as well. Luckily, none of the estate's employees were injured although, sadly, some inhabitants of nearby villages lost their lives. As a result of the flood, large parts of the estate were covered in up to 30cm of mud. However, the estate management and workforce showed great resilience in re-commencing harvesting within a few days. The clean up and rebuilding of houses started straight away and the cost of the damage was largely covered by insurance. Extra costs will be incurred as contractors with bulldozers have had to be brought into clear the mud off the roads, harvesters' paths etc. It is a little early to tell but it seems that there is little permanent damage to the oil palms that spent several days under water.

NEW PROJECTS

Bangka project

Significant progress has been made on the development of the new 12,000-hectare, oil-palm project on Bangka Island, with some 2,000 hectares of young palms now planted. However, the rate of both clearing and planting has been slower than originally anticipated. Although smallholder land-compensation claims have been dealt with amicably, and fairly, with genuine claimants, delays have been caused by the involvement of other outside parties with less legitimate claims. It is believed that these issues will be suitably resolved, with the assistance of the Group's joint-venture partner, Mr Karli Boenjamin, but it is difficult at this stage to predict the precise rate at which work will proceed during the rest of the year. Subject to this, the plan is to plant 2,000 hectares in 2007.

A loan agreement has been signed with the German development bank, DEG, which will provide loan finance of US$19.8 million. It is anticipated that the remaining conditions will be satisfied shortly after which draw downs will commence.

East Kalimantan project

With the assistance of the Group's joint-venture partners, Mr Halim Jawan and Mr Sudihugeng Hardjojo, an excellent start has been made on the new East Kalimantan project which is located near the Mahakam River, one of the major river systems on the island. The nearest town is Tenggarong. A minimum of 24,000 hectares of land, suitable for oil-palm development, has been secured.

The investment in the project is being held through two Indonesian companies, PT Prima Mitrajaya Mandiri ("PMM") and PT Teguh Jayaprima Abadi ("TJA"), the shareholding in the latter having been acquired since the year end. PMM, which is currently scheduled to develop approximately 14,000 hectares, is owned as to 92.5% by the Group and 7.5% by Mr Halim. TJA, which is scheduled to develop some 10,000 hectares, is owned as to 92.5% by the Group and 7.5% by Mr Sudihugeng. Messrs Halim and Sudihugeng will be responsible for securing the

The crude-palm-oil mill on Pangkatan Estate.

Hak Guna Usaha ("HGU") (a right to use the land, akin to a long-term Government lease) for each piece of land. The Group has agreed to pay a fee to Messrs Halim and Sudihugeng of US$225 per hectare for which they will arrange for the HGU (for at least a 30-year term, with rights of extension) to be acquired. This fee will be paid in stages further to the satisfaction of various conditions, culminating in the procurement of the HGU. Accordingly, the total fee for the whole 24,000 hectares will be US$5.4 million if all of the conditions are satsisfied. An environmental-impact assessment is in the course of being undertaken on the whole project area and, although the formal report has not yet been completed, the clear early indications are that the project is not regarded as environmentally sensitive, primarily because it comprises largely open land.

Good progress has been made on the ground with some early infrastructure, such as roads and drains, workers' accommodation and a fertiliser store now in place. The Group's largest-ever oil-palm nursery has been established, with 1.8 million seedlings now in place. It is expected that a minimum of 4,000 hectares will have been planted by the end of 2007. Indeed, it is anticipated that, in the event of any delays on Bangka, the shortfall can be compensated for by accelerated progress in East Kalimantan.

At this early stage, the Kalimantan projects are being financed through the Group's resources and discussions with regard to obtaining external finance have commenced with bankers. Exact details will not be finalised until it is clear what total areas of land are available.

Management monitors and assesses the performance of the development of the new projects by means of key performance indicators which identify the area to be planted in a given year and also the cost per hectare of that planting. Programmes for planting are set, with sufficient planting material installed in the previous year. This type of activity is normally undertaken by contractors and management monitors the progress achieved on the contracted areas. As with other plantation activities, costs per hectare are determined by such factors as the weather pattern, the soil type and the terrain and key performance indicators are monitored by management for each individual estate.

Smallholders' co-operatives

In due course, smallholders' co-operative schemes will be established in the vicinity of both the Bangka and East Kalimantan projects.

The intention is to identify eligible families living in villages within or near the project areas who will

Young seedlings in the nursery on the new Kalimantan project.

become members, or shareholders, of the cooperative. The size of the cooperatives' land will be based on approximately two hectares per eligible family. The Group will manage (for an agreed management fee) the planting of the cooperatives' areas and arrange bank finance. Once the cooperatives' plantations are mature, the Group will manage the operation of the estates and, as they become cash positive, dividends will be paid to the members.

MANAGEMENT AND STAFF RECRUITMENT

The recruitment of management, staff and workers for the new projects continues apace, in line with the Group's expansion. David Wilkinson has been based in Jakarta since August 2006 and has set up the head office with finance and administration staff. Together with the Group's general manager of plantations, Mr Sadasivan Nanu Panicker, he has been responsible for the recruitment of a number of first-class plantation managers from Malaysia - most with considerable experience of Indonesian oil-palm developments - as well as a large number of new young assistants, many of whom have been recruited from the agricultural faculties of local universities. An enormous sense of enthusiasm, and purpose, pervades both the new projects and the new Jakarta office.

ASSOCIATED-COMPANY ESTATES

Crops and production from the estates owned by PT Agro Muko (31.53% owned) and PT Kerasaan Indonesia (38.00% owned) were as follows:

	2006 Tonnes	2005 Tonnes
F.f.b. crops - PT Agro Muko - own	**294,600**	266,300
- outgrowers	**33,800**	78,700
- PT Kerasaan Indonesia	**56,200**	55,700
	384,600	400,700
Production (PT Agro Muko) - crude palm oil	**72,500**	71,200
- palm kernels	**16,400**	16,500
Rubber crops (PT Agro Muko) - own	**1,852**	1,904
- outgrowers	**1,172**	933
	3,024	2,837

PT Agro Muko's f.f.b. crop improved, as expected, in the first half of 2006 but tailed off in the second half as that part of Sumatra experienced an unusually dry period. Nevertheless, the crop for the full year was markedly ahead of that for 2005. The company has decided to reduce the intake of unprofitable outgrowers' fruit. Competition to purchase such fruit in that area is intense and, as a result of adopting this course of action, the extraction rate in the company's two mills has increased significantly.

Rubber prices continued at robust levels throughout 2006, resulting in higher profits. Unlike the case with f.f.b., the company continues to purchase increasing tonnages of rubber from smallholders for profitable conversion into the SIR10 and 20 grades.

The planting of the PT Agro Muko estates was virtually completed during 2006 with 17,000 hectares of oil palm and 2,000 hectares of rubber in the ground by the end of the year. A programme is under way to upgrade some of the poorer areas of both oil palm and rubber with modern planting materials and this will proceed over the next few years.

During 2006, PT Agro Muko increased its (gross) dividend payment to US$3 million from US$2 million in the previous year. The Group's 31.53% share accordingly amounted to £514,000 (2005 £359,000).

Kerasaan Estate is a first-class plantation and continues to be kept in good condition. During the year, the Indonesian bank pension fund, which formerly owned 10% of the company, decided to sell 5% and this was purchased as to 3% by the SA SIPEF NV Group and 2% by this Group. Accordingly, the Group's holding increased to 38%.

During 2006, the Group received dividends (gross) from PT Kerasaan Indonesia amounting to £103,000, compared with £392,000 in 2005. The company, having enjoyed a successful year, accumulated a considerable level of funds which, by mutual consent between the shareholders, was largely held back and will be distributed in 2007.

SENNAH LAWSUIT

The hearing of DR Rahmat Shah's appeal in the Supreme Court in Jakarta is still awaited. The Group has vigorously contested this appeal and remains optimistic of a successful outcome.

RISKS AND EVALUATION AND CONTROL OF RISKS

Country

The Group relies heavily on political stability in Indonesia, given the substantial investments that have been, and will continue to be in greater measure, made in the country. Although the Group has not encountered any security problems over the years, except to a minor extent for a period of up to two years ago at Simpang Kiri Estate in Aceh, there have been outbreaks of social unrest in the country, particularly during the monetary crisis of 1997/98. These problems have, however, tended to be restricted to the larger towns and cities.

Indonesia has recently benefited from a period of political stability, economic growth and exchange-rate stability under the presidency of Mr Susilo Bambang Yudhoyono.

Security of land tenure is a concern to plantation operators. The Group holds its land under 25 or 30-year renewable leases (HGU's) which were renewed without problem in 1998. Indeed, legislation passed by the Indonesian parliament in March, now awaiting ratification by Presidential decree, extends HGU's to 95 years.

Palm-oil and kernel selling prices

The Group relies on its ability to sell its palm oil, palm kernels and f.f.b. based on a world market over which it has no control. The price of palm oil is determined by both 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.

Palm oil is a permanent tree crop with f.f.b. being harvested every day of the year. Palm oil and kernels are sold on a weekly basis by open tender and f.f.b. are sold on a day-by-day basis under contract at a price derived from the quoted world price. Over a year, an average price is therefore achieved although forward contracts are entered into when conditions are deemed appropriate.

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 oversupply and restored upward pressure on prices as demand returns.

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 China and India, as well as from more established markets in Europe, for vegetable oil for human consumption has supported prices. In addition to this, the recent strength of the mineral-oil price, following concerns about dwindling supply and global warming, has focussed attention on vegetable oil as a bio-fuel. Many bio-fuel processing plants have been set up around the world and the demand for feedstock for these plants (vegetable oil) has had, and will continue to have, an underpinning effect on vegetable-oil prices. Palm oil is the vegetable oil with the highest production in the world, the cheapest and the most productive, by a wide margin, in terms of yield per hectare.

Very high palm-oil prices have, in the past, caused problems in Indonesia. The oil is widely used as a cooking medium in the country and inordinately high prices have, in the past, given rise to protests which have led to the Government imposing high temporary export taxes or other restrictions on the sale of palm oil. It is to be hoped that this action will not be repeated, given the importance to the country of palm oil as a major export earner and of the industry (in the state-owned, the corporate – both local and foreign – and the smallholder sectors) as a major employer.

Exchange rates

Palm oil is a US Dollar-denominated commodity and a significant proportion of revenue costs in Indonesia (such as fertiliser and fuel) and development costs (such as heavy machinery and fuel) are US-Dollar related. Adverse movements in the Rupiah against the US Dollar and in the US Dollar against Sterling can have a negative effect on earnings and assets in Sterling terms. 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 are both difficult to achieve and would not be cost effective.

Weather and natural disasters

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. As far as possible, insurance cover for natural disasters is taken out.

Whilst a remarkably hardy plant, the oil palm can be subject to attack from such pests as caterpillars and other insects. Proper management and husbandry should identify and prevent these attacks from becoming widespread.

Environmental

Concerns about global warming and particularly the destruction of tropical rainforest are subjects which have received, and are continuing to receive, close scrutiny in the media. The palm-oil industry, unfairly in many cases, is closely associated with cutting down rainforest and destroying the habitat of endangered species such as the orangutan, elephant, tiger and rhinoceros. The Group is therefore likely to receive attention from the many organisations connected with climate change and South East Asian tropical rainforests.

The estates in Sumatra are all long established. Management follows industry best-practice guidelines and abides by Indonesian law with regard to such matters as fertiliser application and health and safety. With regard to the mill at Pangkatan, the Group has installed a composting system which utilises both the empty fruit bunches (after the fruit has been removed from them) and the liquid effluent from the mill. The resulting nutritious compost is applied in the field and reduces the requirement for inorganic fertiliser.

The Group has recently joined the Round Table on Sustainable Palm Oil (RSPO). The RSPO is in the process of instituting strict guidelines which members must abide by in order to be able to state that they are producing sustainable palm oil. The Group endorses the General Principles which have so far been produced.

With regard to the new projects on Bangka and Kalimantan, the Group has a clear policy that only open or lightly-timbered land will be acquired and developed. It is the board's policy to have an environmental-impact assessment undertaken by an independent consultant. Implicit in these studies is the requirement to abide by riparian buffer zones, nature-conservation areas, etc.

Development of new projects

There are a number of operational risks associated with the development of new land into an oil-palm-plantation project. These cover a wide range, from delays caused by the inability to agree appropriate terms with local people, to weather disruptions, to unavailability of suitable contractors. The Group aims to mitigate these risks by ensuring that there is a strong, professional management team on the ground that is able, as far as is practible, to anticipate such problems and take pre-emptive steps to avoid difficulties.

Beef cattle

CLOCKWISE FROM TOP

NAPCo cattle enjoying fresh pastures following the early-2007 rains on the company's recently-acquired backgrounding property, Cungelella, in central Queensland.

Aerial view of flooding on Glenormiston, one of NAPCo's growing-out properties in the Channel Country. Such floods may spread over several kilometres and are extremely beneficial to the growth of pasture and vegetation.

A set of cattle yards recently constructed on Woodlands. A curved structure such as this assists the movement of the cattle and reduces the chances of stress or injury.

"The enlarged Woodlands aggregation will give rise to important economies of scale"

Australia

MAJORITY-OWNED OPERATIONS

The area in which the Woodlands aggregation is located in Southern Queensland continued, like many other parts of Australia, to experience drought conditions during 2006. This adversely affected the amount of feed (both pasture and forage crops) that could be grown which, in turn, severely reduced the numbers of cattle that could be purchased, fattened and turned off. Accordingly, a gross loss of £397,000 (2005 gross profit £175,000) was recorded for the year. During the year, average prices for grass-fed cattle traded at healthy levels, relative to historical values. However, the market eased considerably in the latter part of the year as farmers were unwilling to buy cattle due to the dry conditions referred to above. This price softening has been partly compensated for by a price recovery that occurred in early 2007.

Management monitors and assesses the efficiency of operations with regard to cattle fattening by means of key performance indicators. This assessment involves the establishment of weight gain per beast per day. Depending upon the weather and pasture/forage crop conditions, management would generally aim for 0.6 kg per day for 300-day, grass-fed steers and 1.0 kg per day for 120-day, forage-crop-fed steers. 2006 was not a fair representation because the extended drought prevented the planting of forage crops and retarded the pasture.

The ability to maximise the weight gain in any one year will be determined by the amount of rainfall. This, in turn, determines both the quality of the existing pastures and what areas of forage crops can be planted. Whilst rainfall is clearly not a factor under management's control, the area of forage crops that can be both planted and brought ahead to a state that can sustain cattle is crucial to the operations of the company. The area planted, and the cost, is therefore a key performance indicator that is under constant review by management.

Acquisitions

During the year, the Group added substantially to the size of Woodlands which will afford maximum economies of scale and render it one of the most significant backgrounding properties in Southern Queensland. This involved the acquisitions of two neighbouring properties, Flinton and Baquabah, completed during 2006, and agreement was also reached to acquire a third neighbouring property, Springmount. This was completed in March 2007. Within a year, therefore, Woodlands (or, as it is now known, "the Woodlands aggregation") has increased from 11,800 to 31,000 hectares. Towards the end of 2006, the aggregation, including Springmount, was valued at A$33.5 million (£13.5 million). By 2009, once some significant pasture improvements have been achieved, and forage crops grown, and assuming normal seasonal rainfall, it is expected that over 20,000 head of cattle will be fattened and sold each year.

Approximately one third of the aggregation's total area has previously been developed for arable crops. These will therefore also be suitable for the cultivation of forage crops which will help to intensify the property's carrying capacity. It is, however, possible that, in view of the very sharp rise in the prices of many grain crops, such as wheat and maize, in the wake of heightened demand for ethanol as a bio-fuel, the Group will deploy some of these arable areas for the commercial production of crops such as these. The relative merits of these options will be kept under review.

ASSOCIATED COMPANY - NAPCO (29.29% OWNED)

During the year, the Group increased its holding in NAPCo slightly, from 27.92% to 29.29%. The Group's share of NAPCo's profit before tax amounted to £460,000 (2005 £885,000).

Dividends (gross) of £336,000 (2005 £324,000) were received by the Group. The level of dividend distribution has been maintained at a relatively modest level following NAPCo's strategy of building up the herd, investing in new properties, developing the breeding stations and expanding the feedlot.

Owing to excellent rainfall received early in 2006 on NAPCo's main breeding stations in the Northern Territory and Northern Queensland, the adverse effects of the drought conditions experienced on many of the growing-out and backgrounding properties, in central Queensland, were able to be mitigated. The resulting good pastures enabled weaners to be held back and grown on the breeding properties for much longer than would normally be possible before being transferred south to the growing-out properties, and this thereby obviated the need to force-sell young, unfinished, cattle.

The total number of cattle sold by NAPCo during the year was 41,800 head, compared with 56,300 head in 2005. However, the number of calves born, and branded, at 57,400 head, was significantly more than in the previous year (49,600 head). The number of cattle owned by the company at the end of 2006, at 184,000 head, was therefore considerably higher than the 171,000 at the end of 2005.

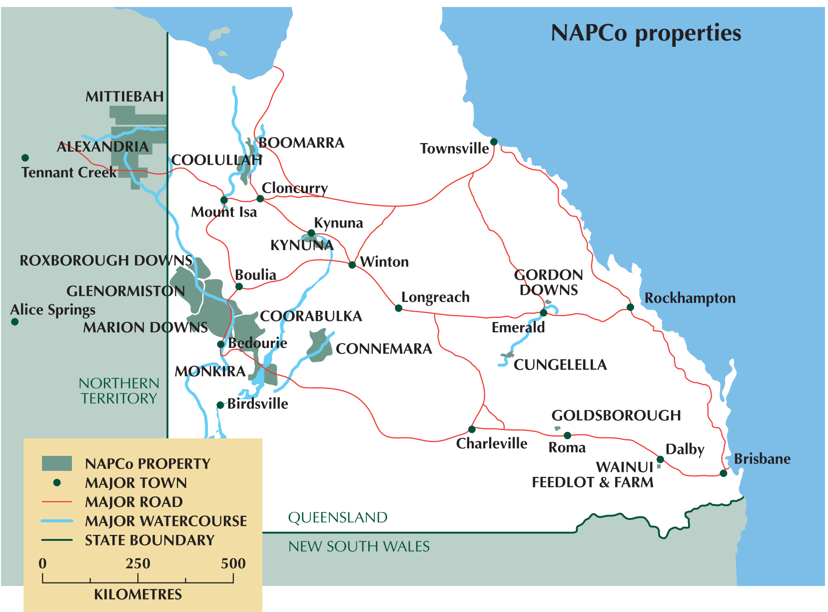
It is expected that the number of calves born, and branded, in 2007 will exceed the 2006 levels while sales should be approximately the same as last year. Therefore, depending upon the type of season that ensues during the remainder of 2007, the herd size should again increase by the end of the year.

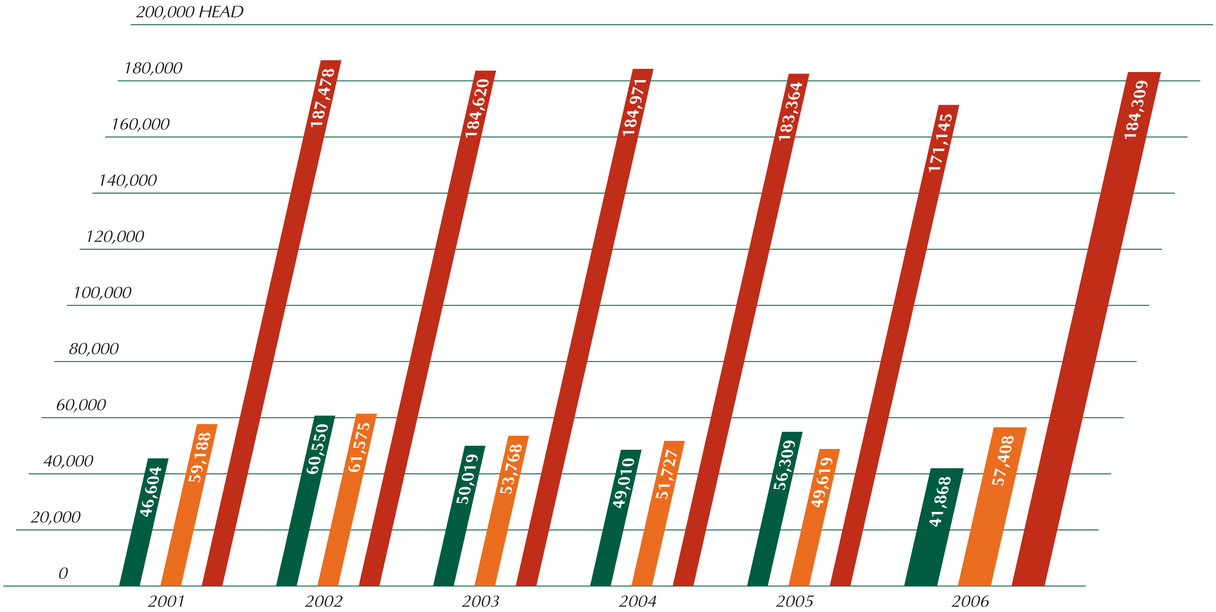
During the first part of 2007, there has been a considerable amount of rainfall on all the growing-out and backgrounding properties which had suffered the drought conditions of 2006. This led to good rains in the Georgina and Diamantina river systems which provided flood-out relief to the company's "Channel Country" properties served by these rivers. It produced pasture growth which will be sufficient, it is hoped, to provide feed both for the weaners held back on the breeding stations in 2006 and for those produced in 2007. However, follow-up rainfall will be required to ensure a good season and, so far, this has not been forthcoming.

Beef-market conditions

The price of grass-fed, lighter cattle softened during the year, owing to the inevitable reduction in stocking rates, and therefore the sale of cattle, by many properties in the country. However, prices at the "finished" end of the market remained strong throughout the year, in view of the limited supply. NAPCo's grain-finished cattle therefore commanded premium prices throughout the year.

Demand for Australian grain-fed beef remained strong in Asia, most notably in Japan where concerns continue over the integrity of US beef following the discovery of BSE in the US herd in 2003. Australia has, accordingly, profited from such concerns, not only in Japan but also in Korea, where demand for its beef has continued to grow. Australian export prices to its third main export market, the United States (predominantly for cow beef), were also firm for most of 2006. Furthermore, the suspension by Argentina of all beef exports for six months (in an attempt to contain price rises in its own market) helped to underpin US demand for





NAPCo cattle sales and brandings 2001-2006

Australian beef. However, export demand has very recently been negatively affected by the strengthening Australian dollar.

In 2007, markets have commenced on a firm footing, owing to continuing strong demand from Australia's major export customers, Japan and Korea, and stronger prices for cow beef due to lower supplies, as Australia's northern producers continue to rebuild their herds.

NAPCo share values

Further to the continuing rise in the value of beef-cattle properties, the net asset value of NAPCo stood at A$13.30 per share at 31 December 2006. In view of the Group's minority holding, it is believed that a reasonable estimation of its 29.29% interest is A$10 per share. This compares with the average cost of the holding of some A$7.30 per share. The board will give consideration to further purchases of shares in NAPCo as and when such opportunities arise.

RISKS AND EVALUATION AND CONTROL OF RISKS

WEATHER

As referred to above, rainfall is of crucial importance to cattle farming in Australia and is unpredictable. The level of rainfall will determine the ability of existing pastures to be maintained and of management to plant forage crops. In turn, the quality and quantity of feed will determine the carrying capacity of the property.

Clearly, management is not in a position to control rainfall but the board has taken the view that acceptance of this risk is part of the business.

CATTLE PRICES

The price that the Group achieves for the sale of its fattened cattle is determined by a world market over which the Group has no control. The price of live cattle and beef is determined by economic activity around the world, giving the wherewithal for demand for red meat to be created. This activity fluctuates, as does the beef price. Australia is a high-quality, efficient producer free of BSE and foot-and-mouth disease, whose markets are mainly in South East Asia and the United States with the principal competitors coming from South America and the United States itself. The board accepts price fluctuation as a risk of the business and has concluded that the structure of the Australian cattle industry is sound and its proximity to its main markets in South East Asia gives the business a competitive advantage over its rivals.

EXCHANGE RATES

The weakening of the Australian Dollar against Sterling has a negative effect in Sterling terms when Australian earnings and assets are translated. The board accepts this risk as part of the business and feels that adopting hedging mechanisms to counter the negative effects of exchange movements are both difficult to achieve and would not be cost effective.

Property disposals and remaining plantation operations

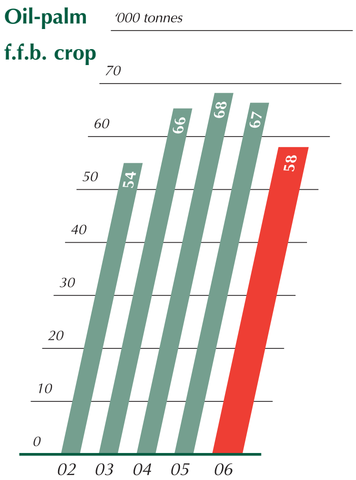
CLOCKWISE FROM TOP LEFT

Part of the 36-hole golf complex owned by Bertam Properties.

Artist's impression of premium houses being developed and marketed by Bertam Properties. These houses will retail for RM450,000 (approximately £65,000).

"The sales of significant parcels of land produced a marked increase in overall profit"

Malaysia



Majority-owned estates – Malaysia

LAND DISPOSALS

Substantial progress was made during the year in fulfilling a crucial part of the Group's strategy, namely its divestment of its portfolio of Malaysian plantation and property assets. A summary of the status of the various sales, and prospective sales, during 2006 is as follows:

Sungei Reyla

The sale of this 660-hectare estate, for a total of RM31.4 million (£4.6 million), was completed in April 2006.

Beradin

The sale of this 1,085-hectare estate, for a total of RM53.2 million (£7.7 million), was completed in August 2006.

Lendu

The sale of this 195-hectare estate, for a total of RM26 million (£3.8 million), was completed in September 2006.

Perhentian Tinggi

The sale of 181 hectares of Perhentian Tinggi Estate was agreed for a total of RM17.9 million (£2.6 million) payable in two near-equal instalments. In early 2007, the conditions relating to this sale were satisfied and the first payment was received in April 2007. The second is due in February 2008. The balance of Perhentian Tinggi, comprising 745 hectares, remains for sale. The entire estate was valued at

One of the colleges of higher education located on the Bertam Properties project. More such colleges/universities are planned to be developed which, in turn, will help to stimulate demand for housing, shops and other facilities on the project.

RM91.0 million (£13.2 million) for the purposes of the 2005 merger. It is possible that some modest reduction in the potential sales value may ensue from the prospective development of a 57-hectare municipal landfill site by the local authority on the estate. These development plans are being vigorously opposed by the Group.

Sungei Kruit

This 828-hectare estate is being marketed for sale. It was valued at RM61.5 million (£8.9 million) for the purposes of the 2005 merger and is expected to sell for at least this amount.

Bertam

This 74-hectare piece of land, which was not sold to Bertam Properties in the 1990's, has appreciated substantially since then, chiefly as a result of the Bertam Properties development itself. The land was valued at a total of RM23.8 million (£3.4 million) for the purposes of the 2005 merger and is believed to have risen further in value since then. The land is not being actively marketed for sale as, in view of the rate at which the other estates are being sold, there is no immediate cash requirement. It is also considered likely that raw-land values in this area will continue to escalate over the next year or so.

Bertam Properties

A number of significant sales of land were made by Bertam Properties during 2006. 339 hectares were sold to Naza Motor Sdn. Bhd. ("Naza") at a price of RM376,750 per hectare, representing a total of RM127.0 million (approximately £18.4 million). This sale was agreed in December 2005 and was therefore referred to in last year's annual report. Because it had been agreed that settlement of the transaction would be payable in several instalments over a two-year period and that the purchaser would not take possession of the land until the purchase consideration was fully settled, no profit was due to be taken on the disposal until the final instalment had been paid in 2007. Since then, however, Bertam Properties has agreed terms with Naza that, inter alia, allows Naza to occupy 50% of the land that it is purchasing. These amended arrangements meant that 50% (RM47.8 million (£7.1 million)) of the total profit (RM95.6 million (£14.1 million)) arising on the transaction was recorded in 2006.

A second significant sale, amounting to 46 hectares, late in 2006, was to the Malaysian Ministry of Higher Education ("MHE") for the purposes of establishing an advanced medical and dental college. The price for this transaction was RM727,000 per hectare, representing RM33.1 million (£4.9 million) in total, although there is a requirement for infrastructure work to be undertaken by Bertam Properties. Given the nature of the agreement between the parties, 35% (RM7.0 million (£1.0 million)) of the total profit (RM20.1 million (£3.0 million)) on the transaction has been recorded in 2006.

Other land disposals ranged in price from RM327,000 to RM414,000 per hectare and the total profit from land sales in 2006 in Bertam Properties amounted to RM77.1 million (£11.4 million). The Group's 40% share therefore amounted to £4.6 million.

As a result of the funds raised from the sales of land referred to above, Bertam Properties, in 2006, repaid the interest-free loans from shareholders (RM12.8 million (£1.9 million) to the Group) and paid a dividend for the first time. The Group's 40% share amounted to RM21.0 million (£3.1 million). This dividend was paid after utilising nearly all of the tax credits available to the company and it is unlikely any significant dividends will be able to be paid in the near future without incurring a substantial charge to Malaysian corporate income tax.

Straits Beach Properties Sdn. Bhd. ("Straits Beach")

The land owned by Straits Beach, which has been granted planning permission for the development of a restaurant complex, was independently valued in 2005 at RM5.9 million, compared with its cost of approximately RM5.2 million. Discussions are under way with a prospective buyer, although so far no formal agreement has been signed. Whatever the outcome of these discussions, it is not intended to develop the site but rather to continue to market the land.

Bertam Properties terraced houses which retail for RM260,000 each (£38,000).

OPERATIONS

In line with the Group's strategy, it is planned to sell the remainder of the Malaysian plantation and property portfolio as and when appropriate opportunities arise. In the meantime, however, business continues as usual on the estates and other areas of operation, with the Group's normal high standards being maintained.

MAJORITY-OWNED ESTATES

Crops

F.f.b. crops generally held up well but were, in total, lower than last year as a result of the disposal during the course of the year of three of the Group's estates. Both Sungei Kruit and Perhentian Tinggi put in particularly fine performances with crops 21% and 13% respectively higher than last year and profits increased accordingly.

As with the Indonesian plantations, management monitors and assesses the efficiency of operations with regard to crops and production by means of key performance indicators. The assessment of crops is measured for each year's planting on each estate in terms of yield per hectare. The yield per hectare on each individual estate, indeed on each year's planting on each estate, is recorded and monitored. Yields can vary widely because of factors such as soil type, terrain, sunshine hours, rainfall, distribution of rainfall and palm fertility cycle and, because of this, monitoring is not carried out on a Group basis but rather taking into account the conditions in existence on each estate. Factors which are under management's control are husbandry standards, fertiliser application, the quality of infrastructure (f.f.b. evacuation roads, for example) and these are monitored by management on the ground. Decisions, such as when and how to replant, are taken based on local conditions.

Rubber manufacturing

The Group's only rubber-manufacturing activities are located in Southern Thailand but are managed, and the produce marketed, by the Malaysian office in Penang. Although throughput was lower than originally budgeted owing to adverse weather conditions, it was still 22% higher than last year and a profit of £109,000 (2005 £64,000) was achieved. It is planned to sell the Thai factory, together with the Malaysian plantation and property interests and, indeed, discussions with a prospective buyer in this regard are in hand.

ASSOCIATED COMPANIES

Bertam Properties

Whilst, as referred to under "Land Disposals" on page 23, raw land sales continue to comprise the most profitable part of Bertam Properties' operations, satisfactory results were achieved from the development and sale of housing on the project.

Kennedy, Burkill & Co. Berhad ("KB") (20% owned)

KB reported similar results in 2006 to the previous year. These were derived from its property-development activities in Penang and its Malaysian plantation projects. The Group received dividends of £106,000 in 2006 (2005 £104,000).

Asia Green Environmental Sdn. Bhd. ("AG") (30% owned)

AG made a loss in 2006, of which the Group's share amounted to £76,000 (2005 profit £16,000). The board does not believe that the continued ownership of the shareholding in AG is in keeping with the longer-term strategic policy and it is therefore seeking to divest this investment when a suitable opportunity arises.

RISKS AND EVALUATION AND CONTROL OF RISKS

Palm-oil and kernel selling prices

The remaining three Malaysian estates are at risk, in the same way as the Indonesian estates, from fluctuating palm-oil and kernel prices. This is described under "Palm-oil and kernel selling prices" on page 16.

Exchange rates

With the remainder of the Malaysian assets in the process of being sold or available for sale, adverse exchange movements will reduce the value of these disposals in Sterling or US Dollar terms. Given the uncertainty of the timing of the asset disposals, it would be difficult to adopt hedging mechanisms to counter exchange movements and this would be unlikely to be cost effective.

When funds are raised from asset sales, it is the board's policy to keep the funds on deposit partly in Ringgits, partly in Sterling and partly in US Dollars, the latter being the currency in which the new Indonesian projects are largely funded.

Environmental, corporate and social responsibility

CLOCKWISE FROM TOP LEFT

Organic compost processing, using waste from the mill on Pangkatan Estate.

Estate kindergarten.

Estate health clinic.

Workers' families outside their houses.

Workers' housing.

“A company’s success is not solely measured by its financial performance but also by its social and environmental performance”

Key features

- The Group is committed to producing environmentally-sustainable palm oil

- The Group is a member of the Roundtable for Sustainable Palm Oil (“RSPO”) whose wide variety of members cover interests from non-governmental organisations to supermarkets. The Group endorses the General Principles in the process of being adopted by the RSPO in relation to environmental, social and ethical practices

- The Group ensures that any new plantation development is undertaken only in open or lightly-timbered areas. By definition, these development areas will not be suitable habitats for orangutans. Full environmental-impact assessments are conducted on new project areas by internationally-recognised, independent environmental consultants

- The Group has undertaken a scheme at Pangkatan palm-oil mill by which liquid-waste products are applied to empty bunches to create nutritious compost which is applied in the field reducing the requirement for inorganic fertilisers

- The Group gives priority to the health and safety of its employees and those affected by its activities

- The Group undertakes to train and motivate its workforce, to help employees build on skill levels and to extend their education and qualifications

- In Indonesia, the Group provides, inter alia, medical care, free housing, clean water and sanitation to its workforce as well as kindergartens and school transport

- In Australia, besides its commitment to the health and safety of its employees, the Group adopts the highest standards of animal welfare in relation to its cattle. Through NAPCo, which has won a number of environmental awards, it is also involved in the preservation, and rehabilitation, of indigenous flora and fauna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Board of directors

1 **Richard M Robinow**
Chairman
Non-executive independent

Appointed a director in 1999 and chairman in February 2005. Chairman of R.E.A. Holdings PLC and a non-executive director of the Belgian plantation group, SA SIPEF NV. Member of the audit and remuneration committees. (Age 61)

2 **Philip A Fletcher,** FCA
Joint chief executive
and finance director

Appointed a director in 1987, managing director in 1991 and executive chairman between 1999 and 2005. Former executive director of Bertam Holdings PLC and Lendu Holdings PLC. Joined the Group in 1982 after initial career in accountancy with KPMG in London and Sydney and in industry with The RTZ Corporation PLC group. (Age 57)

3 **Peter E Hadsley-Chaplin,** MA MBA
Joint chief executive

Appointed a director in 1989. Former executive chairman of Bertam Holdings PLC and Lendu Holdings PLC. A director of The North Australian Pastoral Company Pty Limited. 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. (Age 49)

4 **O David Wilkinson,** BSc

Appointed a director in 2005. Now based in Jakarta as the executive director in charge of the new Indonesian projects whilst continuing to oversee the remaining Malaysian operations. Former executive director of Bertam Holdings PLC. Formerly a planter with Harrisons Malaysian Plantations Berhad (now Golden Hope Berhad) before involvement in the retail and property-development sectors in Malaysia. (Age 48)

5 **Konrad P Legg**
Senior independent

Appointed a director in 1987. A non-executive director of Coburg Group PLC. A former non-executive director of Lendu Holdings PLC. Chairman of the audit and remuneration committees. (Age 63)

6 **J Derek Shaw,** FRAgS
Independent

Appointed a director in 2005. A director of The North Australian Pastoral Company Pty Limited. Former chairman of Linden Foods Limited and former chairman and founder of the Australian cotton producer, Colly Farms Cotton Limited. Former non-executive deputy chairman of Lendu Holdings PLC. Member of the audit and remuneration committees. (Age 66)

Report of the directors

For the year ended 31 December 2006

Principal activities

At 31 December 2006, the Company, through its subsidiary and associated undertakings, has interests in oil-palm and rubber plantations in Indonesia, beef-cattle operations in Australia and oil-palm plantations and property development in West Malaysia.

A review of the year and future prospects (including the principal risks and uncertainties facing the Company) are included in the chairman's statement and the review of operations and incorporated in this report by reference.

Results and dividend

Details of the profit for the year are given in the consolidated profit and loss account on page 39.

An interim dividend of 2.00p (2005 - 2.00p) per share was paid on 3 November 2006. The board recommends a final dividend of 4.50p (2005 - 4.25p) per share. This dividend will be paid on or after 20 June 2007 to those shareholders on the register at the close of business on 11 May 2007.

Share capital and significant event during the year

Details of the authorised, allotted, fully-paid and voting capital of the Company are as follows:

	Shares of 10p each
Authorised capital	**87,000,000**
Allotted, fully-paid and voting capital	
At 1 January 2006	**50,776,153**
Share options exercised	
17 July 2006	**165,000**
21 December 2006	**20,279**
At 31 December 2006	**50,961,432**
Share options exercised	
15 January 2007	**6,750**
25 January 2007	**12,887**
At 3 May 2007	**50,981,069**

During the year 609,049 shares of the Company held by M. P. Evans (Malaysia) Sdn. Berhad, an 80.6%-owned subsidiary, were sold in the market for a consideration of £3 per share.

Directors and directors' interests

The present membership of the board, all of whom served through the year, is set out on page 28.

Mr K P Legg will retire from the board at the forthcoming annual general meeting in accordance with the articles of association and, being eligible, offers himself for re-election. Mr Legg does not have a service contract with the Company.

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:

At 31 December 2006	Beneficial	Non-beneficial	Options
R M Robinow	**42,086**	—	—
P A Fletcher	**392,842**	**51,361**	**1,508,235**
P E Hadsley-Chaplin	**719,766**	**91,279**	**1,343,235**
O D Wilkinson	—	—	**228,951**
K P Legg	**584,389**	**22,412**	—
J D Shaw	**266,170**	—	—
At 1 January 2006			
R M Robinow	42,086	—	—
P A Fletcher	392,842	76,361	1,508,235
P E Hadsley-Chaplin	554,766	166,439	1,508,235
O D Wilkinson	—	—	228,951
K P Legg	584,389	22,412	—
J D Shaw	266,170	—	—

Further details of the directors' interests in share options are disclosed in the report of the board to the shareholders on directors' remuneration on page 36.

Messrs Fletcher and Hadsley-Chaplin are beneficially interested in 4,500 (0.51%) and 3,600 (0.41%) shares respectively of M.P. Evans (Malaysia) Sdn. Berhad. Apart from these shareholdings, 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.

Substantial interests

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

	Shares	*%*
Direct interests		
Alcatel Bell Pensioenfonds VZW	**5,733,497**	**11.25**
JPMorgan Fleming Mercantile Investment Trust Plc	**3,517,103**	**6.90**
M M Hadsley-Chaplin	**2,342,254**	**4.59**
Indirect interests		
Aberdeen Asset Management Plc	**4,950,390**	**9.71**
Amvescap Plc	**3,186,368**	**6.25**

Tangible fixed assets

In the opinion of the directors the open-market value of the Group's interests in land and buildings at the year end was approximately £62.1 million compared to £38.2 million as shown in note 14 to the accounts on page 52. The Group's liability to taxation if the land and buildings were sold at their estimated value would be approximately £6.9 million.

Authority to allot shares

At the annual general meeting a general authority is being sought, under resolution 5, for the directors to allot shares up to a maximum nominal amount of £1,699,199, which represents 33.33% of the Company's issued share capital. The Company does not currently hold any shares as treasury shares within the meaning of section 162A of the Companies Act 1985. The directors do not have any present intention of issuing any shares other than in respect of shares allotted to the holders of share options as and when they are exercised. It is also proposed, under resolution 6, to empower the directors to allot securities for cash pursuant to this general authority (and to sell any treasury shares which it may acquire for cash) otherwise than in accordance with shareholders' statutory pre-emption rights so as to deal with practical problems arising in connection with rights issues or otherwise up to an aggregate nominal amount of £254,905, representing 5% of the Company's issued share capital. The authorities conferred by resolutions 5 and 6 will last for up to 15 months from the date of the annual general meeting.

Authority to make market purchases of shares

The directors propose to seek authority for the Company to purchase its own shares on the Alternative Investment Market of the London Stock Exchange for up to 15 months. The authority will give the directors flexibility to purchase the Company's shares as and when they consider it appropriate. The board will only exercise the power of purchase when satisfied that it is in the best interests of the Company so to do and all such purchases will be market purchases made through the Alternative Investment Market of the London Stock Exchange. The directors would only consider making purchases if they believed that the earnings or net assets per share of the Company would be improved by such purchases. Companies are now allowed to hold their own shares which have been purchased in this way in treasury rather than having to cancel them. The directors would, therefore, consider holding the Company's own shares which had been purchased by the Company as treasury shares as this would give the Company the flexibility of being able to sell such shares quickly and effectively where it considers it in the interests of shareholders to do so. Whilst any such shares are held in treasury, no dividends will be payable on them and they will not carry any voting rights.

Resolution 7 set out in the notice of the annual general meeting will accordingly be proposed to authorise the purchase of up to a maximum of 5,098,106 shares, on the Alternative Investment Market of the London Stock Exchange, representing 10% of the Company's current issued share capital. The maximum price which may be paid for a share on any exercise of the authority will be restricted to 5% above 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 before the purchase is made. The maximum number of shares and the price range are stated for the purpose of compliance with statutory requirements in seeking this authority and should not be taken as an indication of the level of purchases, or the prices thereof, that the Company would intend to make.

As at the date of this report there were options to subscribe for 3,257,400 shares outstanding under the executive share-option schemes. If all of the options were exercised, the resulting number of shares would represent (a) 6.01% of the enlarged issued share capital at that date; and (b) if the proposed authority to purchase shares was exercised in full 6.63% of the reduced issued equity share capital at that date (excluding any share capital which may be purchased and held in treasury).

Payments to trade creditors

It is the Group's normal practice to make payments to suppliers in accordance 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 2006 amounted to 20 days (2005 - 34 days).

Financial instruments

Details of the Group's financial instruments, and the board's policy with regard to their use, are given in note 27 to the accounts on page 62.

Charitable and political donations

The Group made cash donations for charitable purposes in the year of £13,600 (2005 £600). Of this, £10,900 was donated to a reconstruction programme following the 2005 tsunami in the province of Aceh in Indonesia. In the UK, £2,000 was donated to Indonesian orangutan environmental charities, as well as £700 to health and educational charities.

No political donations were made during the year (2005 nil).

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

Independent auditors

Deloitte & Touche 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.

Significant post-year-end events

The conditions attached to the sale of 181 hectares of Perhentian Tinggi Estate in Malaysia were satisfied in January 2007. The total sales consideration amounted to RM17.9 million (£2.6 million at the current rate of exchange) and the first payment amounting to RM10.0 million (£1.5 million at the current rate of exchange) was received in April 2007. The second payment, amounting to RM8.0 million (£1.2 million at the current rate of exchange), is due to be settled in February 2008.

The completion of the acquisition of Springmount, a 7,581-hectare beef-cattle property in Queensland, Australia contiguous to the Group's existing property, for a consideration of A$9.3 million (approximately £3.9 million at the current rate of exchange) was announced on 19 March 2007.

Further details of the above transactions are set out in note 29 to the accounts on page 63 of this report.

J F Elliott
Secretary
3 May 2007

Corporate governance

The board recognises the importance of a sound system of internal control and of continuing to conduct the Group's affairs according to good corporate-governance principles. An explanation of how the Company has applied the principles appears below.

1 Directors

The details of the Company's board, together with the audit and remuneration committees, are set out on page 28. The board comprises a non-executive chairman, three executive and two further non-executive directors, one of whom chairs the audit and remuneration committees. This structure is designed to ensure that there is a clear balance of responsibilities between the executive and the non-executive functions. The board meets at least quarterly and is provided with information which includes executive operating reports, management accounts and budgets. Each director retires and must seek re-election at least every three years.

2 Directors' remuneration

As set out in the report on pages 34 to 36, the remuneration of the executive directors is determined by the remuneration committee whilst that of the non-executives is determined by the whole board.

3 Relations with shareholders

The Company attaches importance to effective communications with its institutional and private shareholders. All shareholders have at least twenty working days' notice of the annual general meeting at which all of the directors, including the chairman of the committees, are normally available for questions. Comments and questions from shareholders are encouraged at the meeting.

4 Accountability and audit

a) Financial reporting

A detailed review of the performance and financial position of the Group is included in the chairman's statement and the review of operations. 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 page 37.

b) Internal control

The directors acknowledge their responsibilities for the Group's system of internal control. 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 regularly and presented to the board for approval.

The review process considers the control environment and the major business risks faced by the Group. Such risks include, but are not limited to:

- political stability in Indonesia;
- the effect of palm-oil price fluctuations on profitability;
- the effect of beef-cattle price fluctuations on profitability;
- the effect of exchange-rate fluctuations on profitability and assets;
- weather and natural disasters;
- environmental damage; and
- operational risks inherent in developing new oil-palm projects in Indonesia.

Important control procedures, in addition to the day-to-day supervision of holding-company business, include regular executive visits to the areas of operation of the Group and of the 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.

c) Audit committee and auditors

The audit committee is formally constituted with written terms of reference and is chaired by Mr K P Legg. 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 audit committee may examine any matters relating to the financial affairs of the Group or to the Group's audit; this includes reviews of the annual accounts and announcements, accounting policies, compliance with accounting standards, the appointment and fees of auditors and such other related matters as the board may require.

d) Going-concern basis

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going-concern basis in preparing the financial statements.

Report of the board to the shareholders on directors' remuneration

The remuneration committee keeps under review the remuneration and terms of employment of the executive directors and recommends such remuneration and terms, and changes therein, to the board. The committee comprises all of the non-executive directors and is chaired by Mr K P Legg.

Service contracts

The executive directors, Messrs Fletcher, Hadsley-Chaplin and Wilkinson, have service contracts with the Company, or a wholly-owned subsidiary undertaking, which continue until terminated by either party giving not less than one year's notice in writing but not, in any event, beyond their normal retirement dates. The non-executive directors do not have service contracts or provisions for pre-determined compensation on termination of their appointment.

REMUNERATION POLICY

Executive directors

The remuneration of Messrs Fletcher and Hadsley-Chaplin is determined in accordance with both the level of responsibility undertaken and equivalent remuneration of executives of a similar standing in the U.K., where their responsibilities are undertaken. The remuneration committee has deemed it inappropriate to attach a performance-related element to the annual remuneration of Messrs Fletcher and Hadsley-Chaplin but rather to provide appropriate incentives by means of share options with a view to aligning the interests of these two executive joint managing directors with those of the shareholders.

Mr Wilkinson's remuneration is determined in accordance with both the level of responsibility undertaken and equivalent remuneration of executives of a similar standing in Indonesia, where his responsibilities are undertaken and where he resides. He participates in a discretionary bonus scheme related to the committee's evaluation of both his performance and of the progress achieved during the year on the Group's new Indonesian projects.

Non-executive directors

The fees of the non-executive directors are determined by the board.

The details of the remuneration of the directors for the year ended 31 December 2006 are set out below:

	Salary and fees 2006 £	Bonus 2006 £	Pension costs 2006 £	Benefits in kind 2006 £	Total 2006 £	Total 2005 £
Executive directors						
P A Fletcher	**138,500**	—	**38,389**	**16,445**	**193,334**	174,443
P E Hadsley-Chaplin	**138,500**	—	**26,433**	**14,845**	**179,778**	172,922
O D Wilkinson	**105,953**	**15,696**	**12,251**	**23,811**	**157,711**	91,995
Non-executive directors						
R M Robinow	**26,000**	—	—	—	**26,000**	24,092
K P Legg	**20,800**	—	—	—	**20,800**	19,800
J D Shaw	**26,000**	—	—	—	**26,000**	22,917

Notes

1. In addition to the above, the gain in respect of options exercised by Mr P E Hadsley-Chaplin in 2006 amounted to £294,424.
2. In addition to the above, the gain in respect of options exercised by Mr O D Wilkinson in 2005 amounted to £162,148.
3. Apart from the discretionary bonus paid to Mr Wilkinson referred to above, no performance-related bonuses were awarded to the directors during the year.
4. The pension costs for Messrs Hadsley-Chaplin and Fletcher set out above are the contributions made by the Company to a defined-contribution scheme and company-sponsored Self-Invested Personal Pensions (SIPP's), both as described below. The pension costs for Mr Wilkinson are contributions made by a subsidiary undertaking to the Employees' Provident Fund in Malaysia.
5. No long-term incentives, other than the share options described below, have been awarded to directors.
6. Fees for Messrs Robinow and Legg were paid to third parties.

Executive share-option schemes

The executive directors are members of executive share-option schemes which were established in 2001 under which options to subscribe for shares in the Company may be granted to selected employees. As at 31 December 2006 options over 3,080,421 shares which were granted to the executive directors between 17 July 2001 and 2 February 2005 remain outstanding. During the year 165,000 options granted to directors were exercised and none lapsed.

No performance criteria are attached to the options and no options are held by the non-executive directors. At 31 December 2006 the middle-market quotation for the Company's shares, as derived from the London Stock Exchange Daily Official List, was 303.75p, as compared with the high and low quotations for the year of 313.50p and 221.00p respectively.

The details of the options held over shares of the Company by the executive directors during the year ended 31 December 2006 are set out in the table below:

Number of shares under option	Balance at 1 January 2006	Exercised in the year	Balance at 31 December 2006	Exercise price	Date of grant	Date from which normally first exercisable	Expiry date
P A Fletcher	400,000	—	400,000	75.50p	17 July 2001	17 July 2004	17 July 2011
	200,000	—	200,000	96.50p	1 May 2002	1 May 2005	1 May 2012
	200,000	—	200,000	126.50p	2 May 2003	2 May 2006	2 May 2013
	358,600	—	358,600	85.05p	2 Feb 2005	2 Feb 2005	17 July 2011
	179,300	—	179,300	101.78p	2 Feb 2005	1 May 2005	1 May 2012
	143,440	—	143,440	138.04p	2 Feb 2005	2 May 2006	2 May 2013
	26,895	—	26,895	158.95p	2 Feb 2005	4 May 2007	4 May 2014
	1,508,235	**—**	**1,508,235**				
P E Hadsley-Chaplin	400,000	165,000	235,000	75.50p	17 July 2001	17 July 2004	17 July 2011
	200,000	—	200,000	96.50p	1 May 2002	1 May 2005	1 May 2012
	200,000	—	200,000	126.50p	2 May 2003	2 May 2006	2 May 2013
	358,600	—	358,600	85.05p	2 Feb 2005	2 Feb 2005	17 July 2011
	179,300	—	179,300	101.78p	2 Feb 2005	1 May 2005	1 May 2012
	143,440	—	143,440	138.04p	2 Feb 2005	2 May 2006	2 May 2013
	26,895	—	26,895	158.95p	2 Feb 2005	4 May 2007	4 May 2014
	1,508,235	**165,000**	**1,343,235**				
O D Wilkinson	25,000	—	25,000	96.50p	1 May 2002	1 May 2005	1 May 2012
	25,000	—	25,000	126.50p	2 May 2003	2 May 2006	2 May 2013
	44,475	—	44,475	85.05p	2 Feb 2005	2 Feb 2005	17 July 2011
	67,238	—	67,238	101.78p	2 Feb 2005	1 May 2005	1 May 2012
	53,790	—	53,790	138.04p	2 Feb 2005	2 May 2006	2 May 2013
	13,448	—	13,448	158.95p	2 Feb 2005	4 May 2007	4 May 2014
	228,951	**—**	**228,951**				

Pensions

The Company's defined-contribution pension scheme was wound up during the year. Messrs Fletcher's and Hadsley-Chaplin's funds from that scheme were transferred into new company-sponsored Self-Invested Personal Pensions (SIPP's). Contributions by the Company to the SIPP's are made to give the executives a pension at retirement, a pension to a spouse payable on death and life-assurance cover based on a multiple of salary. The members contribute a minimum of 5% of their pensionable salary to their SIPP's. No element of a director's remuneration package, other than basic salary, is pensionable.

Approved by the board of directors and signed on its behalf.

J F Elliott
Secretary
3 May 2007

Statement of directors' responsibilities

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors' report

to the members of M. P. Evans Group PLC

We have audited the Group and parent company financial statements (the "financial statements") of M. P. Evans Group PLC for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated reconciliation of movements in shareholders' funds, the balance sheets, the consolidated cash-flow statement and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements are in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the report of the directors is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the Company and the Group as at 31 December 2006 and of the profit of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the report of the directors is consistent with the financial statements.

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors,
Crawley, United Kingdom

3 May 2007

Consolidated profit and loss account

for the year ended 31 December 2006

	Note	2006 £'000	2005 *as restated (see note 11)* £'000
Turnover	1(c)		
Continuing operations		**12,647**	10,791
Discontinued operations	2	**836**	1,391
	2	**13,483**	12,182
Cost of sales		**(8,737)**	(7,100)
Gross profit		**4,746**	5,082
Foreign-exchange (losses)/gains		**(524)**	234
Other administrative expenses		**(1,574)**	(1,227)
Total administrative expenses		**(2,098)**	(993)
Group operating profit			
Continuing operations		**2,331**	3,588
Discontinued operations		**317**	501
		2,648	4,089
Share of operating profit in associates		**8,129**	3,794
Total operating profit		**10,777**	7,883
Exceptional credit/(charge)	4	**9,110**	(525)
Profit on ordinary activities before interest		**19,887**	7,358
Interest receivable	5	**343**	318
Interest payable	6	**(415)**	(283)
Income from other fixed-asset investments		**79**	89
Profit on ordinary activities before taxation	7	**19,894**	7,482
Tax charge on profit on ordinary activities	8	**(3,278)**	(2,617)
Profit on ordinary activities after taxation		**16,616**	4,865
Minority interests		**(530)**	(499)
Profit on ordinary activities attributable to the members of M. P. Evans Group PLC	23	**16,086**	4,366

	Note	*Pence*	*Pence*
Basic earnings per 10p share	12	**31.63**	8.67
Diluted earnings per 10p share	12	**30.39**	8.38

Consolidated statement of total recognised gains and losses

for the year ended 31 December 2006

	2006 £'000	2005 *as restated (see note 11)* *£'000*
Profit attributable to the members of the Company	**16,086**	4,366
Unrealised share of movements in associated undertakings' reserves	**235**	(1,020)
Previously unrealised profit on sale of land to associated undertaking released to profit and loss account on sale of land by associate	**(1,366)**	(33)
Exchange differences on foreign-currency net investments	**(3,988)**	6,253
Total recognised gains and losses for the year	**10,967**	9,566

Consolidated reconciliation of movements in shareholders' funds

for the year ended 31 December 2006

	2006 £'000	2005 *as restated (see note 11)* *£'000*
Profit attributable to members of the Company	**16,086**	4,366
Dividends paid (note 10)	**(3,177)**	(4,049)
	12,909	317
Issue of shares	**148**	5,525
Share-based payments	**38**	94
Sale of own shares by subsidiary	**1,385**	—
Other recognised gains and losses relating to the year	**(5,119)**	5,200
Net addition to shareholders' funds	**9,361**	11,136
Opening shareholders' funds	**70,970**	59,834
Closing shareholders' funds	**80,331**	70,970

Consolidated balance sheet

at 31 December 2006

	Note	2006 £'000	2006 £'000	2005 as restated (see note 11) £'000	2005 as restated (see note 11) £'000
Fixed assets					
Goodwill	13	**469**		292	
Negative goodwill	13	**(796)**		(889)	
Intangible assets	13	**(327)**		(597)	
Tangible assets	14	**39,629**		40,500	
Investments	15	**33,964**		31,789	
			73,266		71,692
Current assets					
Stocks	16	**2,092**		1,622	
Debtors	17	**4,730**		3,516	
Investments	18	**5,871**		2,790	
Cash at bank and in hand		**11,024**		3,006	
		23,717		10,934	
Creditors - amounts falling due within one year	19	**(11,646)**		(7,022)	
Net current assets			**12,071**		3,912
Total assets less current liabilities			**85,337**		75,604
Creditors - amounts falling due after more than one year	20		**—**		(536)
Provisions for liabilities	21		**(788)**		(779)
Minority interests			**(4,218)**		(3,319)
Net assets			**80,331**		70,970
Capital and reserves					
Called-up share capital	22		**5,096**		5,078
Share premium account	23		**10,447**		10,317
Revaluation reserve	23		**12,067**		20,372
Capital redemption reserve	23		**2,139**		2,139
Merger reserve	23		**(4,037)**		(4,099)
Other reserve	23		**269**		231
Share of associated companies' reserves	23		**6,623**		5,093
Profit and loss account	23		**47,727**		31,839
Total shareholders' funds			**80,331**		70,970

These financial statements were approved by the board of directors on 3 May 2007 and signed on its behalf.

Philip Fletcher
Peter Hadsley-Chaplin
Directors

Company balance sheet

at 31 December 2006

	Note	2006 £'000	2006 £'000	2005 as restated (see note 11) £'000	2005 as restated (see note 11) £'000
Fixed assets					
Tangible assets	14	**624**		600	
Investments	15	**33,283**		27,245	
			33,907		27,845
Current assets					
Debtors	17	**19,744**		11,332	
Cash at bank and in hand		**8,093**		1,913	
		27,837		13,245	
Creditors - amounts falling due within one year	19	**(39,761)**		(15,279)	
Net current liabilities			**(11,924)**		(2,034)
Total assets less current liabilities			**21,983**		25,811
Capital and reserves					
Called-up share capital	22		**5,096**		5,078
Share premium account	23		**10,413**		10,283
Capital redemption reserve	23		**2,139**		2,139
Merger reserve	23		**743**		743
Other reserve	23		**269**		231
Profit and loss account	23		**3,323**		7,337
Total shareholders' funds			**21,983**		25,811

These financial statements were approved by the board of directors on 3 May 2007 and signed on its behalf.

Philip Fletcher
Peter Hadsley-Chaplin
Directors

Consolidated cash-flow statement

for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	25	**769**	5,499
Dividends from associated undertakings		**4,151**	1,180
Returns on investments and servicing of finance	25	**1**	(327)
Taxation	25	**(2,761)**	(1,838)
Capital expenditure and financial investment	25	**8,162**	(4,199)
Acquisitions	25	**(868)**	(4,276)
Dividends paid	10	**(3,177)**	(4,049)
Net cash inflow/(outflow) before management of liquid resources and financing		**6,277**	(8,010)
Management of liquid resources	25	**(3,226)**	2,151
Financing	25	**(457)**	(214)
Increase/(decrease) in cash	26	**2,594**	(6,073)

Notes to the accounts

for the year ended 31 December 2006

Note 1 Accounting policies

The accounting policies adopted by the directors have been consistently applied throughout the current and preceding year, with the exception of the new accounting policy for share-based payments under FRS20, as described below and in note 11.

(a) **Accounting convention**

These financial statements have been prepared under the historical-cost convention and in accordance with applicable United Kingdom accounting standards.

(b) **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and all of its subsidiary and associated undertakings. All subsidiary and associated undertakings prepare their financial statements to 31 December.

(c) **Turnover**

Turnover represents the invoiced value of crops, livestock and produce sold during the year, excluding sales taxes. Income is recognised at the point of delivery.

(d) **Investment income**

Investment income is taken into account by reference to the date on which it is declared payable.

(e) **Goodwill**

Goodwill arising on acquisition, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is twenty years. Provision is made for any impairment.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the period in which the acquired non-monetary assets are recovered through usage or sale.

(f) **Tangible fixed assets**

Leasehold land in Indonesia is held on 25 and 30-year leases and is not depreciated as the leases can be renewed without significant cost. Perpetual-leasehold land in Malaysia and freehold land in Australia is treated in the same way. Short-leasehold land is depreciated over the life of the lease. All costs of planting and upkeep of immature areas on that land and replanting are capitalised and written off in equal annual instalments at 4% per annum. Other tangible fixed assets, other than construction in progress which is not depreciated, are written off over their estimated useful lives at rates which vary between 3% and 50% per annum. Interest is capitalised on borrowings used to finance the development of immature areas.

The Group follows the transitional arrangements under FRS15 "Tangible Fixed Assets". Under this arrangement the assets were frozen at their current cost or valuation and the valuation has not been updated.

(g) **Investments**

(i) The Group

Undertakings over which the Group exerts significant influence via shareholdings and its membership on the board are treated as associated undertakings. Investments in associated undertakings are dealt with in the consolidated financial statements under the equity method of accounting. The consolidated profit and loss account includes the Group's share of the profit or loss on ordinary activities before taxation and attributable taxation of the associated undertakings based on audited financial statements for the year ended 31 December 2006. 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.

(ii) The Company

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

(h) **Stocks**

Stocks are valued at the lower of cost and net realisable value. In the case of produce stocks, cost represents the average cost of production, including appropriate overheads.

Note 1 Accounting policies *continued*

(i) **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance-sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance-sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(j) **Foreign exchange**

The assets and liabilities of foreign subsidiary undertakings are translated into Sterling at the year-end rates of exchange. Results of foreign subsidiary and associated undertakings are translated at average rates of exchange. Differences on exchange arising from the translation of the net investments in subsidiary and associated undertakings, together with differences between results translated at average rates and at year-end rates, are dealt with in reserves. All other differences are dealt with in the profit and loss account.

(k) **Pension**

The Group operates a defined-contribution pension scheme. The pension charge represents the contributions payable by the Group.

(l) **Share-based payments**

The Group has applied the requirements of FRS20 (Share-Based Payments) for the first time. Accordingly, a prior-year adjustment has been recorded, details of which are dealt with in note 11. In accordance with the transitional provisions, FRS20 has been applied to all grants of equity of equity instruments after 7 November 2002 that had not vested as of 1 January 2005.

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 and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted based on management's best estimate, for the effect of non-transferability, exercise restrictions and behaviour considerations.

Notes to the accounts *continued*

for the year ended 31 December 2006

Note 2 Turnover, profit and net assets

The following is a breakdown of turnover, profit and net assets into geographical areas and types of activity:

	2006			2005		
	Turnover £'000	Cost of sales £'000	Gross profit/(loss) £'000	Turnover £'000	Cost of sales £'000	as restated (see note 11) Gross profit £'000
Plantations						
Indonesia	**7,685**	**(3,943)**	**3,742**	7,222	(3,573)	3,649
Malaysia	**2,576**	**(1,304)**	**1,272**	2,957	(1,787)	1,170
Total plantations	**10,261**	**(5,247)**	**5,014**	10,179	(5,360)	4,819
Cattle - Australia	**999**	**(1,396)**	**(397)**	840	(665)	175
Manufacturing - Thailand	**2,202**	**(2,093)**	**109**	1,139	(1,075)	64
Other - UK	**21**	**(1)**	**20**	24	—	24
	13,483	**(8,737)**	**4,746**	12,182	(7,100)	5,082
Exchange (losses)/gains			**(524)**			234
Other administrative expenses			**(1,574)**			(1,227)
Group operating profit			**2,648**			4,089
Share of associated companies' operating profits*			**8,129**			3,794
Total operating profit			**10,777**			7,883
Exceptional credit/(charge)			**9,110**			(525)
Profit before interest			**19,887**			7,358
Net interest and financial income			**7**			124
Profit before tax			**19,894**			7,482
The above includes the following amounts related to discontinued operations:						
Plantations - Malaysia	**836**	**(398)**	**438**	1,391	(751)	640
Administrative expenses			**(121)**			(139)
Group operating and total operating profit from discontinued operations			**317**			501

Segmented net assets	2006 £'000	2005 £'000
Plantations		
Indonesia	**18,677**	14,946
Malaysia	**7,866**	18,624
Total plantations	**26,543**	33,570
Cattle - Australia	**9,121**	3,040
Manufacturing - Thailand	**454**	673
Other - UK	**1,186**	(272)
Total segmented net assets	**37,304**	37,011
Group share of net assets of associated undertakings*	**33,885**	31,542
Unallocated net assets**	**9,142**	2,417
	80,331	70,970

* *The Group's share of associated companies' profits and net assets is shown below and in note 15b.*

** *Unallocated net assets include other investments, taxation, cash at bank and in hand, overdrafts and loans.*

Note 2 Turnover, profit and net assets *continued*

The Group's aggregate share of the summarised results of its associated undertakings is shown below:

2006	PT Agro Muko £'000	PT Kerasaan Indonesia £'000	The North Australian Pastoral Company Pty Limited £'000	Bertam Properties Sdn. Bhd. £'000	Kennedy, Burkill & Co. Bhd. £'000	Asia Green Environmental Sdn. Bhd. £'000	Total £'000
Turnover	**6,288**	**988**	**5,340**	**5,132**	**148**	**438**	**18,334**
Profit/(loss) before tax	**2,040**	**656**	**460**	**4,919**	**127**	**(75)**	**8,127**
Taxation	**(613)**	**(217)**	**(39)**	**(595)**	**(17)**	**—**	**(1,481)**
Profit/(loss) after tax	**1,427**	**439**	**421**	**4,324**	**110**	**(75)**	**6,646**
Fixed assets	**4,903**	**230**	**28,689**	**7,546**	**1,108**	**255**	**42,731**
Current assets	**1,760**	**531**	**4,410**	**5,899**	**256**	**318**	**13,174**
Current liabilities	**(702)**	**(149)**	**(3,263)**	**(3,030)**	**(13)**	**(376)**	**(7,533)**
Long-term liabilities	**(179)**	**—**	**(6,467)**	**(1,223)**	**—**	**(4)**	**(7,873)**
Net assets	**5,782**	**612**	**23,369**	**9,192**	**1,351**	**193**	**40,499**

2005	PT Agro Muko £'000	PT Kerasaan Indonesia £'000	The North Australian Pastoral Company Pty Limited £'000	Bertam Properties Sdn. Bhd. £'000	Kennedy, Burkill & Co. Bhd. £'000	Asia Green Environmental Sdn. Bhd. £'000	Total £'000
Turnover	5,507	862	6,124	3,284	154	624	16,555
Profit before tax	1,766	607	885	395	131	19	3,803
Taxation	(537)	(182)	(184)	(112)	(24)	—	(1,039)
Profit after tax	1,229	425	701	283	107	19	2,764
Fixed assets	4,375	216	22,912	10,203	809	265	38,780
Current assets	1,322	188	4,092	4,688	647	417	11,354
Current liabilities	(400)	(118)	(2,205)	(5,084)	(10)	(383)	(8,200)
Long-term liabilities	(189)	—	(1,700)	(1,301)	—	(18)	(3,208)
Net assets	5,108	286	23,099	8,506	1,446	281	38,726

Further details of the Group's associated undertakings are shown on page 64.

Note 3 Employees

	THE GROUP		THE COMPANY	
	2006 **£'000**	2005 £'000	**2006** **£'000**	2005 £'000
Employee costs during year				
Wages and salaries	**2,525**	2,081	**463**	436
Social security costs	**116**	99	**101**	71
Past-service liabilities	**211**	139	**—**	—
Other pension costs	**332**	267	**107**	90
	3,184	2,586	**671**	597
	Number	Number	**Number**	Number
Average number of persons employed				
Estate manual	**1,425**	1,458	**—**	—
Staff	**183**	118	**4**	4
United Kingdom directors	**6**	7	**6**	7
	1,614	1,583	**10**	11

Details of directors' remuneration required by the Companies Act 1985 are shown within the report of the board to the shareholders on directors' remuneration on pages 34 to 36 and form part of these audited financial statements.

Note 4 Exceptional credit/(charge)

	2006 **£'000**	2005 £'000
Fundamental reorganisation expenses	**(27)**	(590)
Group profit on sale of fixed-asset investments	**3**	95
Group profit/(loss) on sale of tangible fixed assets	**7,770**	(72)
Previously unrealised profit on sale of land to associated undertaking released to the profit and loss account on sale of that land to third parties	**1,366**	33
Share of associated undertakings' net (losses)/gains on sale of tangible fixed assets	**(2)**	9
Total net exceptional credit/(charge)	**9,110**	(525)

A liability to Malaysian taxation amounting to £756,000 arose on the sale of tangible fixed assets in 2006. This has been included in the tax charge on profit on ordinary activities (note 8). There was no material impact on the tax charge resulting from the exceptional charge in 2005.

Note 5 Interest receivable

	2006 £'000	2005 £'000
Interest receivable on bank deposits	**343**	318

Note 6 Interest payable

	2006 £'000	2005 £'000
Interest payable on bank loans and overdrafts	**415**	283

Note 7 Profit on ordinary activities before taxation

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets	**805**	758
Amortisation of net negative goodwill (including that of any associated undertaking)	**(999)**	(942)
Auditors' remuneration - audit fee	**207**	206
The analysis of auditors' remuneration is as follows:		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**10**	10
Fees payable to the Company's auditors and their associates for other services to the Group		
Audit of UK subsidiaries	**128**	150
Audit of overseas subsidiaries	**69**	46
	207	206

Notes to the accounts *continued*

for the year ended 31 December 2006

Note 8 Tax charge on profit on ordinary activities

	2006 £'000	2005 £'000
United Kingdom corporation tax charge for the year	834	1,335
Relief for overseas taxation	(834)	(1,382)
	—	(47)
Overseas taxation	2,259	1,734
Adjustments in respect of prior periods	(1)	15
	2,258	1,702
Share of associated undertakings' taxation	1,481	1,039
Total current tax	3,739	2,741
Deferred taxation - origination and reversal of timing differences	(461)	(124)
	3,278	2,617

Unrelieved losses of £6,043,000 (2005 £5,407,000) remain available to offset future taxable profits of Group companies.

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax, is 30% (2005 - 30%). This was also the standard rate of Indonesian tax for the current and previous years. The actual tax charge is lower (2005 higher) than the standard rate for the reasons set out in the following reconciliation.

	2006	2005
Profit on ordinary activities before tax	19,894	7,482
Tax on profit on ordinary activities at standard rate	5,968	2,245
Factors affecting the charge for the year		
Effect of amortisation of negative goodwill	(305)	(284)
Expenses not deductible for tax purposes	120	196
Unrelieved losses	561	438
Utilisation of losses brought forward	(246)	(86)
Exchange differences	48	(46)
Differences on overseas dividends	71	501
Lower rate applicable to disposals of tangible fixed assets	(1,518)	—
Lower rate applicable to associated undertakings' profits	(958)	(103)
Other differences	(2)	(120)
Total actual amount of current tax	3,739	2,741

Note 9 Loss of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit includes a loss before dividends of £837,000 (2005 loss £1,903,000) in respect of the parent company.

Note 10 Dividends paid and proposed

	2006 £'000	2005 £'000
2006 interim dividend - 2.00p per 10p share (2005 interim dividend - 2.00p)	**1,019**	1,014
2005 final dividend - 4.25p per 10p share (2004 final dividend - 6.00p)	**2,158**	3,035
	3,177	4,049

Following the year end the board has proposed a final dividend for 2006 of 4.50p per 10p share. If confirmed at the annual general meeting, it will be paid on or after 20 June 2007 to those shareholders on the register at the close of business on 11 May 2007.

Note 11 Change of accounting policy – share-based payments

The Company has issued equity-settled, share-based payments to certain directors and employees, which are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest. The impact of this is a charge, which has been included in the profit and loss account, with a corresponding adjustment to reserves. The Group has taken advantage of the transitional provisions of FRS20 in respect of equity-settled awards and has applied FRS20 only to equity-settled awards granted after 7 November 2002.

The proceeds received net of any directly-attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. As a result of this change of policy, administrative expenses have been increased by £38,000 (2005 £94,000).

Note 12 Basic and diluted earnings per share

The calculation of basic earnings per 10p share in 2006 is based on profits of £16,086,000 and on 50,852,000 shares, which was the average number of shares in issue during the year. The calculation of basic earnings per share in 2005 was based on profits of £4,366,000 as restated (see note 11) and on 50,361,470 shares which was the average number of shares deemed in issue during that year.

The calculation of diluted earnings per 10p share in 2006 is based on profits of £16,086,000 and on 52,925,754 shares, which was the diluted average number of shares in issue during the year. The calculation of diluted earnings per share in 2005 is based on profits of £4,366,000 as restated (see note 11) and on 52,101,315 shares, which was the diluted average number of shares deemed in issue during that year. The additional shares used in the calculations of the 2006 and 2005 diluted earnings per share represent adjustments made for shares under option.

Notes to the accounts *continued*

for the year ended 31 December 2006

Note 13 Intangible fixed assets - goodwill

Group	Positive goodwill £'000	Negative goodwill £'000	Total £'000
Cost			
At 1 January 2006	**297**	**(981)**	**(684)**
Additions	**196**	**—**	**196**
At 31 December 2006	**493**	**(981)**	**(488)**
Amortisation			
At 1 January 2006	**(5)**	**92**	**87**
Charge/(credit) for the year	**(19)**	**93**	**74**
At 31 December 2006	**(24)**	**185**	**161**
Net book value			
At 31 December 2006	**469**	**(796)**	**(327)**
At 31 December 2005	292	(889)	(597)

Note 14 Tangible fixed assets

The Group	Freehold land £'000	Leasehold land – non-depreciable £'000	Leasehold land – depreciable £'000	Buildings £'000	Plant, equipment and vehicles £'000	Construction in progress £'000	Total £'000
Cost	**2,531**	**14,613**	**3,294**	**7,672**	**3,316**	**2,262**	**33,688**
Valuation	**—**	**11,542**	**221**	**100**	**5**	**—**	**11,868**
At 1 January 2006	**2,531**	**26,155**	**3,515**	**7,772**	**3,321**	**2,262**	**45,556**
Exchange differences	**(143)**	**(1,011)**	**(146)**	**(307)**	**(131)**	**(91)**	**(1,829)**
Additions	**5,528**	**—**	**848**	**835**	**606**	**2,039**	**9,856**
Disposals	**—**	**(7,876)**	**(388)**	**(499)**	**(619)**	**—**	**(9,382)**
At 31 December 2006	**7,916**	**17,268**	**3,829**	**7,801**	**3,177**	**4,210**	**44,201**
Accumulated depreciation							
At 1 January 2006	**—**	**—**	**1,125**	**1,782**	**2,149**	**—**	**5,056**
Exchange differences	**—**	**—**	**(51)**	**(95)**	**(85)**	**—**	**(231)**
Charge for the year	**—**	**—**	**90**	**461**	**254**	**—**	**805**
Disposals	**—**	**—**	**(192)**	**(339)**	**(527)**	**—**	**(1,058)**
At 31 December 2006	**—**	**—**	**972**	**1,809**	**1,791**	**—**	**4,572**
Net book value							
At 31 December 2006	**7,916**	**17,268**	**2,857**	**5,992**	**1,386**	**4,210**	**39,629**
At 31 December 2005	2,531	26,155	2,390	5,990	1,172	2,262	40,500

Included in leasehold land is capitalised interest amounting to £2,824,000 (2005 £2,824,000).

Note 14 Tangible fixed assets *continued*

The Company	Buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost			
At 1 January 2006	**528**	**277**	**805**
Additons	**—**	**95**	**95**
Disposals	**—**	**(66)**	**(66)**
At 31 December 2006	**528**	**306**	**834**
Accumulated depreciation			
At 1 January 2006	**—**	**205**	**205**
Disposals	**—**	**(23)**	**(23)**
Charge for the year	**—**	**28**	**28**
At 31 December 2006	**—**	**210**	**210**
Net book value			
At 31 December 2006	**528**	**96**	**624**
At 31 December 2005	528	72	600

Note 15 Investments held as fixed assets

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	£'000	*£'000*	***£'000***	*£'000*
Investments in subsidiary undertakings	**—**	—	**33,283**	27,240
Investments in associated undertakings	**33,885**	31,542	**—**	—
Other investments	**79**	247	**—**	5
	33,964	31,789	**33,283**	27,245

Details of the subsidiary and associated undertakings are given on page 64.

(a) **Subsidiary undertakings**

The Company	At cost *£'000*	Provisions *£'000*	Net book value *£'000*
At 1 January 2006	**34,723**	**(7,483)**	**27,240**
Purchases from Group companies	**7,249**	**—**	**7,249**
Disposals	**(1,206)**	**—**	**(1,206)**
At 31 December 2006	**40,766**	**(7,483)**	**33,283**

(b) **Associated undertakings**

The Group **Share of net assets**	Share of net assets Unlisted *£'000*
At 1 January 2006	**38,726**
Exchange differences	**(2,105)**
Purchases	**841**
Profit for the year	**6,646**
Net dividends received from associated undertakings	**(4,151)**
Share of reserves	**542**
At 31 December 2006	**40,499**
Positive goodwill	
Addition and at 31 December 2006	**92**
Negative goodwill	
At 1 January 2006	**(7,184)**
Addition	**(447)**
Amortisation credit	**925**
At 31 December 2006	**(6,706)**
Net book value	
At 31 December 2006	**33,885**
At 31 December 2005	31,542

Note 15 Investments held as fixed assets *continued*

	2006 £'000	2005 £'000
At valuation		
Unlisted (directors' valuation)	**57,900**	61,700

(c) **Other investments**

The Group	At cost Listed £'000	Unlisted £'000	Total £'000
At 1 January 2006	**161**	**86**	**247**
Exchange differences	**(10)**	**(4)**	**(14)**
Disposals	**(151)**	**(3)**	**(154)**
At 31 December 2006	**—**	**79**	**79**

	2006 £'000	2005 £'000
At valuation		
Listed (market value)	**—**	1,382
Unlisted (directors' valuation)	**125**	135
	125	1,517

The Company	Listed £'000
At 1 January 2006	**5**
Disposals	**(5)**
At 31 December 2006	**—**

	2006 £'000	2005 £'000
At valuation		
Listed (market value)	**—**	9

Note 16 Stocks

	THE GROUP 2006 £'000	THE GROUP 2005 £'000	THE COMPANY 2006 £'000	THE COMPANY 2005 £'000
Livestock	**449**	678	**—**	—
Processed produce for sale	**492**	532	**—**	—
Estate stores	**234**	220	**—**	—
Nurseries	**917**	192	**—**	—
	2,092	1,622	**—**	—

Notes to the accounts *continued*

for the year ended 31 December 2006

Note 17 Debtors

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	£'000	*£'000*	***£'000***	*£'000*
Amount falling due within one year				
Trade debtors	**413**	426	**—**	—
Amounts owed by subsidiary undertakings	**—**	—	**19,726**	11,254
Amounts owed by associated undertakings	**6**	1,977	**—**	—
Other debtors	**1,513**	117	**16**	8
Tax recoverable	**380**	795	**—**	48
Prepayments and accrued income	**1,898**	155	**2**	22
	4,210	3,470	**19,744**	11,332
Amount falling due after more than one year				
Deferred tax assets (see note 21)	**396**	—	**—**	—
Prepayments and accrued income	**124**	46	**—**	—
	4,730	3,516	**19,744**	11,332

Note 18 Investments held as current assets

Cash deposits with terms in excess of one day	**5,871**	2,790	**—**	—

Note 19 Creditors - amounts falling due within one year

Bank loan and overdrafts	**7,962**	2,755	**—**	—
Trade creditors	**606**	839	**—**	—
Amounts owed to subsidiary undertakings	**—**	—	**38,546**	14,484
Amounts owed to associated undertakings	**70**	72	**—**	—
Tax payable	**170**	1,627	**—**	577
Other creditors	**2,838**	1,729	**1,215**	218
	11,646	7,022	**39,761**	15,279

Included in bank loan and overdrafts are overdrafts totalling £7,450,000 (2005 £2,124,000) which are secured on certain fixed assets within the Australian operations and £512,000 in respect of a loan taken out in Indonesia (see note 20).

Note 20 Creditors - amounts falling due after more than one year

	THE GROUP		THE COMPANY	
	2006 £'000	2005 £'000	**2006 £'000**	2005 £'000
Bank loan	—	533	—	—
Other creditors	—	3	—	—
	—	536	—	—

A bank loan of £512,000 (2005 £1,164,000) was taken out in Indonesia by the 80% subsidiary, PT Pangkatan Indonesia, to finance the development of a new mill which is now operational (see note 19). This is the Sterling equivalent at 31 December 2006 of US$1,000,000 (2005 US$2,000,000). The loan is secured against the assets of the aforementioned subsidiary and of PT Bilah Plantindo, and is repayable as follows:

Within one year	**512**	631	—	—
Between one and two years	—	533	—	—
	512	1,164	—	—

Note 21 Provisions for liabilities

The Group	Past-service liabilities £'000	Deferred taxation £'000	Total £'000
At 1 January 2006	**721**	**58**	**779**
Exchange differences	**(39)**	**7**	**(32)**
Payments during the year	**(118)**	—	**(118)**
Profit and loss account charge/(credit)	**224**	**(461)**	**(237)**
Transfer to debtors (see note 17)	—	**396**	**396**
At 31 December 2006	**788**	—	**788**

Provisions for deferred taxation consist of the following amounts:

The Group	**2006 £'000**	2005 £'000
Excess of capital allowances over depreciation	**153**	274
Past-service liabilities	**(236)**	(216)
Other timing differences	**(313)**	—
	(396)	58

A gross deferred tax asset of £549,000 has been recognised at 31 December 2006 (2005 £216,000). £236,000 (2005 £216,000) of this asset relates to a provision set up for liabilities arising under a presidential decree in Indonesia whereby employees in that country are entitled to a payment on leaving their company's employment. The provision will be allowable for a tax deduction when paid. The remaining £313,000 (2005 nil) relates to losses arising in the Group's Australian operations.

Note 22 Called-up share capital

	Authorised *Number*	Allotted, fully paid and voting *Number*	Authorised *£'000*	Allotted, fully paid and voting *£'000*
Shares of 10p each				
At 1 January 2006	**87,000,000**	**50,776,153**	**8,700**	**5,078**
Issued during the year	**—**	**185,279**	**—**	**18**
At 31 December 2006	**87,000,000**	**50,961,432**	**8,700**	**5,096**

During the year, 185,279 10p shares were issued as a result of the exercise of share options. Total cash proceeds received by the Company were £148,510.

Under the Company's share-option scheme, directors and employees held options at 31 December 2006 as follows:

	Number of shares	Option price per share *pence*	Options period ending
Granted 17 July 2001	**725,000**	**75.50**	**17 July 2011**
Granted 1 May 2002	**465,231**	**96.50**	**1 May 2012**
Granted 2 May 2003	**475,000**	**126.50**	**2 May 2013**
Granted 2 February 2005	**761,675**	**85.05**	**17 July 2011**
Granted 2 February 2005	**425,838**	**101.78**	**1 May 2012**
Granted 2 February 2005	**357,055**	**138.04**	**2 May 2013**
Granted 2 February 2005	**67,238**	**158.95**	**4 May 2014**
At 31 December 2006	**3,277,037**		

The details of the directors' share options are set out in the report of the board to the shareholders on directors' remuneration on page 36.

Note 23 Reserves

The Group	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserves £'000	Share of associated companies' reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2006	**10,317**	**20,372**	**2,139**	**(4,099)**	—	**5,093**	**32,070**	**65,892**
Restatement relating to share-based payments (see note 11)	—	—	—	—	**231**	—	**(231)**	—
At 1 January 2006, as restated	**10,317**	**20,372**	**2,139**	**(4,099)**	**231**	**5,093**	**31,839**	**65,892**
Exchange differences	—	**(720)**	—	—	—	**(1,200)**	**(2,068)**	**(3,988)**
Issue of shares	**130**	—	—	—	—	—	—	**130**
Share-based payments	—	—	—	—	**38**	—	—	**38**
Disposal of subsidiaries	—	**119**	—	**62**	—	—	**(181)**	—
Released to profit and loss account	—	**(7,704)**	—	—	—	—	**6,338**	**(1,366)**
Unrealised share of movements in associated undertakings' reserves	—	—	—	—	—	**235**	—	**235**
Dividends from associated undertakings	—	—	—	—	—	**(4,151)**	**4,151**	—
Sale of own shares by subsidiary*	—	—	—	—	—	—	**1,385**	**1,385**
Profit for the financial year	—	—	—	—	—	**6,646**	**9,440**	**16,086**
Dividend paid (see note 10)	—	—	—	—	—	—	**(3,177)**	**(3,177)**
At 31 December 2006	**10,447**	**12,067**	**2,139**	**(4,037)**	**269**	**6,623**	**47,727**	**75,235**

The Company	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2006	**10,283**	**2,139**	**743**	—	**7,568**	**20,733**
Restatement relating to share-based payments (see note 11)	—	—	—	**231**	**(231)**	—
At 1 January 2006, as restated	**10,283**	**2,139**	**743**	**231**	**7,337**	**20,733**
Issue of shares	**130**	—	—	—	—	**130**
Share-based payments	—	—	—	**38**	—	**38**
Loss for the financial year	—	—	—	—	**(837)**	**(837)**
Dividends paid (see note 10)	—	—	—	—	**(3,177)**	**(3,177)**
At 31 December 2006	**10,413**	**2,139**	**743**	**269**	**3,323**	**16,887**

* *During the year a subsidiary sold its investment in the shares of M. P. Evans Group PLC, held at a cost £151,000. The Group's share of the gain arising was £1,385,000.*

Note 24 Pension scheme

The Company operated a defined-contribution (money-purchase) pension scheme, which was wound up during the year. The assets were under the control of trustees, who invested them with a UK insurance company. The money-purchase scheme was replaced by company-sponsored Self-Invested Personal Pensions (SIPP's) under the control of the members. The pension charge represents contributions to the money-purchase scheme and the SIPP's payable by the Group. The total charge for the year amounted to £107,000 (2005 £90,000).

Note 25 Note to the consolidated cash-flow statement

The Group	2006 £'000	2005 £'000
Reconciliation of operating profit to net cash inflow from operating activities		
Total operating profit	**10,777**	7,883
Exchange differences	**(119)**	27
Depreciation and amortisation	**(194)**	(184)
Share-based payments	**38**	94
Share of associated undertakings' profits	**(8,129)**	(3,794)
Increase in stocks	**(524)**	(516)
(Increase)/decrease in debtors	**(1,333)**	1,169
Increase in creditors	**253**	820
Net cash inflow from operating activities	**769**	5,499
Returns on investments and servicing of finance		
Interest received	**343**	318
Dividends received	**79**	89
Interest paid	**(415)**	(283)
Dividends paid to minorities	**(6)**	(451)
Net cash inflow/(outflow) from returns on investments and servicing of finance	**1**	(327)
Taxation		
Corporation tax paid	**(2,761)**	(1,838)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(9,856)**	(4,409)
Sale of tangible fixed assets	**16,094**	62
Sale of fixed-asset investments	**1,924**	148
Net cash inflow/(outflow) from capital expenditure and financial investment	**8,162**	(4,199)
Acquisitions		
Fundamental re-organisation expenses	**(27)**	(640)
Net overdraft acquired with subsidiary undertaking	**—**	(1,722)
Investment in subsidiary undertakings	**—**	(36)
Investment in associated undertakings	**(841)**	(1,878)
	(868)	(4,276)
Management of liquid resources		
(Increase)/decrease in short-term deposits	**(3,226)**	2,151
Financing		
Repayment of loan	**(606)**	(458)
Issue of shares	**149**	244
	(457)	(214)

Note 26 Reconciliation of net cash flow to movement in net funds

	2006 £'000	2005 £'000
Increase/(decrease) in cash in the year	**2,594**	(6,073)
Increase/(decrease) in liquid resources	**3,226**	(2,151)
Movements in loans	**606**	458
Exchange differences	**(1)**	444
Movements in net funds	**6,425**	(7,322)
Net funds at 1 January	**2,508**	9,830
Net funds at 31 December	**8,933**	2,508

Analysis of movements of net funds	At 1 January 2006 £'000	Cash flow £'000	Exchange differences £'000	At 31 December 2006 £'000
Cash at bank and in hand	**3,006**	**8,040**	**(22)**	**11,024**
Overdrafts	**(2,124)**	**(5,446)**	**120**	**(7,450)**
	882	**2,594**	**98**	**3,574**
Short-term deposits	**2,790**	**3,226**	**(145)**	**5,871**
Bank loan	**(1,164)**	**606**	**46**	**(512)**
	2,508	**6,426**	**(1)**	**8,933**

Note 27 Financial instruments

The Group's primary financial instruments comprise cash balances and deposits held with banks, fixed-asset investments, trade debtors, trade creditors and bank overdrafts and a bank loan. The Group does not undertake any transactions in derivatives. The main purpose of these financial instruments is to provide funds to finance the Group's operations. No trading in financial instruments takes place.

The main risks arising from the Group's financial instruments are foreign-currency risk and, to a lesser extent, interest-rate risk. 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. Short-term debtors and creditors have been omitted from all disclosures other than the currency-exposure profile.

Foreign-currency risk

The majority of the Group's operations are undertaken in Indonesia, Australia and Malaysia. The Group does not have transactional currency exposures arising from sales or purchases by an operating unit 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, commodity prices are determined by a world market which reduces the Group's currency risk. The Group has no hedging policy and does not make use of forward-currency contracts.

The following analysis of net monetary assets and liabilities shows the Group's foreign-currency exposure profile. The amounts shown represent the transactional exposures that give rise to the net gains and losses recognised in the Group profit and loss account. Exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating units involved.

			2006 US$ £'000	2005 US$ £'000
Functional currency	- Indonesian Rupiah	- cash	**3,928**	1,582
		- loans	**(510)**	(1,164)
	- Sterling	- cash	**4,834**	—

Interest-rate risk

The Group has significant cash balances and deposits held with banks. In order to optimise the income received on these deposits the Group continuously reviews the terms of these deposits to take advantage of the best market rates. UK funds are passed through a broker with banks who have a credit rating of at least AA.

The Group's only financial liabilities other than short-term trade creditors are the bank overdraft and bank loan referred to in notes 19 and 20. The overdraft is denominated in Australian Dollars and interest is charged at a variable rate linked to the Australian base rate. The loan is denominated in US Dollars and interest is charged at a floating rate linked to US Dollar LIBOR. The currency profile of the Group's financial assets, other than short-term trade debtors, is shown in the table below:

Floating-rate financial assets	2006	2005
Sterling	**3,294**	1,950
Indonesian Rupiah	**475**	206
Malaysian Ringgit	**4,192**	1,871
US Dollar	**8,762**	1,582
Australian Dollar	**72**	127
Thai Baht	**100**	60
	16,895	5,796

Undrawn facilities

The Group has undrawn Australian Dollar overdraft facilities of £202,000 (2005 £863,000). The Group also has an undrawn US-Dollar loan of US$19,800,000 in connection with the project on Bangka Island being undertaken by the 90%-owned PT Gunung Pelawan Lestari. A loan agreement has been signed and the remaining conditions precedent are in the process of being satisfied before disbursements can commence.

Fair values of financial assets and liabilities

In the opinion of the directors, there was no significant difference between the carrying values and the estimated fair values of the Group's primary financial assets and liabilities at either the current, or preceding, financial year end.

Note 28 Related-party transactions

The directors' participation in the executive share-option scheme is disclosed on page 36. Apart from this, no director had an interest in any transaction with the Group at any time during the year.

During the year, the Group undertook the following transactions with related parties:

	2006 **£'000**	2005 £'000
Sale of livestock to The North Australian Pastoral Company Pty. Limited	**307**	307
Fee paid to M. P. Evans (UK) Limited	—	36

Note 29 Significant post-balance-sheet events

Sale of part of Perhentian Tinggi Estate

In January 2007, the conditions attached to the sale of 181 hectares of Perhentian Tinggi Estate in Malaysia were satisfied. The total purchase consideration is RM17.9 million (£2.6 million at the current rate of exchange). The first payment of RM10.0 million (£1.5 million at the current rate of exchange) was received in April 2007 and the second, of RM8.0 million (£1.2 million at the current rate of exchange), is due to be paid in February 2008. The combined UK and Malaysian taxation relating to these transactions is estimated to be RM0.9 million (£0.1 million at the current rate of exchange).

Purchase of Springmount

As announced on 19 March 2007 the purchase of Springmount was completed, for a cost of A$9.3 million (approximately £3.8 million at the current rate of exchange). Springmount comprises 7,581 hectares and is contiguous with the Group's existing beef-cattle "backgrounding" property, Woodlands, which is some 120 kilometres north west of Goondiwindi in Southern Queensland.

Note 30 Contingent liability

In March 2002, the Group's 80% subsidiary, PT Pangkatan Indonesia ("Pg") entered into a sale and purchase agreement with DR H Rahmat Shah to acquire from him 80% of PT Sembada Sennah Maju, the company owning Sennah Estate. On 9 September 2003, DR H Rahmat Shah initiated a lawsuit in Indonesia seeking to overturn this agreement. On 12 May 2004, the District Court of Medan found in his favour but Pg immediately appealed against the implementation of the District Court's decision. This appeal was successful and, at the same time, Pg appealed to the Medan High Court to have the District Court's decision overturned. As announced on 16 February 2005, this appeal was successful.

DR H Rahmat Shah has appealed to the Supreme Court in Jakarta to have the Medan High Court decision overturned. Pg, together with its Indonesian lawyers, is vigorously opposing this appeal and continues to be confident that there is no legal case for the original agreement signed in March 2002 to be set aside. Accordingly, no provision has been made in the 31 December 2006 accounts.

Subsidiary and associated undertakings

SUBSIDIARY UNDERTAKINGS

Details of the principal subsidiary undertakings as at 31 December 2006 are as follows:

Name of subsidiary	% of shares and voting rights held	Country of incorporation	Country of operation	Field of activity
P T Bilah Plantindo	80	Indonesia	Indonesia	Production of oil palm f.f.b.
P T Pangkatan Indonesia	80	Indonesia	Indonesia	Production of crude palm oil and palm kernels
P T Sembada Sennah Maju	64	Indonesia	Indonesia	Production of oil palm f.f.b.
P T Simpang Kiri Plantation Indonesia	80	Indonesia	Indonesia	Production of oil palm f.f.b.
PT Gunung Pelawan Lestari	90	Indonesia	Indonesia	In the process of development into an oil-palm plantation
PT Prima Mitrajaya Mandiri	92.5	Indonesia	Indonesia	In the process of development into an oil-palm plantation
P T Evans Indonesia	100	Indonesia	Indonesia	Provision of consultancy services
Gubbagunyah Partnership	100	Australia	Australia	Beef-cattle farming
Bertam Consolidated Rubber Company Limited	100	England and Wales	Malaysia	Production of oil palm f.f.b. and holding of investments
Bertam (U.K.) Limited*	100	England and Wales	United Kingdom and Australia	Investment holding company
Sungkai Estates Limited*	100	England and Wales	Malaysia	Production of oil palm f.f.b.
The Singapore Para Rubber Estates Limited*	100	England and Wales	Malaysia	Production of oil palm f.f.b.
Supara Company Limited	100	Thailand	Thailand	Rubber manufacture

The shareholdings in the above companies represent ordinary shares except Gubbagunyah Partnership which has no class of share.

All of the above subsidiaries are held through intermediary holding companies with the exception of those marked '*', which are held directly by M. P. Evans Group PLC.

ASSOCIATED UNDERTAKINGS

Details of the associated undertakings as at 31 December 2006 are as follows:

	Issued, fully-paid share capital	% held	Country of incorporation	Country of operation	Field of activity
Unlisted					
P T Agro Muko	Rp54.58m	31.53	Indonesia	Indonesia	Production of palm oil, palm kernels and rubber
P T Kerasaan Indonesia	Rp138.07m	38.00	Indonesia	Indonesia	Production of oil palm f.f.b.
The North Australian Pastoral Company Pty. Limited	A$16.80m	29.29	Australia	Australia	Beef-cattle farming
Bertam Properties Sdn. Berhad	Rp60.00m	40.00	Malaysia	Malaysia	Property development
Kennedy, Burkill & Company Berhad	Rp18.00m	20.01	Malaysia	Malaysia and Hong Kong	Investment holding, plantation ownership and management and provision of professional services
Asia Green Environmental Sdn. Bhd.	Rp4.76m	30.00	Malaysia	Malaysia	Production and sale of palm-oil waste-composting systems

The shareholdings in the above companies represent ordinary shares. The investments in associated undertakings are all held by subsidiary undertakings.

Analysis of land areas

at 31 December 2006

The information in the following pages does not form part of the audited financial statements

	OIL PALM				RUBBER			UNPLANTED	CATTLE	TOTAL
	Owned	Mature	Immature	Total oil palm	Mature	Immature	Total rubber			
	%	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha
INDONESIA										
Subsidiary undertakings										
Bilah	80.00	2,333	449	2,782	—	—	—	179	—	2,961
Pangkatan	80.00	1,677	775	2,452	—	—	—	134	—	2,586
Sennah	64.00	1,003	660	1,663	—	—	—	150	—	1,813
Simpang Kiri	80.00	2,129	286	2,415	—	—	—	239	—	2,654
Bangka	90.00	—	1,491	1,491	—	—	—	10,509	—	12,000
East Kalimantan*	92.50	—	—	—	—	—	—	14,000	—	14,000
Total majority-owned		**7,142**	**3,661**	**10,803**	**—**	**—**	**—**	**25,211**	**—**	**36,014**
Associated undertakings										
P T Agro Muko	31.53	14,738	2,298	17,036	1,826	158	1,984	3,894	—	22,914
P T Kerasaan Indonesia	38.00	2,106	209	2,315	—	—	—	47	—	2,362
Total minority-owned		**16,844**	**2,507**	**19,351**	**1,826**	**158**	**1,984**	**3,941**	**—**	**25,276**
Total Indonesian majority and minority-owned		**23,986**	**6,168**	**30,154**	**1,826**	**158**	**1,984**	**29,152**	**—**	**61,290**
MALAYSIA										
Subsidiary undertakings										
Perhentian Tinggi	100.00	766	108	874	—	—	—	52	—	926
Sungei Kruit	100.00	809	—	809	—	—	—	19	—	828
Bertam	100.00	65	—	65	—	—	—	9	—	74
Total majority-owned		**1,640**	**108**	**1,748**	**—**	**—**	**—**	**80**	**—**	**1,828**
Associated undertaking										
Bertam Properties Sdn. Berhad	40.00	789	—	789	—	—	—	194	—	983
Total Malaysian majority and minority-owned		**2,429**	**108**	**2,537**	**—**	**—**	**—**	**274**	**—**	**2,811**
AUSTRALIA										
Subsidiary undertaking										
Woodlands aggregation**	100.00	—	—	—	—	—	—	—	23,509	23,509
Associated undertaking										
The North Australian Pastoral Company Pty Limited	29.29	—	—	—	—	—	—	—	6,420,000	6,420,000
Total Australian majority and minority-owned		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**6,443,509**	**6,443,509**

* *Since the year end, the Group has acquired the right to develop at least another 10,000 hectares at the project site in East Kalimantan.*
** *Since the year end, Springmount (7,581 hectares, contiguous with Woodlands) has been purchased.*

5-year summary

	2006	2005 (restated)*	2004	2003	2002
	Tonnes	*Tonnes*	*Tonnes*	*Tonnes*	*Tonnes*
Production					
Palm oil	**24,032**	21,579	—	—	—
Palm kernels	**6,240**	5,009	—	—	—
Crops					
Oil palm fresh fruit bunches ("f.f.b.")					
Majority-owned estates	**213,392**	222,683	228,287	213,620	187,131
Associated company estates	**364,594**	334,830	335,997	319,779	267,341
	US$	*US$*	*US$*	*US$*	*US$*
Average sale prices					
Palm oil - Rotterdam c.i.f. per tonne	**475**	420	475	449	390
Exchange rates					
£1 = Indonesian Rupiah - average	**16,890**	17,653	16,385	14,009	13,976
- year end	**17,602**	16,893	17,925	15,083	14,388
US$1 = Indonesian Rupiah - average	**9,167**	9,712	8,953	8,569	9,314
- year end	**8,994**	9,840	9,336	8,447	8,929
£1 = US Dollar - average	**1.84**	1.82	1.83	1.64	1.50
- year end	**1.96**	1.72	1.92	1.79	1.61
£1 = Malaysian Ringgit - average	**6.76**	6.89	6.96	6.21	5.71
- year end	**6.90**	6.49	7.30	6.78	6.12
£1 = Australian Dollar - average	**2.45**	2.39	2.49	2.51	2.77
- year end	**2.48**	2.34	2.47	2.37	2.87
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Turnover	**13,483**	12,182	12,911	7,599	6,399
Gross profit	**4,746**	5,082	6,374	4,209	3,339
Profit on ordinary activities before taxation	**19,894**	7,482	10,862	8,358	6,698
	Pence	*Pence*	*Pence*	*Pence*	*Pence*
Basic earnings per share	**31.63**	8.67	13.86	10.59	8.84
Dividends per share	**6.50**	6.25	6.00	5.50	4.75
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Shareholders' funds	**80,331**	70,970	59,834	44,906	44,896
Net cash inflow from operating activities	**769**	5,499	8,684	3,555	2,751

* *The figures for 2005 have been restated following the adoption of FRS20 share-based payments. No adjustments have been made in respect of earlier years.*

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 7 June 2007 at 12:00 noon for the following purposes:

As ordinary business

1 To receive and consider the report of the directors and the audited financial statements for the year ended 31 December 2006

RESOLUTION ON FORM OF PROXY **No 1**

2 To declare a final dividend.

RESOLUTION ON FORM OF PROXY **No 2**

3 To re-elect Mr K P Legg as a director

RESOLUTION ON FORM OF PROXY **No 3**

4 To re-appoint Deloitte & Touche LLP as auditors and to authorise the directors to determine their remuneration.

RESOLUTION ON FORM OF PROXY **No 4**

As special business

To consider and, if thought fit, pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions:

5 That the maximum nominal amount of relevant securities (within the meaning of section 80 of the Companies Act 1985) which the directors are authorised to allot pursuant to article 4(B) of the Company's articles of association shall be £1,699,199 provided that this authority shall expire at the conclusion of the next annual general meeting of the Company or on 7 September 2008 whichever shall be the earlier.

RESOLUTION ON FORM OF PROXY **No 5**

6 That the directors be empowered to allot securities (as defined in section 94(2) of the Companies Act 1985) pursuant to the authority conferred by resolution 5 as if section 89(1) of the Companies Act 1985 did not apply to any such allotment, provided that this power shall be limited to any allotment falling within the provisions of article 4(C)(a) of the Company's articles of association or any allotment up to an aggregate nominal amount of £254,905 falling within the provisions of article 4(C)(b) of the Company's articles of association. Such power will extend to the sale of treasury shares (within the meaning of section 162A of the Companies Act 1985) for cash as if in respect of any such sale the words "pursuant to the authority from time to time conferred by article 4(B) hereof" were omitted from the second line of article 4(C) and, for the purpose of such power, the reference in article 4(C)(a) to "where the securities attributable to the interests of all of the holders of the shares are proportionate (as nearly as may be) to the numbers of shares held by them" shall be deemed to exclude the Company in respect of any treasury shares held by it.

RESOLUTION ON FORM OF PROXY **No 6**

7 That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) 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 5,098,106;

(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 7 September 2008 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.

RESOLUTION ON FORM OF PROXY **No 7**

By order of the board

J F Elliott

Secretary

10 May 2007

Notes

1 A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend. A proxy need not also be a member of the Company, but, except in the case of a proxy for a corporate member, is not entitled to vote except on a poll. A form of proxy is enclosed for this purpose. If you are unable to attend the meeting, please complete and return the enclosed form of proxy so as to reach the office of the registrars as soon as possible and, in any event, not less than 48 hours before the time appointed for holding the meeting. Completion of a form of proxy does not prevent a member from subsequently attending and voting in person.

In line with regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders entered in the register of members of the Company as at 11:00 p.m. on 5 June 2007, or their duly appointed proxies, will be entitled to attend and/or vote at the meeting. Shareholders will be entitled to vote in respect of the number of shares registered in their names at the above time and any subsequent changes will be disregarded in determining rights to attend and vote.

2 The register of directors' interests showing all transactions of each director and, where applicable, of his family, in the share capital of the Company, will be available for inspection at the registered office of the Company on any weekday, Saturdays and public holidays excepted, during normal business hours from the date of this notice until the annual general meeting and at Tallow Chandlers' Hall for a period of fifteen minutes prior to the annual general meeting and during the meeting. No director has a service contract with the Company that cannot be terminated by the Company without payment of compensation on not more than one year's notice.

3 Any addressee of this notice who has sold or transferred all of the shares of the Company held by him 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.

Professional advisers and representatives

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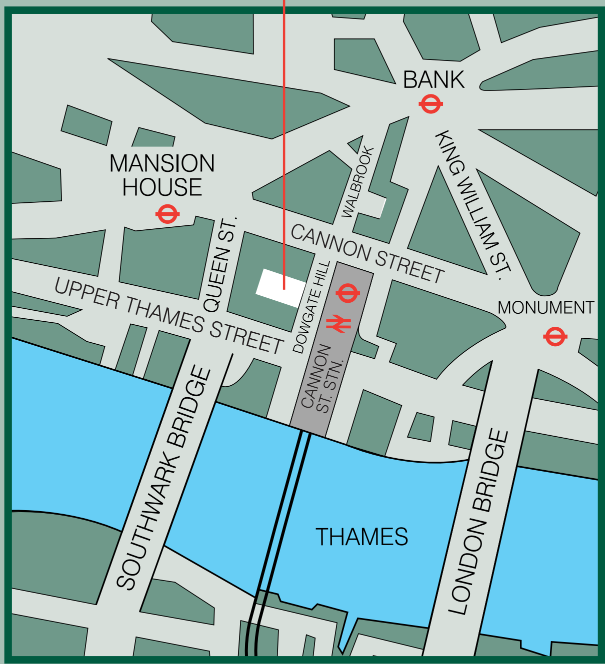
Venue of annual general meeting

Tallow Chandlers' Hall



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