Indonesian palm oil

Australian beef cattle

2007

ANNUAL REPORT

M.P.Evans
GROUP PLC

Oil-palm plantations and property development in Malaysia

MAJORITY HELD 900 ha
MINORITY HELD 580 ha

Oil-palm plantations in Indonesia

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

Beef-cattle farming in Australia

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

Location of the Group's properties and those of its associates as at 30 April 2008

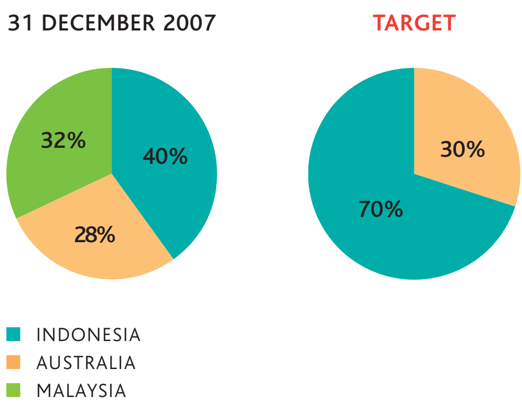
EXISTING PORTFOLIO AS AT 30 APRIL 2008

- 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 - over 4,500 hectares planted to date
- 31,000 hectares of cattle-backgrounding land in southern Queensland, Australia
- 30% interest in a leading Australian cattle company, NAPCo, owning six million hectares in Queensland and Northern Territory
- 900 hectares of plantation land in Peninsula Malaysia, with real-estate-development premium of which 828 hectares are contracted to be sold
- 40% share of a substantial property-development company, Bertam Properties, near Penang Island, Malaysia with a land bank of some 580 hectares
- Net current assets of some US$32 million as at 31 December 2007

KEY OBJECTIVES

- **To establish 70,000 hectares of environmentally-sustainable oil-palm plantations in Indonesia in order to produce 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 in order, together with borrowings, to fund the expansionary objectives in Indonesia and Australia**

LAND ASSETS BY VALUE



contents

Highlights

- Record profit for the year US$46,630,000 (2006 US$26,102,000)
- Final dividend for the year increased to 5.00p (2006 – 4.50p) per share – 2.00p (2006 – 2.00p) interim already paid
- First year of results being reported in US Dollars and under International Financial Reporting Standards
- Palm-oil prices surged strongly during 2007 and increased further in early 2008 before easing from record highs
- Crops of oil palm fresh fruit bunches lower than in 2006
- Biological-asset gain arising from firmer palm-oil prices and development of new projects
- Reduced loss on Australian property following improved cropping and similar cattle results. Higher profits from the associate, NAPCo, resulting from firmer cattle valuations and property disposal
- Significant profits earned by the associate, Bertam Properties, from land disposals
- Strategy of developing and planting new Indonesian plantation areas continues apace, although delays experienced on the Bangka project
- Australian cereal prices remain robust, whilst beef-cattle prices have been volatile, albeit within an historically-high range, as drought has continued in some areas
- Australian rural property values have continued to increase
- Strategy of disposing of Malaysian estates at premium, real-estate levels continues successfully

2007

Summary of results

For the year ended 31 December 2007	2007	2006
	US$'000	*US$'000*
Revenue	23,597	20,425
Gross profit before biological-asset adjustment	10,632	6,345
Group-controlled profit before taxation	17,427	8,211
Profit for the year	46,630	26,102
Net assets	235,359	192,304
Net cash outflow from operating activities	(4,850)	(9,234)
	US Cents	*US Cents*
Basic earnings per 10p share – continuing and discontinued operations	82.32	49.75
	Pence	*Pence*
Dividend per 10p share in respect of the year	7.00	6.50

** Details concerning the restatement of the comparative figures are dealt with in note 32 to the financial statements on pages 65 to 69.*

Joint chief executives' statement

2007 significantly exceeded 2006's record result and, if palm-oil prices and crops continue as favourably as they have proved so far this year, 2008 should turn in another excellent result. Good progress continues to be achieved in the implementation of the Group's strategy of diversifying out of Malaysian plantations and real estate and into Indonesian palm oil and Australian beef cattle. The prospects for both palm oil and beef cattle continue to look positive for the foreseeable future.

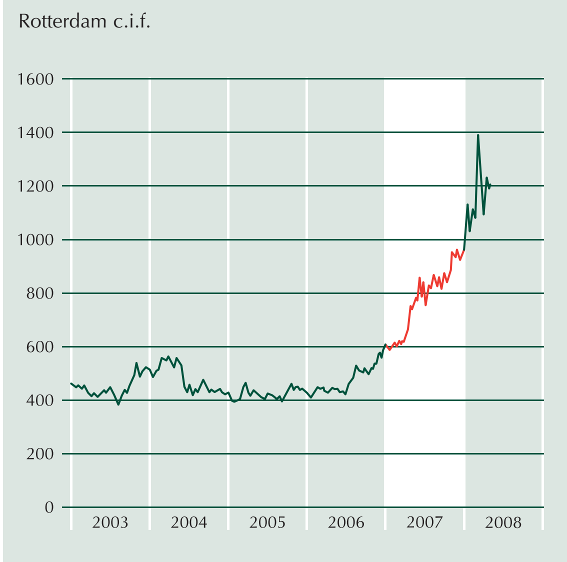
Market
information

Palm-oil prices rose sharply in 2007 following increased demand, especially from China and India.

Australian beef-cattle prices were generally robust, but volatile, as both seasonal conditions and the Australian Dollar fluctuated.

Palm oil

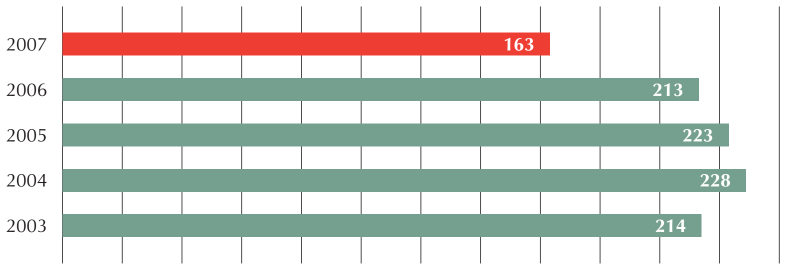
PALM-OIL PRICE US$ PER TONNE



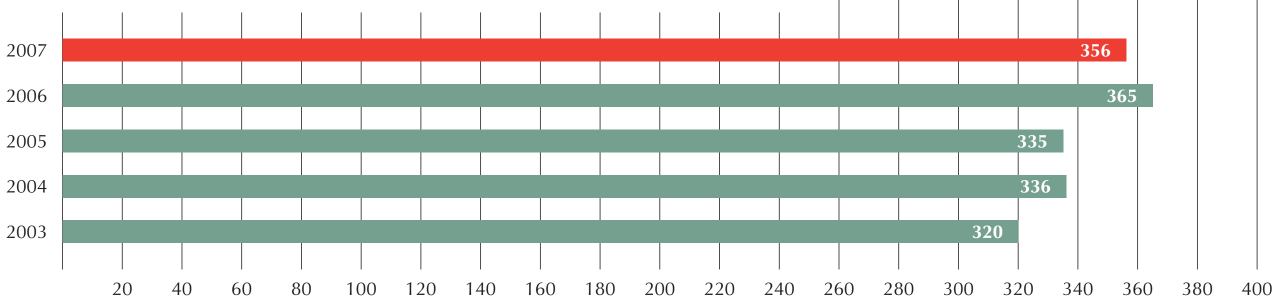
- The Group's crops of oil palm fresh fruit bunches ("f.f.b.") were below 2006 as a result of both severe flooding on one estate and a strike which affected production.
- Palm oil is used mainly as a cooking oil but also in margarine, shortenings (cakes, biscuits), soap, cosmetics, lubricants and increasingly in bio-diesel.

CROP OF OIL-PALM FRESH FRUIT BUNCHES ("F.F.B.") '000 TONNES

MAJORITY-OWNED ESTATES (INDONESIA AND MALAYSIA)

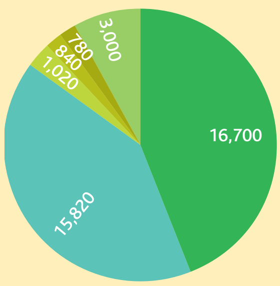


ASSOCIATED-COMPANY ESTATES (INDONESIA AND MALAYSIA)



- Palm oil has the lowest cost of production and is the most productive of all the major vegetable oils. Over 5 tonnes per hectare per annum 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 38.2 million tonnes and 31.3% of production of major vegetable oils. (Soya oil is the second largest with a 30.7% share of global production). Palm-kernel oil accounts for a further 4.4 million tonnes (3.6%).
- The palm-oil price rose very substantially in 2007 and into 2008, 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 - 2007

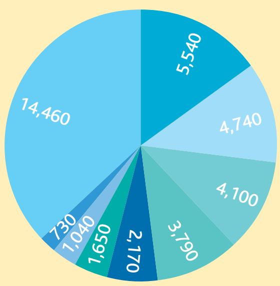


Thousand tonnes
- INDONESIA 16,700 (44%)
- MALAYSIA 15,820 (41%)
- THAILAND 1,020 (3%)
- NIGERIA 840 (2%)
- COLOMBIA 780 (2%)
- OTHER COUNTRIES 3,000 (8%)

TOTAL 38,160

SOURCE: OIL WORLD

MAIN USERS OF PALM OIL - 2007



Thousand tonnes
- CHINA 5,540 (14%)
- EU 4,740 (12%)
- INDONESIA 4,100 (11%)
- INDIA 3,790 (10%)
- MALAYSIA 2,170 (6%)
- PAKISTAN 1,650 (4%)
- NIGERIA 1,040 (3%)
- THAILAND 730 (2%)
- OTHER COUNTRIES 14,460 (38%)

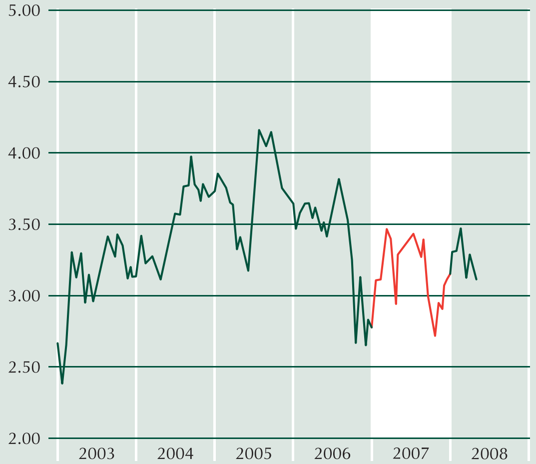
TOTAL 38,220

SOURCE: OIL WORLD

Beef cattle

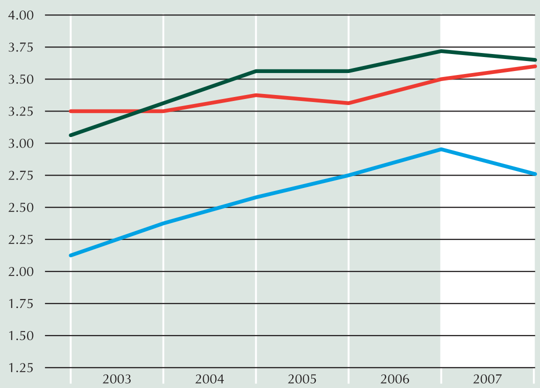
AUSTRALIAN CATTLE PRICE

A$ per kg carcass weight
Eastern Young Cattle Indicator (EYCI)



- Australia is the world's largest beef exporter with some 20% of global trade.
- Australia is well placed geographically to serve Asia – the world's fastest-growing beef consumer.
- NAPCo (29.64% held) is one of Australia's leading beef-cattle companies with fifteen properties covering an area of six million hectares.

AVERAGE "DRESSED" (CARCASS) WEIGHT PRICES RECEIVED BY NAPCo FOR MAJOR PRODUCT LINES A$/KG



Steers (grain-fed) Heifers (grain-fed) Cows

Chairman's statement

A record result for a second consecutive year. The increase was largely attributable to the robust palm-oil price, to the increase in value of the biological assets, to exceptional gains related to property disposals and to increases in associated-company profits.

OVERALL RESULTS

I am pleased to report a record result for a second consecutive year. Profit for the year rose to US$46,630,000, compared with US$26,102,000 in 2006. Earnings per share (continuing and discontinued operations) increased to 82.32 cents from 49.75 cents. The increase was largely attributable to the robust palm-oil price, to the increase in value of the biological assets in accordance with International Financial Reporting Standards ("IFRS"), to exceptional gains related to property disposals and to increases in associated-company profits.

The plantation associates benefited from the high palm-oil prices. With regard to the other associates there was a significant non-recurring gain from the sale of some sizeable parcels of land owned by the 40%-held Bertam Properties Sdn. Berhad ("Bertam Properties"), and a sharply-improved result by the 29.64%-held The North Australian Pastoral Company Pty. Limited ("NAPCo"). Offsetting these gains were a decline in the Group's f.f.b. crop, a small loss recorded on the Group's Australian property, Woodlands, and net exchange losses arising primarily in Indonesia where the Rupiah has weakened against the US Dollar.

The accounts have, this year, been drawn up in a different way from previous years, with the comparative figures for 2006 re-stated accordingly. As explained in more detail on pages 8 and 9, IFRS has been adopted and, in addition, the accounts are now presented in US Dollars, the currency in which the majority of the Group's earnings and a significant proportion of costs are denominated.

DIVIDEND

The board is pleased to recommend a final dividend of 5.00p per share, which, together with the interim dividend of 2.00p paid in November 2007, makes 7.00p for the year, compared with 6.50p in respect of 2006. The dividend will continue to be paid in Sterling.

STRATEGIC PROGRESS

It remains the board's target to achieve a total area under oil palms in Indonesia of some 70,000 hectares and to continue to add value to, and expand, the Australian beef-cattle portfolio. In order to fund these expansionary objectives, the Group will continue to raise cash by disposing of its remaining Malaysian plantation and property investments, as well as by securing additional bank finance.

In Indonesia, the Group now owns some 10,000 hectares of mature oil-palm plantations, together with a minority holding in 25,000 hectares - equivalent to 8,000 hectares - in Sumatra. In addition, a land bank of 12,000 hectares on Bangka Island and 24,000 hectares in East Kalimantan has been secured. Of this new land, over 2,000 hectares on Bangka and over 2,500 hectares in East Kalimantan have been planted to date. Some delays in the planting programme have been experienced either for weather-related reasons or, in the case of Bangka, as a result of protracted negotiations relating to smallholder land-compensation issues. The Group's aim is to clear and plant, in an environmentally and socially responsible manner, the balance of the land bank as quickly as possible. The aim is also to acquire additional land of 15,000 - 20,000 hectares, preferably also in East Kalimantan, thereby achieving the target of 70,000 hectares and ultimately enabling some 400,000 tonnes of crude palm oil per annum to be produced.

In Australia, the Group's acquisition of Springmount, a 7,581-hectare beef-cattle and arable property, for a total of A$9.30 million (US$8.16 million) was completed in March 2007. Springmount adjoins the Group's existing properties, known as the Woodlands aggregation. The addition of Springmount has increased the size of the aggregation to 31,000 hectares and has enabled further economies of scale to be achieved both in the fattening of cattle and in the cultivation of grain crops for commercial sale. Greater emphasis than hitherto is being placed on the latter option in view of the current high world price for grain – up to 8,000 hectares can be utilised for grain production. I am pleased to report not only a sharp increase in the Group's share of NAPCo's post-tax earnings, to US$2.84 million from last year's loss of US$0.41 million, but also a significant increase in Australian rural property values. This has impacted favourably on NAPCo's net asset value which increased to US$15.10 per share from US$10.47 per share at the end of 2006.

In Malaysia, two important sales were agreed during the year. First, the balance of Perhentian Tinggi Estate (745 hectares) was sold for RM66.27 million (approximately US$21.00 million). Completion has recently occurred and the whole transaction will therefore be accounted for in 2008. Second, the sale of Sungei Kruit Estate (828 hectares) was agreed for a total of RM72.28 million (approximately US$22.90 million). Completion is expected to occur in mid-2008 and should, consequently, be brought into the 2008 accounts.

Thereafter, there will only be two remaining assets of significant value in the Group's Malaysian portfolio; the 40% share of Bertam Properties and the remaining 74 hectares of Bertam Estate. The board believes that these assets command a combined value of US$55 million and it is planned for these two to be sold in due course to contribute to the funding of the Group's continued expansion into Indonesia and Australia.

PALM-OIL ACTIVITIES AND MARKET

The palm-oil industry enjoyed a very successful year in 2007 with the average Rotterdam cif price increasing to US$781 per tonne, compared with US$475 in 2006. Continuing strong demand from the emerging Asian economies combined with competition for land use arising out of the increase in the production of bio-fuels have resulted in low vegetable-oil stocks and upward pressure on prices.

The Group's crops of oil palm f.f.b. were lower than in 2006. This arose from the loss of crop from the Malaysian estates which had been sold in 2006, from the damage caused by the unusually severe flooding on Simpang Kiri Estate in Sumatra at the end of 2006 and from the effects of the labour strike on the estates in North Sumatra (since settled).

BEEF-CATTLE ACTIVITIES AND MARKET

As has been the case in recent years in Australia, beef-cattle prices in 2007 were predominantly influenced by seasonal and currency fluctuations. Given the volatility of these two factors, the cattle market fluctuated accordingly but prices ended the year around the middle of the year's range.

Woodlands benefited from substantially better rainfall in 2007 than in 2006 and, as a consequence, was able to grow a wheat crop. This, together with similar cattle-fattening profits to 2006, resulted in a reduced loss this year. Good progress was also achieved on the farm's pasture-development programme, which will enable considerably more cattle to be grazed in future years.

NAPCo recorded a pleasingly sharp increase in its profit, resulting from an increase in the value of the company's herd by some US$10.05 million, which is a product of higher cattle prices, heavier cattle and the 7.6% growth of the company's herd to a record 198,000 head. One of the company's growing-out properties was also profitably disposed of during the year.

CURRENT TRADING AND PROSPECTS

Palm-oil prices continued to strengthen into 2008 reaching a high of around US$1,395 per tonne in March before retreating to the current level of around US$1,200, which is, nevertheless, somewhat higher than the year-end level of US$1,000. A progressive export-tax has been imposed by the Indonesian Government but, despite this, the fundamentals in the palm-oil market remain strong, helped by the recent abolition of the previously high import tax imposed by India.

F.f.b. crops on the majority-owned estates have started the year strongly and are ahead of the same period last year and in line with budget. Crops on the associated-company estates have been ahead of both the same period last year and budget. It is too early to make accurate predictions as to the outturn for the whole year but it is hoped that the full year's crop will be in excess of that for 2007.

Conditions on Woodlands have continued favourably following beneficial rainfall and NAPCo's backgrounding properties, in central Queensland, have been enjoying a similarly good season. However, NAPCo's breeding and growing-out properties in the Northern Territory and more northerly parts of Queensland have been suffering from a severe drought which means that a significant number of young cattle will have to be sold before time. Cattle prices – in particular for grass-fed, "pre-feedlot" cattle, such as are produced by Woodlands – have continued to be as volatile as in 2007, largely in response to seasonal fluctuations, whilst the market for grain-fed cattle – as produced by NAPCo – has on average traded at historically-high levels.

The board is of the view that, in the light of the ever-growing global demand for vegetable oils, bio-fuels, food and protein, the prospects for both the palm-oil and beef-cattle markets remain favourable and that 2008 will prove to be another excellent year.

ACKNOWLEDGEMENTS

On behalf of the board, I should like to express our appreciation to the managers, staffs and workforces in all of the Group's areas of operation for their dedication and hard work, often in trying circumstances.

Richard Robinow
Chairman
2 May 2008

Review
of operations

The very good results for 2007 underpin the board's confidence in its strategic plans.

Review of the 2007 results

The overall result for the year was another record for the Group. It reflected:

PLANTATIONS

- palm-oil prices at robust levels - 64% higher at average of US$781 per tonne (Rotterdam cif) (2006 US$475), resulting in higher profits from both majority-owned and associated companies
- significant increase in valuation of biological assets in both the majority-owned and associated companies
- lower f.f.b. crops on majority-owned Indonesian estates, resulting from severe flooding on Simpang Kiri Estate and strike action on the other North Sumatran estates

CATTLE

- similar cattle-trading results to 2006
- harvesting of a wheat crop on the Woodlands aggregation, resulting in the reduction of the gross loss
- higher profits from the 29.64% associated company, NAPCo, including the profitable disposal of one of its growing-out properties

PROPERTY ACTIVITIES

- Further significant and profitable land sales by the associated company, Bertam Properties

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

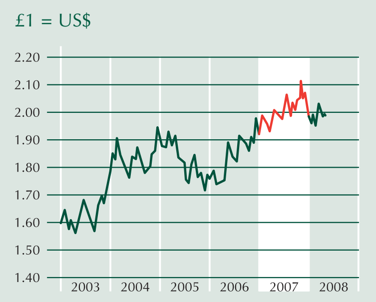
IFRS AND US DOLLAR REPORTING

Presentation of the Group's results has been brought fully into line with the requirements of IFRS. These changes take effect from 1 January 2006, the Group's "transition date". Hence both the results for the year under review and comparative figures are stated in accordance with IFRS. These changes have affected the way in which the Group results and balance sheet are set out and the substance of both the results and financial position of the Group.

The most immediately noticeable change is that the Group has chosen to present its results in US Dollars. After careful analysis of the Group's operations, it was concluded that revenues and a proportion of the costs in its plantation operations were dependent on movements in the US Dollar. Borrowings too are in US Dollars. Given the weight of these businesses in the Group's current operations, and the prospect of their increasing share over the coming years, the board believes that presenting its results in US Dollars rather than Sterling paints a more accurate picture of its operations. In time, this approach is expected to reduce the level of exchange differences reported by the Group although this benefit will not be felt until the divestment of its holdings in Malaysia is complete. The immediate consequence of this change is that the Group's reported results reflect its exposure to movements in the US Dollar rather than, as previously, Sterling. The exchange rates used are set out on page 77.

The introduction of a new category of asset ("biological assets") is the single largest change flowing from the application of IFRS, adding some US$50 million to net assets at 1 January 2006 after providing for potential tax. The increase comes from two sources: the plantations controlled by the Group (US$37 million) and its share of the increased value in the biological assets of its associated plantation companies (US$13 million). The new biological assets replace the depreciated cost of plantings on the Group's estates previously shown in the balance sheet under land. The increase in net assets arising from the introduction of biological assets is partly offset (US$4 million at 1 January 2006) by the

STERLING -V- US DOLLAR



removal of plantings from fixed assets. Whilst this change in the balance sheet is a better reflection of the future cash-earning potential of the Group's plantings, changes in the value of biological assets will directly affect the income statement through a new line: gain/(loss) on biological assets. This is likely to make the Group's reported results more volatile in future, as changes are inevitably made to the assumptions underlying the valuation.

Under IFRS, the Group has maintained its accounting policy in relation to its plantation land in Indonesia. However, following the introduction of biological assets, the board decided to include this land in the balance sheet at fair value (without any planting) at the IFRS transition date. Previously, the value of land included an amount in respect of planting. This decision results in a reduction in net assets of some US$12 million, but this should be considered in conjunction with the increase in net assets arising from the inclusion of biological assets.

The full impact of IFRS on the Group can be seen in note 32 on pages 65 to 69. Further explanation of its impact on the year under review is given below in the comment on the results for the period.

GROSS PROFIT

In Indonesia, significantly higher palm-oil and palm-kernel prices, partly offset by lower crops and higher costs (see further comments under "Crops and production" and "Operating costs" on pages 12 and 13 respectively), resulted in a gross profit before biological-asset adjustment of US$11,127,000, a 62% increase over the US$6,883,000 achieved in 2006. In Australia, fewer sales were offset by increased values of stock on hand, leaving cattle-trading profit about the same as for 2006. The Woodlands aggregation achieved a wheat crop in 2007 and, as a result, the gross loss for 2007, at US$580,000, was some 21% lower than 2006's US$731,000. In Thailand, despite higher rubber prices, lower throughput resulted in a reduction in gross profit to US$99,000 (2006 US$200,000) at the rubber factory.

As a result of all of the above, the Group gross profit before biological-asset adjustment for the year amounted to US$10,632,000, compared with US$6,345,000 in 2006, an increase of some 68%. Gross profit (before the impact of the gain on biological assets of US$18,747,000 (2006 US$3,410,000), but after expenditure on planting and depreciation of US$8,550,000 (2006 US$5,264,000) has been accounted for) amounted to US$2,082,000 compared with 2006's US$1,081,000. A detailed breakdown of this is provided in note 3 to the accounts on pages 46 and 47. 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.

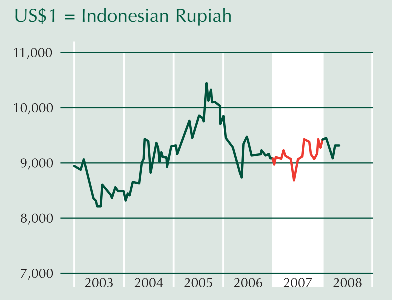
BIOLOGICAL-ASSET ADJUSTMENT

The value of the biological bearer assets increased markedly, partly as a result of the increase in the price of palm oil and kernels and partly reflecting the new plantings that got under way on the new projects during 2007, particularly in Kalimantan. These benefits were partially offset by the increase in the cost base of the Indonesian operations. As referred to earlier, increases (or decreases) in the value of biological assets from one year to the next are reflected in the consolidated income statement. In order to provide additional information to readers of the accounts, the consolidated income statements and balance sheet include additional columns to show the Group's results and assets prior to the adjustments for biological bearer assets.

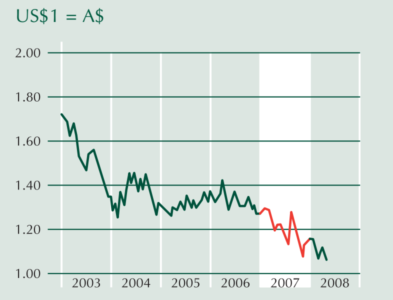
FOREIGN-EXCHANGE LOSSES

A foreign exchange loss of US$1,434,000 arose during the year. This was largely due to continuing operations in Indonesia, where the Rupiah weakened against the US Dollar, outweighing gains arising from cash balances held by Group companies in Sterling. This overall loss was in fact off-set by corresponding gains accruing to cash held in Malaysian Ringgit by discontinued operations but this is included in the consolidated income statement under the heading of "Discontinued operations". The Group is exposed to exchange-rate movements to the extent that it holds monetary assets and liabilities in currencies other than its functional currency, mostly the US Dollar.

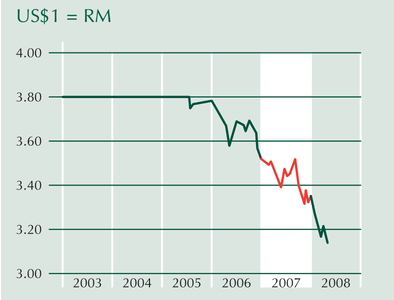
US DOLLAR -V- INDONESIAN RUPIAH



US DOLLAR -V- AUSTRALIAN DOLLAR



US DOLLAR -V- MALAYSIAN RINGGIT



OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses increased in 2007. This arose primarily from the inclusion of the costs of the expanding Jakarta head office and those administrative (largely management) costs on the new projects which are not able to be added to the cost of development. In addition, the increase in the Company's share price from 303p at the end of 2006 to 394p at the end of 2007 gave rise to the necessity to increase the provision for potential national insurance on the potential gain on the remaining unexercised share options.

EXCEPTIONAL CREDITS

As in previous years, Group profits (US$3.86 million) which had been deferred when land was originally sold by Group companies to an associated company, Bertam Properties, have been recognised when Bertam Properties sold that land to third parties.

ASSOCIATED COMPANIES

The Group's share of its associated companies' profits/(losses) for the year compared with last year were as follows:

		2007			2006		
	% held	Pre-tax US$'000	Tax US$'000	Post-tax US$'000	Pre-tax US$'000	Tax US$'000	Post-tax US$'000
PT Agro Muko	**31.53**	**17,991**	**(5,535)**	**12,456**	2,657	(1,128)	1,529
PT Kerasaan Indonesia	**38.00**	**3,525**	**(1,081)**	**2,444**	1,215	(397)	818
NAPCo	**29.64**	**3,588**	**(748)**	**2,840**	(488)	74	(414)
Bertam Properties	**40.00**	**13,938**	**(1,066)**	**12,872**	9,050	(1,095)	7,955
Kennedy, Burkill & Company Bhd.	**20.01**	**—**	**—**	**—**	234	(31)	203
Asia Green Environmental Sdn. Bhd.	**30.00**	**—**	**—**	**—**	(138)	—	(138)
		39,042	**(8,430)**	**30,612**	12,530	(2,577)	9,953

The Indonesian plantation companies similarly benefited from the robust palm-oil, kernel and rubber prices experienced during the year and reported markedly higher profits. As with the majority-owned Indonesian plantations, a significant uplift in the biological asset value of the plantations owned by the associated companies was recorded in 2007, with the Group's share amounting to US$7.09 million post-tax. This arose primarily from the increase in the palm-oil price, partially offset by the increased cost base.

NAPCo's improved result was attributable to a stronger cattle market, an increase in the company's herd size and a profitable disposal of one of its growing-out properties during the year.

Bertam Properties made further profitable land disposals during the year. Kennedy, Burkill & Company Berhad and Asia Green Environmental Sdn. Bhd. ceased to be regarded as associated companies with effect from 1 January 2007. The results and operations of the Indonesian, Australian and Malaysian associated companies are reviewed in more detail in the reports on pages 11 to 25.

DISCONTINUED OPERATIONS

As referred to in the "Review of operations" in the 2006 annual report, sale agreements were signed in 2006 regarding two small pieces of Perhentian Tinggi Estate. These related to 101 hectares (RM9.97 million, US$2.90 million) and 81 hectares (RM7.97 million, approximately US$2.50 million). The 101-hectare sale was completed in 2007 and the 81-hectare sale in 2008 - the profits arising were, or will be, recognised in these respective years.

The sales of Sungei Kruit Estate (828 hectares) and the remainder of Perhentian Tinggi Estate (745 hectares) for RM72.28 million (approximately US$22.90 million) and RM66.27 million (approximately US$21.00 million) respectively were agreed during 2007. The Perhentian Tinggi Estate sale has already been completed in early 2008 and the profit will be recognised in that year. The sale of Sungei Kruit Estate is expected to be completed in the middle of the year. As a consequence of these sales, the profits arising from the plantation operations of these two estates have been classified under "Discontinued operations". The comparative 2006 discontinued operations include not only the 2006 results of Perhentian Tinggi and Sungei Kruit Estates, as referred to above, but also the gains on disposal and operating profits up to the date of sale of Beradin, Sungei Reyla and Lendu Estates, the sales of which were completed during 2006.

The sharply increased palm-oil and kernel prices referred to above resulted in the increased profits recorded by Perhentian Tinggi and Sungei Kruit Estates in 2007 despite lower crops.

PROFIT FOR THE YEAR

As a result of all of the above, the Group profit for the year amounted to US$46,630,000 compared with US$26,102,000 in 2006.

Young oil palms in one of the nurseries on the East Kalimantan project: there is currently a sufficient number to plant some 12,000 hectares.

Tractor and trailer in front of contract workers' accommodation on the East Kalimantan project.

BELOW: Young seedlings in the pre-nursery on the East Kalimantan project.

Indonesian palm oil

Indonesian palm oil

MAJORITY-OWNED MATURE ESTATES

CROPS AND PRODUCTION

		2007 Tonnes	2006 Tonnes
Crops – f.f.b.		**129,900**	155,100
Production	– crude palm oil	**19,500**	24,000
	– palm kernels	**5,400**	6,200
		%	%
Extraction rate	– crude palm oil	**20.40**	20.90
	– palm kernels	**5.70**	5.40

The fall in the crop arose primarily from two factors. First, a very severe flood occurred on Simpang Kiri Estate at the end of 2006 causing considerable damage to infrastructure and also to some of the immature plantings. The crop was set back as a result of this. Second, the strike by some of the workers on the three estates in the Labuhan Batu area, Pangkatan, Bilah and Sennah, continued throughout the year, although the matter has recently been resolved. Although harvesting continued during the strike, undertaken by contract workers, the normal standards were inevitably not able to be completely maintained and the level of crop suffered. The strike and its cost ramifications are referred to in more detail on page 13 under "Review of agricultural operations".

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 the fertility cycle of the palms. Because of this, monitoring is not carried out on a Group basis but rather takes into account the conditions 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 over 5.5% for palm kernels can be achieved in some parts of Indonesia although in the Labuhan Batu area, where the 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 has been between 20 and 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 have been replanted with modern, high-quality hybrid material.

PALM-OIL MARKET

As can be seen from the graph on page 4, the palm-oil price strengthened from around US$600 per tonne (Rotterdam cif) at the beginning of the year to around US$1,000 at the end. Continuing strong demand from the emerging economies of China, India (where the previously high rate of import tax has also recently been abolished) and Indonesia, as well as the mature markets of Europe and, increasingly, the USA, for the traditional uses of palm oil as a cooking oil and for use in processed food has put upward pressure on the price. The price has been further underpinned by demand for bio-fuels which has benefited from the recent high price of mineral oil. World vegetable-oil stocks are at low levels and competition for land has resulted, for example in the USA, in areas which have in the past been used for soybean cultivation being planted with maize for use in the production of bio-ethanol.

The sharp rise in palm-oil prices has given rise to the fear of potential political problems in Indonesia. Cooking oil is regarded as part of the staple diet of the country and the steep increase in the retail price of cooking oil arising from the increase in vegetable-oil (particularly palm-oil) prices has engendered opposition. Consequently, the Indonesian Government has introduced an export tax at various rates up to 25% on selling prices over US$1,300 per tonne (Rotterdam cif) with a view to subsidising the local cost of cooking oil and protecting local consumers from the full impact of the increases experienced on world markets.

OPERATING COSTS

There was continuing upward pressure on costs partly from the high price of mineral oil, which affects a number of the Group's activities, and partly from the worldwide inflation of virtually all types of commodity.

The strike on the Labuhan Batu estates had a negative impact on operational costs during 2007. Under Indonesian employment regulations, employers are required to continue to pay the minimum wage (plus some benefits) to workers who are under suspension pending a decision from the courts. Accordingly, the Group was required, throughout 2007, not only to pay the minimum wage to the strikers but also to pay the cost of the contract workers, albeit that the cost of the contract workers is not as high as the wage packages paid to fully-employed harvesters. As referred to above under "Crops and production", the strikes have, since the year end, been resolved and the termination payments have been provided for in the 2007 accounts. The additional cost recognised in 2007, including the continuing payment of basic wages, legal and other costs but net of accrued retirement benefits to date, amounted to some US$1.46 million.

At the beginning of 2007, there was a change in legislation in Indonesia with regard to the deductibility of VAT on costs. Whereas, up to that date, all VAT incurred on costs could either be offset against VAT charged on sales or recovered, the new legislation prevented estates without mills (Bilah, Sennah and Simpang Kiri) from recovering this VAT. As a result, some US$290,000 of irrecoverable VAT was not able to be offset or otherwise recovered during 2007. However, with effect from the beginning of 2008, a new tolling arrangement has been put in place which, the Group has been advised, will enable such VAT to be offset or recovered.

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 3 to the accounts on pages 46 and 47.

REVIEW OF AGRICULTURAL OPERATIONS

The large proportion of immature areas referred to in previous years is gradually reducing as the earlier plantings mature. The replanting of the ex-rubber areas on Pangkatan Estate and the eventual replanting of the whole of Sennah Estate should, over the next few years, result in an increase in both f.f.b. crops and the palm-oil extraction rate. Routine replanting will continue on the mature estates as the older areas mature or below-par plantings are identified and replanted earlier than would normally be the case.

The effect of the Labuhan Batu strike on crops and costs has already been set out above on page 12 under "Crops and production" and on this page under "Operating costs". The board was strongly of the view that the Group must stand firm on the course of action that it undertook. The remuneration package offered to employees compares very favourably with comparator companies in the area and in the industry. The strike was called in contravention of the regulations laid down by Indonesian employment legislation and, as a consequence of this, the strikers were suspended. Despite the Group making a goodwill gesture to reinstate the strikers, this was turned down and the Group then sought clearance from the court to dismiss them. In the event, the workers accepted the termination package offered.

New projects

EAST KALIMANTAN

Significant progress has been achieved in the development of the new East Kalimantan project since 24,000 hectares of plantable land were secured some eighteen months ago. Approximately 4,500 hectares have been cleared, of which over 2,500 have been planted. The programme for both planting and clearing is a little behind schedule, substantially for weather-related reasons, but it is hoped that the programme can be accelerated as the year progresses. There are sufficient seedlings in the nursery to plant some 12,000 hectares and it is hoped that the majority of these will have been planted by the end of next year.

As shareholders will recall, in order to fund the new Indonesian oil-palm developments, the Group plans to rely partly on funds arising from the proceeds from the Malaysian land sales and partly on loan finance. Negotiations are in hand with various banks regarding the establishment of suitable loan finance in relation to the project.

The search continues for an additional area of land, of 15,000 to 20,000 hectares, located, ideally, near the Group's East Kalimantan project. Once these have been obtained, the Group will have achieved its stated target of owning 70,000 hectares of oil-palm land, and with a production capacity of some 400,000 tonnes of crude palm oil. As before, the procurement of any new land will be subject to a rigorous, independent social and environmental-impact assessment.

BANGKA

Since the project's inception in 2005, approximately 2,500 hectares have been cleared, of which over 2,000 hectares have been planted. The rate of clearing and planting has been disappointing as the programme has been hampered by protracted negotiations principally relating to smallholder-land compensation issues. It appears as though a significant breakthrough in such negotiations has recently occurred and it is hoped that it will soon therefore be possible to accelerate the programme to a considerable extent.

There are sufficient seedlings in the nursery to plant 5,000 hectares but it is hard to estimate how long it will take to plant these.

The Group has now started to draw down on the US$19.8 million loan provided by DEG (the German development bank) in relation to the project.

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 in place 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.

ASSOCIATED-COMPANY ESTATES

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

		2007 *Tonnes*	2006 *Tonnes*
F.f.b. crops - PT Agro Muko	- own	**293,900**	294,600
	- outgrowers	**5,100**	33,800
- PT Kerasaan Indonesia		**53,300**	56,200
		352,300	384,600
Production (PT Agro Muko)	- crude palm oil	**65,500**	72,500
	- palm kernels	**14,600**	16,400
		%	%
Extraction rate	- crude palm oil	**21.90**	22.10
	- palm kernels	**4.90**	5.00
		Tonnes	*Tonnes*
Rubber crops (PT Agro Muko)	- own	**2,070**	1,852
	- outgrowers	**360**	1,172

PT Agro Muko's f.f.b. crop was similar to that of 2006 and the company continued its policy of not pursuing unprofitable outgrowers' crop in the light of intense competition for fruit in the area. The rubber crop was higher than the previous year but, as with f.f.b., there was keen competition in the area for outgrowers' crops, resulting in a lower offtake in 2007.

The Pangkatan palm-oil mill, commissioned in 2005.

The planting of the company's estates was completed in 2007 with some 17,100 hectares of oil palms and 2,200 of rubber trees in the ground as at the end of the year. The programme of replanting some of the older and poorer-quality areas of both oil palm and rubber continues.

During 2007, PT Agro Muko increased its dividend payments significantly. The Group's 31.53% share amounted to US$5.05 million (gross), compared with US$0.95 million in 2006.

Kerasaan Estate continues to perform as a first-class plantation. The f.f.b. crop, which is sold to the neighbouring Bukit Maradja Estate owned by the SA SIPEF NV group, was, in 2007, some 5% below that for 2006, having reduced more quickly than expected in the second half of the year. The company's policy is to distribute surplus funds by way of dividend. These dividends increased markedly during 2007 and the Group's 38.00% share amounted to US$2.09 million (gross), compared with US$0.19 million in 2006. As referred to in the 2006 annual report, funds were held back with the agreement of all of the shareholders in 2006, so part of the 2007 distributions would, under normal circumstances, have been made in 2006.

SENNAH ESTATE LAWSUIT

As announced on 14 August 2007, DR H. Rahmat Shah's appeal to the Indonesian Supreme Court seeking to overturn the ruling, in the Group's favour, of the Medan High Court was unsuccessful. DR H. Rahmat Shah has been attempting to obtain judicial sanction to cancel the sale-and-purchase agreement signed by both parties in March 2002. Under this agreement, the Group, through its 80% subsidiary, PT Pangkatan Indonesia, acquired 80% of PT Sembada Sennah Maju, the company owning Sennah Estate. Under the Indonesian legal system, there is one further avenue of appeal which is, on the production of new evidence not submitted at any earlier court hearings, to request a judicial review by the Supreme Court. Against expectations, DR H. Rahmat Shah has filed such an application. The Group will, through its Indonesian lawyers, robustly confront any issues raised in the Supreme Court but, given the high volume of unheard cases in this court, it may be some time before this issue is resolved.

RISKS AND EVALUATION AND CONTROL OF RISKS

COUNTRY

The Group relies heavily on political stability in Indonesia, given the substantial investments that have been made, and will continue to be made in greater measure, 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 some three 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 an important consideration for plantation operators. The Group holds its land under 25 or 30-year renewable leases (HGU's) which were renewed, where relevant, without problem in 1998.

PALM-OIL AND KERNEL SELLING PRICES

The Group relies on its ability to sell its palm oil, palm kernels and f.f.b. through 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 palm 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, by selling on a "spot" basis, an average price is therefore achieved although forward contracts are entered into when conditions are deemed appropriate.

As with any commodity, oversupply 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 focused 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 and is 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 high prices have given rise to protests which have led to the Government imposing high temporary export taxes or other restrictions on the sale of palm oil. This is the case at the moment with export tax coming into play at levels ranging from 2.5% when the palm-oil price (Rotterdam cif) is between US$550 to US$650 per tonne to 25% when the price is over US$1,300 per tonne.

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 can have a negative effect on earnings and assets in US-Dollar 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 terms 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 purchased.

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 orang-utan, 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. No effluent reaches external water courses.

The Group is a member of 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 for any new project. The study undertaken for the new land in Kalimantan has been made public on the Group's website. Implicit in these studies is the requirement to abide by, for example, riparian buffer zones and nature-conservation areas.

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 compensation 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 practicable, to anticipate such problems and take pre-emptive steps to avoid difficulties.

UK directors' and auditors' visit to the East Kalimantan project.

NAPCo cattle enjoying the lush pastures on its fattening property, Cungelella, in central Queensland.

Australian beef cattle

Mustering NAPCo cattle. Generally this is done on horseback, but sometimes also by the use of motorbikes or helicopters, with the emphasis on minimal stress for the animals.

A 'jillaroo' at work. 30-40% of the workforce on the NAPCo properties, in line with much of the Australian pastoral industry, now comprises females.

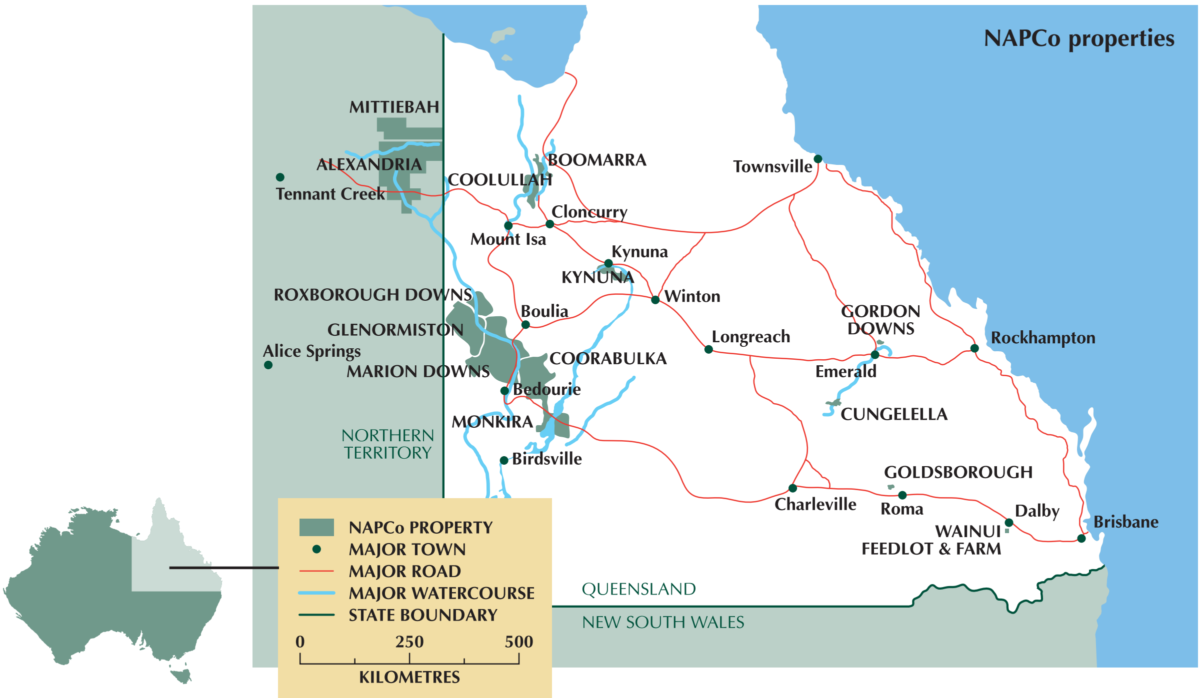
MAJORITY-OWNED OPERATIONS

A gross loss of US$580,000 was recorded on Woodlands, compared with a loss of US$731,000 in 2006. The dry conditions which affected the property in 2006 considerably restricted the number of cattle that could be purchased and fattened during the first half of 2007. However, further to the beneficial rainfall received during 2007, both the existing and new pastures grew well and forage crops were planted. This enabled more cattle to be acquired during the year and will permit the further expansion of the herd in 2008. Unlike 2006, a wheat crop was grown and harvested in 2007. In view of the very sharp rise in the price of many grains, it is planned to continue to deploy some of the farm's arable areas for the production of grain, rather than forage, crops. The major emphasis will nonetheless continue to be on the increase of the property's cattle-carrying capacity. The acquisition of Springmount during the year, which increased the size of the Woodlands aggregation to 31,000 hectares, has enabled further economies of scale to be achieved both in the fattening of cattle and the cultivation of arable crops.

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 grass-fed steers and 1.00 kg per day for forage-crop-fed steers.

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.

With regard to cropping, management monitors and assesses the efficiency of operations by means of key performance indicators which involve yield per hectare and cost per tonne. Yield is particularly susceptible to rainfall over which management has no control.



ASSOCIATED COMPANY – NAPCo
(29.64% OWNED)

During the year, the Group marginally increased its holding in NAPCo to 29.64% from 29.29%. The Group's share of NAPCo's profit after tax rose sharply to US$2,840,000, compared with a loss in 2006 of US$414,000. The improvement was largely attributable to a significant gain in the value of the herd and to the results of the beneficial rainfall enjoyed by the company's principal breeding properties. The increased herd value was, in turn, a product of an increase in the herd size, by 14,000 head, to a record 198,000 head. The average value per head at the end of the year was A$539 (US$473), compared with A$515 (US$406) at the end of 2006.

The company achieved record brandings of 65,500 new calves, an increase of 8,000 on the previous year. This increase reflects the significant investment in fencing and water infrastructure which has been made in recent years across the company's properties. Even more pleasing is that this record was achieved at a time when, because of the continuing drought on the growing-out properties, the breeder properties had to hold back young cattle which were due to be transferred to those growing-out properties. During 2007, a total of 49,500 cattle were sold, compared with 41,900 in 2006. This increase arose partly as a result of better seasonal conditions in 2007 but also because of herd rebuilding in 2006 which restricted sale numbers in that year.

The total value of NAPCo's properties increased by A$56,950,000 (US$49,956,000) to A$299,643,000 (US$262,845,000) during 2007, despite the sale of one property for A$10,000,000 (US$8,333,000). The increase in value reflects both the improvement in infrastructure, referred to above, and the general rise in Australian rural property values. This resulted in a marked increase in NAPCo's net asset value per share to US$15.10 from US$10.47 at the end of 2006.

BEEF MARKET

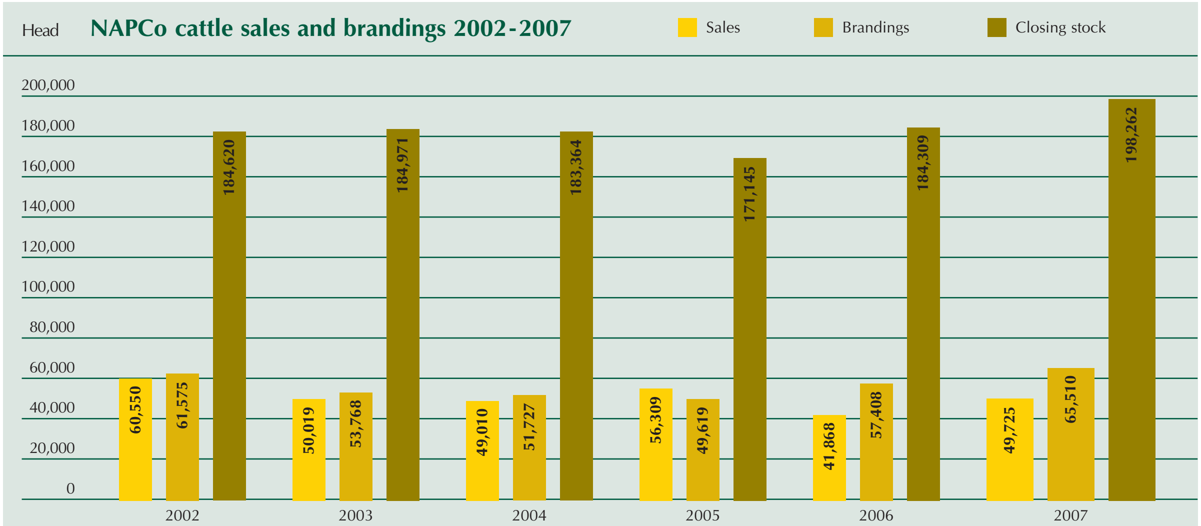
As in recent years, the market in 2007 was predominantly influenced by seasonal conditions, the fluctuations of the Australian Dollar versus the US Dollar and Asian currencies and market-access issues affecting US beef supply. In view of the volatility of both the seasonal conditions and the currency markets, the cattle and beef markets were similarly volatile. The Australian "grain-fed" cattle market, i.e. of the type largely produced by NAPCo, traded on average during the year at historically-high levels and was influenced by the worldwide increase in the demand for, and consequent price of, grain. This, coupled with lower-than-expected domestic grain production resulting from a poor winter crop, led to record-high domestic grain prices in Australia.

Despite the currency fluctuations, Australia continued to enjoy a dominant share of both the Japanese and Korean import markets in 2007, with the US remaining largely locked out as a result of continuing access restrictions; a consequence of the 2003 outbreak of BSE in that country. The domestic beef market, however, continues to be Australia's single largest and most stable source of demand, with consumption up by 3% in 2007. Beef's improved image has been helped by the "Red Meat, Feel Good" nutritional campaign mounted by the industry body, "Meat and Livestock Australia".

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 and grain 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.



Black Angus cattle on Woodlands, feeding on pasture (above) and forage sorghum (below), both of which benefited from excellent rainfall.

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 its principal competitors being 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 that its proximity to its main markets in South East Asia gives the business a competitive advantage over its rivals.

EXCHANGE RATES

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

Part of the Bertam Properties 36-hole golf complex.

Malaysian property disposals and remaining plantation operations

Industrial Training Institute located on the Bertam Properties project.

Bertam Properties two-storey houses, each selling for US$115,000.

LAND DISPOSALS

Further progress was achieved during 2007 in implementing the Group's strategy of selling its portfolio of plantation and property assets. This can be summarised as follows:

Perhentian Tinggi

Agreements were signed in 2006 regarding the sale of two small pieces of the estate, 101 hectares (RM9.97 million (US$2.90 million)) and 81 hectares (RM7.97 million (approximately US$2.50 million)). The 101-hectare sale was completed in 2007 and the 81-hectare sale in 2008. The profits were, or will be, recognised in these respective years. A sale agreement was signed in 2007 in respect of the balance of the land, 745 hectares, at a price of RM66.27 million (approximately US$21.00 million). The sale was completed in 2008 and the profit will be recognised in that year.

Sungei Kruit

A sale agreement was signed in 2007 in respect of this 828-hectare estate at a price of RM72.28 million (approximately US$22.90 million). The sale is expected to be completed, and the profit recognised, during 2008.

Bertam

This 74-hectare piece of land, which was excluded from the sale of Bertam Estate 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 (now approximately US$7.50 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 have been 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

Further significant sales of land were made, and profits recorded, in 2007.

As referred to in the 2006 annual report, 339 hectares were sold to Naza Motor Sdn. Bhd. at a price of RM376,750 per hectare, totalling RM127.79 million (approximately US$36.00 million). Because of the timing of possession and other aspects of the completion arrangements, 50% of the transaction was recognised in 2006 with the remainder in 2007. Accordingly, a profit of RM47.78 million (US$13.89 million) was recorded in 2007.

Also referred to in the 2006 annual report was the sale of 46 hectares to the Malaysian Ministry of Higher Education at a price of RM727,000 per hectare, totalling RM33.17 million (approximately US$9.50 million). Given the nature of the agreement, 35% of the profit was recognised in 2006, 55% in 2007 with the remaining 10% likely to be recognised in 2008. Accordingly, a profit of RM11.06 million (US$3.22 million) was recorded in 2007.

In 2007, 92 hectares were sold to the Malaysian Ministry of Higher Education in respect of Universiti Teknologi Mara at a price of RM704,700 per hectare, totalling RM65.00 million (approximately US$19.40 million). 67% of the profit was recognised in 2007, amounting to RM32.76 million (US$9.52 million). In addition, 20 hectares were compulsorily acquired by the Malaysian Government for the purposes of building a nursing college at a price of RM969,000 per hectare, totalling RM19.60 million (US$5.70 million). All of the profit of RM17.60 million (US$5.12 million) was recognised in 2007.

The total profit from land sales in 2007 amounted to RM110.01 million (US$31.98 million). The Group's share therefore amounted to US$12.79 million. Bertam Properties paid a dividend in 2007 to the extent that it was able to utilise available tax credits.

Shop and office buildings in new Bertam Properties town.

Bertam Properties two-storey shop buildings, each selling for US$93,000.

The Group's share of this dividend amounted to RM11.78 million (gross) (US$3.42 million). The dividend received by the Group in 2006 amounted to RM29.06 million (US$7.92 million). The level of dividend payments by Bertam Properties is constrained by the availability of franking credits.

Straits Beach Properties Sdn. Bhd.

Agreement was reached during 2007 to sell the company (on the basis of its land valued at RM5.90 million). The proceeds of the sale of the Group's 78% shareholding and shareholder-loan repayments amounted to some RM4.60 million (US$1.46 million). The transaction was completed in early 2008 and a modest profit of some RM0.40 million (US$0.13 million) will be recorded in that year.

OPERATIONS

In line with the Group's strategy, all of the Malaysian plantations (except the small Bertam Estate) have been, or are in the process of being, sold. It is the intention to sell the remaining Malaysian investments at the opportune time.

MAJORITY-OWNED ESTATES

F.f.b. crops declined as the various estates were sold. Both Perhentian Tinggi and Sungei Kruit Estates were part of the Group throughout 2007 but, as referred to above under "Land disposals", have been sold, or are in the course of disposal, during 2008. The results of these two estates have accordingly been treated as "Discontinued operations" in the consolidated income statement. The f.f.b. crops were as follows:

	2007 *Tonnes*	2006 *Tonnes*
Continuing operations	**1,600**	1,900
Discontinued operations	**31,000**	56,400
	32,600	58,300

The crops on Perhentian Tinggi and Sungei Kruit Estates (31,000 tonnes) were lower than the previous year (35,300 tonnes) following the flush yields experienced in 2006. The discontinued operations in 2006 included the crops up to the date of disposal of 21,100 tonnes relating to Sungei Reyla, Beradin and Lendu Estates which were sold in 2006.

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 the fertility cycle of the palms and, because of this, monitoring is not carried out on a Group basis but rather takes into account the conditions 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.

Bertam Properties two-storey houses, each selling for US$177,000.

RUBBER MANUFACTURING

Because of adverse weather conditions, throughput at the Thai rubber factory was some 11% lower in 2007 at 1,593 tonnes (2006 - 1,798 tonnes), resulting in a profit of US$99,000 (2006 US$200,000). It is the board's intention to sell the factory and discussions with a prospective buyer are under way.

BERTAM PROPERTIES (40% OWNED)

The majority of Bertam Properties' profits arose from land sales which have been reviewed in detail above under "Land disposals" on page 23. In addition, satisfactory results were achieved from the company's property-development activities. As the company's land is either sold or developed, the oil-palm plantation has reduced in size and, as a result, the f.f.b. crop declined to 8,600 tonnes in 2007 compared with 13,800 tonnes in 2006. However, as with the Group's other plantation activities, Bertam Properties benefited from the robust palm-oil price and reported similar profits in 2007 from this source when compared with 2006.

Two-storey terraced houses on Bertam Properties project, each selling for US$83,000.

KENNEDY, BURKILL & COMPANY BERHAD ("KB") (20.01% OWNED) AND ASIA GREEN ENVIRONMENTAL SDN. BHD. ("AGE") (30.00% OWNED)

The Group has representation on the boards of KB and AGE but, following the relocation of one of the executive directors, David Wilkinson, from Malaysia to Indonesia, the directors have concluded that the Group does not now exercise significant influence. Accordingly, neither KB nor AGE has been treated as an associated company with effect from 1 January 2007. Credit will now therefore be taken by the Group for dividends as they are received. It is the intention to dispose of these two investments and discussions are under way with potential buyers.

RISKS AND EVALUATION AND CONTROL OF RISKS

PALM-OIL AND KERNEL SELLING PRICES

The remaining three Malaysian estates that were in the Group during 2007 were 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.

Large three-storey shop building on Bertam Properties project, selling for US$447,000.

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 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 chiefly in US Dollars but partly in Sterling and Ringgits.

Lake and wildlife reserve area on the Agro Muko project.

Environmental, corporate and social responsibility

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"). The membership covers a wide variety of interests from plantation owners to 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 plantation practices

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

- The Group ensures that any new plantation development is undertaken only in open or lightly-timbered areas which will not be suitable habitats for orang-utans. Full environmental-impact assessments are conducted on new project areas by internationally-recognised, independent environmental consultants. The assessment of the Kalimantan project has been posted on the Group's website, www.mpevans.co.uk
- At the Group's Pangkatan palm-oil mill, liquid effluent is applied to empty bunches to create nutritious compost which, in turn, is applied in the field, reducing the requirement for inorganic fertilisers. No effluent reaches rivers or water courses

Estate workers' houses provided by the company.

Estate kindergarten.

Estate health clinic.

NAPCo dedicates significant areas of several of its properties for nature conservation schemes. This does not, however, interfere with its cattle operations.

NAPCo uses solar energy across many of its properties.

- 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

Visit by local school children to NAPCo's cattle feedlot.

Board of directors

LEFT TO RIGHT

Richard M Robinow
Chairman
Independent non-executive

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 62)

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 58)

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 50)

O David Wilkinson, BSc
Executive

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 (subsequently Golden Hope Berhad and now Sime Darby Berhad) before involvement in the retail and property-development sectors in Malaysia. (Age 49)

Konrad P Legg
Senior independent non-executive

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 64)

J Derek Shaw, FRAgS
Independent non-executive

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 67)

Report of the directors

For the year ended 31 December 2007

PRINCIPAL ACTIVITIES

At 31 December 2007, 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) is included in the chairman's statement on pages 6 and 7 and in the review of operations on pages 8 to 25 and is incorporated in this report by reference.

RESULTS AND DIVIDEND

Details of the profit for the year are given in the consolidated income statement on page 39.

An interim dividend of 2.00p (2006 - 2.00p) per share was paid on 2 November 2007. The board recommends a final dividend of 5.00p (2006 - 4.50p) per share. This dividend will be paid on or after 18 June 2008 to those shareholders on the register at the close of business on 16 May 2008.

SHARE CAPITAL

Details of the authorised and issued share capital of the Company are as follows:

	Shares of 10p each
Authorised capital (from 1 January 2007 to 1 May 2008)	**87,000,000**
Issued (fully-paid and voting) capital at 1 January 2007	**50,961,432**
Share options exercised	
15 January 2007	**6,750**
25 January 2007	**12,887**
15 June 2007	**96,979**
22 June 2007	**587,710**
24 October 2007	**25,000**
Issued (fully-paid and voting) capital at 31 December 2007 and 1 May 2008	**51,690,758**

DIRECTORS AND DIRECTORS' INTERESTS

The present membership of the board, all of whom served through the year, is set out on page 28. Messrs Robinow, Wilkinson & Shaw will retire from the board at the forthcoming annual general meeting in accordance with the articles of association and, being eligible, offer themselves for re-election. None of these directors has 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 2007	Beneficial	Non-beneficial	Options
R M Robinow	**42,086**	—	—
P A Fletcher	**568,453**	**51,361**	**1,108,235**
P E Hadsley-Chaplin	**773,865**	**91,279**	**1,200,000**
O D Wilkinson	—	—	**159,476**
K P Legg	**584,389**	**22,412**	—
J D Shaw	**266,170**	—	—
At 1 January 2007			
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**	—	—

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, a company now in members' voluntary liquidation. 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.

Messrs Fletcher and Hadsley-Chaplin received distributions from the liquidator of M. P. Evans (Malaysia) Sdn. Berhad in respect of their personal shareholdings during the year. Apart from these 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.

Pursuant to the Company's articles of association, there was throughout the year to 31 December 2007, and is at the date of this report, a qualifying indemnity provision as defined in section 236 of the Companies Act 2006 (or qualifying third-party indemnity provision as defined in section 309 of the Companies Act 1985 in respect of the period before 1 October 2007) in force for the benefit of the directors.

SUBSTANTIAL INTERESTS

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

	Shares	*%*
Direct interests		
Alcatel Bell Pensioenfonds VZW	**5,733,497**	**11.09**
JPMorgan Fleming Mercantile Investment Trust Plc	**3,517,103**	**6.80**
M M Hadsley-Chaplin	**2,342,254**	**4.53**
Indirect interest		
Amvescap Plc	**3,186,368**	**6.16**

LAND AND BUILDINGS

In the opinion of the directors the open-market value of the Group's interests in land and buildings (including related biological assets) at the year end was not less than US$170 million compared to US$126 million in 2006 as shown in notes 10, 14 and 15 to the accounts on pages 50, 52 and 53. The Group's liability to taxation if the land and buildings were sold at their estimated value would be approximately US$19 million.

AUTHORITY TO ALLOT SHARES

At the annual general meeting a general authority is being sought, under resolution 7, for the directors to allot shares up to a maximum nominal amount of £1,722,853, 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 8, to empower the directors to allot equity 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 £258,454, representing 5% of the Company's issued share capital. The authorities conferred by resolutions 7 and 8 will lapse on 30 June 2009 or, if earlier, the date of the Company's next 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 until 30 June 2009 or, if earlier, the date of the Company's next annual general meeting. 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 9 set out in the notice of the annual general meeting will accordingly be proposed to authorise the purchase of up to a maximum of 5,169,075 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 2,622,711 shares outstanding under the executive share-option schemes. If all of the options were exercised, the resulting number of shares would represent (a) 4.83% of the enlarged issued share capital at that date; and (b) if the proposed authority to purchase shares was exercised in full 5.34% of the enlarged issued equity share capital at that date (excluding any share capital which may be purchased and held in treasury).

AMENDMENT OF THE ARTICLES OF ASSOCIATION

It is proposed that the Company amends its articles of association to reflect certain provisions of the Companies Act 2006 currently in force. As the proposed changes affect various provisions in the current articles, it is considered more practical to replace the current articles in full, by resolution 10 set out in the notice of the annual general meeting, rather than to seek approval for numerous individual amendments. Details of the changes introduced in the new articles are given in the appendix to the notice of the annual general meeting, which also states where the full text of the new articles may be inspected.

PAYMENTS TO SUPPLIERS

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 2007 amounted to 47 days (2006 - 28 days).

FINANCIAL INSTRUMENTS

Details of the Group's financial instruments, and the board's policy with regard to their use, are given in note 28 to the accounts on page 63.

CHARITABLE AND POLITICAL DONATIONS

The Group made cash donations for charitable purposes in the year of US$18,029 (2006 US$26,656). Of this US$10,945 was donated to Indonesian environmental charities with the balance being donated to UK health and educational charities.

No political donations were made during the year (2006 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 sale of 81 hectares of Perhentian Tinggi Estate, for a total consideration of RM7.79 million (approximately US$2.50 million) was completed in February 2008. The sale of the remaining 745 hectares of the estate, for a total consideration of RM66.27 million (approximately US$21.00 million) was completed in March 2008. The gains arising from both of these disposals will be recorded in the 2008 accounts.

Further details of the above transactions are set out in the review of operations on pages 8 to 25 of this report.

Approved by the board of directors
and signed on its behalf

J F Elliott
Secretary
2 May 2008

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 Group 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.

The board considers Messrs Robinow, Legg and Shaw to be independent, notwithstanding their length of service and Mr Robinow's position as chairman, on account of the nature and extent of their relationships with the Company.

The board reserves to itself a range of key decisions to ensure it retains proper direction and control of the Company, whilst delegating authority to individual directors who are responsible for the day-to-day management of the business. All major and strategic decisions of the Company are made in the United Kingdom. The executive officers and the non-executive directors have discussions on an informal yet frequent basis to discuss progress against budget and other business issues.

2 DIRECTORS' REMUNERATION AND APPOINTMENT

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. The committee met three times during 2007 and each meeting was attended by all of the members.

The Company does not currently have a nominations committee. Owing to the size of the board, it is considered inappropriate to establish such a committee at this time. Any new appointments to the board will be discussed at a full board meeting and each member of the board will be given the opportunity to meet the individual concerned prior to an appointment being made.

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 responsibility 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 annually 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:

- 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;
- political instability and social unrest in Indonesia;
- weather and natural disasters; and
- environmental damage.

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 its associates, comparison of operating performance and monthly management accounts with plans and budgets, application of authorisation limits, internal audit of subsidiary undertakings and frequent communication with local management.

CORPORATE GOVERNANCE continued

c) 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.

5 AUDIT COMMITTEE

The audit committee is formally constituted with written terms of reference and is chaired by Mr K P Legg; the other members are Messrs R M Robinow and J D Shaw. All served throughout the year. The executive directors are not members of the committee but can be invited to attend its meetings. The auditors of the Group may also attend part or all of each meeting and they have direct access to the committee for independent discussions, without the presence of the executive directors. The committee met three times during 2007 and each meeting was attended by all of the members with the exception that Mr Robinow was absent from one meeting.

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.

The Group's auditors did not provide non-audit services during 2006 or 2007.

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 does not attach a performance-related element to the annual remuneration of Messrs Fletcher and Hadsley-Chaplin but rather provides 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 both of 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 total amount of directors' remuneration for the year ended 31 December 2007 was as follows:

	2007 US$	2006 US$
Emoluments	1,225,462	1,032,038
Gains on exercise of share options	3,750,299	535,852
Money-purchase pension contributions	156,790	151,064
	5,132,551	1,718,954

The details of the remuneration of the directors for the year ended 31 December 2007 are set out below:

	Salary and fees 2007 US$	Bonus 2007 US$	Pension costs 2007 US$	Benefits in kind 2007 US$	Total 2007 US$	Total 2006 US$
Executive directors						
P A Fletcher	288,550	—	84,187	37,993	410,730	378,935
P E Hadsley-Chaplin	288,550	—	56,870	30,113	375,533	352,365
O D Wilkinson	266,053	70,408	15,733	91,559	443,753	309,114
	843,153	70,408	156,790	159,665	1,230,016	1,040,414
Non-executive directors						
R M Robinow	54,228	—	—	—	54,228	50,960
K P Legg	43,780	—	—	—	43,780	40,768
J D Shaw	54,228	—	—	—	54,228	50,960
	152,236	—	—	—	152,236	142,688
	995,389	70,408	156,790	159,665	1,382,252	1,183,102

NOTES

1. In addition to the above, the gains in respect of options exercised during the year were as follows:

	2007 US$	2006 US$
P A Fletcher	2,464,000	nil
P E Hadsley-Chaplin	882,328	535,852
O D Wilkinson	403,971	nil

2. Apart from the discretionary bonus paid to Mr Wilkinson referred to above, no performance-related bonuses were awarded to the directors during the year.
3. The pension costs for Messrs Hadsley-Chaplin and Fletcher set out above are the contributions made by the Company to company-sponsored Self-Invested Personal Pensions (SIPPs) as described below. The pension costs for Mr Wilkinson are contributions made by a subsidiary undertaking to the Employees' Provident Fund in Malaysia.
4. No long-term incentives, other than the share options described below, have been awarded to directors.
5. Fees included in respect of Mr K P Legg, and for Mr R M Robinow for the period 1 January to 31 March 2007, 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 2007 options over 2,467,711 (2006 – 3,080,421) shares which were granted to the executive directors between 17 July 2001 and 2 February 2005 remain outstanding. During the year 612,710 (2006 – 165,000) options granted to directors were exercised and none (2006 none) lapsed.

No performance criteria are attached to the options, as approved by the shareholders. No options are held by the non-executive directors. At 31 December 2007 the middle-market quotation for the Company's shares, as derived from the London Stock Exchange Daily Official List, was 394.50p, as compared with the high and low quotations for the year of 399.00p and 292.75p respectively.

The details of the options held over shares of the Company by the executive directors during the year ended 31 December 2007 are set out in the table below:

Number of shares under option	Balance at 1 January 2007	Exercised in the year	Balance at 31 December 2007	Exercise price pence	Market price when exercised pence	Date of grant	Date from which normally first exercisable	Expiry date
P A Fletcher	400,000	400,000	—	75.50	386.00	17 July 2001	17 July 2004	17 July 2011
	200,000	—	200,000	96.50		1 May 2002	1 May 2005	1 May 2012
	200,000	—	200,000	126.50		2 May 2003	2 May 2006	2 May 2013
	358,600	—	358,600	85.05		2 Feb 2005*	2 Feb 2005	17 July 2011
	179,300	—	179,300	101.78		2 Feb 2005*	1 May 2005	1 May 2012
	143,440	—	143,440	138.04		2 Feb 2005*	2 May 2006	2 May 2013
	26,895	—	26,895	158.95		2 Feb 2005*	4 May 2007	4 May 2014
	1,508,235	**400,000**	**1,108,235**					
P E Hadsley-Chaplin	235,000	143,235	91,765	75.50	386.00	17 July 2001	17 July 2004	17 July 2011
	200,000	—	200,000	96.50		1 May 2002	1 May 2005	1 May 2012
	200,000	—	200,000	126.50		2 May 2003	2 May 2006	2 May 2013
	358,600	—	358,600	85.05		2 Feb 2005*	2 Feb 2005	17 July 2011
	179,300	—	179,300	101.78		2 Feb 2005*	1 May 2005	1 May 2012
	143,440	—	143,440	138.04		2 Feb 2005*	2 May 2006	2 May 2013
	26,895	—	26,895	158.95		2 Feb 2005*	4 May 2007	4 May 2014
	1,343,235	**143,235**	**1,200,000**					
O D Wilkinson	25,000	25,000	—	96.50	378.50	1 May 2002	1 May 2005	1 May 2012
	25,000	—	25,000	126.50		2 May 2003	2 May 2006	2 May 2013
	44,475	44,475	—	85.05	386.00	2 Feb 2005*	2 Feb 2005	17 July 2011
	67,238	—	67,238	101.78		2 Feb 2005*	1 May 2005	1 May 2012
	53,790	—	53,790	138.04		2 Feb 2005*	2 May 2006	2 May 2013
	13,448	—	13,448	158.95		2 Feb 2005*	4 May 2007	4 May 2014
	228,951	**69,475**	**159,476**					

* *Transferred from the Bertam Holdings PLC executive share-option scheme in 2005.*

PENSIONS

The Company sponsors Self-Invested Personal Pensions ("SIPPs") for the UK executive directors. Contributions made by the Company to the SIPPs and to a life-assurance company give the executives a pension at retirement, a pension to a spouse payable on death and life-assurance cover based on a multiple of salary. The members contribute a minimum of 5% of their pensionable salary to their SIPPs. 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
2 May 2008

Statement of directors' responsibilities

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

The directors are required to prepare financial statements for the Group in accordance with IFRS as adopted by the European Union ("EU"). Company law requires the directors to prepare such financial statements in accordance with IFRS and the Companies Act 1985 and article 4 of the International Accounting Standard regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- select properly and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS's is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors have elected to prepare the parent-company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent-Company financial statements are required by law to give a true and fair view of the state of affairs of the Company. 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 on the consolidated financial statements

TO THE MEMBERS OF M. P. EVANS GROUP PLC

We have audited the group financial statements of M. P. Evans Group PLC for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash-flow statement, the consolidated statement of recognised income and expense, the reconciliation of movements in shareholders' consolidated funds and the related notes 1 to 32. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent-Company financial statements of M. P. Evans Group PLC for the year ended 31 December 2007.

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 group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the Group 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 Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the Group financial statements. The information given in the directors' report includes that specific information presented in the chairman's statement and the review of operations that is cross referred from the principal activities section of the directors' report.

In addition we report to you if, in our opinion, 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 Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group 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 Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group'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 Group 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 Group financial statements.

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS's as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the Group financial statements.

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

2 May 2008

Consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	RESULT BEFORE BIOLOGICAL BEARER-ASSET ADJUSTMENT US$'000	BIOLOGICAL BEARER-ASSET ADJUSTMENT US$'000	YEAR ENDED 31 DECEMBER 2007 US$'000	RESULT BEFORE BIOLOGICAL BEARER-ASSET ADJUSTMENT US$'000	BIOLOGICAL BEARER-ASSET ADJUSTMENT US$'000	YEAR ENDED 31 DECEMBER 2006 US$'000
Continuing operations							
Revenue	3	**23,597**	**—**	**23,597**	20,425	—	20,425
Cost of sales		**(12,965)**	**(8,550)**	**(21,515)**	(14,080)	(5,264)	(19,344)
Gross profit	3	**10,632**	**(8,550)**	**2,082**	6,345	(5,264)	1,081
Gain on biological assets	14	**—**	**18,747**	**18,747**	—	3,410	3,410
Foreign-exchange (losses)/gains		**(1,434)**	**—**	**(1,434)**	6,363	—	6,363
Other administrative expenses		**(5,152)**	**—**	**(5,152)**	(4,324)	—	(4,324)
Group operating profit		**4,046**	**10,197**	**14,243**	8,384	(1,854)	6,530
Exceptional credit	5	**3,641**	**—**	**3,641**	1,558	—	1,558
Profit on ordinary activities before interest		**7,687**	**10,197**	**17,884**	9,942	(1,854)	8,088
Investment revenue	6	**1,306**	**—**	**1,306**	887	—	887
Finance costs	7	**(1,763)**	**—**	**(1,763)**	(764)	—	(764)
Group-controlled profit before taxation	8	**7,230**	**10,197**	**17,427**	10,065	(1,854)	8,211
Tax charge on profit on ordinary activities	9	**(3,928)**	**(3,185)**	**(7,113)**	(1,442)	713	(729)
Group-controlled profit after taxation		**3,302**	**7,012**	**10,314**	8,623	(1,141)	7,482
Share of associated companies' profit after tax	3,16	**23,525**	**7,087**	**30,612**	11,039	(1,086)	9,953
Profit after tax and before discontinued operations		**26,827**	**14,099**	**40,926**	19,662	(2,227)	17,435
Discontinued operations	3,10	**5,317**	**387**	**5,704**	16,883	(8,216)	8,667
Profit for the year		**32,144**	**14,486**	**46,630**	36,545	(10,443)	26,102
Attributable to:							
Equity holders of M. P. Evans Group PLC		**30,328**	**11,936**	**42,264**	35,546	(10,245)	25,301
Minority interests		**1,816**	**2,550**	**4,366**	999	(198)	801
		32,144	**14,486**	**46,630**	36,545	(10,443)	26,102

	Note	US Cents 2007	US Cents 2006
Basic earnings per 10p share	12		
Continuing operations		**71.21**	32.71
Discontinued operations		**11.11**	17.04
Continuing and discontinued operations		**82.32**	49.75
Diluted earnings per 10p share	12		
Continuing operations		**68.83**	31.42
Discontinued operations		**10.74**	16.38
Continuing and discontinued operations		**79.57**	47.80

Consolidated statement of recognised income and expense

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 US$'000	2006 US$'000
Unrealised share of movements in associated undertakings' reserves	**(1,780)**	4,000
Previously unrealised profit on sale of land to associated undertaking released through the income statement on sale of land by associate	**(3,855)**	(2,514)
Exchange differences on foreign-currency net investments	**8,637**	(1,358)
Net income recognised directly in equity	**3,002**	128
Profit for the year	**46,630**	26,102
Total recognised income and expense for the year	**49,632**	26,230
Attributable to:		
Equity holders of M. P. Evans Group PLC	**45,266**	25,429
Minority interest	**4,366**	801
	49,632	26,230

Reconciliation of movements in shareholders' consolidated funds

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 US$'000	2006 US$'000
Profit attributable to members of the Company	**42,264**	25,301
Dividends paid (note 11)	**(6,655)**	(5,846)
	35,609	19,455
Issue of shares	**1,095**	279
Share-based payments	**11**	69
Sale of own shares by subsidiary	**—**	2,715
Other recognised gains and losses relating to the year	**3,002**	128
Net addition to shareholders' funds	**39,717**	22,646
Opening shareholders' funds	**183,695**	161,049
Closing shareholders' funds	**223,412**	183,695

Consolidated balance sheet

AT 31 DECEMBER 2007

	Note	BEFORE BIOLOGICAL BEARER-ASSET ADJUSTMENT US$'000	BIOLOGICAL BEARER-ASSET ADJUSTMENT US$'000	31 DECEMBER 2007 US$'000	BEFORE BIOLOGICAL BEARER-ASSET ADJUSTMENT US$'000	BIOLOGICAL BEARER-ASSET ADJUSTMENT US$'000	31 DECEMBER 2006 US$'000
Non-current assets							
Goodwill	13	**1,008**	**—**	**1,008**	902	—	902
Biological assets	14	**—**	**54,553**	**54,553**	—	43,017	43,017
Property, plant and equipment	15	**70,086**	**(17,443)**	**52,643**	64,527	(9,312)	55,215
Investments	16	**90,363**	**19,782**	**110,145**	70,347	14,050	84,397
Deferred tax asset	22	**1,010**	**—**	**1,010**	332	—	332
		162,467	**56,892**	**219,359**	136,108	47,755	183,863
Current assets							
Assets held for sale	10	**15,922**	**7,694**	**23,616**	—	—	—
Biological assets	17	**2,893**	**—**	**2,893**	868	—	868
Inventories	18	**9,522**	**—**	**9,522**	3,233	—	3,233
Trade and other receivables	19	**5,256**	**—**	**5,256**	7,693	—	7,693
Current tax asset		**1,130**	**—**	**1,130**	745	—	745
Cash and cash equivalents	19	**31,765**	**—**	**31,765**	33,114	—	33,114
		66,488	**7,694**	**74,182**	45,653	—	45,653
Total assets	3	**228,955**	**64,586**	**293,541**	181,761	47,755	229,516
Current liabilities							
Liabilities related to assets held for sale	10	**—**	**2,308**	**2,308**	—	—	—
Bank loans and overdrafts	21	**24,391**	**—**	**24,391**	15,605	—	15,605
Trade and other payables	20	**13,339**	**—**	**13,339**	6,888	—	6,888
Current tax liability		**1,724**	**—**	**1,724**	334	—	334
		39,454	**2,308**	**41,762**	22,827	—	22,827
Net current assets		**27,034**	**5,386**	**32,420**	22,826	—	22,826
Non-current liabilities							
Borrowings	21	**2,003**	**—**	**2,003**	—	—	—
Deferred tax liability	22	**1,909**	**11,133**	**13,042**	2,730	10,113	12,843
Long-term provisions	23	**1,375**	**—**	**1,375**	1,542	—	1,542
		5,287	**11,133**	**16,420**	4,272	10,113	14,385
Total liabilities		**44,741**	**13,441**	**58,182**	27,099	10,113	37,212
Net assets		**184,214**	**51,145**	**235,359**	154,662	37,642	192,304
Equity							
Share capital	24	**8,728**	**—**	**8,728**	8,582	—	8,582
Other reserves	25	**78,276**	**19,782**	**98,058**	51,615	15,130	66,745
Retained earnings	25	**91,903**	**24,723**	**116,626**	89,947	18,421	108,368
Equity attributable to members of M. P. Evans Group PLC		**178,907**	**44,505**	**223,412**	150,144	33,551	183,695
Minority interest	26	**5,307**	**6,640**	**11,947**	4,518	4,091	8,609
Total equity		**184,214**	**51,145**	**235,359**	154,662	37,642	192,304

These financial statements were approved by the board of directors on 2 May 2008 and signed on its behalf

Philip Fletcher
Peter Hadsley-Chaplin
Directors

Consolidated cash-flow statement

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	YEAR ENDED 31 DECEMBER 2007 US$'000	YEAR ENDED 31 DECEMBER 2006 US$'000
Net cash outflow from operating activities	27	**(4,850)**	(9,234)
Investing activities			
Interest received		**1,244**	632
Dividends from associated undertakings		**11,396**	7,638
Dividends from trading investments		**206**	144
Proceeds on disposal of property, plant and equipment		**4,091**	31,544
Purchase of property, plant and equipment		**(14,955)**	(13,781)
Re-organisation expenses		**—**	(50)
Investment in subsidiary undertaking		**(106)**	—
Investment in associated undertaking		**(1,414)**	(1,651)
Disposal of subsidiary		**—**	3,771
Net cash from investing activities		**462**	28,247
Financing activities			
Dividends paid		**(6,655)**	(5,845)
Repayment of borrowings		**(1,004)**	(997)
Proceeds on issue of shares		**1,095**	279
New bank loans raised		**10,130**	10,687
Dividend paid to minorities		**(498)**	(10)
Net cash from financing activities		**3,068**	4,114
Net (decrease)/increase in cash and cash equivalents		**(1,320)**	23,127
Cash and cash equivalents at beginning of the year		**33,114**	9,972
Effect of foreign exchange rates		**(29)**	15
Cash and cash equivalents at end of the year		**31,765**	33,114

NOTE 1 GENERAL INFORMATION

M.P. Evans Group PLC is incorporated in the United Kingdom under Companies Act 1985. The address of its registered office is given on page 81. The nature of the Group's operations and its principal activities is set out in note 3 and in the review of operations on pages 8 to 25.

The functional currency of M.P. Evans Group PLC, determined under IAS 21, is the US Dollar. Likewise, the functional currency of subsidiaries operating in the palm-oil sector is the US Dollar. The functional currency of Group companies operating in the beef-cattle and property-development sectors is the local currency.

At the date of authorisation of these financial statements the following new and revised standards and interpretations, which were in issue but not yet effective, have not been applied in these financial statements:

IAS 1 (revised)	Presentation of financial statements
IAS 23 (revised)	Borrowing costs
IAS 27 (revised)	Consolidated and separate financial statements
IFRS 3 (revised)	Business combinations
IFRS 8	Operating segments
IFRIC 12	Service concession arrangements
IFRIC 13	Customer loyalty programmes
IFRIC 14	IAS 19 The limit on a defined benefit asset, minimum funding requirements, and their interaction

The directors do not anticipate that adoption of these standards and interpretations in future periods will have a material impact on the financial statements.

NOTE 2 ACCOUNTING POLICIES

The Group has adopted IFRS from 1 January 2006 ('the date of transition'). The effect of the transition from UK GAAP as previously reported by the Group to IFRS as at 1 January 2006 and 31 December 2006, and for the financial year ended 31 December 2006, is included in note 32.

(a) **Accounting convention**

These financial statements have been prepared under the historical-cost convention, except for the valuation of biological assets and available-for-sale investments, and in accordance with International Financial Reporting Standards ("IFRS's") adopted by the European Union. The Group financial statements therefore comply with article 4 of the EU IAS Regulation.

(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.

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

(c) **Revenue**

Revenue 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) **Operating profit and exceptional items**

The Group separately identifies gains and losses arising from asset disposals outside the ordinary course of business and restructuring costs as exceptional items, falling outside operating profit.

NOTE 2 ACCOUNTING POLICIES CONTINUED

(f) **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, with provision being made for any impairment. Negative goodwill, where the fair value of the assets acquired exceeds the fair value of the consideration given, is written to the income statement during the period in which it arises.

Goodwill arising on acquisitions before the IFRS transition date has been retained at the amount determined under UK-GAAP and is subjected to impairment testing. Negative goodwill on the acquisition of shares in the Group's Australian associated undertaking was eliminated on transition to IFRS.

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

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. Property, plant and equipment, 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.

The Group follows transitional arrangements made available under IFRS1 "First-time Adoption of International Financial Reporting Standards". The fair value of Indonesian leases (hak guna usaha) held by the Group on 1 January 2006 are taken to be their deemed cost.

(h) **Investments**

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 income statement includes the Group's share of the profit or loss on ordinary activities after taxation based on audited financial statements for the year ended 31 December 2007. 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.

(i) **Inventories**

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

(j) **Taxation**

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

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

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

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

(k) **Biological assets**

Biological gain or loss is measured in accordance with IAS 41 on two groups of bearer assets (oil-palm and rubber plantations), and two consumer biological assets (beef cattle and grain crops). The Group's only interest in rubber is through its associate company, PT Agro Muko. Bearer-assets, the Group's plantations, are non-current assets. Consumer biological assets are classified as current assets since the Group generally sells or consumes these assets within one year of the balance-sheet date.

(i) **Plantation**

The Group has valued its biological assets on the basis of the discounted net present value of the cash flows arising in producing fresh fruit bunches from oil palms, or latex from rubber trees. It values its biological assets on the basis of discounted cash flows covering the assets expected 25-year economic life. Areas are included in the valuation once they are planted. The valuation assumes that the concessions granted to exploit the land in which the biological assets are planted will be renewed when they expire. No account is taken in the valuation of future re-planting. The Group estimates the future sales value of its crop production using a long-term (20-year) average price. Costs associated with the planting and upkeep of the Group's estates are considered to be revenue in nature and appear as part of cost of sales.

NOTE 2 ACCOUNTING POLICIES CONTINUED

(ii) **Beef cattle**

Cattle are recorded as assets at the year end at fair value less selling costs, taking into account the location of the cattle. The herd comprises breeding and non-breeding cattle. The breeding cattle comprise females and bulls. The non-breeding cattle comprise steers and heifers mainly between the age of 9 and 36 months that will be grown and sold on as either grain-fed or grass-fed cattle. Bulls are included in the balance sheet at a directors' valuation. All other cattle are valued at average weight multiplied by market price per kilogram.

(iii) **Crops**

The Group recognises revenue on grain crops at fair value at the point of harvest. The cost of forage crops is released to the income statement over the period during which they are consumed.

(iv) **Deferred tax**

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

(l) **Perpetual leasehold land**

The Group has taken advantage of the exemption under IFRS 1 to bring its Indonesian plantation leasehold land onto its 1 January 2006 IFRS balance sheet at fair value and to treat this valuation as its deemed cost. The Group does not depreciate Indonesian plantation land held under renewable long-term leases.

(m) **Non-current assets held for sale**

The Group treats assets as held for sale once they are covered by an unconditional sale and purchase agreement with a completion date within 12 months of the balance-sheet date.

(n) **Pension**

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

(o) **Share-based payments**

The Group issues equity-settled share-based payments to certain employees. Such share-based payments are measured at fair value (excluding the effect of any non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of the Black-Scholes model, based on management's best estimates.

(p) **Financial instruments**

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS – the Group's investments in unlisted shares (other than associated undertakings) are classified as available-for-sale and stated at fair value, with gains and losses recognised directly in equity.

TRADE AND OTHER RECEIVABLES – these represent amounts due from customers in the normal course of business, are not interest bearing, and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, which are charged to the income statement.

CASH AND CASH EQUIVALENTS – these include cash at hand and deposits held with banks with original maturities of three months or less.

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

TRADE AND OTHER PAYABLES – these are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest-rate method.

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

(q) **Critical accounting judgements**

The assumptions underlying the valuation of biological assets have a material influence on the results and net assets of the Group. These are set out in note 14. In addition, as described above in note 2(g), the directors have concluded that leasehold land in Indonesia should not be depreciated.

NOTE 3 BUSINESS AND GEOGRAPHICAL SEGMENTS

2007

PRIMARY SEGMENT:		PLANTATION		CATTLE	PROPERTY	MANUFACTURING	OTHER	TOTAL
SECONDARY SEGMENT:	INDONESIA	MALAYSIA	TOTAL	AUSTRALIA	MALAYSIA	THAILAND		
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total revenue	**19,417**	**4,989**	**24,406**	**1,284**	**—**	**2,332**	**45**	**28,067**
Total gross profit/(loss)	**2,577**	**2,929**	**5,506**	**(580)**	**—**	**99**	**45**	**5,070**
Continuing operations								
Revenue	**19,417**	**519**	**19,936**	**1,284**	**—**	**2,332**	**45**	**23,597**
Gross profit before biological bearer-asset adjustment	**11,127**	**(59)**	**11,068**	**(580)**	**—**	**99**	**45**	**10,632**
Adjustment	**(8,550)**	**—**	**(8,550)**	**—**	**—**	**—**	**—**	**(8,550)**
Gross profit/(loss)	**2,577**	**(59)**	**2,518**	**(580)**	**—**	**99**	**45**	**2,082**
Gain on biological assets								**18,747**
Foreign-exchange losses								**(1,434)**
Other administrative expenses								**(5,152)**
Group operating profit								**14,243**
Exceptional credit								**3,641**
Profit before interest								**17,884**
Net interest and financial income								**(457)**
Group-controlled profit before tax								**17,427**
Taxation								**(7,113)**
Group-controlled profit after tax								**10,314**
Share of associated companies' profit after tax	**14,900**	**—**	**14,900**	**2,840**	**12,872**	**—**		**30,612**
Discontinued operations:								
Revenue	**—**	**4,470**	**4,470**	**—**	**—**	**—**		**4,470**
Gross profit	**—**	**2,988**	**2,988**	**—**	**—**	**—**		**2,988**
Other income and expenses								**2,716**
								5,704
Profit for the year								**46,630**
Minority interests								**(4,366)**
								42,264
Assets	**96,915**	**34,702**	**131,617**	**33,300**	**1,542**	**2,816**		**169,275**
Interests in associates	**31,406**	**—**	**31,406**	**46,202**	**29,436**	**—**		**107,044**
	128,321	**34,702**	**163,023**	**79,502**	**30,978**	**2,816**		**276,319**
Unallocated assets								**17,222**
Consolidated total assets								**293,541**
Liabilities	**20,196**	**8,032**	**28,228**	**22,199**	**323**	**135**		**50,885**
Unallocated liabilities								**7,297**
Consolidated total liabilities								**58,182**
Other information								
Capital additions	**5,118**	**7**	**5,125**	**9,808**	**19**	**3**		**14,955**
Depreciation and amortisation	**1,607**	**114**	**1,721**	**249**	**71**	**41**		**2,082**

NOTE 3 BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

2006

PRIMARY SEGMENT:		PLANTATION		CATTLE	PROPERTY	MANUFACTURING	OTHER	TOTAL
SECONDARY SEGMENT:	INDONESIA	MALAYSIA	TOTAL	AUSTRALIA	MALAYSIA	THAILAND		
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total revenue	**14,127**	**4,751**	**18,878**	**1,840**	**—**	**4,053**	**38**	**24,809**
Total gross profit/(loss)	**1,619**	**2,277**	**3,896**	**(731)**	**—**	**200**	**38**	**3,403**
Continuing operations								
Revenue	**14,127**	**367**	**14,494**	**1,840**	**—**	**4,053**	**38**	**20,425**
Gross profit before biological bearer-asset adjustment	**6,883**	**(45)**	**6,838**	**(731)**	**—**	**200**	**38**	**6,345**
Adjustment	**(5,264)**	**—**	**(5,264)**	**—**	**—**	**—**	**—**	**(5,264)**
Gross profit/(loss)	**1,619**	**(45)**	**1,574**	**(731)**	**—**	**200**	**38**	**1,081**
Gain on biological assets								**3,410**
Exchange gains								**6,363**
Other administrative expenses								**(4,324)**
Group operating profit								**6,530**
Exceptional credit								**1,558**
Profit before interest								**8,088**
Net interest and financial income								**123**
Group-controlled profit before tax								**8,211**
Taxation								**(729)**
Group-controlled profit after tax								**7,482**
Share of associated companies' profit/(loss) after tax	**2,347**	**65**	**2,412**	**(414)**	**7,955**	**—**	**—**	**9,953**
Discontinued operations:								
Revenue	**—**	**4,470**	**4,470**	**—**	**—**	**—**		**4,470**
Gross profit	**—**	**2,322**	**2,322**	**—**	**—**	**—**		**2,322**
Other income and expenses								**6,345**
								8,667
Profit for the year								**26,102**
Minority interests								**(801)**
								25,301
Assets	**50,978**	**28,900**	**79,878**	**18,877**	**1,445**	**1,223**		**101,423**
Interests in associates	**24,484**	**3,025**	**27,509**	**38,716**	**18,017**	**—**		**84,242**
	75,462	**31,925**	**107,387**	**57,593**	**19,462**	**1,223**		**185,665**
Unallocated assets								**43,851**
Consolidated total assets								**229,516**
Liabilities	**12,074**	**4,500**	**16,574**	**12,116**	**303**	**139**		**29,132**
Unallocated liabilities								**8,080**
Consolidated total liabilities								**37,212**
Other information								
Capital additions	**1,089**	**2**	**1,091**	**12,042**	**86**	**16**		**13,235**
Depreciation and amortisation	**1,080**	**121**	**1,201**	**108**	**37**	**56**		**1,402**

NOTE 4 EMPLOYEES

	2007 US$'000	2006 US$'000
Employee costs during year		
Wages and salaries	**5,174**	4,646
Social security costs	**217**	213
Past-service liabilities	**233**	388
Other pension costs	**499**	611
	6,123	5,858

	2007 Number	2006 Number
Average number of persons employed		
Estate manual	**1,677**	1,425
Staff	**150**	183
United Kingdom directors	**6**	6
	1,833	1,614

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 page 35 and form part of these audited financial statements.

NOTE 5 EXCEPTIONAL CREDIT

	2007 US$'000	2006 US$'000
Group profit/(loss) on sale of tangible fixed assets	**33**	(911)
Sale of fixed-asset investments	**—**	5
Previously unrealised profit on sale of land to associated undertaking released to the income statement on sale of that land to third party	**3,855**	2,514
Restructuring	**(247)**	(50)
Total net exceptional credit	**3,641**	1,558

There was no material impact on the tax charge resulting from the exceptional credit in either year.

NOTE 6 INVESTMENT REVENUE

Interest receivable on bank deposits	**1,100**	548
Dividends from equity investment	**206**	339
	1,306	887

NOTE 7 FINANCE COSTS

	2007 US$'000	2006 US$'000
Interest payable on bank loans and overdrafts	**1,763**	764

NOTE 8 GROUP-CONTROLLED PROFIT BEFORE TAXATION

	2007	2006
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of property, plant and equipment	**2,082**	1,402
Auditors' remuneration - audit fee	**518**	381

The analysis of auditors' remuneration is as follows:

	2007	2006
Fees payable to the Company's auditors and their associates for other services to the Group:		
Audit of UK parent company	**20**	18
Audit of UK subsidiaries	**204**	236
IFRS transitional cost	**90**	—
Audit of overseas subsidiaries	**204**	127
	518	381

NOTE 9 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2007	2006
United Kingdom corporation tax charge for the year	**4,868**	755
Relief for overseas taxation	**(4,868)**	(755)
	—	—
Overseas taxation	**5,187**	2,111
Adjustments in respect of prior periods	**(20)**	(4)
Total current tax	**5,167**	2,107
Deferred taxation - origination and reversal of timing differences	**1,946**	(1,378)
	7,113	729

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax, is 30% (2006 - 30%). This was also the standard rate of Indonesian tax for the current and previous years. The actual tax charge is higher (2006 lower) than the standard rate for the reasons set out in the following reconciliation.

NOTE 9 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES CONTINUED

	2007 US$'000	2006 US$'000
Profit on ordinary activities before tax	**17,427**	8,211
Tax on profit on ordinary activities at standard rate	**5,228**	2,463
Factors affecting the charge for the year		
Expenses not deductible for tax purposes	**203**	158
Unrelieved losses	**1,825**	1,032
Utilisation of losses brought forward	**(41)**	(453)
Exchange differences	**616**	(850)
Differences on overseas dividends	**565**	127
Lower rate applicable to disposals of tangible fixed assets	**(1,157)**	(1,694)
Other differences	**(126)**	(54)
Total actual amount of tax	**7,113**	729

In addition to the above, the Group incurred tax charges on discontinued operations as set out in note 10.

NOTE 10 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

The sale of land, planting and buildings on Perhentian Tinggi and Sungei Kruit Estates was agreed during 2007. At the balance-sheet date these sales were expected to complete during 2008 and so they have been treated as discontinued operations, with those assets covered by the sales contracts treated as assets held for sale. (See also note 30.)

		2007		2006
	US$'000	US$'000	US$'000	US$'000
Revenue		**4,470**		4,384
Other income and expenses		**280**		(1,290)
Profit before tax		**4,750**		3,094
Attributable tax expense		**(969)**		(558)
		3,781		2,536
Gain on asset disposals by discontinued operations	**2,062**		7,523	
Attributable tax expense	**(139)**		(1,392)	
		1,923		6,131
		5,704		8,667

The effect of discontinued operations on segment results is shown in note 3. The following assets on the two estates in question were classified as held for sale at the balance-sheet date:

	2007	2006
Freehold land	**1,542**	—
Leasehold land, non depreciable	**14,205**	—
Biological assets	**7,694**	—
Buildings	**115**	—
Plant, equipment, vehicles	**60**	—
	23,616	—
Deferred tax liability	**(2,308)**	—
	21,308	—

During the year discontinued operations contributed US$1.9 million to the Group's net operating cash flows, received US$4.9 million in respect of investing activities and made no payment in respect of financing activities.

NOTE 11 DIVIDENDS PAID AND PROPOSED

	2007 US$'000	2006 US$'000
2007 interim dividend - 2.00p per 10p share (2006 interim dividend - 2.00p)	**2,067**	1,982
2006 final dividend - 4.50p per 10p share (2005 final dividend - 4.25p)	**4,588**	3,864
	6,655	5,846

Following the year end the board has proposed a final dividend for 2007 of 5.00p per 10p share. If confirmed at the annual general meeting, it will be paid on or after 18 June 2008 to those shareholders on the register at the close of business on 16 May 2008.

NOTE 12 BASIC AND DILUTED EARNINGS PER SHARE

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

	2007 US$'000	2007 NUMBER OF SHARES	2006 US$'000	2006 NUMBER OF SHARES
Profit for the year				
Continuing operations	**36,560**		16,634	
Discontinued operations	**5,704**		8,667	
Continuing and disontinued operations	**42,264**		25,301	
Average number of shares in issue		**51,341,761**		50,852,202
Diluted average number of shares in issue*		**53,118,232**		52,925,754

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

NOTE 13 GOODWILL

	2007 US$'000	2006 US$'000
At 1 January	**902**	502
Additions	**106**	400
At 31 December	**1,008**	902

The directors have tested goodwill for impairment, concluding that the carrying amounts are recoverable. The goodwill has arisen in respect of the Group's new projects in Indonesia on Bangka Island and in Kalimantan. Given the size of the goodwill balance, the directors do not consider it necessary to provide detailed disclosures regarding the impairment review.

NOTE 14 BIOLOGICAL ASSETS

The Group values its plantation assets using a discounted cash flow over the expected 25-year economic life of the asset. The discount rate used in this valuation is 14%. The price of the crop (fresh fruit bunches) is taken to be a 20-year average based on actual selling prices or, where the plantation has its own mill, an inference based on the widely-quoted commodity price for crude palm oil delivered c.i.f. Rotterdam. The directors have concluded that using a 20-year average provides their best estimate of the prices to be achieved over the valuation period.

The long-term average price and exchange rates used in determining the valuations based on cash flows were as follows:

	31 DECEMBER 2007	31 DECEMBER 2006
Price of crude palm oil (US$/t, cif Rotterdam)	**455**	433
Exchange rate (Rupiah per US dollar)	**9,419**	8,994

For palm oil, changes in the price assumption have a more than proportionate impact on the valuation of oil palm plantings.

	2007 PLANTATION *US$'000*	2006 PLANTATION *US$'000*
Non-current assets		
Gain in fair value – initial recognition	**6,088**	5,512
Gain/(loss) in fair value – current period	**13,212**	(2,697)
Total gain in fair value*	**19,300**	2,815
Decreases due to disposal and reclassification	**(7,764)**	(10,974)
Change in carrying value of biological assets	**11,536**	(8,159)
Brought forward 1 January	**43,017**	51,176
Carried forward 31 December	**54,553**	43,017

* Included in the total gain in fair value US$18,747,000 (2006 US$3,410,000) relates to continuing operations.

	MATURE	IMMATURE	TOTAL	MATURE	IMMATURE	TOTAL
Oil palm						
Planted area (hectares)						
Subsidiary undertakings	**7,544**	**37,710**	**45,254**	9,571	3,769	13,340
Associated companies (Group share)	**6,098**	**887**	**6,985**	6,023	854	6,877
	13,642	**38,597**	**52,239**	15,594	4,623	20,217
Production (tonnes) (f.f.b.)			**162,559**			190,208
Fair value of production (US$'000)			**11,783**			13,124

The only restrictions over biological assets are described in note 2(k) (i). The Group's financial risk management strategy for agricultural activity is described in the review of operations on pages 8 to 25.

Within the Group income statement and balance sheet additional, non-statutory, columns have been inserted to show the impact of the recognition of the valuation of biological bearer assets. The biological bearer-asset adjustment column shows the impact of recording the valuation of the Group's biological bearer assets, as well as its share of the equivalent asset recognised by associates and the related deferred taxation.

In the balance sheet the adjustment column shows that the recognition of the biological asset valuation replaces the planting costs of US$17,443,000 (2006 US$9,312,000) which were previously included in the carrying value of property, plant and equipment. These costs are now replaced by the biological bearer-asset adjustment which, including the Group's share of the asset recognised by associates together with the related deferred tax, amounts to US$68,588,000 (2006 US$46,954,000).

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND US$'000	LEASEHOLD LAND NON-DEPRECIABLE US$'000	PLANTING LEASEHOLD LAND DEPRECIABLE US$'000	BUILDINGS US$'000	PLANT, EQUIPMENT AND VEHICLES US$'000	CONSTRUCTION IN PROGRESS US$'000	TOTAL US$'000
Cost or valuation							
At 1 January 2007	**16,965**	**20,845**	**—**	**14,248**	**5,704**	**4,510**	**62,272**
Transfers from work in progress	**—**	**2,757**	**—**	**—**	**—**	**(2,757)**	**—**
Additions	**7,668**	**2,876**	**—**	**1,638**	**2,773**	**—**	**14,955**
Exchange differences	**1,798**	**356**	**—**	**381**	**314**	**—**	**2,849**
Reclassified as held for sale (see Note 10)	**(1,542)**	**(14,205)**	**—**	**(590)**	**(537)**	**—**	**(16,874)**
Disposals	**—**	**(827)**	**—**	**—**	**(39)**	**(1,658)**	**(2,524)**
At 31 December 2007	**24,889**	**11,802**	**—**	**15,677**	**8,215**	**95**	**60,678**
Accumulated depreciation							
At 1 January 2007	**—**	**—**	**—**	**3,546**	**3,511**	**—**	**7,057**
Charge for the year	**—**	**—**	**—**	**1,240**	**842**	**—**	**2,082**
Exchange differences	**—**	**—**	**—**	**54**	**73**	**—**	**127**
Reclassified as held for sale (see Note 10)	**—**	**—**	**—**	**(475)**	**(477)**	**—**	**(952)**
Disposals	**—**	**—**	**—**	**(264)**	**(15)**	**—**	**(279)**
At 31 December 2007	**—**	**—**	**—**	**4,101**	**3,934**	**—**	**8,035**
Net book value							
At 31 December 2007	**24,889**	**11,802**	**—**	**11,576**	**4,281**	**95**	**52,643**
At 1 January 2006	5,706	32,058	379	13,087	5,368	4,006	60,604
Additions	10,835	—	—	879	1,017	504	13,235
Exchange differences	424	222	—	1,263	532	—	2,441
Disposals	—	(11,435)	(379)	(981)	(1,213)	—	(14,008)
At 31 December 2006	16,965	20,845	—	14,248	5,704	4,510	62,272
Accumulated depreciation							
At 1 January 2006	—	—	158	3,065	3,705	—	6,928
Charge for the year	—	—	—	903	499	—	1,402
Exchange differences	—	—	—	242	340	—	582
Disposals	—	—	(158)	(664)	(1,033)	—	(1,855)
At 31 December 2006	—	—	—	3,546	3,511	—	7,057
Net book value							
At 31 December 2006	16,965	20,845	—	10,702	2,193	4,510	55,215

NOTE 16 NON-CURRENT INVESTMENTS

	2007 US$'000	2006 US$'000
Investments in associated undertakings	**107,044**	84,242
Other investments	**3,101**	155
	110,145	84,397

Details of the principal subsidiary and associated undertakings are given on page 75.

(a) Associated undertakings

	SHARE OF NET ASSETS UNLISTED US$'000
Share of net assets	
At 1 January 2007	**84,062**
Exchange differences	**7,126**
Purchases	**999**
Transfer to other investments[1]	**(2,936)**
Share of reserves	**(2,038)**
Profit for the year	**30,612**
Net dividends received from associated undertakings	**(11,396)**
At 31 December 2007	**106,429**
Positive goodwill	
At 1 January 2007	**180**
Additions	**435**
At 31 December 2007	**615**
Net book value	
At 31 December 2007	**107,044**
At 31 December 2006	84,242

	2007 US$'000	2006 US$'000
At valuation		
Unlisted (directors' valuation)	**140,000**	113,000

NOTE 16 NON-CURRENT INVESTMENTS CONTINUED

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

	PT AGRO MUKO *US$'000*	PT KERASAAN INDONESIA *US$'000*	THE NORTH AUSTRALIAN PASTORAL COMPANY PTY LIMITED *US$'000*	BERTAM PROPERTIES SDN. BHD. *US$'000*	KENNEDY, BURKILL & CO BHD. *US$'000*	ASIA GREEN ENVIRONMENTAL SDN. BHD *US$'000*	TOTAL *US$'000*
2007							
Revenue	**15,465**	**2,961**	**11,953**	**17,753**	**—**	**—**	**48,132**
Profit after tax	**12,456**	**2,444**	**2,840**	**12,872**	**—**	**—**	**30,612**
Assets	**29,656**	**5,562**	**80,520**	**37,035**	**—**	**—**	**152,773**
Liabilities	**(3,240)**	**(572)**	**(34,318)**	**(7,599)**	**—**	**—**	**(45,729)**
Net assets	**26,416**	**4,990**	**46,202**	**29,436**	**—**	**—**	**107,044**
2006							
Revenue	10,722	1,820	10,785	9,452	272	806	33,857
Profit/(loss) after tax	1,529	818	(414)	7,955	203	(138)	9,953
Assets	25,563	6,143	57,964	26,353	2,673	1,123	119,819
Liabilities	(5,703)	(1,697)	(19,071)	(8,336)	(25)	(745)	(35,577)
Net assets	19,860	4,446	38,893	18,017	2,648	378	84,242

(b) Other investments (unlisted)

	2007 *US$'000*	2006 *US$'000*
At 1 January	**155**	148
Exchange differences	**10**	13
Disposals	**—**	(6)
Transfer from associated undertakings[1]	**2,936**	—
At 31 December[2]	**3,101**	155

[1] As referred to in the review of operations on page 25, the Group ceased to recognise Kennedy, Burkill & Company Berhad and Asia Green Environmental Sdn. Berhad as associated companies with effect from 1 January 2007.

[2] The directors have reviewed the fair values of the Group's available for sale investments and concluded that there has been no increase in valuation during the year.

NOTE 17 CURRENT BIOLOGICAL ASSETS

	2007			2006		
	LIVESTOCK *US$'000*	CROPS *US$'000*	TOTAL *US$'000*	LIVESTOCK *US$'000*	CROPS *US$'000*	TOTAL *US$'000*
Gain in fair value; initial recognition	—	1,057	1,057	—	—	—
Increase due to purchases	1,636	—	1,636	1,013	—	1,013
Decreases due to disposal and reclassification	(767)	—	(767)	(1,551)	—	(1,551)
Net exchange differences	99	—	99	93	—	93
Change in carrying value of biological assets	968	1,057	2,025	(445)	—	(445)
At 1 January	868	—	868	1,313	—	1,313
At 31 December	1,836	1,057	2,893	868	—	868

	2007	2006
Livestock		
Head sold (number)		
Subsidiary undertakings	1,266	2,659
Cattle revenue (US$'000)		
Subsidiary undertakings	988	1,370
Grain crops		
Crops harvested (tonnes)		
Subsidiary undertakings	935	—
Crop revenue (US$'000)		
Subsidiary undertakings	296	—

NOTE 18 INVENTORIES

	2007 *US$'000*	2006 *US$'000*
Processed produce for sale	3,118	964
Estate stores	1,768	561
Nurseries	4,636	1,708
	9,522	3,233

NOTE 19 TRADE AND OTHER RECEIVABLES, AND CASH AND CASH EQUIVALENTS

	2007 US$'000	2006 US$'000
Amount falling due within one year		
Trade receivables	**1,416**	809
Amounts owed by associated undertakings	**3**	12
Other receivables	**3,284**	3,912
Prepayments and accrued income	**553**	2,960
	5,256	7,693
Cash and cash equivalents	**31,765**	33,114

Trade and other receivables are shown net of any allowance for bad and doubtful debts.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates their fair value.

NOTE 20 TRADE AND OTHER PAYABLES

	2007	2006
Trade payables	**4,050**	1,187
Amounts owed to associated undertakings	**163**	138
Other payables	**9,126**	5,563
	13,339	6,888

NOTE 21 BORROWINGS

	2007	2006
Secured borrowing		
Bank overdrafts	**24,391**	14,602
Bank loans	**2,003**	1,003
	26,394	15,605
Total borrowings		
Amount due for settlement within 12 months	**24,391**	15,605
Amount due for settlement after 12 months	**2,003**	—

The secured borrowings on bank overdraft are treasury bills which are payable within one year but can be rolled over within the limits of the facility.

NOTE 21 BORROWINGS CONTINUED

Analysis of borrowings by currency:

	AUSTRALIAN DOLLARS *A$'000*	US DOLLARS *US$'000*	TOTAL *US$'000*
31 December 2007			
Bank overdrafts	**24,391**	**—**	**24,391**
Bank loans	**—**	**2,003**	**2,003**
	24,391	**2,003**	**26,394**
31 December 2006			
Bank overdrafts	14,602	—	14,602
Bank loans	—	1,003	1,003
	14,602	1,003	15,605

The other principal features of the Group's borrowings are as follows:

(i) Bank overdrafts are repayable on demand. Overdrafts of US$24 million (2006 US$13 million) have been secured by a charge over certain Group assets.

(ii) The Group has one outstanding bank loan:

(a) Deutsche Investitions- und Entwicklungsgesellschaft ("DEG"), secured on the assets of the subsidiary developing the Group's project on Bangka Island

	2007 *US$'000*	2006 *US$'000*
In five years	**2,003**	—

(b) A bank loan was taken out in Indonesia by the 80% subsidiary, PT Pangkatan Indonesia, to finance the development of a new mill which is now operational. The loan was secured against the assets of the aforementioned subsidiary and of PT Bilah Plantindo, and is now fully repaid.

Within one year	**—**	1,003

Undrawn borrowing facilities
At 31 December 2007, the Group had available US$17.8 million (2006 US$19.8 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met in addition to an undrawn overdraft facility of A$500,000 (2006 A$500,000).

The weighed average interest rates paid during the year were as follows:

	2007 %	2006 %
Bank overdrafts	**9.60**	9.10
Bank loans	**6.70**	6.90

NOTE 22 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period:

	ACCELERATED TAX DEPRECIATION *US$'000*	REVALUATION OF LAND *US$'000*	BIOLOGICAL ASSETS *US$'000*	PAST-SERVICE LIABILITIES *US$'000*	OTHER TIMING DIFFERENCES *US$'000*	TOTAL *US$'000*
At 1 January 2007	**300**	**3,220**	**10,113**	**(464)**	**(658)**	**12,511**
Charge/(credit) to income	**226**	**—**	**3,328**	**20**	**(1,628)**	**1,946**
Exchange differences	**(44)**	**—**	**—**	**29**	**(102)**	**(117)**
Transfer relating to assets held for sale	**—**	**—**	**(2,308)**	**—**	**—**	**(2,308)**
At 31 December 2007	**482**	**3,220**	**11,133**	**(415)**	**(2,388)**	**12,032**

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

	2007 ***US$'000***	2006 *US$'000*
Deferred tax liabilities	**13,042**	12,843
Deferred tax assets	**(1,010)**	(332)
	12,032	12,511

At the balance-sheet date, the Group had unused tax losses of US$20,455,000 (2006 US$14,535,000) available for offset against future profits. A deferred tax asset has been recognised in respect of US$8,371,000 (2006 US$3,040,000) of such losses. No deferred tax asset has been recognised in respect of the remaining US$12,084,000 (2006 US$11,495,000) due to the unpredictability of future profit streams. These losses may be carried forward indefinitely.

At the balance-sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was US$126,250,000 (2006 US$113,325,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of associates for which deferred tax liabilities have not been recognised was US$39,019,000 (2006 US$29,486,000). No liability has been recognised in respect of these differences because either the Group is in a position to control the timing of the reversal of the temporary differences or such a reversal would not give rise to an additional tax liability.

At the balance sheet date, the aggregate amount of temporary differences associated with outstanding executive share options for which deferred tax assets have not been recognised was US$14,669,000 (2006 US$13,036,000). No asset has been recognised in respect of these differences due to the unpredictability of future profit streams.

NOTE 23 LONG-TERM PROVISIONS

The Group's only long-term provision relates to an unfunded, non-contributory, post-employment benefit scheme in Indonesia. A lump sum is paid to employees on retirement or on leaving the Group's employment. This terminal benefit is accrued by the Group and charged in the income statement on the basis of individuals' service at the balance-sheet date. Retirement is assumed at the earlier age of 55 or 30 years' service. No allowance is made for mortality or internal promotion.

The main assumptions used to assess the Group's liability are:

	2007	2006
	%	*%*
Discount rate	**10.00**	10.00
Salary increase per annum	**7.5**	7.5

	US$'000	*US$'000*
Reconciliation of scheme liabilities:		
Current service cost	**156**	99
Interest cost	**162**	178
Actuarial gains and losses	**(40)**	136
Less: Benefits paid out	**(380)**	(228)
Movement in the year	**(102)**	185
At 1 January	**1,542**	1,237
Exchange differences	**(65)**	120
At 31 December	**1,375**	1,542

NOTE 24 CALLED-UP SHARE CAPITAL

	AUTHORISED *NUMBER*	ALLOTTED, FULLY PAID AND VOTING *NUMBER*	AUTHORISED *£'000*	ALLOTTED, FULLY PAID AND VOTING *US$'000*
Shares of 10p each				
At 1 January 2007	**87,000,000**	**50,961,432**	**8,700**	**8,582**
Issued during the year	**—**	**729,326**	**—**	**146**
At 31 December 2007	**87,000,000**	**51,690,758**	**8,700**	**8,728**
At 1 January 2006	**87,000,000**	**50,776,153**	**8,700**	**8,548**
Issued during the year	**—**	**185,279**	**—**	**34**
At 31 December 2006	**87,000,000**	**50,961,432**	**8,700**	**8,582**

During the year, 729,326 (2006 – 185,279) 10p shares were issued as a result of the exercise of share options. Total cash proceeds received by the Company were US$1,095,000 (2006 US$279,000).

Under the Company's share-option scheme, directors and employees held options at 31 December 2007 as follows:

	NUMBER OF SHARES	OPTION PRICE PER SHARE *PENCE*	OPTIONS PERIOD ENDING
Granted:			
17 July 2001	121,765	75.50	17 July 2011
1 May 2002	400,000	96.50	1 May 2012
2 May 2003	475,000	126.50	2 May 2013
2 February 2005	717,200	85.05	17 July 2011
2 February 2005	425,838	101.78	1 May 2012
2 February 2005	340,670	138.04	2 May 2013
2 February 2005	67,238	158.95	4 May 2014
16 November 2007	75,000	385.00	16 Nov 2017
At 31 December 2007	**2,622,711**		

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 25 RESERVES

	SHARE PREMIUM ACCOUNT US$'000	REVALUATION RESERVE US$'000	CAPITAL REDEMPTION RESERVE US$'000	MERGER RESERVE US$'000	OTHER RESERVES US$'000	SHARE OF ASSOCIATES' RESERVES US$'000	FOREIGN EXCHANGE RESERVE US$'000	TOTAL US$'000	RETAINED EARNINGS US$'000
At 1 January 2007	17,403	16,184	3,896	(7,620)	492	36,616	(226)	**66,745**	**108,368**
Exchange differences	—	1,002	—	—	—	6,255	86	**7,343**	**1,294**
Issue of shares	949	—	—	—	—	—	—	**949**	**—**
Share-based payments	—	—	—	—	(9)	—	—	**(9)**	**20**
Disposal of subsidiaries	—	7,092	—	8,676	—	—	—	**15,768**	**(15,768)**
Released to income statement	—	(7,304)	—	—	—	—	—	**(7,304)**	**3,449**
Unrealised share of movements in associated undertakings' reserves	—	—	—	—	—	(1,780)	—	**(1,780)**	**—**
Dividends from associated undertakings	—	—	—	—	—	(11,396)	—	**(11,396)**	**11,396**
Transfer to other investments	—	—	—	—	—	(923)	—	**(923)**	**923**
Write-off of negative goodwill	—	—	—	—	—	(1,947)	—	**(1,947)**	**1,947**
Profit for the year	—	—	—	—	—	30,612	—	**30,612**	**11,652**
Dividend paid (see note 11)	—	—	—	—	—	—	—	**—**	**(6,655)**
At 31 December 2007	18,352	16,974	3,896	1,056	483	57,437	(140)	**98,058**	**116,626**
At 1 January 2006	17,158	32,145	3,896	(7,646)	423	31,705	—	**77,681**	**74,819**
Exchange differences	—	(229)	—	—	—	(907)	(226)	**(1,362)**	**5**
Issue of shares	245	—	—	—	—	—	—	**245**	**—**
Share-based payments	—	—	—	—	69	—	—	**69**	**—**
Disposal of subsidiaries	—	235	—	26	—	—	—	**261**	**(261)**
Released to income statement	—	(15,967)	—	—	—	—	—	**(15,967)**	**13,453**
Unrealised share of movements in associated undertakings' reserves	—	—	—	—	—	4,000	—	**4,000**	**—**
Dividends from associated undertakings	—	—	—	—	—	(8,135)	—	**(8,135)**	**8,135**
Sale of own shares by subsidiary*	—	—	—	—	—	—	—	**—**	**2,715**
Profit for the year	—	—	—	—	—	9,953	—	**9,953**	**15,348**
Dividend paid (see note 11)	—	—	—	—	—	—	—	**—**	**(5,846)**
At 31 December 2006	17,403	16,184	3,896	(7,620)	492	36,616	(226)	**66,745**	**108,368**

* During 2006 a subsidiary sold its investment in the shares of M. P. Evans Group PLC. The Group's share of the gain arising was US$2,715,000.

NOTE 26 MINORITY INTEREST

	NOTE	2007 US$'000	2006 US$'000
Opening balanace 1 January		**8,609**	7,430
Share of profit in the year		**4,366**	801
Dividends paid		**(498)**	(10)
Sale of subsidiary		**(794)**	—
Acquisition of subsidiary		**264**	388
Closing balance 31 December		**11,947**	8,609

NOTE 27 NOTE TO THE CONSOLIDATED CASH-FLOW STATEMENT

	NOTE	2007 US$'000	2006 US$'000
Operating profit – continuing operations		**14,243**	6,530
– discontinued operations		**4,406**	3,010
Biological gain	*14,17*	**(21,325)**	(2,970)
Depreciation of property, plant and equipment	*15*	**2,082**	1,402
Past service liabilities	*23*	**(102)**	185
Share-based payments		**11**	69
Operating cash flows before movements in working capital		**(485)**	8,226
Increase in inventories		**(6,187)**	(4,280)
Decrease/(increase) in receivables		**2,492**	(5,266)
Increase in payables		**6,413**	(1,739)
Cash generated from operating activities		**2,233**	(3,059)
Income tax paid		**(5,320)**	(5,411)
Interest paid		**(1,763)**	(764)
Net cash from operating activities		**(4,850)**	(9,234)

NOTE 28 FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 21, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements.

The Group's board continues to monitor the capital structure based on the funding requirements of the Group. At the balance-sheet date the Group had net funds of US$5,371,000 (2006 US$17,509,000) being the net of cash and cash equivalents as shown in note 19 and borrowing as shown in note 21, and equity attributable to equity holders of the parent of US$223,412,000 (2006 US$183,695,000). The Board intends to fund the planned Indonesian expansion by a combination of the disposal of its remaining Malaysian interests and by securing additional borrowings.

Categories of financial instruments

All of the Group's financial assets are classified as loans and receivables, with the exception of its other investments shown in note 16 which are classified as available-for-sale financial assets. All of the Group's financial liabilities are measured at amortised cost.

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

NOTE 28 FINANCIAL INSTRUMENTS CONTINUED

Financial risk management objectives

The main risks arising from the Group's financial instruments are foreign-currency risk, interest-rate risk, credit risk and liquidity 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.

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 currency profile of the Group's monetary assets, excluding trade and other receivables, are as follows:

	2007 US$'000	2006 US$'000
US Dollar	**19,609**	17,174
Sterling	**2,637**	6,459
Indonesian Rupiah	**720**	931
Malaysian Ringgit	**7,671**	8,215
Australian Dollar	**858**	140
Thai Baht	**270**	195
	31,765	33,114

The currency profile of the Group's monetary liabilities, excluding trade and other payables, is shown in note 21.

The Group is exposed to changes in foreign-currency exchange rates, both in relation to the impact of movements on its non-US Dollar monetary assets and also in relation to the consolidation of its non-US Dollar functional subsidiary and associated undertakings. The most significant sensitivities arise within movements in the Australian Dollar and Malaysian Ringgit. Management estimate that a 10% strengthening of the US Dollar against these currencies would have the following impact on the profit and net assets:

Australian Dollar		
Profit for the year	**(53)**	158
Net assets	**(4,701)**	(4,129)
Malaysian Ringgit		
Profit for the year	**(1,297)**	(1,235)
Net assets	**(7,187)**	(5,744)

Interest-rate risk

In order to optimise the income received on its cash deposits the Group continuously reviews the terms of these deposits to take advantage of the best market rates. UK funds are passed 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 and other payables are the borrowings referred to in note 21. 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 Group's net position means it is not materially exposed to changes in interest rates on its floating-rate financial assets and liabilities.

Credit risk

The Group's credit risk on cash deposits is described above. Regarding trade receivables, the Group performs a credit evaluation before extending credit to customers. The Group does not have any significant concentrations of credit risk (defined by management as more than 5% of gross monetary assets), other than in relation to bank deposits which management seeks to mitigate through the use of banks with high credit ratings. Management determines concentrations based on individual counterparties.

The Group's maximum exposure to credit risk is represented by the carrying amount of financial assets in the financial statements.

NOTE 28 FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and banking facilities through active monitoring of the Group's forecast and actual cash flows. The Group has undrawn borrowing facilities as described in note 21.

All of the Group's monetary financial assets and liabilities have a maturity profile of less than one year with the exception of the Group's bank loans. Certain of the Group's short-term borrowings are made under longer-term facility agreements. The maturity profile for those financial liabilities is shown in note 21.

NOTE 29 RELATED-PARTY TRANSACTIONS

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out in the report of the board to the shareholders on directors' remuneration on pages 34 to 36. 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:

	2007 US$'000	2006 US$'000
Sale of livestock to The North Australian Pastoral Company Pty Limited	—	565

NOTE 30 SIGNIFICANT POST-BALANCE-SHEET EVENTS

Sale of properties

The Group completed the sale of its shares in Straits Beach Properties Sdn. Bhd. on 8 February 2008 which, together with a repayment of a loan provided by the Group, gave rise to a receipt of Ringgit 4.6 million (approximately US$1.46 million). On 25 January and 27 March 2008 the sales were completed of the remaining 826 hectares of Perhentian Tinggi Estate for a combined sum of Ringgit 74.24 million.

NOTE 31 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. The appeal was successful and, at the same time, Pg appealed to the Medan High Court to have the District Court's decision overturned. This appeal was successful.

DR H Rahmat Shah appealed to the Supreme Court to have the Medan High Court decision overturned. As announced on 14 August 2007, this appeal was unsuccessful. Against expectations, DR Shah has filed an application to the Supreme Court for a judicial review. Given the volume of cases before the Supreme Court, it may be some time before this review will be carried out.

NOTE 32 TRANSITION FROM UK-GAAP TO IFRS

The reconciliations between previously-reported results prepared under UK-GAAP and as re-stated under IFRS follow on pages 66 to 69. The results and financial position as previously reported have been reclassified to follow an IFRS presentation.

Consolidated income statement

31 DECEMBER 2006

	NOTE	31 DECEMBER 2006 AS PREVIOUSLY REPORTED £'000	31 DECEMBER 2006 AS TRANSLATED US$'000	CHANGE DUE TO IFRS US$'000	31 DECEMBER 2006 UNDER IFRS US$'000
Continuing operations	*(b)*				
Revenue		11,100	**20,425**	**—**	**20,425**
Cost of sales	*(c,i)*	(7,617)	**(14,016)**	**(5,328)**	**(19,344)**
Gross profit		3,483	**6,409**	**(5,328)**	**1,081**
Gain on biological assets	*(c)*	—	**—**	**3,410**	**3,410**
Foreign-exchange (losses)/gains	*(b)*	(1,435)	**(2,640)**	**9,003**	**6,363**
Other administrative expenses	*(g)*	(1,364)	**(2,510)**	**(1,814)**	**(4,324)**
Group operating profit		684	**1,259**	**5,271**	**6,530**
Exceptional credit/(charge)	*(d)*	1,660	**2,859**	**(1,301)**	**1,558**
Profit on ordinary activities before interest and tax		2,344	**4,118**	**3,970**	**8,088**
Investment revenue		376	**887**	**—**	**887**
Interest payable		(415)	**(764)**	**—**	**(764)**
Group-controlled profit before tax		2,305	**4,241**	**3,970**	**8,211**
Tax charge on profit on ordinary activities	*(e,f)*	(2,183)	**(4,017)**	**3,288**	**(729)**
Group-controlled profit after tax		122	**224**	**7,258**	**7,482**
Share of associated companies' profit after tax	*(e)*	8,129	**14,958**	**(5,005)**	**9,953**
Profit after tax and before discontinued operations					**17,435**
Discontinued operations	*(b,d)*	8,365	**15,392**	**(6,725)**	**8,667**
Profit for the year		16,616	**30,574**	**(4,472)**	**26,102**
Attributable to:					
Equity holders of M.P. Evans Group PLC		16,086	**29,599**	**(4,298)**	**25,301**
Minority interests		530	**975**	**(174)**	**801**
		16,616	**30,574**	**(4,472)**	**26,102**
Basic earnings per 10p share					
Continuing operations	*(b)*	—			**32.71c**
Continuing and discontinued operations		31.63p			**49.75c**
Diluted earnings per 10p share					
Continuing operations	*(b)*	—			**31.42c**
Continuing and discontinued operations		30.39p			**47.80c**

Consolidated balance sheet

31 DECEMBER 2006

	NOTE	31 DECEMBER 2006 AS PREVIOUSLY REPORTED £'000	31 DECEMBER 2006 AS TRANSLATED US$'000	CHANGE DUE TO IFRS US$'000	31 DECEMBER 2006 UNDER IFRS US$'000
Non-current assets					
Intangible assets – goodwill	*(g)*	(327)	**(641)**	**1,543**	**902**
Biological assets	*(c)*	—	**—**	**43,017**	**43,017**
Property, plant and equipment	*(c,h)*	39,629	**77,673**	**(22,458)**	**55,215**
Investments	*(c,g)*	33,964	**66,570**	**17,827**	**84,397**
Deferred tax asset		396	**776**	**(444)**	**332**
		73,662	**144,378**	**39,485**	**183,863**
Current assets					
Biological assets		—	**—**	**868**	**868**
Inventories		2,092	**4,101**	**(868)**	**3,233**
Trade and other receivables		3,954	**7,693**	**—**	**7,693**
Current tax asset		380	**745**	**—**	**745**
Investments		5,871	**11,507**	**(11,507)**	**—**
Cash and cash equivalents		11,024	**21,607**	**11,507**	**33,114**
		23,321	**45,653**	**—**	**45,653**
Total assets		96,983	**190,031**	**39,485**	**229,516**
Current liabilities					
Bank loans and overdrafts		7,962	**15,605**	**—**	**15,605**
Trade and other payables		3,514	**6,888**	**—**	**6,888**
Current tax liability		170	**334**		**334**
		11,646	**22,827**	**—**	**22,827**
Non-current liabilities	*(f,i)*				
Deferred tax liability		—	**—**	**12,843**	**12,843**
Long-term provisions		788	**1,542**	**—**	**1,542**
		788	**1,542**	**12,843**	**14,385**
Total liabilities		12,434	**24,369**	**12,843**	**37,212**
Net assets		84,549	**165,662**	**26,642**	**192,304**
Equity	*(a)*				
Called-up share capital		5,096	**9,988**	**(1,406)**	**8,582**
Share premium account		10,447	**20,477**	**(3,074)**	**17,403**
Revaluation reserve		12,067	**23,652**	**(7,468)**	**16,184**
Capital redemption reserve		2,139	**4,191**	**(295)**	**3,896**
Merger reserve		(4,037)	**(7,914)**	**294**	**(7,620)**
Other reserve		269	**527**	**(35)**	**492**
Share of associated companies' reserves	*(c)*	6,623	**12,981**	**23,635**	**36,616**
Foreign exchange reserve		—	**—**	**(226)**	**(226)**
Profit and loss account	*(b)*	47,727	**93,546**	**14,822**	**108,368**
Equity attributable to members of M. P. Evans Group PLC		80,331	**157,448**	**26,247**	**183,695**
Minority interest		4,218	**8,214**	**395**	**8,609**
Total equity		84,549	**165,662**	**26,642**	**192,304**

Consolidated balance sheet

1 JANUARY 2006

	NOTE	31 DECEMBER 2005 AS PREVIOUSLY REPORTED £'000	31 DECEMBER 2005 AS TRANSLATED US$'000	CHANGE DUE TO IFRS US$'000	1 JANUARY 2006 UNDER IFRS US$'000
Non-current assets					
Intangible assets - goodwill	(g)	(597)	(1,027)	1,529	502
Biological assets	(c)	—	—	51,176	51,176
Property, plant and equipment	(c,h)	40,500	69,672	(15,993)	53,679
Investments	(c,g)	31,789	54,684	21,412	76,096
Deferred tax asset		—	—	88	88
		71,692	123,329	58,212	181,541
Current assets					
Inventories		1,622	2,790	—	2,790
Trade and other receivables		2,721	4,681	—	4,681
Current tax asset		795	1,368	—	1,368
Investments		2,790	4,800	(4,800)	—
Cash and cash equivalents		3,006	5,172	4,800	9,972
		10,934	18,811	—	18,811
Total assets		82,626	142,140	58,212	200,352
Current liabilities					
Bank loans and overdrafts		2,755	4,739	—	4,739
Trade and other payables		4,097	7,050	—	7,050
Current tax liability		170	292	—	292
		7,022	12,081	—	12,081
Non-current liabilities					
Bank loans and overdrafts		536	923	—	923
Deferred tax liabilities		58	100	17,528	17,628
Long-term provisions	(f,i)	721	1,241	—	1,241
		1,315	2,264	17,528	19,792
Total liabilities		8,337	14,345	17,528	31,873
Net assets		74,289	127,795	40,684	168,479
Equity					
Called-up share capital		5,078	8,735	(187)	8,548
Share premium account		10,317	17,748	(590)	17,158
Revaluation reserve		20,372	35,045	(2,900)	32,145
Capital redemption reserve		2,139	3,679	219	3,898
Merger reserve		(4,099)	(7,052)	(594)	(7,646)
Other reserve		231	397	25	422
Share of associated companies' reserves	(c)	5,093	8,761	22,944	31,705
Profit and loss account		31,839	54,772	20,047	74,819
Equity attributable to members of M. P. Evans Group PLC		70,970	122,085	38,964	161,049
Minority interest		3,319	5,710	1,720	7,430
Total equity		74,289	127,795	40,684	168,479

NOTE 32 TRANSITION FROM UK-GAAP TO IFRS CONTINUED

(a) **Functional currency**

In recognising the US Dollar as the functional currency for a number of Group companies, the individual companies had to reconstruct their fixed-asset registers bringing assets into their books using the exchange rate ruling at the date the asset was acquired. This affects subsequent depreciation charged to the income statement, and hence the net book values included in the balance sheet.

Similarly, the US Dollar values of share capital and reserves have had to be restated in US Dollar terms using the exchange rates ruling at the date of the relevant transactions.

(b) **Discontinued operations**

Discontinued operations are reported retrospectively for the comparative period. Two subsidiaries became classified as discontinued during 2007. Hence the scope of discontinued operations reported in this note for 2006 differs from that originally reported for that year in the Group's 2006 annual report.

(c) **Biological gain/loss**

Increased palm-oil commodity prices and the planting of new land, as described in the review of operations, have led to an increase in the valuation of oil palms. The biological asset at the point of IFRS transition was US$51 million. The reduction in the total biological asset in the balance sheet at 31 December 2006 results from the sale, in line with the Group's strategy, of three Malaysian oil-palm estates during the course of that year.

The Group's share of biological asset valuations and changes is reflected in its share of associated companies' profits and the carrying amount in respect of its associated undertakings. At the point of IFRS transition this amounted to US$9.3 million.

(d) **Exceptional profits**

The profit made on disposal of the Group's three Malaysian oil-palm estates sold during 2006, classified under discontinued operations, has been reduced by US$7.7 million. Under IFRS the carrying value, set against sale proceeds to establish profit on disposal, includes biological assets valued under IAS 41.

(e) **Share of associated companies' profits**

The Group's share of associated companies' profits now appears after tax. It was previously shown before tax with an amount included in the in the Group tax charge to reflect its share of the tax borne by associated companies.

(f) **Deferred tax**

Deferred tax is charged at 30% on the difference between biological assets at depreciated historical cost and the carrying value in the balance sheet determined under IAS 41.

(g) **Surplus of fair value of identifiable assets, liabilities and provisions over cost of acquisition**

When the Group acquired its investment in NAPCo, there was a surplus in the fair value of the assets acquired over acquisition cost. Under IFRS this is immediately recognised in profit and loss rather than being amortised over 20 years. At the IFRS transition date this adjustment amounted to US$12.3 million.

(h) **Valuation of leasehold land**

Under IFRS 1, long-term leasehold land has been brought into the opening IFRS balance sheet at a valuation that is its deemed cost. The valuation is lower than the carrying amount under UK-GAAP, that reflected a value for the planting found on the land as well as historical exchange differences. At the IFRS transition date this adjustment amounted to US$11.6 million.

(i) **Post-retirement employee benefits**

The Group's Indonesian workforce is entitled to a terminal payment when a worker retires or leaves the Group. This post-employment benefit has been provided for under IAS 19.

(j) **Changes to reported IFRS transition information**

Further work following the publication of the Group's IFRS transition information in its 2007 interim report has led to some revisions. The differences, which do not affect reported profit, are:

- Minority interest: the minority share of the adjustments relating the translation of some Malaysian assets was understated. As a result, the minority's share of net assets in the figures reported here is reduced. This adjustment does not affect net assets.
- Classification of tax assets and liabilities: certain deferred tax assets had been netted off against deferred tax liabilities. These amounts are shown gross in the figures reported here under deferred tax assets and deferred tax liabilities respectively. This adjustment does not affect net assets.
- Deferred tax: deferred tax was not provided against an historical revaluation carried out in an Australian subsidiary. This affects both the transition balance sheet and the balance sheet at 31 December 2006. The effect is to reduce net assets by US$3.2 million.

Independent auditors' report on the parent-Company financial statements

TO THE MEMBERS OF M. P. EVANS GROUP PLC, THE PARENT COMPANY

We have audited the parent-Company financial statements of M. P. Evans Group PLC for the year ended 31 December 2007 which comprise the Company balance sheet and the related notes (i) to (ix). These parent-Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of M. P. Evans Group PLC for the year ended 31 December 2007.

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 parent-Company financial statements 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 parent-Company 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 parent-Company financial statements give a true and fair view and whether the parent-Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the directors' report is consistent with the parent-Company financial statements. The information given in the directors' report includes that specific information presented in the chairman's statement and the review of operations that is cross referred from the principal activities section of the directors' report.

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 parent-Company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent-Company 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 parent-Company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent-Company financial statements, and of whether the accounting policies are appropriate to the 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 parent-Company 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 parent-Company financial statements.

OPINION

In our opinion:

- the parent-Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and its profit for the year then ended;
- the parent-Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the parent-Company financial statements.

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

2 May 2008

Parent-Company balance sheet

AT 31 DECEMBER 2007

	Note	US$'000	2007 US$'000	US$'000	2006 US$'000
Fixed assets					
Tangible fixed assets	*(iii)*	**938**		1,012	
Investments	*(iv)*	**43,118**		60,813	
			44,056		61,825
Current assets					
Debtors	*(v)*	**56,549**		38,698	
Cash at bank and in hand		**7,418**		15,862	
			63,967		54,560
Total assets			**108,023**		116,385
Creditors - amounts falling due within one year	*(vi)*		**(67,147)**		(77,866)
Net current liabilities			**(3,180)**		(23,306)
Net assets			**40,876**		38,519
Capital and reserves					
Called-up share capital	*(vii)*		**8,728**		8,582
Other reserves	*(viii)*		**24,165**		23,225
Profit and loss account	*(viii)*		**7,983**		6,712
Total shareholders' funds	*(ix)*		**40,876**		38,519

These financial statements were approved by the board of directors on 2 May 2008 and signed on its behalf

Philip Fletcher
Peter Hadsley-Chaplin
Directors

Note i SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical-cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. The directors have concluded that the functional currency is the US Dollar. The impact of this change is set out in note viii.

Tangible fixed assets

Freehold property is not depreciated but is tested for impairment. Plant, equipment and vehicles are depreciated over their estimated useful lives at 25%.

Investments

Fixed-asset investments in subsidiaries are shown at cost less provision for impairment.

Note ii PROFIT FOR THE YEAR

As permitted by section 230 of the Companies Act 1985, the Company has elected not to present its own profit and loss account for the year. M. P. Evans Group PLC reported a profit for the financial year ended 31 December 2007 of US$7,906,000 (2006 loss of US$387,000).

The auditors' remuneration for audit and other services is disclosed in note 8 to the consolidated financial statements.

Note iii TANGIBLE FIXED ASSETS

	PLANT, EQUIPMENT BUILDINGS US$'000	PLANT, EQUIPMENT AND VEHICLES US$'000	TOTAL US$'000
Cost			
At 1 January 2007	**834**	**588**	**1,422**
Additions	—	**18**	**18**
Disposals	—	**(35)**	**(35)**
At 31 December 2007	**834**	**571**	**1,405**
Accumulated depreciation			
At 1 January 2007	—	**409**	**409**
Disposals	—	**(12)**	**(12)**
Charge for the year	—	**70**	**70**
At 31 December 2007	—	**467**	**467**
Net book value			
At 31 December 2007	**834**	**104**	**938**
Net book value			
At 31 December 2006	834	179	1,012

Note iv FIXED-ASSET INVESTMENTS

	2007 US$'000	2006 US$'000
Subsidiaries	**43,118**	60,813

Subsidiary undertakings	AT COST US$'000	PROVISIONS US$'000	NET BOOK VALUE US$'000
At 1 January 2007	**74,509**	**13,696**	60,813
Disposals	**(17,695)**	**—**	(17,695)
At 31 December 2007	**56,814**	**13,696**	43,118

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

	COUNTRY OF OPERATION	HOLDING %
M. P. Evans & Co. Limited	UK	100
Sungkai Holdings Limited	UK	100
Bertam (UK) Limited	UK	100
Sungkai Estates Limited	UK	100
The Singapore Para Rubber Estates, Limited	UK	100

Note v DEBTORS

	2007 US$'000	2006 US$'000
Amount falling due within one year		
Amounts owed by subsidiary undertakings	**56,486**	38,661
Other debtors	**42**	32
Prepayments and accrued income	**21**	—
	56,549	38,698

Note vi CURRENT LIABILITIES – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 US$'000	2006 US$'000
Amounts owed to subsidiary undertakings	**64,472**	75,550
Other creditors	**2,675**	2,316
	67,147	77,866

Note vii CALLED-UP SHARE CAPITAL

See note 24 to the consolidated financial statements.

Note viii RESERVES

	SHARE PREMIUM ACCOUNT US$'000	CAPITAL REDEMPTION RESERVE US$'000	MERGER RESERVE US$'000	OTHER RESERVES US$'000	TOTAL US$'000	PROFIT AND LOSS ACCOUNT US$'000
At 1 January 2007	**20,409**	**4,192**	**1,456**	**527**	**26,584**	**6,513**
Change in functional currency	**(3,006)**	**(296)**	**(22)**	**(35)**	**(3,359)**	**199**
At 1 January 2007 restated	**17,403**	**3,896**	**1,434**	**492**	**23,225**	**6,712**
Issue of shares	**949**	—	—	—	**949**	—
Share-based payments	—	—	—	**(9)**	**(9)**	**20**
Profit for the financial year	—	—	—	—	—	**7,906**
Dividend (see note 11)	—	—	—	—	—	**(6,655)**
At 31 December 2007	**18,352**	**3,896**	**1,434**	**483**	**24,165**	**7,983**

Note ix RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 US$'000	2006 US$'000
Profit/(loss) attributable to members of the company	**7,906**	(387)
Dividends paid	**(6,655)**	(5,846)
	1,251	(6,233)
Issue of shares	**1,095**	279
Share-based payments	**11**	69
Net addition/(reduction) in shareholders' funds	**2,357**	(5,885)
Opening shareholders' funds	**38,519**	44,404
Closing shareholders' funds	**40,876**	38,519

Subsidiary and associated undertakings

SUBSIDIARY UNDERTAKINGS

Details of the principal subsidiary undertakings as at 31 December 2007 are as follows:

NAME OF SUBSIDIARY	% OF SHARES AND VOTING RIGHTS HELD	COUNTRY OF INCORPORATION	COUNTRY OF OPERATION	FIELD OF ACTIVITY
PT Bilah Plantindo	80	Indonesia	Indonesia	Production of oil palm f.f.b.
PT Pangkatan Indonesia	80	Indonesia	Indonesia	Production of crude palm oil, palm kernels and rubber
PT Sembada Sennah Maju	64	Indonesia	Indonesia	Production of oil palm f.f.b.
PT 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
PT Teguh Jayaprima Abadi	92.5	Indonesia	Indonesia	In the process of development into an oil-palm plantation
PT 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 2007 are as follows:

	ISSUED, FULLY-PAID SHARE CAPITAL	% HELD	COUNTRY OF INCORPORATION	COUNTRY OF OPERATION	FIELD OF ACTIVITY
Unlisted					
PT Agro Muko	Rp54.58m	31.53	Indonesia	Indonesia	Production of crude palm oil, palm kernels and rubber
PT 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	29.64	Australia	Australia	Beef-cattle farming
Bertam Properties Sdn. Berhad.	Rp60.00m	40.00	Malaysia	Malaysia	Property development

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

Analysis of land areas

AT 31 DECEMBER 2007

The information on 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	2,368	389	2,757	—	—	—	204	—	2,961
Pangkatan	80.00	1,869	583	2,452	—	—	—	134	—	2,586
Sennah	64.00	1,036	627	1,663	—	—	—	150	—	1,813
Simpang Kiri	80.00	2,206	251	2,457	—	—	—	197	—	2,654
Bangka	90.00	—	2,008	2,008	—	—	—	9,992	—	12,000
East Kalimantan	92.50	—	985	985	—	—	—	23,015	—	24,000
Total majority-owned		**7,479**	**4,843**	**12,322**	**—**	**—**	**—**	**33,692**	**—**	**46,014**
Associated undertakings										
P T Agro Muko	31.53	15,107	2,056	17,163	1,826	373	2,199	3,552	—	22,914
P T Kerasaan Indonesia	38.00	1,997	318	2,315	—	—	—	47	—	2,362
Total minority-owned		**17,104**	**2,374**	**19,478**	**1,826**	**373**	**2,199**	**3,599**	**—**	**25,276**
Total Indonesian majority and minority-owned		**24,583**	**7,217**	**31,800**	**1,826**	**373**	**2,199**	**37,291**	**—**	**71,290**
MALAYSIA										
Subsidiary undertakings										
Perhentian Tinggi	100.00	704	98	802	—	—	—	24	—	826
Sungei Kruit	100.00	809	—	809	—	—	—	19	—	828
Bertam	100.00	65	—	65	—	—	—	9	—	74
Total majority-owned		**1,578**	**98**	**1,676**	**—**	**—**	**—**	**52**	**—**	**1,728**
Associated undertaking										
Bertam Properties Sdn. Berhad	40.00	541	—	541	—	—	—	39	—	580
Total Malaysian majority and minority-owned		**2,119**	**98**	**2,217**	**—**	**—**	**—**	**91**	**—**	**2,308**
AUSTRALIA										
Subsidiary undertaking										
Woodlands aggregation	100.00	—	—	—	—	—	—	—	31,000	31,000
Associated undertaking										
The North Australian Pastoral Company Pty Limited	29.64	—	—	—	—	—	—	—	6,000,000	6,000,000
Total Australian majority and minority-owned		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**6,031,000**	**6,031,000**

5-year summary*

	2007	2006	2005	2004	2003
	TONNES	*TONNES*	*TONNES*	*TONNES*	*TONNES*
Production					
Palm oil	**19,500**	24,000	21,600	—	—
Palm kernels	**5,400**	6,000	5,000	—	—
Crops – f.f.b.					
Majority-owned estates	**162,558**	213,392	222,683	228,287	213,620
Associated company estates	**355,768**	364,594	334,830	335,997	319,779
	US$	*US$*	*US$*	*US$*	*US$*
Average sale prices					
Palm oil - Rotterdam c.i.f. per tonne	**481**	475	420	475	449
Exchange rates					
US$1 = Indonesian Rupiah - average	**9,140**	9,167	9,712	8,953	8,569
- year end	**9,419**	8,994	9,840	9,336	8,447
US$1 = Australian Dollar - average	**1.20**	1.33	1.31	1.36	1.54
- year end	**1.14**	1.27	1.36	1.29	1,33
US$1 = Malaysian Ringgit - average	**3.44**	3.67	3.79	3.80	3.80
- year end	**3.31**	3.53	3.78	3.80	3.80
£1 = US Dollar - average	**2.00**	1.84	1.82	1.83	1.64
- year end	**1.99**	1.96	1.72	1.92	1.79
	US$'000	*US$'000*	*£'000*	*£'000*	*£'000*
Revenue	**23,597**	20,425	12,182	12,911	7,599
Gross profit before biological bearer-asset adjustment	**10,632**	6,345	5,082	6,374	4,209
Profit for the year	**46,630**	26,102	4,366	7,324	5,095
	US CENTS	*US CENTS*	*PENCE*	*PENCE*	*PENCE*
Earnings per share (continuing and discontinued operations)	**71.21**	32.71	8.67	13.86	10.59
	PENCE	*PENCE*	*PENCE*	*PENCE*	*PENCE*
Dividend per share	**7.00**	6.50	6.25	6.00	5.50
	US$'000	*US$'000*	*£'000*	*£'000*	*£'000*
Equity attributable to members of M. P. Evans Group PLC	**223,412**	183,695	70,970	59,834	44,906
Net cash (outflow)/inflow from operating activities	**(4,850)**	(9,234)	5,499	8,684	3,555

* *The figures for 2003-05 have not been restated following the adoption of IFRS, and hence reflect the Group's result expressed under UK-GAAP.*

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 4 June 2008 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 2007.

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 R M Robinow as a director.

RESOLUTION ON FORM OF PROXY **No 3**

4 To re-elect Mr O D Wilkinson as a director.

RESOLUTION ON FORM OF PROXY **No 4**

5 To re-elect Mr J D Shaw as a director.

RESOLUTION ON FORM OF PROXY **No 5**

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

RESOLUTION ON FORM OF PROXY **No 6**

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, of which resolution 7 will be proposed as an ordinary resolution and resolutions 8, 9 and 10 will be proposed as special resolutions:

7 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 £1,722,853 provided that this authority shall expire at the conclusion of the next annual general meeting of the Company or on 30 June 2009 whichever shall be the earlier (and that, if resolution 10 below is passed, the references in this resolution to the Company's articles of association be deemed to be references to the new articles of association adopted pursuant to resolution 10).

RESOLUTION ON FORM OF PROXY **No 7**

8 That the directors be empowered to allot equity securities (as defined in section 94(2) of the Companies Act 1985) pursuant to the authority conferred by resolution 7 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 £258,454 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 equity 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 (and that, if resolution 10 below is passed, the references in this resolution to the Company's articles of association be deemed to be references to the new articles of association adopted pursuant to resolution 10).

RESOLUTION ON FORM OF PROXY **No 8**

9 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 5,169,075;

(b) the minimum price which may be paid for each share is 10p (exclusive of expenses);

(c) the maximum price (exclusive of expenses) which may be paid for each share is an amount equal to 105% of the average of the middle-market quotations for such shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day of purchase; and

(d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or on 30 June 2009 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 9**

10 That articles of association in the form of those produced to the meeting and signed for the purpose of identification by the chairman of the meeting be adopted as the articles of association of the Company in substitution for the existing articles of association.

RESOLUTION ON FORM OF PROXY **No 10**

By order of the board

J F Elliott

Secretary

7 May 2008

NOTES

1 A member of the Company entitled to attend, speak and vote at the meeting convened by this notice may appoint a proxy to exercise all or any of his rights to attend, speak and vote at the meeting on his or her behalf. A proxy need not be a member of the Company. Appointment of a proxy will not subsequently preclude a member from attending and voting at the meeting in person if he or she so wishes. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares held by the member. [The form of proxy contains instructions on how to appoint more than one proxy.]

2 A form of proxy for use at the meeting is enclosed. Please return the form of proxy as soon as possible. To be valid, it must be received [by post or (during normal business hours only) by hand] at the office of the registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY no later than 12:00 noon on 2 June 2008 (or, if the meeting is adjourned, no later than 48 hours before the time for holding the adjourned meeting, or, if a poll is taken otherwise than at or on the same day as the meeting at which it is demanded, no later than 24 hours before the time appointed for the taking of the poll).

3 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

4 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered on the register of members of the Company at 11.00 p.m. on 2 June 2008 (or, if the meeting is adjourned, 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.

5 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

6 As at 1 May 2008 the Company's issued share capital consisted of 51,690,758 shares carrying one vote each. Therefore the total number of voting rights in the Company as at that date was 51,690,758.

7 Copies of the directors' service contracts and terms and conditions of appointment will be available for inspection at the registered office of the Company during normal business hours and at the place of the meeting from 15 minutes prior to the meeting until its conclusion.

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.

Appendix to the notice of the annual general meeting:
explanation of the proposed amendments to the Company's articles of association

INTRODUCTION

It is proposed that the Company adopt new articles of association (the "New Articles") in order to reflect certain provisions of the Companies Act 2006 ("CA 2006") currently in force. As the proposed changes affect various provisions in the Company's existing articles of association (the "Current Articles"), it is considered more practical to replace the Current Articles in full rather than to seek approval for numerous individual amendments.

The changes introduced in the New Articles are summarised below (but minor and technical changes have not been separately noted). The numbering of articles below corresponds to the numbering in the New Articles.

A copy of the New Articles will be available for inspection at the offices of Lovells LLP, Atlantic House, Holborn Viaduct, London EC1A 2FG and at the registered office of the Company on any weekday (public holidays excepted) from the date of the notice of the annual general meeting until the close of the annual general meeting.

CONVENING AND NOTICE OF GENERAL MEETINGS (ARTICLE 55)

The New Articles reduce the minimum notice period for general meetings (other than annual general meetings) from 21 days to 14 days, even where a special resolution is to be considered, in line with what is permitted by the CA 2006.

DIRECTORS' CONFLICTS OF INTEREST (ARTICLES 94(B) TO (F))

The CA 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the CA 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The CA 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, if their articles of association contain a provision to this effect. The CA 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles will, with effect from 1 October 2008, give the directors authority to approve such situations and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and second, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

SENDING OF NOTICES, DOCUMENTS ETC (INCLUDING ELECTRONIC AND WEB COMMUNICATIONS) (ARTICLES 151 TO 157 AND 161(B))

The New Articles contain detailed provisions as to how notices, documents and other information may be sent to or by the Company and extend the new company communication provisions of the CA 2006 to any document or information sent by the Company. The CA 2006 allows companies to communicate with shareholders by electronic and website communications. The New Articles continue to allow communications by the Company to shareholders in electronic form (provided that the shareholder has agreed, generally or specifically, to this) and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. As provided by the CA 2006, before the Company can communicate with a shareholder by means of a website, the shareholder must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website and the Company must either have received a positive response or have received no response within 28 days (in which case the Company may take that as consent by the member to receive communications in this way). When the Company makes a document or information available on its website, it must notify the shareholder of this. A shareholder who has received a document or information in electronic form or via a website can always request a hard copy of the document or information.

In line with the position in the Current Articles and the CA 2006, a shareholder may communicate with the Company by electronic communication if the Company has agreed that the document or information can be sent or supplied in electronic form (but then only in the type of electronic form that the Company has agreed to). In certain circumstances, the CA 2006 will deem the Company to have agreed that shareholders may send documents or other information electronically.

Article 162 sets out when notices, documents and other information given or sent by the Company to its shareholders are deemed to be received. A document or information sent by electronic means is deemed to have been received 24 hours after it was sent (notwithstanding a failure in transmission) and a document or information made available on a website is deemed to have been received when the material was first made available on the website or, if later, the intended recipient has been notified (in accordance with the New Articles) of its availability on the website.

The directors have no current intention of communicating with shareholders in electronic form or via a website and are accordingly not yet seeking the consent of individual shareholders to do so. However, they consider it appropriate for the Company to have the flexibility to communicate electronically should this be desirable.

Professional advisers and representatives

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Notes

Notes

Venue of annual general meeting

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www.mpevans.co.uk