

2013

Annual report














Location of the Group's properties and those of its associated companies as at 31 December 2013

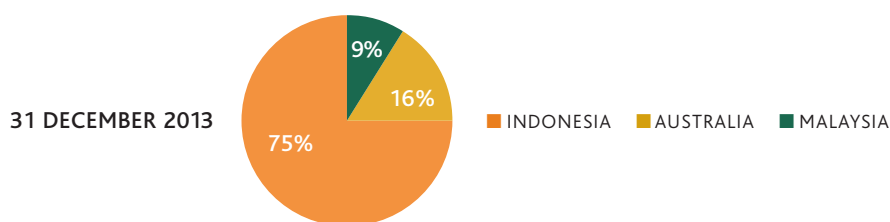
- MAJORITY HELD
- HELD BY ASSOCIATED COMPANIES



## PORTFOLIO OF ASSETS AS AT 31 DECEMBER 2013

-  23,300 planted hectares of majority-held, established oil-palm plantations in Indonesia plus a 60-tonne-per-hour mill in Kalimantan and a 40-tonne-per-hour mill in Sumatra
-  6,000 hectares of associated smallholder co-operative schemes
-  Unplanted 20,000-hectare oil-palm concession acquired in South Sumatra – precise plantable area to be determined
-  21,800 planted hectares of minority-held (of which Group's share 8,000 hectares) established oil-palm and rubber plantations in Sumatra, Indonesia plus two 60-tonne-per-hour palm-oil mills and a crumb-rubber factory
-  31,000 hectares of cattle-backgrounding land in southern Queensland, Australia
-  34.4% interest in a leading Australian cattle company, NAPCo, owning 5.8 million hectares in Queensland and the Northern Territory
-  70 hectares of plantation land in Peninsula Malaysia, with property-development premium
-  40% share of a substantial property-development company, Bertam Properties, near Penang Island, Malaysia with a land bank of 419 hectares
-  Net current assets of US\$33.14 million as at 31 December 2013

## LAND ASSETS BY VALUE



The M.P. Evans Group is committed to producing environmentally-sustainable palm oil and adopting the highest standards of animal welfare for its beef cattle

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The map of the venue of the annual general meeting is shown on the inside back cover

# Group Highlights






The Group was able to maintain plantation profits in a year when the average palm-oil price fell by 14%

425,000 tonnes of f.f.b. crop (23% increase) budgeted for 2014




## Financial

-  Profit for the year US\$22.87 million (2012 US\$21.55 million)
-  Earnings per share US cents 35.96 (2012 US cents 32.51)
-  Dividend for the year increased by 0.25 pence to 8.25 pence (2.25 pence interim already paid)


## Indonesian palm oil

-  Plantation profits similar at US\$24.82 million (2012 US\$25.16 million)
-  Indonesian crops of f.f.b. 9% higher than in 2012 as crops increased 55% on Kalimantan project, remained similar on Bangka project and were 6% lower on established estates
-  Palm-oil price averaged US\$856 per tonne (2012 US\$998 per tonne); currently around US\$900 per tonne
-  1,800 hectares compensated to date on the new Musi Rawas project in South Sumatra; planting expected to commence in late 2014
-  Group's crops projected to continue rising strongly in future years

## Australian beef cattle

-  NAPCO made a similar loss to 2012 due to very dry conditions, but helped by newly-expanded feedlot
-  Woodlands broke even for the year following increased cattle weight gain
-  Good rainfall received in 2014 – cattle prices have strengthened

## Malaysian property

-  Marked increase in profits by Bertam Properties due to completion of substantially-increased number of developed properties

## Summary of results

|   | <b>2013</b>         | <b>2012</b>         |
|---|---------------------|---------------------|
| For the year ended 31 December 2013                       | <i>US\$ million</i> | <i>US\$ million</i> |
| Revenue   | 82.19               | 83.21               |
| Gross profit  | 24.74               | 23.04               |
| Group-controlled profit before tax                        | 12.22               | 16.70               |
| Profit for the year                                       | 22.87               | 21.55               |
| Equity attributable to the owners of M.P. Evans Group PLC | 347.19              | 351.08              |
| Net cash inflow generated by operating activities         | 19.49               | 33.90               |
|   | <i>US cents</i>     | <i>US cents</i>     |
| Basic earnings per 10p share (continuing operations)      | 35.96               | 32.51               |
|   | <i>Pence</i>        | <i>Pence</i>        |
| Dividend per 10p share in respect of the year             | 8.25                | 8.00                |

## Managing director's statement

Despite a marked, 14%, fall in palm-oil prices during the year, the Group's gross profit from its Indonesian operations was similar to that for 2012 as f.f.b. crops continued to rise, particularly on the new Kalimantan project. In Australia, Woodlands approximately broke even whilst NAPCo recorded a similar loss to 2012 after another challenging season. Bertam Properties' sales of developed properties in Malaysia increased significantly during the year resulting in a substantial improvement in its results. The Group's overall profit for the year was 6% higher than in 2012.

The expected increase in the Group's f.f.b. crops in Indonesia continued in 2013 with 344,200 tonnes harvested – 9% higher than 2012's, although slightly less than the 350,000 tonnes

forecast in the 2013 interim report. The crop on the Kalimantan project was 55% higher than last year although weather problems adversely affected the crop on the Bangka project. The associated Indonesian plantation operations recorded, as expected, lower crops and therefore lower profits in the year.

The new Musi Rawas project in South Sumatra has made progress and, to date, compensation terms have been agreed with users of the land over some 1,800 hectares. Planting is expected to commence towards the end of 2014.

**Philip A Fletcher, FCA**



# Market information

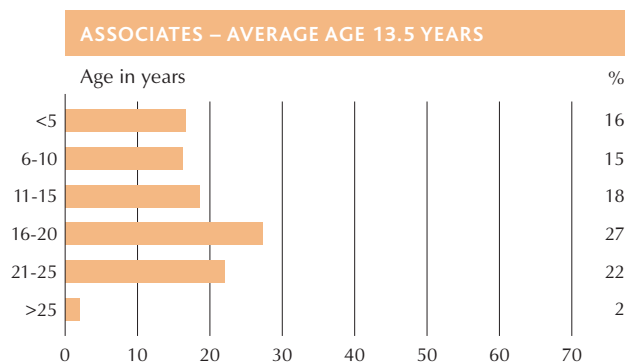
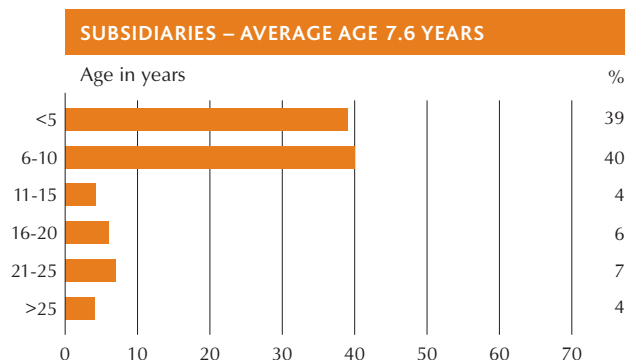
**Palm oil** The average palm-oil price (Rotterdam c.i.f.) was substantially lower, at US\$856 per tonne, compared with US\$998 in 2012. The price hovered around US\$850 per tonne for the first three quarters of 2013 before strengthening to over US\$900 as consumption increased and world stocks of palm oil fell. The price strengthened further in the first quarter of 2014 on the prospect of increased usage of palm oil for bio diesel in Indonesia before easing slightly on the prospect of a good South American soybean crop. The current price is around US\$900.

- ▶ Palm oil is used mainly as a cooking oil but also in margarine, shortenings (cakes, biscuits), soap, cosmetics, lubricants and more recently in bio-diesel.
- ▶ Palm oil has the lowest cost of production and is the most productive of all the major vegetable oils. More than 5.5 tonnes per hectare per annum can be produced, compared with around 0.5 tonnes for its main rival, soybean oil.
- ▶ Palm oil is the world's largest vegetable oil, with production in 2013 of 56.2 million tonnes and 36% of the global production of the major vegetable oils. Soybean oil is the second largest with 42.6 million tonnes and 27%. Palm-kernel oil accounts for a further 6.2 million tonnes (4%).

SOURCE: OIL WORLD

## AGE PROFILE OF THE GROUP'S OIL PALMS

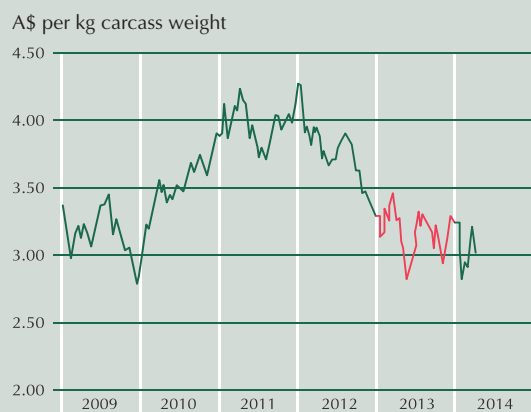
### DISTRIBUTION OF PLANTED HECTARAGE BY AGE INTERVAL AS AT 31 DECEMBER 2013



**Beef cattle** Australian beef-cattle prices fell in the first half of 2013, both for backgrounded cattle destined for feedlot “finishing” (Woodlands) and heavier, grain-finished, cattle (NAPCo). The weakening Australian Dollar improved prices in the second half, especially for the NAPCo cattle. This trend has continued in 2014.

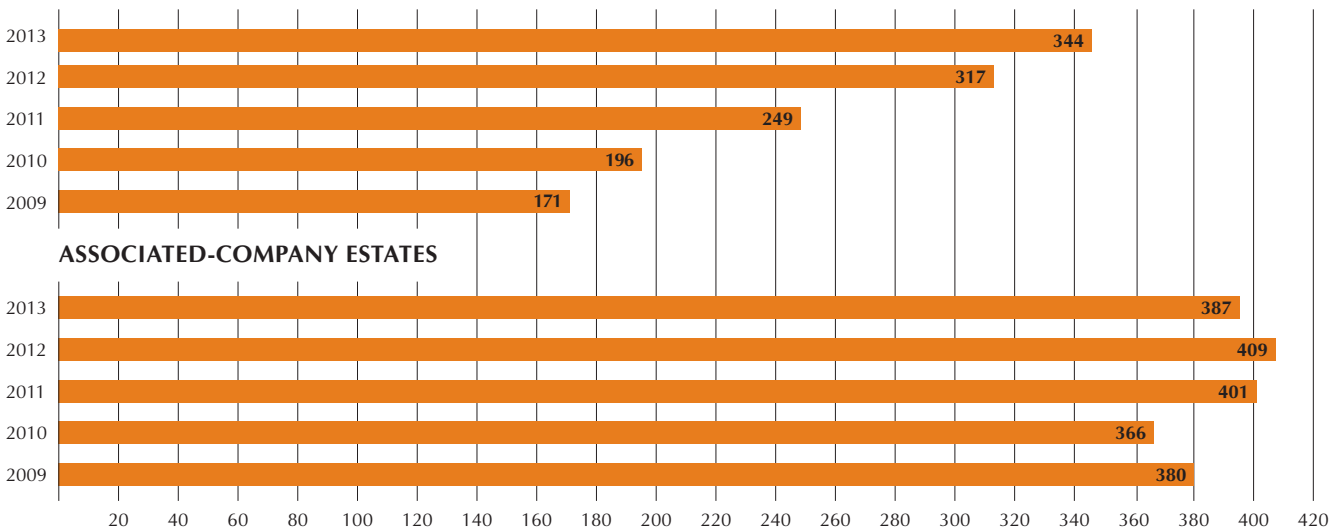
- ▶ Australia is one of the world's largest beef exporters with some 17% of global trade.
- ▶ Australia is well placed geographically to serve Asia – the world's fastest-growing beef consumer.
- ▶ NAPCo (34.37% held) is one of Australia's leading beef-cattle companies with fifteen properties covering an area of 5.8 million hectares.

### EASTERN YOUNG CATTLE INDICATOR (EYCI) – WOODLANDS

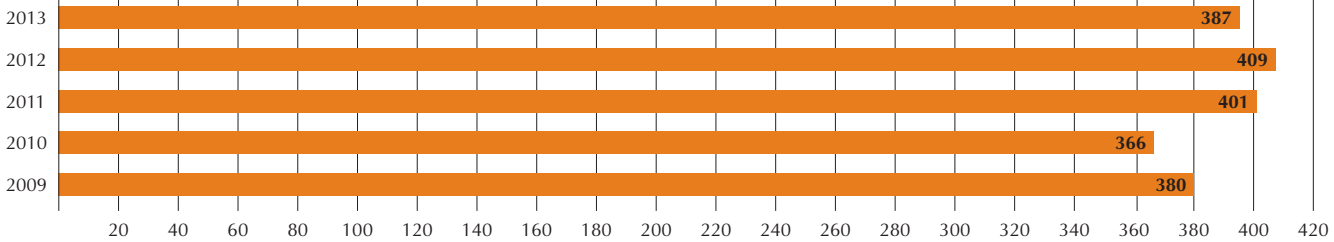


## CROPS OF OIL-PALM FRESH FRUIT BUNCHES '000 TONNES

### MAJORITY-OWNED ESTATES IN INDONESIA

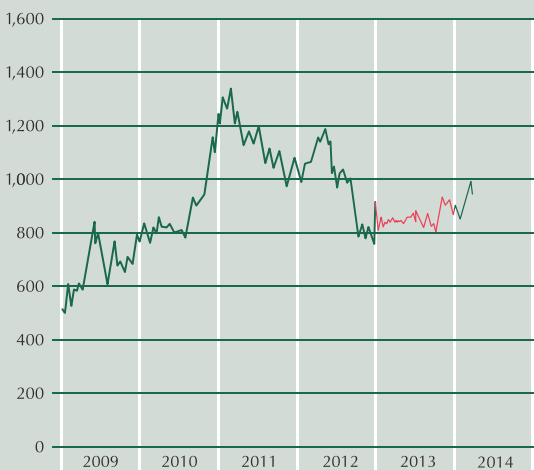


### ASSOCIATED-COMPANY ESTATES

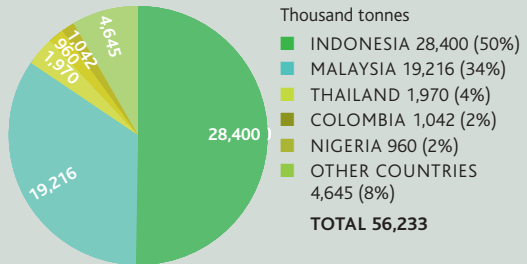


### PALM-OIL PRICE

US\$ per tonne, Rotterdam c.i.f.

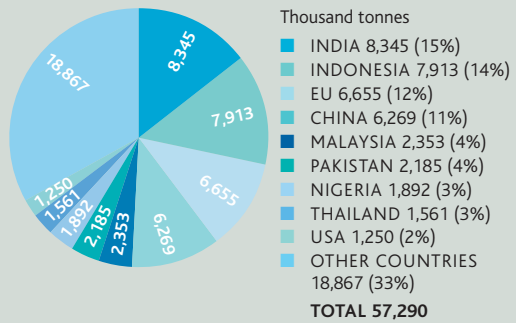


### MAIN PRODUCERS OF PALM OIL – 2013



SOURCE: OIL WORLD

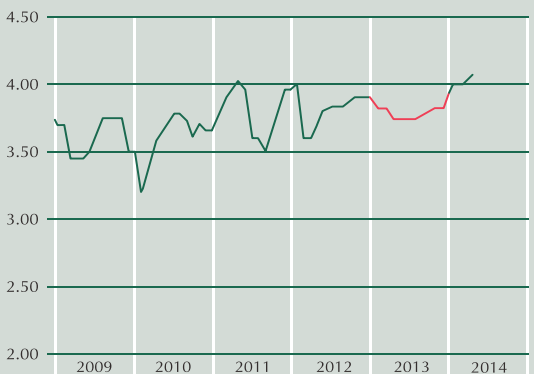
### MAIN USERS OF PALM OIL – 2013



SOURCE: OIL WORLD

### 100-DAY GRAIN-FED CATTLE – NAPCO

A\$ per kg carcass weight



# Chairman's statement



## RESULTS

I am pleased to report that the Group has delivered a solid performance resulting in a 6% increase in profit for the year to US\$22.87 million in 2013, compared with US\$21.55 million in 2012. Earnings per share rose accordingly to US cents 35.96 (2012 US cents 32.51). The improved profit was achieved largely as a result of a 9% increase in the Group's Indonesian crops of oil palm fresh fruit bunches ("f.f.b."), to 344,200 tonnes, in spite of a 14% decline in the average palm-oil price to US\$856 per tonne in 2013. The higher crop level stemmed, in turn, from a significant (expected) increase in crop from the young oil-palm areas on the new Kalimantan project. The reduced profits of the Group's two associated oil-palm companies following similar, or lower, crops, coupled with the effects of the weaker palm-oil price, also impacted the results. A fall in the Indonesian Rupiah against the US Dollar, notably towards the end of the year, was a benefit in reducing the Group's Indonesian costs but gave rise to a large exchange loss that affected the reported results for the year.

In Australia, Woodlands broke even and a slightly-increased loss was recorded at The North Australian Pastoral Company Pty Limited ("NAPCo") following a very dry and challenging season and similar, or lower, cattle prices. With regard to the Group's "residual" Malaysian property-development activities, a marked improvement in the result was achieved at Bertam Properties Sdn. Berhad ("Bertam Properties") further to an increase in the number of completed sales of developed properties. The Group's share of Bertam Properties' improved result more than offset the oil-palm associates' lower results and a 7% improvement in the associates' results as a whole was therefore achieved.

## DIVIDEND

Taking account of the increased profit, the board is recommending a final dividend for the year of 6.00p per share, a 0.25p per share increase compared with the 5.75p in respect of 2012. Together with the interim dividend of 2.25p per share paid in November 2013 (the same as the interim dividend paid in

November 2012), the total dividend for the year is therefore 8.25p per share. A scrip-dividend alternative is again being offered.

## STRATEGY

The Group's core strategy is to continue to expand its oil-palm areas in Indonesia, in a sustainable and cost-effective manner, and to capitalise on the value of its Australian and Malaysian operations, using any sale proceeds to fund the continuing Indonesian development. The strategy is set out in more detail in the strategic report on page 8.

## KEY OPERATIONAL DEVELOPMENTS

In Indonesia, in addition to the increased f.f.b. crop levels referred to above, there was a commendable improvement, once again, in the palm-oil extraction rates achieved from the Group's two mills, on the Kalimantan project and on Pangkatan Estate.

Encouraging progress was made on Musi Rawas, the Group's new project in South Sumatra, with compensation terms agreed to date with the users of the land over some 1,800 hectares. A nursery has been established and it is intended to commence planting at the end of 2014. It is currently estimated that, of the 20,000-hectare concession, some 10,000 hectares will be plantable, of which 7,000 hectares will accrue to the Group and 3,000 hectares to a smallholders' cooperative which will be managed by the Group.

During the year, the Group's new plantings amounted to 700 hectares (in addition to 400 hectares for the smallholder areas). It is anticipated that this level will be improved upon in future years, not least as a result of the areas being opened up on Musi Rawas.

Another significant, and welcome, development during the year was the successful completion of the Indonesian Sustainable Palm Oil ("ISPO") audit at Pangkatan Mill, which had already, in 2012, achieved certification from the Roundtable for Sustainable Palm Oil ("RSPO"). RSPO certification is expected at the Kalimantan mill shortly and the ISPO audit is also due to take place in 2014.



In Australia, given the high cost of purchasing young cattle, the board took the decision to make use of the available capacity on Woodlands and to introduce a significant number of third-party cattle, in return for a fee related to the amount of weight gained.

At NAPCo, as a drought-resistance measure, the recently-expanded feedlot facilitated the retention of significantly more young cattle than would have been possible in former years. As reported on page 8 of the strategic review, the prospective sale process of a majority holding in NAPCo, including the Group's 34.37% share, drew to a close in 2013 but the board will continue to consider any opportunities that may arise in relation to its holding.

### PROSPECTS

The board's current estimate is that the Group's Indonesian f.f.b. crop for 2014 will be 425,000 tonnes, compared with 344,200 tonnes in 2013. If this level is achieved, the Group will remain broadly on track to achieve its targeted 500,000 tonnes in 2015. Crops will continue to rise substantially after 2015 but the level will at least partly depend upon the rate of future plantings. The outlook remains positive for the palm-oil price in the light of the significant increases scheduled in Indonesia's usage of palm-oil for bio diesel and as demand for vegetable oils globally appears likely to continue to grow.

Recent significant rainfall both on Woodlands and across most of the NAPCo properties represents a welcome relief to the extremely dry conditions suffered in 2013. Australian beef-cattle prices have recently increased, partly in response to the rainfall and partly as export demand continues to grow, especially in Asia, helped by the weakening of the Australian Dollar. As with palm oil, price prospects appear favourable.

### NEW STRATEGIC REPORT AND CORPORATE GOVERNANCE

Shareholders will note the new "Strategic report 2013" which replaces the former "Review" and which begins on page 8, immediately after this statement. This adheres to the recent changes required by the

Companies Act 2006, and provides details of the Group's strategy, results, operations and current trading. The board continues to take a keen interest in ensuring the Group's corporate governance encourages decision-making that delivers the best value to shareholders through the growth and profitability of the Group's operations. In making the changes to the format of the annual report described above, the strategic report sets out the Group's core strategy and this has also been placed on the website. A review of the way in which the board's sub-committees work and their terms of reference is currently under way. New terms of reference will be placed on the Group's website once they are agreed. In a further initiative to clarify the way in which the board operates, a summary of non-executive directors' letters of appointment will be placed on the website before the annual general meeting.

### KONRAD LEGG

Konrad Legg has elected to retire as a director at the forthcoming annual general meeting. He has served with distinction on this and other Group boards since the 1970's, bringing his extensive agribusiness experience to bear on the board's deliberations. Notwithstanding his unusual length of service, he has retained his independent approach throughout and proved time and again to be an invaluable contributor. I am sure that shareholders will join me in thanking him and wishing him well for the future.

### ACKNOWLEDGEMENTS

I should like to take the opportunity to thank the Group's managers, staff and workers worldwide for their loyalty and hard work and for helping to achieve the Group's improved result for the year.

**Peter Hadsley-Chaplin**

Chairman

24 April 2014



The new Musi Rawas project in Sumatra is progressing well and I'm pleased to announce a final dividend of 6p per share

# Strategic report 2013

## Strategy

The Group's core strategy is to continue to expand its oil-palm areas in Indonesia, in a sustainable and cost-effective manner, and to capitalise on the value of its Australian and Malaysian operations, using any sale proceeds to fund the continuing Indonesian development.

As shareholders are aware, the Group's two principal, majority-held, activities are the ownership, management and, where appropriate, development of sustainable oil-palm estates in Indonesia (together with the management and development of smallholder areas adjoining the new projects) and the ownership and management of beef-cattle operations in Australia. The Group also owns significant minority holdings in companies operating in the same two (oil-palm and beef-cattle) sectors. In addition to these, as a tertiary "residual" activity, the Group owns a small oil-palm estate with property-development potential and a significant minority share of a property-development company operating on one of the Group's former estates. Both of these are located on the mainland of Peninsular Malaysia, near Penang Island.

The total planted area of the Group's majority-held Indonesian operations extends to approximately 23,300 hectares, 700 of which were planted on its new projects during 2013. The planted smallholder areas adjoining the new projects amount to 6,000 hectares, 400 of which were planted in 2013. The estimated unplanted land bank is some 9,700 hectares, including the new Musi Rawas project, on the Group's estates and some 5,400 hectares on the adjoining smallholder areas managed by the Group. It is the board's aim for the Group's own areas to be planted at as rapid a rate as the availability of suitable land permits. In addition to the Group's existing unplanted landbank, the board seeks, in the future, to acquire further pieces of land suitable for sustainable oil-palm development located, if possible, near the Group's existing estates. The extent of any such further acquisitions of land will depend upon available funding. The Group will also seek continually to maintain and, where possible, improve agronomic standards and productivity on its estates leading, ideally, to increased crops of oil-palm fresh fruit bunches ("f.f.b.") and, where relevant, crude palm oil ("CPO"). Furthermore, the Group will continue to work closely with its joint-

venture partner, SA SIPEF NV, with regard to the two associated estates which SIPEF manages, to ensure that the highest standards are maintained.

In Australia, on the Group's beef-cattle property, Woodlands, it is aimed to maximise the kilograms of beef produced either for the Group's own cattle or for those owned by third parties, who remunerate the Group at a rate linked to average weight gain. Productivity has been, and, where appropriate, will continue to be, improved through the enhancement of waters and fencing and the upgrading of paddocks. With regard to NAPCo, the aim is to maximise productivity in breeding and fattening cattle. Productivity has in recent years been enhanced both on the principal breeding stations by the sinking of a significant number of new bore holes (thereby providing drinking water for the cattle) and in the grain-finishing feedlot by expansion of the facilities. This has helped to render the operations not only more productive but also more resistant to the effects of drought. The strategy is for more bore holes to be sunk in the future. Notwithstanding the continued improvement measures in place at Woodlands, it remains the board's longer-term intention to dispose of this property as and when a suitable opportunity arises.

In 2013, the majority shareholders in NAPCo undertook a strategic review. Following this, they indicated their willingness to sell part or all of their holding, and M.P.Evans also indicated its willingness to sell its holding in conjunction with them. The review, and prospective sale process, drew to a close in late 2013 but the Group's board will continue to consider any opportunities that arise in relation to its holding.

In Malaysia, the aim is for Bertam Properties to continue to capitalise on the value of its land, either by the development and sale of housing, retail and other units or through the outright sale of raw land. The Group will continue to reap the benefit of this development and sale activity until eventually, in some five to ten years' time, the project is fully developed, or until an acceptable offer is received to acquire the Group's 40% share. It is also the Group's long-term intention to dispose of its adjacent estate and therefore, as a consequence, ultimately to exit Malaysia entirely.

# Results and financial position

## GROSS PROFIT FROM AGRICULTURAL ACTIVITIES

Revenue was sustained at US\$82.19 million (2012 US\$83.21 million) due to continued strong growth in f.f.b. crops both from the Group's own areas and from shareholder cooperative schemes attached to the Group's projects, combined with excellent extraction rates. Revenue was only marginally lower than in the previous year, despite a 14% fall in the average benchmark price of CPO. At the same time, greater throughput in the Group's new Kalimantan mill led to a reduction in unit costs which more than offset the increases in the local costs of operating in Indonesia. Overall, this enabled the Group to maintain the gross sales margin of its Indonesian operations.

As anticipated, 2013 was the year in which the Group's Kalimantan project achieved a gross profit, amounting to US\$1.55 million, before the bearer-biological-asset adjustment. The contribution from this project is now expected to increase markedly in the coming years as CPO and palm kernel ("PK") production accelerates.

A much-improved cattle-trading result at Woodlands brought the operation to just below a break-even position, recording a farm loss of US\$0.09 million (2012 loss US\$2.19 million). The property was able to produce a significant increase in weight gain per day, so total weight gain was somewhat better than that achieved in 2012 even though the herd size was smaller. More importantly, whilst cattle prices again fell against the background of a severe drought in northern Australia, the fall was less than in previous years, thereby reducing its negative impact on Woodlands' results.

As a result of the above, the Group's gross profit amounted to US\$24.74 million (2012 US\$23.04 million). A detailed analysis is given in note 4 to the accounts on pages 52 and 53. The Group's palm-oil and cattle operations are reviewed in more detail in the section on operations below, commencing on page 12.

## BEARER-BIOLOGICAL-ASSET ADJUSTMENT

The price of CPO strengthened significantly in the last quarter of 2013 and remains at a good level. This led to an increase in the 20-year average price per tonne of CPO used in the valuation of the Group's biological assets to US\$626 (2012 US\$602). This was one of two main factors behind a biological gain of US\$9.06 million (2012 US\$11.91

million). The other, as highlighted in the 2012 annual report, was the absence of further cost increases flowing from the drive during 2010-13 to improve field standards in the mature estates. The value of new planting added during the year contributed US\$2.88 million (2012 US\$3.29 million) towards the reported biological gain. Overall, the effect on profit of all the components of the bearer-biological-asset adjustment amounted to US\$6.04 million (2012 US\$3.26 million).

## FOREIGN-EXCHANGE LOSSES

The Group reported markedly-higher foreign-exchange losses in the year under review than in the previous year, with losses amounting to US\$8.32 million (2012 loss US\$1.76 million). This represents losses arising from a 'mark-to-market' exercise carried out at the year end which significantly reduced, in US-Dollar terms, bank balances held in Indonesian Rupiahs and amounts recoverable from the Group's smallholder cooperative schemes denominated in Indonesian Rupiahs, following the notable depreciation of the Rupiah against the US Dollar. The Group expects that, in due course, these losses will be offset by using bank balances and repayments made by the co-operatives to meet Rupiah-denominated expenses and investment outlays. In addition, there was some CPO stock on hand at the year end which likewise suffered an exchange loss due to the Rupiah's depreciation against the US Dollar. Furthermore, since foreign-exchange losses are allowable against Indonesian corporation tax liabilities, the Group's tax charge for the year is unusually low.

## OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses of US\$4.44 million were similar to those in the previous year (US\$4.29 million). The beneficial absence of an exceptional cost borne in 2012 – a provision against the value of the beef-cattle operation at Woodlands – offset an increase in wages and salaries of US\$0.49 million. This increase reflects the annual increment in salaries and, as reported in the report of the board to the shareholders on directors' remuneration on page 39, both bonuses paid to the executive directors in 2013 in respect of 2012 and bonuses accrued in respect of 2013 and paid after the end of the year.

## ASSOCIATED COMPANIES

The Group's share of its associated companies' profits, including the share of the Indonesian

# Strategic report 2013

CONTINUED

companies' biological-bearer-asset adjustments, compared with last year, was as follows:

|                        | % HELD | 2013  |   |  | 2012  |   |  |
|------------------------|--------|---|---|--|---|---|--|
|                        |        | POST-TAX PROFIT/(LOSS) BEFORE BIOLOGICAL-BEARER-ASSET ADJUSTMENT US\$'000 | BIOLOGICAL-BEARER-ASSET ADJUSTMENT US\$'000 | POST-TAX PROFIT/(LOSS) AFTER BIOLOGICAL-BEARER-ASSET ADJUSTMENT US\$'000 | POST-TAX PROFIT/(LOSS) BEFORE BIOLOGICAL-BEARER-ASSET ADJUSTMENT US\$'000 | BIOLOGICAL-BEARER-ASSET ADJUSTMENT US\$'000 | POST-TAX PROFIT/(LOSS) AFTER BIOLOGICAL-BEARER-ASSET ADJUSTMENT US\$'000 |
| Agro Muko              | 36.84  | 6,949   | 1,661                                       | 8,610  | 12,015  | (26)  | 11,989   |
| Kerasaan               | 38.00  | 955   | 62  | 1,017  | 1,246   | 6   | 1,252  |
| <b>Total Indonesia</b> |        | <b>7,904</b>  | <b>1,723</b>                                | <b>9,627</b>   | <b>13,261</b>   | <b>(20)</b>                                 | <b>13,241</b>  |
| NAPCo                  | 34.37  | (2,429)   | —   | (2,429)  | (2,012)   | —   | (2,012)  |
| Bertam Properties      | 40.00  | 4,396   | —   | 4,396  | (347)   | —   | (347)  |
| <b>Total</b>           |        | <b>9,871</b>  | <b>1,723</b>                                | <b>11,594</b>  | <b>10,902</b>   | <b>(20)</b>                                 | <b>10,882</b>  |

The results of the Indonesian, Australian and Malaysian associated companies are described below and reviewed in more detail on pages 12 to 23.

## Indonesia

PT Agro Muko is entering a phase of replanting in which it is expected the crop will fall slightly. This was the case in 2013 where PT Agro Muko's own crop fell by 6% and, combined with disappointing extraction rates and lower prices (see the section on operations below on page 18), this resulted in lower revenues and profits. The Group's share of results before the bearer-biological-asset adjustment amounted to US\$6.95 million (2012 US\$12.02 million), a fall of 42% on the previous year. The programme of replanting of rubber areas continued in 2013, but the year did see a small increase in the volume of rubber tapped. Despite the increase in volume, PT Agro Muko's rubber profits nonetheless fell sharply due to lower rubber prices. PT Kerasaan Indonesia maintained its crop as estate management brought under control the leaf-pest attack described in the 2012 annual report. This estate's results were nevertheless lower than in the previous year due to the fall in the price of CPO. As a result of the above, the Group's combined share of the post-tax, pre-bearer-biological-asset-adjustment profit of these two associated companies in 2013 was US\$7.90 million, 40% lower than the US\$13.26 million recorded in 2012.

As with the Group's own areas, the valuation of biological assets in the associated plantation companies benefited from the increase in the long-term CPO price used in the valuation. In PT Kerasaan Indonesia, this gain was counterbalanced by the costs of replanting. In PT Agro Muko, the benefit of the rise in the long-term price of CPO

across its much larger hectareage outweighed the costs of replanting and increases in general expenses and overheads.

The Group's share of the post-tax, post-biological-bearer-asset-adjustment profit of the Indonesian associates amounted to US\$9.63 million (2012 US\$13.24 million), a reduction of some 27%. The Group received gross dividends of US\$5.16 million from PT Agro Muko in 2013 (2012 US\$9.21 million, gross). Gross dividends from PT Kerasaan Indonesia were US\$0.57 million (2012 US\$1.03 million, gross).

## Australia

The severe drought which affected much of Australia during 2013 adversely affected NAPCo's operations and results. It was possible substantially to maintain the breeding herd by using the capacity of the recently-expanded Wainui feedlot to absorb young "weaner" cattle earlier than they would normally be admitted, although overall herd numbers fell by some 9,500 head. Increasingly-dry conditions resulted in modest weight gains and, in addition to the slight fall in herd size, this led to another significant reduction in the year-end valuation of NAPCo's herd. As a result of this, the Group's share of NAPCo's loss in 2013 amounted to US\$2.43 million (2012 US\$2.01 million). The Group's share of NAPCo's gross dividends amounted to US\$0.55 million (2012 US\$0.93 million gross).

## Malaysia

As noted in the 2012 annual report, partially-completed development-property sales that were not brought to book in 2012 under the accounting standard IFRIC 15 are reflected in the 2013 results of Bertam Properties. Property-development revenue increased from RM 5.15 million in 2012 to RM 144.77 million in 2013, generating a profit after tax of RM 35.34 million (2012 loss RM 4.58 million). In US-Dollar terms, the Group's share of this profit was US\$4.49 million (2012 loss US\$0.59 million). The sale of one small piece of land (0.13 hectares) and profits from the residual agricultural activity balanced the small loss from its golf operation. Overall, the Group's share of Bertam Properties' profit for the year amounted to US\$4.40 million (2012 loss US\$0.35 million). The Group's share of Bertam Properties' dividends amounted to US\$3.49 million (2012 US\$2.59 million).

## PROFIT FOR THE YEAR

As a result of all the above, the Group profit for the year amounted to US\$22.87 million, an increase of US\$1.32 million (6%) compared with the US\$21.55 million reported for 2012. This rise in reported profit

led to an increase of 11% in basic earnings per share to US cents 35.96 (2012 US cents 32.51).

## NET ASSETS AND BORROWING

At the end of 2013, the net assets shown in the Group's balance sheet amounted to US\$371.29 million. Current assets exceeded current liabilities by US\$33.14 million and the Group had cash balances of US\$56.35 million (US\$19.70 million of which had been pledged as security). During the year, a US\$10.00 million revolving credit was drawn to make working capital available to finance the Group's increasing volumes of business. In addition, a loan of US\$6.80 million was drawn under an 8-year term-loan facility to help finance the Group's ongoing investment in its new projects in Indonesia. These new loans brought the Group to a gearing ratio of 15% at the end of 2013 (2012 - 13%), although net debt stood at only US\$10.14 million.

During 2014 two of the Group's borrowing facilities come to the end of their terms (see note 24).

Discussions are already well advanced with the lenders on extending one of these facilities and partially replacing the other.



# Operations Palm oil

Group broadly on track to achieve targeted f.f.b. crops of 500,000 tonnes in 2015 with extraction rates improving



LEFT TO RIGHT BELOW

Senior staff on Bangka project: (l to r) Yudi Hudaya (estate manager), Sugeng Wahyono (group manager), Luhut Hisar Gultom (senior manager)

Preparing ground for construction of houses, Simpang Kiri Estate



## PALM OIL MARKET

During 2013, the palm-oil price moved within an unusually-tight band with the high point some US\$920/tonne and the low point around US\$820/tonne (Rotterdam c.i.f.). In previous years, the band has averaged more than US\$400/tonne. As reported in Oil World, world stocks and production were high at the beginning of 2013, keeping downward pressure on the price. However, as a result of large supplies of palm oil and clear price competitiveness against other vegetable oils (when it traded, for example, at an unusually-high discount of up to some US\$275/tonne to soybean oil rather than the more normal US\$100 to US\$150), consumption increased and stocks fell. The price differential reduced in the second half to around US\$50/tonne at the same time as world production of palm oil fell back. As a result of this, the palm-oil price recovered in the last quarter, although upward pressure on the price was restrained by high soybean crops in the US and above-average soybean plantings in South America. See the chart of palm-oil prices on page 5.

## MAJORITY-OWNED ESTATES

### CROPS AND PRODUCTION

As set out in the table below, the overall Group f.f.b. crop of 344,200 tonnes was 9% higher in 2013 than the 317,000 tonnes harvested in 2012. As expected, the main contributor was the sharply-increased crop on the new Kalimantan project. Set against this, weather-related problems beset the Bangka project, resulting in a small reduction in the crop whilst the established estates in Sumatra experienced a downturn in crops, a phenomenon experienced by other plantations in their locality. As a result of the above, the Group crop of 350,000 tonnes forecast in the 2013 interim report was not achieved by a small margin. The improvement in the extraction rates on both of the Group's palm-oil mills, in

Kalimantan and Sumatra, continued in 2013.

Details of crops, production and extraction rates for 2013, with comparative figures for 2012, are set out below:-

|                                | 2013<br>TONNES | INCREASE<br>% | 2012<br>TONNES |
|--------------------------------|----------------|---------------|----------------|
| <b>Crops</b>                   |                |               |                |
| Own crops                      |                |               |                |
| Pangkalan group                | 148,800        |               | 157,000        |
| Simpang Kiri                   | 46,600         |               | 51,300         |
|                                | 195,400        | (6)           | 208,300        |
| Kalimantan                     | 114,500        | 55            | 73,700         |
| Bangka                         | 34,300         | (2)           | 35,000         |
|                                | 344,200        | 9             | 317,000        |
| Smallholder co-operative crops |                |               |                |
| Kalimantan                     | 42,400         | 42            | 29,800         |
| Bangka                         | 18,300         | (7)           | 19,700         |
|                                | 60,700         | 23            | 49,500         |
| Outside crop purchased         |                |               |                |
| Kalimantan                     | 34,400         | (43)          | 60,100         |
| <b>Production</b>              |                |               |                |
| Crude palm oil                 |                |               |                |
| Kalimantan                     | 47,400         |               | 39,500         |
| Pangkalan                      | 35,500         |               | 35,900         |
|                                | 82,900         | 10            | 75,400         |
| Palm kernels                   |                |               |                |
| Kalimantan                     | 7,800          |               | 6,100          |
| Pangkalan                      | 8,600          |               | 8,700          |
|                                | 16,400         | 11            | 14,800         |
| <b>Extraction rates</b>        |                |               |                |
| Crude palm oil                 | %              |               | %              |
| Kalimantan                     | 24.8           |               | 24.1           |
| Pangkalan                      | 23.9           |               | 23.1           |
| Palm kernels                   |                |               |                |
| Kalimantan                     | 4.1            |               | 3.7            |
| Pangkalan                      | 5.8            |               | 5.6            |

Maturing palms on Kalimantan project  
 RIGHT New workers' housing, Simpang Kiri Estate



## REVIEW OF OPERATIONS

### Sumatra – established estates

The f.f.b. crops from Pangkatan, Bilah and Sennah Estates (see the map on the inside front cover) are processed by the mill on Pangkatan Estate. Due to replanting undertaken in 2013, there was a smaller productive area (by 250 hectares) on these three estates than in 2012. The composite average yield in 2013, at 24.39 tonnes per hectare (2012 – 24.73 tonnes) for these estates, was virtually identical to the previous year but, because of the smaller mature area, the overall crop was slightly down on last year. The crop from Simpang Kiri Estate was lower than in 2012 as the estate experienced a low-cropping period.

These established estates in Sumatra continue to be well managed and, overall, average yields have improved markedly over the last few years. Generally, yields in the areas where these estates are located in Sumatra experienced a downturn in 2013.

In the long term, crops on these estates are expected to increase as new higher-yielding seedlings are planted, replacing older palms whose yield pattern is deteriorating. Given the age profiles of the estates, there will be a sustained period of replanting over the next eight or so years meaning that, in the short term, total crops are likely to remain at around current levels until the newly-planted areas mature and yields start increasing again. During 2013, 248 hectares were replanted on Pangkatan Estate and 133 hectares on Simpang Kiri Estate. The present plan is to replant, on average, some 450 hectares per annum over the next eight or so years.

The benefits of applying compost from Pangkatan Mill in the field continue to be felt. Not only does the presence of nutrients in the compost reduce the need to use expensive inorganic fertiliser (thereby achieving a cost saving) but also the compost improves the structure of the soil. In the same way, land application (pumping surplus liquid mill



CLOCKWISE FROM TOP LEFT Oil-palm nursery with mature palms behind. Harvesting f.f.b. in Kalimantan. Young palms on the Agro Muko joint venture

effluent into trenches between the palms, in this case over an area of some 85 hectares) provides nutrients and reduces the need for inorganic fertiliser.

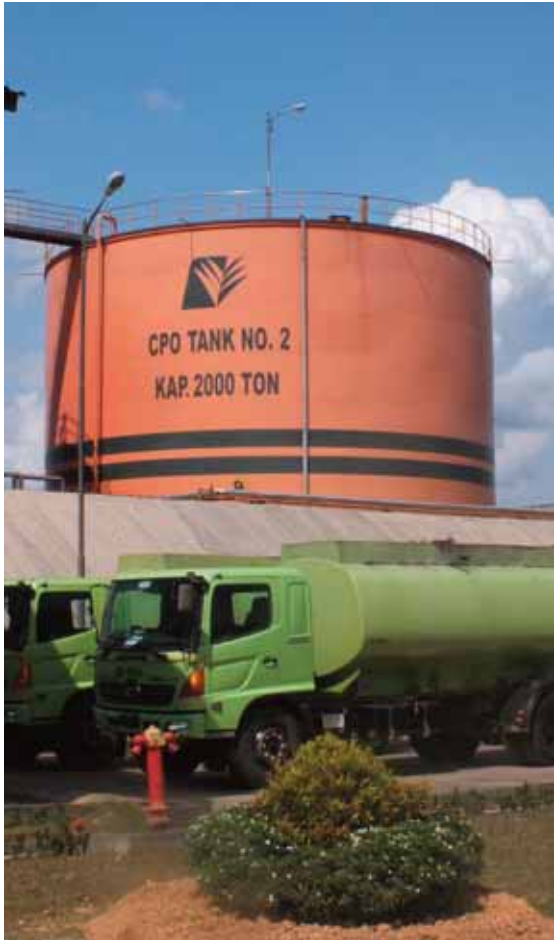
Production of crude palm oil at Pangkatan Mill at 35,500 tonnes, was similar to 2012's 35,900 tonnes, despite the lower f.f.b. throughput in 2013. It is pleasing to report continued improvement in the oil-extraction rate achieved in 2013 by the mill. Close monitoring by field management of fruit ripeness and bunch quality and by mill management of oil losses and general engineering standards has resulted in these high extraction rates. Although the weight harvested is at acceptable levels, some of the fruit received by Pangkatan Mill from Sennah Estate is not of the highest quality because of low-quality plantings which were on the estate, and known about, when it was acquired some 12 years ago. This has a negative effect on the extraction rate. These lower-quality areas will be replanted over the next five or so years and this will, in time, have a beneficial effect on the extraction rate. In the

circumstances outlined above, extraction rates at the levels that have been achieved are commendable.

Management is considering the financial feasibility of capturing methane from Pangkatan Mill's effluent pond to burn and then generate and sell electricity. The methane would be "scrubbed" and then used as fuel in a gas engine, similar to the one successfully installed on the Kalimantan project. The electricity generated should then be able to be sold to the Government electricity board (PLN).

Pangkalan Mill was accredited by the Round Table on Sustainable Palm Oil ("RSPO") in 2012. The annual "surveillance" audit was successfully completed in 2013 and, during the year, credits for both CPO and palm kernels were sold through a marketing platform. The mandatorily-required Indonesian Sustainable Palm Oil ("ISPO") audit was also successfully completed in 2013 and certification has been received in 2014.





Holding tank and CPO-delivery trucks, Kalimantan

Pangkalan Mill's CPO qualifies as fully segregated as it is derived solely from RSPO-accredited plantations (Pangkalan, Bilah and Sennah Estates). However, the relatively modest volume involved makes it difficult to sell it under this description. As this market develops, it may become possible to sell fully-segregated CPO, which commands a greater price premium, more easily.

Pangkalan Mill is in the process of preparing to apply for International Sustainability and Carbon Certification ("ISCC"). This should allow CPO to be sold to European power generators at premiums to world prices.

#### Sumatra – Musi Rawas project

Progress has been made on the Musi Rawas project in South Sumatra. As at the date of this report, compensation terms have been agreed with the users of the land over some 1,800 hectares. A team, led by an experienced senior group manager, has been installed in an office in a nearby town.

A nursery has been created and it is the intention to commence planting at the end of 2014.

The area covered by the Group's permit extends to 20,000 hectares but it is impossible at this stage to predict exactly how much of this will be available for planting. The board currently estimates that approximately half this area, 10,000 hectares, will be plantable. Much will depend upon the Group's ability to agree acceptable terms with the users of the land. The Group has undertaken to develop 30% of the planted land for smallholder cooperatives, the members of which are those who have sold their rights to the land to the Group.

#### Kalimantan

The planned substantial increase in f.f.b. crops continued in 2013 with 114,500 tonnes harvested, 55% more than 2012's 73,700 tonnes. This increase was despite some unusually-extensive flooding experienced during the year which at times restricted harvesting.

The mill continued to purchase f.f.b. both from the smallholders' cooperatives and from third-party estates. The cooperatives' crops are increasing in a similar fashion to those on the Group's areas. As expected, the purchases from third parties fell compared with 2012 as some of the the suppliers of f.f.b. not only built their own mills but also competed to buy f.f.b. in the area themselves. Such purchases have proved to be very beneficial to the Group during the early days of the operation of the new mill.

New planting was at modest levels in 2013 with 127 hectares planted for the Group and 3 hectares for the smallholders' cooperatives. The total planted area at the end of the year amounted to 9,809 hectares for the Group and 4,005 for the smallholders' cooperatives. The project is nearing the end of the planting programme and, as normally happens in these circumstances, completing the final small areas takes longer, is more complicated and becomes more expensive. The latest estimate is that approximately a further 800 hectares may be able to be planted on the Group's own areas, bringing the total to some 10,600 hectares. With regard to the smallholders' areas, it is possible that a further 400 or so hectares may be able to be planted, bringing the total to around 4,400 hectares. The potential combined area may ultimately therefore amount to around 15,000 hectares.

Included in the Group's estimate of unplanted but plantable land, both its own and that of smallholder

cooperatives, are 800 hectares which, being near the Mahakam River, are prone to flooding, sometimes for prolonged periods. Management is actively reviewing whether it is financially feasible for these areas to be flood-protected by means of constructing bunds and installing pumping equipment. The land is of good quality and yields are likely to be high if the flood water can be kept out.

In addition, there are approximately 900 hectares which have already been planted but which are also prone to flooding. The yields from these areas could be substantially improved if the flood water was controlled. Bunding and pumps would involve a substantial investment which the board is actively considering.

As the areas being planted reduce, management is concentrating on the maximisation of yields and attempting to bring field standards up to the highest level. The bulking complex on the side of the Mahakam River has been working well, both dispatching CPO and kernels and receiving bulk items, such as fertilisers, all by barge. The third bulking tank, of 5,000 tonnes capacity, was completed during the year and, together with the other, 3,000-tonne, tank is rented out to third parties. The Group uses the third, 5,000-tonne, tank for its own purposes.

The CPO mill has continued to improve its oil-extraction rate and achieved 24.8% in 2013. Echoing earlier comments about the good extraction rate also achieved by Pangkatan Mill in Sumatra, it is the close monitoring by field management of fruit ripeness and bunch quality and by mill management of oil losses and general engineering standards that has resulted in this high percentage. Given that the age profile of the project's oil palms is still very young and also that a significant weight of f.f.b. was purchased from nearby, third-party plantations from which it is more difficult to control ripeness standards, the extraction rate achieved has been commendable.

The application of compost derived from waste products from the mill (empty fruit bunches and liquid effluent) continues to operate successfully. Good levels of nutrients (particularly potassium) are being recorded in the compost which reduces the requirement for expensive inorganic fertiliser. As at

Pangkalan Mill, surplus effluent is pumped into trenches between the palms, in this case over an area of approximately 90 hectares.

The RSPO audit of the Kalimantan project mill took place at the end of 2013. The independent auditors recommended to RSPO that accreditation be granted and the official certification is expected shortly. ISPO and ISCC audits are expected to commence during the course of 2014.

## Bangka

The 2013 crops both from the Group's own areas and from the smallholders' cooperatives were unexpectedly lower than for 2012. The climate on Bangka Island is prone to mid-year dry periods which can, but does not necessarily, lead to a downturn in crops some 20 to 24 months later. There was such a dry period in 2011 which appears to have been responsible for the downturn in 2013. At the other end of the spectrum, there was exceptionally heavy rain around the end of 2013 leading to some localised flooding. Crops normally more than recover after a "down" period and, as far as can be assessed at this early stage in the year, this recovery is expected to occur in 2014/15.

The planted area at the end of 2013 amounted in total to 6,052 hectares of which 4,083 related to the Group's areas and 1,969 to the smallholders' cooperatives. Although higher than the previous year, progress on planting was a little disappointing at 972 hectares in total, of which 584 related to the Group and 388 to the cooperatives. As has been mentioned in previous annual reports, the Group is competing with tin-mining interests on the land. However, management is confident that the goodwill, which has clearly been engendered with local people through the creation and management of first-class oil-palm areas owned by the cooperatives, has resulted and will continue, long term, to result in strong support for the project. It should be stressed that this is a slow process but it is still expected that potentially the project will ultimately extend to some 10,000 hectares, of which 6,000 will relate to the Group and 4,000 to the smallholders.

It has been decided to proceed with the construction of the mill on the project with a view to commissioning it in 2016. The exact format of the mill is currently in the process of being decided but it is likely to start off with a 45-tonne line, extendable at a later date by another 15-tonne line depending upon circumstances.



Oil-palm nursery, Musi Rawas

### OPERATING COSTS

As areas mature, costs which hitherto had been capitalised (or added to the cost of planting) are then treated as revenue costs. In projects, such as Kalimantan and Bangka, with a young age profile and with new plantings becoming mature, significant costs become recognised in this way each year. However, as crop production increases the fixed-cost element of the Group's costs per kilogram reduces. As foreshadowed in the 2012 annual report, there were significant cost pressures in Indonesia during 2013, particularly with regard to basic wages. These levels are determined annually by the Governments of the various individual provinces and increases reached as high as 49%, in that case in East Kalimantan. Most of the Group's workforce earn well above the minimum wage although this amount does form the basis for wage calculations and substantial increases do therefore impact on overall wage costs.

The US Dollar strengthened sharply against the Indonesian Rupiah during the year. This had the effect of reducing in US-Dollar terms those costs which are denominated in Rupiahs. The most significant such cost, and indeed the biggest single cost, is wages and salaries.

The Group determines its costs as the cost per tonne of "palm products" (palm oil plus palm kernels). Costs include virtually all costs incurred in Indonesia including depreciation and regional-head-office overheads. The overall Group cost per tonne including both the established, mature projects in Sumatra and the new project in Kalimantan was US\$460 in 2013 (2012 US\$500). The cost per tonne for the Sumatran estates was US\$270 (2012 US\$290) whilst the higher costs on the new Kalimantan project continue to fall markedly as production increases.

### ENVIRONMENTAL AND SOCIAL FACTORS

Reference has been made earlier in the report to the Group's commitment to producing environmentally-sustainable palm oil. Pangkatan Mill is already RSPO-accredited and the Kalimantan Mill is in the process of achieving this. The two mills are also at various stages in the process of ISPO and ISCC accreditation. The Bangka project, although not yet in a position to become RSPO accredited until its mill is in operation and it is selling CPO, already adheres to the RSPO "Principles and Criteria". The Group's environmental and social activities and policies are set out in more detail in the section

entitled "Environmental, corporate and social responsibility" on pages 28 to 31.

## ASSOCIATED-COMPANY ESTATES

### CROPS AND PRODUCTION

PT Agro Muko's f.f.b. crop was, as expected, lower (345,800 tonnes) than the record achieved in 2012 (367,400 tonnes). Crop levels over recent years have benefited from infrastructural improvements. However, the project started in the late 1980's and the large, early plantings are now becoming ready for replanting. Accordingly, the enhanced replanting programme will reduce the productive areas and, until the crops start coming through from the new plantings, the overall crop is likely to remain at, or possibly slightly below, current levels in the short term.

The rubber crop, at 1,440 tonnes, was 7% higher than that for 2012 (1,340 tonnes). The extensive replanting programme undertaken over the last few years is resulting in increasing cropping levels and this upward trend is expected to continue.

Details of crops, production and extraction rates for 2013, with comparative figures for 2012, are set out below:-

|                                  | 2013<br>TONNES | INCREASE<br>(DECREASE)<br>% | 2012<br>TONNES |
|----------------------------------|----------------|-----------------------------|----------------|
| <b>F.f.b. crops</b>              |                |                             |                |
| PT Agro Muko                     |                |                             |                |
| - own                            | 345,800        | (6)                         | 367,400        |
| - outgrowers                     | 8,600          | —                           | 8,600          |
|                                  | 354,400        | (6)                         | 376,000        |
| PT Kerasaan Indonesia            | 41,200         | —                           | 41,200         |
|                                  | 395,600        | (5)                         | 417,200        |
| <b>Production (PT Agro Muko)</b> |                |                             |                |
| Crude palm oil                   | 79,700         | (8)                         | 87,100         |
| Palm kernels                     | 18,400         | (7)                         | 19,700         |
| <b>Extraction rates</b>          | %              |                             | %              |
| Crude palm oil                   | 22.5           |                             | 23.2           |
| Palm kernels                     | 5.2            |                             | 5.2            |
| <b>Rubber crops</b>              | TONNES         |                             | TONNES         |
| PT Agro Muko - own               | 1,440          | 7                           | 1,340          |

### REVIEW OF OPERATIONS

2013 was an unusually wet year, resulting in lower extraction rates in the two mills. Combined with the lower f.f.b. crop, this resulted in CPO production of 79,700 tonnes, 8% lower than the 87,100 tonnes achieved in 2012.

A methane-capture plant attached to one of the palm-oil mills was commissioned at the end of 2013. The methane is captured from the liquid mill effluent, scrubbed and then either used as fuel for one of the boilers in the mill (which drives a turbine to produce electricity) or as fuel for the driers in the rubber factory.

The extensive programme to stone the estate roads continues and, as at the end of 2013, was approximately 60% complete. The benefits of accessibility during wet periods and costs reduced by using trucks to collect f.f.b. (rather than double-handling with tractors and trailers and then trucks) have already been felt.

Kerasaan Estate's f.f.b. crop, at 41,200 tonnes, was identical to that for 2012. The leaf-pest problems suffered by the estate over the last two or so years have largely been resolved and the crop is expected to start increasing again. Yields have also been adversely affected by the root disease, ganoderma. Strict agricultural practices have been instituted such as de-boling when affected palms are identified and ploughing and planting on a different line when areas are replanted.

### PERFORMANCE EVALUATION

#### Plantation and mill operations

Management monitors and assesses the efficiency of operations with regard to crops and production by means of 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 budgeted, recorded and monitored. Yields can vary widely because of factors such as soil type, terrain, sunshine hours, rainfall, distribution of rainfall and the fertility cycle of the palms. Because of this, monitoring is not carried out on a Group basis but rather takes into account the conditions on each year's planting on each estate. Key factors which are under management's control are husbandry standards, fertiliser application, harvester numbers and

productivity, and the quality of infrastructure (estate roads, drains, for example). These are monitored by management on the ground and, in some cases, independently verified and advised upon. Decisions, such as when and how to replant, are taken based on local conditions.

Management monitors and assesses the performance of the development of the new plantings 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. A budget for planting programmes is set, with sufficient planting material already 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. These are monitored by management for each individual estate.

With regard to mill production, the key performance indicators are the extraction rate of palm oil and palm kernels per tonne of f.f.b., and the percentage of free fatty acids, oil losses, dirt and moisture. Extraction rates vary according to factors such as the type and quality of planting material, the age profile of plantings, rainfall, etc. Rates of up to 25% for palm oil and over 5.5% for palm kernels can be achieved in some parts of Indonesia. Oil losses, dirt and moisture content are expressed in terms of percentages and actual achievement against maximum permitted levels is monitored by management.

#### Plantation and mill costs

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 kilogram of f.f.b. and factory costs per tonne of palm products (combined palm oil and 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.

## CURRENT TRADING AND PROSPECTS

F.f.b. crops harvested on the majority-owned estates amounted to 88,400 tonnes for the first three months of 2014 compared with 78,700 tonnes for the same period last year. The rising trend on the two new projects continued with 45,400 tonnes harvested, 25% higher than the 36,200 tonnes recorded in the same period in 2013. This was despite a short period of acute flooding experienced in Kalimantan in the early part of the year. As expected, the crop on the established Sumatran estates at 43,000 tonnes was similar to the 42,500 tonnes for the same period in 2013. Although too early in the year to determine with precision what the crop for the whole year will be, the board's current estimate is that the outturn will be approximately 425,000 tonnes. If this is achieved, the Group will remain broadly on track to reach its target of 500,000 tonnes in 2015. Crops will continue to rise substantially after 2015 but the level will at least partly depend upon the future rate of plantings. F.f.b. crops from the associated companies were a little higher than for the same period last year.

With world stocks having fallen substantially by the end of 2013 and with the prospect of significant usage of palm oil for bio-diesel in Indonesia, the palm-oil price strengthened in the first part of 2014 and is currently trading at around US\$900/tonne (Rotterdam c.i.f). These positive factors supporting the price are limited to some extent by the unusually large areas of soybeans that have been planted in the current season in South America.



Oil-palm seedlings, Musi Rawas

Prospects for Australian beef are looking more favourable as export demand grows



Heifers on Goldsborough



## THE BEEF MARKET

Prices for both the lighter-weight cattle, produced by Woodlands, and the heavier, grain-finished cattle produced by NAPCo, broadly fell during the first half of the year, largely as a result of the dry conditions experienced across much of Australia. However, the continuing decline in the value of the Australian Dollar had a more positive impact on prices in the second half, especially for NAPCo's heavier-weight cattle, which are more closely linked to the export market. By the year end, prices for lighter-weight cattle continued to trade at below their end-2012 levels, whilst prices for the heavier, grain-finished cattle were similar to their end-2012 levels.

## MAJORITY-OWNED OPERATIONS

### WOODLANDS

The Woodlands cattle aggregation fell just short of breaking even on its cattle operations. In addition to cattle trading profits of US\$1.41 million (2012 US\$0.20 million), Woodlands gained income of US\$0.52 million (2012 US\$nil) from fattening third parties' cattle for a fee per kilogram of weight gained ("agistment"). Given the high cost of purchasing young cattle for the property, the board took a decision to make use of the available capacity at Woodlands by introducing significant numbers of agisted cattle in place of its own herd. At the beginning of the year the herd consisted of 5,562 of Woodlands' own cattle; to this were added 7,349 cattle on agistment as Woodlands sold 4,872 of its own cattle, and by the year end all but 676 of the 3,837 year-end herd on Woodlands were agisted cattle.

Young heifers at NAPCo's Wainui feedlot



Total weight gained by the cattle on Woodlands, both its own herd and the agisted cattle, increased during 2013 by 45% to 1.46 million kilograms. Pleasingly, despite the well-publicised adverse weather conditions, average weight gain per cattle day for the year was 0.55 kilograms, just a little short of the 0.60 kilogram-per-day target referred to below. The cattle gained weight at a significantly-higher rate in the first half of the year, benefiting from good early rains, before the drought conditions experienced in much of Australia limited their ability to find the nutrition they needed to grow from the drying pastures.

### Performance evaluation

Management monitors and assesses the efficiency of operations with regard to cattle fattening by means of performance indicators. This assessment involves the establishment of weight gain per beast per day. Depending upon the weather and pasture/forage-crop conditions, management aims for 0.60 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 performance indicator that is under constant review by management.

NAPCo's newly-expanded Wainui feedlot



## ASSOCIATED COMPANY - NAPCo

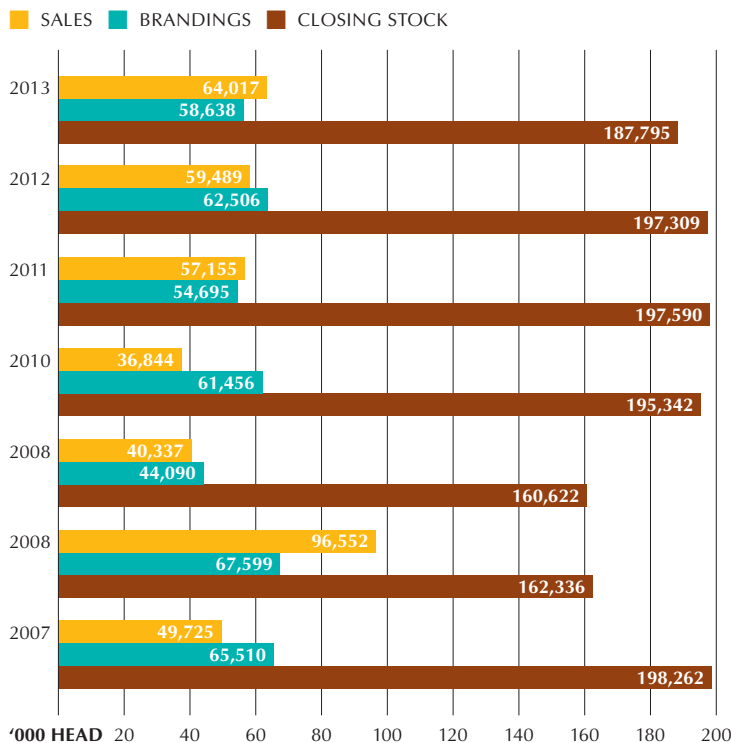
### RESULTS FOR THE YEAR

Following an extremely dry season, the company recorded a loss of US\$7.07 million, of which the Group's share amounted to US\$2.43 million. This compares with a loss in 2012, of which the Group's share amounted to US\$2.01 million. NAPCo's loss incorporated a decrease in the valuation of the cattle herd of US\$7.17 million, the valuation per head falling by A\$6 to A\$636 compared with the

# Operations Beef cattle

CONTINUED

## CATTLE SALES AND BRANDINGS



Walking young heifers on Gordon Downs

previous year end. This overall reduction resulted both from a decreased herd size (by 9,514 head) and from lower average weight per head.

### SEASONAL CONDITIONS

2013 was the most challenging season experienced by the company, and indeed all of Northern Australia, since 2008. While rainstorms, finally, provided important relief to many of the company's properties in December 2013, the benefits were short lived as hot and dry conditions returned. However, since the year end, many of the properties have received some further welcome rainfall.

### COMPANY OPERATIONS

During 2013, the herd reduced in size to 187,795 head from 197,309 head at the start of the year. A total of 58,638 calves were branded during the year, some 4,000 fewer than in 2012, mainly due to the very poor season. Hot, dry conditions in early 2013 impacted on the prospective survival of recently-born calves so, towards the end of the year, as it had become too hot to continue the process of weaning calves off their mothers, the branding of many calves was delayed until 2014. A total of 64,017 cattle were sold during 2013, over 4,500 more than in 2012,

and the highest number since the 2008 drought. The recently-expanded Wainui feedlot facilitated the retention of significantly more young cattle than would have been possible in previous years. In 2014, brandings are expected to be approximately the same as in 2013 and cattle sales potentially higher, given the current mixed season. There may therefore be a further reduction in the herd size in 2014. This would, however, be offset by any increase in prices, especially for grain-finished cattle. The recent price increase and the positive price outlook are described respectively in "The beef market" section of this report on page 20 and under "Current trading and prospects" below.

## CURRENT TRADING AND PROSPECTS

Significant rainfall both on Woodlands and across most of the NAPCo properties represents a welcome relief to the extremely dry conditions suffered in 2013. Australian beef-cattle prices have recently increased, partly in response to the rainfall and partly as export demand continues to grow, especially in Asia, helped by the weakening of the Australian Dollar. As with palm oil, price prospects appear favourable.



# Operations Property

Successfully-completed house sales and a number of land sales are in train



## MALAYSIAN PROPERTY

### MAJORITY-OWNED OPERATIONS

#### BERTAM ESTATE

It is intended that Bertam Estate will be sold when the board deems that market conditions are suitable. Based on independent advice, the land is estimated to be worth more than US\$13.5 million. In the meantime, the Group continues to harvest the 65 hectares of mature oil palms on the estate. This yielded a small crop of 1,400 tonnes in 2013 (2012 – 1,600 tonnes). No replanting has taken place since 1997.

### ASSOCIATED COMPANY – BERTAM PROPERTIES

The Penang property market continued to be buoyant during much of 2013. Unlike in 2012, Bertam Properties recorded the completion of sales of a substantially-increased number of development properties, more than 500, during 2013 (2012 – 200). Accordingly, the profit arising from these sales could be recognised during the year and, after taxation, amounted to US\$11.22 million (2012 loss US\$1.48 million), of which the Group's share amounted to US\$4.49 million (2012 loss US\$0.59 million). The sale of a modest area of raw land was completed during the year and further sales are currently in process. These are expected to complete within the next year or so.

Plantation activities continue to shrink as the land available for agriculture is given over to property development. At the end of 2013, 139 hectares (2012 – 147 hectares) of oil palms remained. The f.f.b. crop fell by 23% to 1,700 tonnes (2012 – 2,200 tonnes) and profits fell because of this and also because of lower CPO prices.

At the end of 2013, Bertam Properties owned 419 hectares, including 143 hectares covered by the golf course and 25 hectares already under development, leaving 251 hectares undeveloped. This remains a very valuable asset. The Group's investment in Bertam Properties is estimated to be worth in excess of US\$30 million.

CENTRE Example of Bertam Properties' residential development

LEFT Bertam Properties' Penang Golf Resort

# Risk management

The board reviews risk management on an annual basis. Set out below is the board's evaluation of the principal areas of potential risk and the steps taken, where appropriate, to mitigate that risk.

## INDONESIA COUNTRY RISK

The Group relies on the continuing ability to acquire and enforce property rights in Indonesia. The country has recently benefited from a period of political stability, economic growth and relative exchange-rate stability. The board perceives a very low risk of, for example, nationalisation or the imposition of exchange controls, and the attendant risk that the Group will be unable to extract profits from its subsidiaries and associated companies in Indonesia.

Security of land tenure is a matter of fundamental concern to plantation operators. The Group holds its land under 25 or 30-year renewable leases (HGU's) which have, to date, been renewed when falling due without difficulty. A variation on this risk is that the Group may ultimately fail to obtain good title to the land on which it has developed its new projects. To date, the Group has obtained all the necessary licences for these projects short of the ultimate lease, the HGU. These include a valid right to develop the land (izin lokasi) and operating licences (izin usaha pertambangan). The Group has taken responsibility for the process of compensating smallholders and ensuring full and prompt payment of relevant government taxes. Both are important activities that are assessed during the final application for an HGU. Where other companies have been granted licences which potentially conflict with those held by the Group, swift and determined legal action has been taken to defend the Group's position.

Operations in Indonesia are deemed to be at high risk from the threat of bribery and corruption. The Group has introduced a policy on bribery and corruption, completed a risk assessment and conducted training of senior management in Indonesia and Malaysia. It has approached all of its business partners and submitted questionnaires on their respective anti-bribery and corruption activities and policies. The Group has employed external advisers to ensure that its actions carry the maximum prospect of preventing bribery and corruption in its operations.

## SUPERVISION OF OPERATIONS

Geographical distance between the UK head office and operations located in Indonesia, Australia and

Malaysia puts a premium on strong supervision of the Group's operations. Regular written reporting from all operating companies is supplemented with routine telephone contact and frequent visits by the executive directors to all areas of the Group's operations, including the operations of associated companies. The Group has seats on the boards of its three major associated companies and regularly attends those companies' board meetings, as well as maintaining a dialogue with those companies' chief executives and senior management.

At the Group's regional office in Jakarta, the local president director has put together a team of senior managers (agricultural, engineering, legal, procurement and finance) with extensive experience and expertise, well qualified to confront the problems that arise on new and existing plantation projects. Senior regional managers are now resident in Sumatra, Kalimantan and Bangka. Additionally, independent scrutiny of agricultural operations is provided by a UK-based consultant.

The Group uses its Kalimantan training school to instil the Group's systems and high standards into new and existing staff covering, agriculture, engineering, finance and protection of the environment.

## PROTECTION OF THE ENVIRONMENT

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

The Group is a member of the Round Table on Sustainable Palm Oil ("RSPO"). The RSPO has strict guidelines which members must abide by in order to be able to state that they are producing sustainable palm oil, including the protection of forested areas. The Group endorses the "Principles and Criteria" which have been adopted by the membership. The Group has specialist RSPO officers, supported by external consultants, working

to ensure the Group complies with RSPO best practice. RSPO accreditation has been granted to its North Sumatran mill on Pangkatan Estate, and is expected in early 2014 for the new Kalimantan mill. The Group is also complying with the requirement to achieve certification as Indonesian Sustainable Palm Oil (“ISPO”).

As evidenced by its new projects in Kalimantan and on Bangka Island, the Group has a clear policy that only heavily-degraded land will be acquired and developed. An environmental-impact assessment is undertaken by an independent consultant for any new project. Implicit in these studies is the requirement to abide by riparian-buffer zones and nature-conservation areas and to compensate people cultivating parts of the land to be developed in a fair and transparent way.

With regard to both its mills, the Group has installed composting systems which utilise both the “empty” fruit bunches (i.e. after the fruit has been removed from them) and the liquid effluent from the mill. The resulting nutritious compost is applied in the field and reduces the requirement for inorganic fertiliser. No effluent is discharged into external water courses. Since the middle of 2012, at the mill in Kalimantan, methane has been captured from the mill effluent before it is used for composting, and used in a bio-gas engine to generate electricity for workers’ villages on the project.

Management follows industry best-practice guidelines and abides by Indonesian law with regard to such matters as fertiliser application and health and safety.

#### RELATIONSHIP WITH LOCAL POPULATIONS

A breakdown in relations could significantly disrupt the Group’s operations, for example through strikes, or lead ultimately to a stop in production should villagers pursue their case by blocking roads in order to prevent f.f.b., a perishable crop, from reaching the mill to be processed.

Particular attention is paid to the Group’s relationship with the local populations where development is taking place. On each of the projects there has been extensive communication not only with local government officials but also with local people collectively and through their representatives: the local mayor and village heads.

Smallholder co-operative schemes (KKPA) are being developed alongside the Group’s areas and managed by the Group. Staff members have been appointed to deal with compensation for loss of land and crops, and to explain the basis and workings of the KKPA schemes and to gain the support of the villages surrounding the Group’s project areas. This is a time-consuming process.

#### RELATIONSHIP WITH LOCAL PARTNERS

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

#### WEATHER AND NATURAL DISASTERS

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

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

Rainfall is of crucial importance to cattle farming in Australia and is unpredictable. The level of rainfall will determine the ability of existing pastures to be maintained and of management to plant forage crops. In turn, the quality and quantity of feed will determine the carrying capacity of the property. Investment is made in pumps, pipes, dams and water tanks to ensure drinking water is available in all areas. The board has taken the view that acceptance of this risk is part of the business.

## COMMODITY-PRICE FLUCTUATION

The price of crude palm oil, palm kernels and beef determines the Group's revenue and earnings. Fluctuations in the price directly affect the Group's reported earnings and its ability to generate cash inflows from its operations.

The Group relies on its ability to sell its palm oil, palm kernels and f.f.b. through a world market over which it has no control. 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 fortnightly 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. Given this, the directors have taken the view that in the long run it is not generally cost effective to sell forward contracts for the delivery of CPO, particularly since the presence of Indonesian export tax increases the risk in such contracts since it is determined and levied at the time of delivery, not at the time at which the contracted is agreed.

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

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

The price that the Group achieves for the sale of its fattened cattle is substantially 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 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 it a competitive advantage over its rivals.

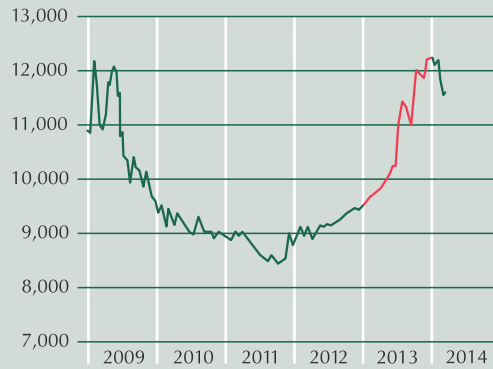
## EXCHANGE-RATE FLUCTUATION

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 Indonesian Rupiah against the US Dollar can have a negative effect on other revenue costs in US-Dollar terms. The movement of the Australian Dollar and Malaysian Ringgit against the US Dollar has an effect in US-Dollar terms when Australian and Malaysian earnings and assets are translated.

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.

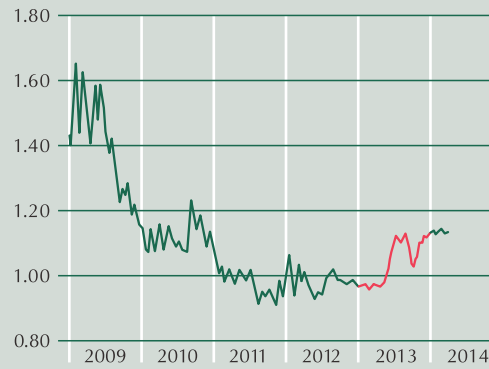
### US DOLLAR -V- INDONESIAN RUPIAH

US\$1 = Indonesian Rupiah



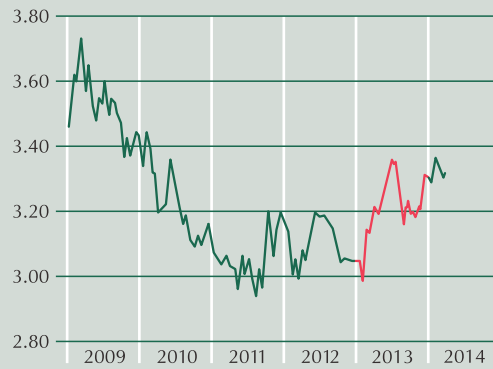
### US DOLLAR -V- AUSTRALIAN DOLLAR

US\$1 = A\$



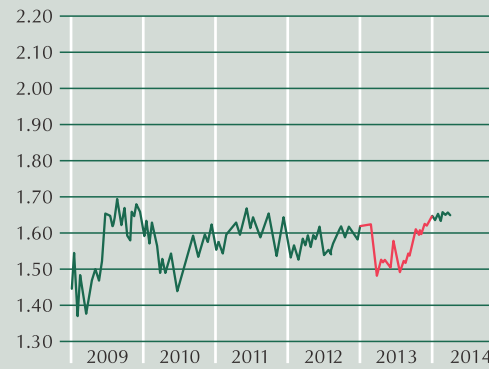
### US DOLLAR -V- MALAYSIAN RINGGIT

US\$1 = RM



### STERLING -V- US DOLLAR

£1 = US\$



### SECURITY OF LIQUID FUNDS

With the onset of the recent worldwide banking crisis, the board is concerned to ensure that the Group's liquid funds, which are in excess of US\$50 million worldwide at the date of this report, are deposited in a secure environment and not at risk of loss. The Group's policy is, and has been for many years, only to deposit funds either with banks with an acceptable credit rating from reputable rating agencies or with banks that are majority owned by sovereign governments.

Approved by the board of directors  
and signed on its behalf

**Philip Fletcher**

Managing director

24 April 2014

# Environmental, corporate and social responsibility

- ▶ The Group aims to adopt high standards in respect of environmental, corporate and social responsibility in its palm-oil and beef-cattle operations.
- ▶ The Group is committed to producing environmentally-sustainable palm oil.



- ▶ In Australia, besides its commitment to the health and safety of its employees, the Group adopts high 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.



## SUSTAINABILITY CERTIFICATION

### ROUNDTABLE ON SUSTAINABLE PALM OIL (“RSPO”)

The Group is a member of the RSPO. The membership covers a wide variety of interests from plantation owners to non-governmental organisations to supermarkets. The Group endorses the “Principles and Criteria” which have been adopted by the RSPO in relation to environmental, social and ethical plantation practices.

Pangkalan Mill was granted accreditation to the RSPO in October 2012. The crude palm oil from the mill is therefore recognised as having been derived from a sustainable source. The three estates that send f.f.b. to the mill, namely Pangkatan, Bilah and Sennah Estates, are covered by this accreditation. The annual “surveillance” audit was successfully completed in 2013.

The RSPO audit took place on the Kalimantan project at the end of 2013. It is expected that certification will be achieved in early 2014.

The associated companies, PT Kerasaan Indonesia and PT Agro Muko, received RSPO accreditation in 2010 and 2011 respectively.



### INDONESIAN SUSTAINABLE PALM OIL (“ISPO”)

The mandatorily-required ISPO certification, the requirements of which are similar in most respects to those of the RSPO, was received in respect of Pangkatan Mill in early 2014 – see picture above of (left) Abdul Aziz Muhshi (manager RSPO) and (right) Bambang Sumantri (group manager) receiving ISPO certificates on behalf of the Group. The ISPO audit of the Kalimantan project is expected to take place during the course of 2014.

## AGRONOMIC POLICIES

The following policies in respect of plantation management have been adopted:-

### NEW LAND

The Group ensures that any new plantation development is undertaken only in heavily-degraded areas which will not be suitable habitats for orangutans or other major endangered mammals. In accordance with RSPO rules, land will only be planted that has been independently certified as not having high conservation value ("HCV") and has been subject to an independent social-impact assessment.

### ZERO BURNING

On new plantings or replantings, no burning is allowed. Vegetation or old palms/trees are stacked in interrows between the new planting lines and allowed to rot down.



### CONSERVATION AREAS

On new projects, well-marked conservation areas are set aside in areas designated as having HCV status. Ongoing programmes of planting jungle trees and other plants are undertaken. Areas alongside river banks (riparian reserves) are set aside as conservation areas both to prevent leaching of fertilisers into water courses and to provide wildlife corridors.

### LEGUMES

Leguminous cover crops are planted. These serve to fix nitrogen in the soil, prevent erosion and provide nutritious leaf litter.



### TERRACING AND SOIL EROSION

In areas with slopes above 12%, contour terraces are dug. This prevents soil erosion and retains water for palms on the terraces. Slopes of more than 25% are not planted.

### INTEGRATED PEST MANAGEMENT ("IPM")

The Group adopts IPM to control pests on its plantations.

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



CONTINUED

## MILL EFFLUENT, COMPOST AND POWER GENERATION (ZERO-WASTE CONCEPT)

At the palm-oil mill in Kalimantan, methane is captured from part of the mill effluent and is utilised to fuel a biogas engine. This engine, in turn, generates electricity for office compounds and housing in workers' villages in the vicinity of the mill. This gives rise to a significant reduction in the use of diesel for the generators which would otherwise have been needed to provide this electricity. Surplus effluent (which can occur during very rainy periods) is applied in the field. This acts as a beneficial organic fertiliser.

The effluent from which methane has been captured is then applied to the empty fruit bunches to create nutritious compost. The balance of the effluent which has not been utilised for methane capture is immediately applied to the empty fruit bunches to create compost. The compost, in turn, is applied in the field, reducing the requirement for inorganic fertilisers. Because the effluent is used quickly the production of methane is minimal. No effluent is discharged into rivers or water courses. Similarly, Pangkatan Mill's liquid effluent is applied to empty bunches to create compost. Management is considering the commercial feasibility of capturing methane from the effluent pond to burn and then generate and sell electricity in a similar way to that described above at the Kalimantan mill.



## HEALTH AND SAFETY

The Group gives priority to the health and safety of its employees and those affected by its activities. Medical care is provided on the plantations in polyclinics which are manned on a daily basis by trained employees and, in addition, doctors visit these clinics once or twice a week. The Group pays for hospital treatment if this is required.



Sprayers apply chemicals in the field. They are provided with appropriate protective clothing and masks, showering facilities are available (and required to be used) and the sprayers are subject to regular medical checks.







## FACILITIES

The Group provides good-quality housing for its employees, together with clean, potable, water and proper sanitation.

Kindergartens are provided for very young children, as is transport for older children to nearby government schools. In remote locations, where schools are not available, the Group assists by providing land and some buildings so that government schools can operate on the plantations.



## TRAINING

The Group undertakes to train and motivate its staff and workforce, to help employees build their skill levels and to extend their education and qualifications. It has built a first-class residential training facility on its project in East Kalimantan.



## SMALLHOLDER SCHEMES

On the new projects the Group has entered into arrangements with local people to provide land planted with oil palms. This is done by means of cooperatives (KKPA's) whose members are eligible families in the villages which are in, or next to, the areas being developed. In the early stages, the Group provides the finance on loan to plant these areas and, once the land titles have been received, facilitates the KKPA's obtaining bank finance, whereupon the initial loans provided by the Group are largely repaid. The remaining amounts due to the Group are repaid out of KKPA profits. The land is planted to the same high standard as the Group's areas. The bank loans are guaranteed by the Group and any funding required in excess of that provided as bank loans is also provided by the Group.

There is a contractual arrangement for the f.f.b. from the KKPA's to be purchased by the Group in accordance with a formula set by the Indonesian Government. The KKPA's are maintained and managed under the supervision of the Group. This has been a successful way of engendering goodwill with local people, as well as providing them with a tangible and remunerative business which is owned by them.

## COMPENSATION IN RESPECT OF LAND ACQUIRED

When acquiring new land for development, the Group negotiates compensation terms with local people in a fair and transparent manner. Transactions are meticulously recorded and witnessed.

# Board of directors



**Peter E Hadsley-Chaplin, MA MBA**

CHAIRMAN

Appointed a director in 1989, chairman in 2010. 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.



**Philip A Fletcher, FCA**

MANAGING 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 his initial career in accountancy with KPMG in London and Sydney and in industry with the Rio Tinto plc group.



**Tristan R J Price, MA MSc FCA**

FINANCE DIRECTOR

Appointed a director in 2010. Qualified as a Chartered Accountant with Coopers & Lybrand. Worked in the UK Diplomatic Service, and as an economist at the Organisation for Economic Co-operation and Development (OECD). Prior to joining the Group, he was head of financial planning and policy at the Foreign & Commonwealth Office.

## Report of the directors

FOR THE YEAR ENDED 31 DECEMBER 2013

**The directors present the audited consolidated financial statements of M.P.Evans Group PLC for the year ended 31 December 2013.**

### PRINCIPAL ACTIVITIES

At 31 December 2013, the Company, through its subsidiary and associated undertakings, operates oil-palm and rubber plantations in Indonesia, beef-cattle operations in Australia, and property development in West Malaysia.

### REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A review of the year and future prospects (including the principal risks and uncertainties facing the Company) is included in the chairman's statement (pages 6 and 7) and in the strategic report (pages 8 to 27) 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 43.

An interim dividend of 2.25p (2012 - 2.25p) per share

was paid on 4 November 2013. The board recommends a final dividend of 6.00p (2012 - 5.75p) per share. This dividend will be paid on or after 19 June 2014 to those shareholders on the register at the close of business on 25 April 2014. This final dividend is not provided for in the 2013 financial statements.

### SCRIP-DIVIDEND SCHEME

The board has decided to make the scrip-dividend option available for the final dividend. Shareholders who have previously elected to receive their dividends in this manner will automatically receive this dividend as scrip. Forms of election will be dispatched to remaining shareholders under separate cover.

**Shareholders who now wish to make an election to receive this and future dividends as scrip, or who wish to revoke a previous election, should contact the Company's registrars (contact details on page 84) without delay. Any such elections or revocations will not be effective unless they have been sent in accordance with the Company's instructions and**



#### Konrad P Legg

SENIOR INDEPENDENT  
NON-EXECUTIVE DIRECTOR

Appointed a director in 1987.  
Director of Coburg Group PLC.  
A former non-executive director  
of Lendu Holdings PLC.



#### Richard M Robinow

INDEPENDENT NON-EXECUTIVE  
DIRECTOR

Appointed a director in 1999  
and chairman from 2005 to  
2009. 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.



#### J Derek Shaw, FRAGS

INDEPENDENT NON-EXECUTIVE  
DIRECTOR

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.



#### Jock Green-Armytage

INDEPENDENT NON-EXECUTIVE  
DIRECTOR

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

#### received by the Company's registrars no later than 5:00 p.m. on 29 May 2014.

The Company will accept partial scrip elections for this dividend, subject to such terms and conditions as it or its registrar may require, but will not carry forward partial election instructions for future payments.

To calculate the basis of the allotments, the Company will use the average of the middle-market quotations of the Company's shares for the five business days commencing on the ex-dividend date for the dividend as derived from the London Stock Exchange Daily Official List. The scrip-dividend scheme is conditional on the directors allotting the necessary new shares for the purposes of section 551 of the Companies Act 2006 and the admission of the new shares allotted to trading on the AIM market of the London Stock Exchange. The scrip-dividend scheme is operated with the authority of the resolution passed at the Company's annual general meeting in 2010 (which is valid for five years). The scheme is subject to the terms and conditions set out in the circular to

shareholders dated 14 May 2010 and available on the Company's website ([www.mpevans.co.uk/en/investors/dividends](http://www.mpevans.co.uk/en/investors/dividends)) and may be amended, suspended or terminated at the discretion of the board without notice.

#### SHARE CAPITAL

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

|   | SHARES OF 10P EACH |
|---|--------------------|
| <b>Issued (fully-paid and voting) capital at 1 January 2013</b>   | <b>54,871,402</b>  |
| Share options exercised<br>18 June 2013                           | 53,790             |
| Shares issued in lieu of a cash dividend<br>20 June 2013          | 51,560             |
| 4 November 2013   | 58,124             |
| <b>Issued (fully-paid and voting) capital at 31 December 2013</b> | <b>55,034,876</b>  |

# Report of the directors

CONTINUED

## DIRECTORS AND DIRECTORS' INTERESTS

The present membership of the board, all of whom served throughout the year is detailed on pages 32 and 33. Konrad Legg, Richard Robinow and Derek Shaw will retire from the board at the forthcoming annual general meeting in accordance with the articles of association and, being eligible, Richard Robinow and Derek Shaw offer themselves for re-election.

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

| AT 31 DECEMBER 2013 | BENEFICIAL | NON-BENEFICIAL | OPTIONS |
|---------------------|------------|----------------|---------|
| P E Hadsley-Chaplin | 1,561,717  | 25,000         | —       |
| P A Fletcher        | 1,128,171  | —              | —       |
| T R J Price         | —          | —              | 250,000 |
| K P Legg            | 610,377    | —              | —       |
| R M Robinow         | 96,147     | —              | —       |
| J D Shaw            | 435,065    | —              | —       |
| J M Green-Armytage  | —          | —              | —       |

| AT 1 JANUARY 2013   | BENEFICIAL | NON-BENEFICIAL | OPTIONS |
|---------------------|------------|----------------|---------|
| P E Hadsley-Chaplin | 1,311,717  | 25,000         | 26,895  |
| P A Fletcher        | 978,171    | 51,361         | 26,895  |
| T R J Price         | —          | —              | 200,000 |
| K P Legg            | 604,139    | —              | —       |
| R M Robinow         | 96,147     | —              | —       |
| J D Shaw            | 490,747    | —              | —       |

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 40.

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

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

As permitted by the Company's articles of association, there was throughout the year to 31 December 2013, and is at the date of this report, a qualifying third-party indemnity provision, as defined in section 236 of the Companies Act 2006, in force for the benefit of the directors.

## SUBSTANTIAL INTERESTS

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

|   | SHARES    | %     |
|---|-----------|-------|
| <b>Direct interests</b>                           |           |       |
| Alcatel Bell Pensioenfonds VZW                    | 5,793,497 | 10.53 |
| JP Morgan Fleming Mercantile Investment Trust Plc | 3,464,957 | 6.30  |
| Montanarro Asset Management                       | 1,982,894 | 3.60  |
| M M Hadsley-Chaplin                               | 1,892,254 | 3.44  |
| <b>Indirect interests</b>                         |           |       |
| Aberdeen Asset Management PLC                     | 8,837,770 | 16.06 |
| Invesco Limited                                   | 2,056,436 | 3.74  |

## AUTHORITY TO ALLOT SHARES

At the annual general meeting a general authority is being sought, under resolution 6, for the directors to allot shares up to a maximum nominal amount of £1,834,496, which represents 33.33% of the Company's issued share capital as at the date of this report. The Company does not currently hold any shares as treasury shares within the meaning of section 724 of the Companies Act 2006. It is also proposed, under resolution 7, 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 £275,174, representing 5% of the Company's issued share capital as at the date of this report. The directors do not have any present intention of using the authorities sought under resolutions 6 and 7. These authorities will lapse on 30 June 2015 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 under resolution 8 for the Company to purchase its own shares on the AIM Market of the London Stock Exchange until 30 June 2015 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 AIM 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. The directors would 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 so to do. Whilst any such shares are held in treasury, no dividends will be payable on them and they will not carry any voting rights.

Resolution 8 set out in the notice of the annual general meeting will accordingly be proposed to authorise the purchase of up to a maximum of 5,503,488 shares, on the AIM 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.

The authority conferred by resolution 8 will lapse on 30 June 2015 or, if earlier, the date of the Company's next annual general meeting.

As at the date of this report there were options to subscribe for 350,000 shares outstanding under the executive share-option schemes. If all of the options were exercised, the resulting number of shares would represent (a) 0.63% of the enlarged issued share capital at that date; and (b) 0.70% of the enlarged issued equity share capital at that date if the proposed authority to purchase shares was exercised in full (excluding any share capital which may be purchased and held in treasury).

#### **PAYMENTS TO SUPPLIERS**

It is the Group's normal practice to make payments to suppliers in line with agreed terms, provided that the supplier has performed in accordance with the relevant terms and conditions. The Group's average creditor days calculated as at 31 December 2013 amounted to 31 days (2012 - 41 days).

#### **FINANCIAL INSTRUMENTS**

Details of the Group's financial instruments, and the board's policy with regard to their use, are given in note 32 to the consolidated financial statements on pages 70 and 71.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Report of the directors

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CONTINUED

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

## GOING CONCERN

The board's conclusions on adopting the going-concern basis for preparing the financial statements are set out in the report on corporate governance on page 38 and are incorporated in this report by reference.

## POST-BALANCE-SHEET EVENTS

There have been no post-balance-sheet events.

## DISCLOSURE OF INFORMATION TO AUDITORS

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

- ▶ so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- ▶ he has taken all reasonable 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 418(2) of the Companies Act 2006.

## INDEPENDENT AUDITORS

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

Approved by the board of directors  
and signed on its behalf

**Claire Hayes**

Secretary

24 April 2014

# 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 is set out below.

## 1 DIRECTORS

The details of the Company's board, together with the audit and remuneration committees, are set out on pages 32 and 33. The board comprises an executive chairman, two further executive directors and four 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. All of the executive directors and non-executive directors attended each of the five full board meetings held in 2013, with the exception of Konrad Legg and Tristan Price who were unable to attend the meeting on 10 September 2013. Each executive director, and non-executive director with less than nine years' tenure, retires and must seek re-election at least every three years. Thereafter, non-executive directors will offer themselves for re-election at each year's annual general meeting.

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 and non-executive directors have discussions on an informal yet frequent basis to discuss progress against budget and other business issues.

## 2 INDEPENDENCE AND RE-ELECTION OF LONG-SERVING DIRECTORS

The board considers Derek Shaw, Konrad Legg and Richard Robinow to be independent, notwithstanding their length of service.

## 3 DIRECTORS' REMUNERATION AND APPOINTMENT

As set out in the report on page 39, 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 2013 and each meeting was attended by all the members with the

exception of Konrad Legg who was unable to attend the meeting on 10 September 2013.

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 are discussed at a full board meeting and each member of the board is given the opportunity to meet the individual concerned prior to an appointment being made.

## 4 RELATIONS WITH SHAREHOLDERS

The Company attaches importance to effective communications with its institutional and private shareholders. All shareholders have at least 21 clear 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 invited at the meeting. The annual report, interim report and analysts' presentations are all available on the Group's website ([www.mpevans.co.uk](http://www.mpevans.co.uk)) and through an "app" that is available for users to download for free. The executive directors regularly meet analysts who either follow the Group or who may be interested in doing so. There is also regular contact with institutional investors. Presentations are made explaining the Group's strategy, results and operational developments.

## 5 ACCOUNTABILITY

### a) Financial reporting

A detailed review of the performance and financial position of the Group is included in the chairman's statement and the strategic report. The board uses these and the report of the directors to present a balanced and understandable assessment of the Group's position and prospects. The directors' responsibility for the financial statements is described on pages 35 and 36 of the report of the directors.

### b) Risk management

The directors acknowledge their responsibilities for the Group's system of risk management. Such a system can provide reasonable, but not absolute, assurance against material misstatement or loss. A review of the process of risk identification, evaluation and management is carried out regularly and presented to the board for discussion and approval. In summary this is reported on pages 24 to 27.

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 risks of operating in Indonesia;
- the geographical distance between the head office and area of operation;
- protection of the environment;
- the relationship with local populations where the Group has operations;
- the relationship with local partners;
- weather and natural disasters;
- commodity-price fluctuation;
- exchange-rate fluctuation; and
- security of liquid funds.

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.

### c) Going-concern basis

The Group's operations are funded through a combination of long-term equity capital, cash resources, long-term loans and overdraft.

The board has undertaken a recent review of the Group's current financial position, forecasts, associated risks and sensitivities. This review was conducted in the light of the board's current plans for the development of the Group's business which incorporates the planting expenditure in Indonesia on the areas noted in the strategic report on pages 8 to 19. The forecasts indicate that the Group will have sufficient resources to meet its obligations as they fall due on the basis that facilities expiring during the course of 2014 will be renewed (see note 24 on page 64). Discussions with the banks extending the facilities are already well advanced, and the directors have taken the view that it is reasonable to expect these discussions will successfully conclude with agreement for new facilities on terms acceptable to the Group.

The board has concluded that, given the current level of cash resources in the Group, the level of existing borrowings and the facilities agreed in April 2010,

March 2011 and March 2013, and the likelihood that these will be renewed when they reach the end of their term, as well as its ability to manage capital expenditure, the Group is expected to be able to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of the approval of the financial statements. As a result, the board has concluded that the going-concern basis continues to be appropriate in preparing the financial statements.

### 6 AUDIT COMMITTEE

The audit committee is formally constituted with written terms of reference and is chaired by Jock Green-Armytage; the other members are Konrad Legg, Richard Robinow and Derek 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 twice during 2013 and each meeting was attended by all of the members and the external auditor.

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

The Group's auditors have provided only audit services, other than a small amount of tax advice in the UK, Malaysia and Australia.

The audit committee meets the external auditor to consider audit planning and the results of the external audit. The committee specifically considered the scope of the Group auditor's engagement and agreed the significant risks for the audit of the 2013 results. The external auditor performs minimal services for the Group other than the external audit, and so the board does not consider there to be a risk that the provision of non-audit services may compromise the external auditor's independence.



# 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 Jock Green-Armytage.

## SERVICE CONTRACTS

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

## REMUNERATION POLICY

### EXECUTIVE DIRECTORS

The remuneration of the executive directors is determined by the remuneration committee 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 primarily undertaken. The committee takes note of surveys by executive-remuneration specialists employed by UK Chartered Accountancy firms summarising average executive remuneration across AIM companies, and executive remuneration levels in other London-listed and European plantation companies.

The committee has sanctioned appropriate incentives by means of share options with a view to aligning the interests of the executive directors with those of the shareholders. Non-pensionable bonuses may be awarded annually in arrears at the discretion of the committee, taking account of the performance of the Group during the period and other targeted objectives. Bonuses do not exceed six months' salary.

### NON-EXECUTIVE DIRECTORS

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

### TOTAL DIRECTORS' REMUNERATION

The total amount of directors' remuneration for the year ended 31 December 2013 was as follows:-

|   | SALARY<br>AND FEES<br>£ | BONUS<br>£     | BENEFITS<br>IN KIND<br>£ | SALARY IN LIEU<br>OF PENSION<br>£ | PENSION<br>COSTS<br>£ | TOTAL<br>REMUNERATION<br>2013<br>£ | TOTAL<br>REMUNERATION<br>2012<br>£ |
|---|-------------------------|----------------|--------------------------|-----------------------------------|-----------------------|------------------------------------|------------------------------------|
| <b>Executive directors</b>                |                         |                |                          |                                   |                       |                                    |                                    |
| P E Hadsley-Chaplin                       | 132,300                 | 30,000         | 19,934                   | 20,345                            | —                     | 202,579                            | 186,963                            |
| P A Fletcher                              | 220,500                 | 50,000         | 45,296                   | 33,908                            | —                     | 349,704                            | 317,008                            |
| T R J Price                               | 165,000                 | 40,000         | 20,158                   | —                                 | 20,625                | 245,783                            | 216,936                            |
| <b>Total</b>                              | <b>517,800</b>          | <b>120,000</b> | <b>85,388</b>            | <b>54,253</b>                     | <b>20,625</b>         | <b>798,066</b>                     | <b>720,907</b>                     |
| <b>Non-executive directors</b>            |                         |                |                          |                                   |                       |                                    |                                    |
| K P Legg                                  | 26,500                  | —              | —                        | —                                 | —                     | 26,500                             | 27,650                             |
| R M Robinow                               | 24,500                  | —              | —                        | —                                 | —                     | 24,500                             | 23,750                             |
| J D Shaw                                  | 35,000                  | —              | —                        | —                                 | —                     | 35,000                             | 33,950                             |
| J M Green-Armytage                        | 15,952                  | —              | —                        | —                                 | —                     | 15,952                             | —                                  |
| <b>Total</b>                              | <b>101,952</b>          | <b>—</b>       | <b>—</b>                 | <b>—</b>                          | <b>—</b>              | <b>101,952</b>                     | <b>85,350</b>                      |
| <b>Total</b>                              | <b>619,752</b>          | <b>120,000</b> | <b>85,388</b>            | <b>54,253</b>                     | <b>20,625</b>         | <b>900,018</b>                     | <b>806,257</b>                     |
| <b>Gains on exercise of share options</b> |                         |                |                          |                                   |                       |                                    |                                    |
| P E Hadsley-Chaplin                       |                         |                |                          |                                   |                       | 98,449                             | 1,203,616                          |
| P A Fletcher                              |                         |                |                          |                                   |                       | 98,449                             | 1,193,606                          |
| <b>Total</b>                              |                         |                |                          |                                   |                       | <b>196,898</b>                     | <b>2,397,222</b>                   |
| <b>Grand total</b>                        |                         |                |                          |                                   |                       | <b>1,096,916</b>                   | <b>3,203,479</b>                   |

- NOTES**
- The pension costs for Mr T R J Price set out above are the contributions made by the Company to a Company-sponsored Self-Invested Personal Pension ("SIPP") as described below. Pension contributions for Mr P E Hadsley-Chaplin and Mr P A Fletcher ceased on 29 February 2012 and salaries in lieu of pension (net of employer's National Insurance contributions) have been paid from 1 March 2012 onwards.
  - The total remuneration of the executive directors for the year ended 31 December 2012 has been restated to take account of bonuses totalling £88,000 paid after the publication of the 2012 annual report in respect of the financial year ended 31 December 2012. The bonuses paid were Mr P E Hadsley-Chaplin - £21,000, Mr P A Fletcher - £35,000 and Mr T R J Price - £32,000.
  - No long-term incentives, other than the share options described below, have been awarded to directors.

# Report of the board to the shareholders on directors' remuneration

CONTINUED

## EXECUTIVE SHARE-OPTION SCHEMES

The executive directors are members of executive share-option schemes which were established in 2001 and 2012 under which options to subscribe for shares in the Company may be granted to selected employees. No further options can be granted under the schemes established in 2001. As at 31 December 2013, options over 250,000 (2012 - 253,790) shares granted to executive directors remain outstanding. These were granted to the executive directors between 16 November 2007 and 17 January 2013. During the year, 53,790 (2012 - 686,880) options

granted to directors were exercised and none (2012 - none) lapsed.

No performance criteria are attached to the options and no options are held by the non-executive directors. At 31 December 2013 the middle-market quotation for the Company's shares, as derived from the London Stock Exchange Daily Official List, was 470p, as compared with the high and low quotations for the year of 540p and 450p respectively.

Details of the options held over shares of the Company by the executive directors during the year ended 31 December 2013 are set out in the table below:-

| Number of shares under option |                                 |                        |                          |                                   |                   |                                   |                     |  |                |
|-------------------------------|---------------------------------|------------------------|--------------------------|-----------------------------------|-------------------|-----------------------------------|---------------------|--|----------------|
|                               | BALANCE AT<br>1 JANUARY<br>2013 | GRANTED<br>IN THE YEAR | EXERCISED<br>IN THE YEAR | BALANCE AT<br>31 DECEMBER<br>2013 | EXERCISE<br>PRICE | MARKET<br>PRICE WHEN<br>EXERCISED | DATE OF<br>OF GRANT | DATE FROM<br>WHICH NORMALLY<br>FIRST EXERCISABLE | EXPIRY<br>DATE |
| P E Hadsley-Chaplin           | 26,895                          | —                      | 26,895                   | —                                 | 158.95p           | 525.00p                           | 2 Feb 2005          | 4 May 2007                                       | 4 May 2014     |
| P A Fletcher                  | 26,895                          | —                      | 26,895                   | —                                 | 158.95p           | 525.00p                           | 2 Feb 2005          | 4 May 2007                                       | 4 May 2014     |
| T R J Price                   | 75,000*                         | —                      | —                        | 75,000                            | 385.00p           | —                                 | 16 Nov 2007         | 16 Nov 2010                                      | 16 Nov 2017    |
|                               | 75,000*                         | —                      | —                        | 75,000                            | 159.50p           | —                                 | 24 Nov 2008         | 24 Nov 2011                                      | 24 Nov 2018    |
|                               | 50,000                          | —                      | —                        | 50,000                            | 483.21p           | —                                 | 19 Jun 2012         | 19 Jun 2015                                      | 19 Jun 2022    |
|                               | —                               | 5,750                  | —                        | 5,750                             | 520.00p           | —                                 | 17 Jan 2013         | 17 Jan 2016                                      | 17 Jan 2023    |
|                               | —                               | 44,250                 | —                        | 44,250                            | 510.00p           | —                                 | 17 Jan 2013         | 17 Jan 2016                                      | 17 Jan 2023    |
|                               | 200,000                         | 50,000                 | —                        | 250,000                           |                   |                                   |                     |  |                |
| <b>Total</b>                  | <b>253,790</b>                  | <b>50,000</b>          | <b>53,790</b>            | <b>250,000</b>                    |                   |                                   |                     |  |                |

\* Held at appointment on 1 January 2010

## PENSIONS

The Company sponsors self-invested personal pensions ("SIPPs") for the UK executive directors. Contributions made by the Company to the SIPPs and to a life-assurance company give the executives a pension at retirement, a pension to a spouse payable on death whilst in the employment of the company and life-assurance cover based on a multiple of salary. The members contribute a minimum of 5% of their pensionable salary to their SIPP. No element of a director's remuneration package, other than basic

salary, is pensionable. Individuals may elect to cease contributions to the SIPP, in which case they receive an additional salary paid in lieu of the employer's pension contributions. No contributions or equivalent salary will be paid to directors beyond the age of 65.

Approved by the board of directors and signed on its behalf

**Claire Hayes**

Secretary

24 April 2014

# Independent auditor's report

## TO THE MEMBERS OF M.P.EVANS GROUP PLC

### REPORT ON THE GROUP FINANCIAL STATEMENTS

#### OUR OPINION

In our opinion the financial statements, defined below:

- ▶ give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its profit and cash flows for the year then ended;
- ▶ have been properly prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

#### WHAT WE HAVE AUDITED

The Group financial statements (the "financial statements"), which are prepared by M.P. Evans Group PLC, comprise:

- ▶ Consolidated balance sheet as at 31 December 2013;
- ▶ Consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- ▶ Consolidated cash-flow statement for the year then ended;
- ▶ Consolidated statement of changes in equity for the year then ended; and
- ▶ the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS's as adopted by the European Union.

#### WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA's (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable

assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- ▶ whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- ▶ the reasonableness of significant accounting estimates made by the directors; and
- ▶ the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

##### Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

#### DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# Independent auditor's report

CONTINUED

## OTHER INFORMATION IN THE ANNUAL REPORT

Under ISA's (UK & Ireland) we are required to report to you if, in our opinion, information in the annual report is:

- ▶ materially inconsistent with the information in the audited financial statements; or
- ▶ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- ▶ is otherwise misleading.

We have no exceptions to report arising from this responsibility.

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISA's (UK & Ireland). Those standards require us to comply with the Auditing

Practices Board's Ethical Standards for Auditors.

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

## OTHER MATTER

We have reported separately on the parent-Company financial statements of M.P. Evans Group PLC for the year ended 31 December 2013.

**Simon O'Brien** (Senior Statutory Auditor)

for and on behalf of

**PricewaterhouseCoopers LLP**

*Chartered Accountants and Statutory Auditors,  
London*

24 April 2014

# Consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2013

|  | NOTE | RESULT BEFORE<br>BIOLOGICAL<br>BEARER-ASSET<br>ADJUSTMENT *<br>US\$'000 | BIOLOGICAL<br>BEARER-ASSET<br>ADJUSTMENT *<br>US\$'000 | YEAR ENDED<br>31 DECEMBER<br>2013<br>US\$'000 | RESULT BEFORE<br>BIOLOGICAL<br>BEARER-ASSET<br>ADJUSTMENT *<br>US\$'000 | BIOLOGICAL<br>BEARER-ASSET<br>ADJUSTMENT *<br>US\$'000 | YEAR ENDED<br>31 DECEMBER<br>2012<br>US\$'000 |
|--|------|---|--|---|---|--|---|
| Revenue  | 4    | 82,186  | —  | 82,186  | 83,213  | —  | 83,213  |
| Cost of sales  |      | (60,749)  | 3,298  | (57,451)                                      | (62,893)  | 2,715  | (60,178)                                      |
| Gross profit   | 4    | 21,437  | 3,298  | 24,735  | 20,320  | 2,715  | 23,035  |
| Gain on biological assets                              | 13   | —   | 9,059  | 9,059   | —   | 11,907   | 11,907  |
| Planting expenditure                                   |      | —   | (6,265)  | (6,265)                                       | —   | (9,784)  | (9,784)                                       |
| Foreign-exchange losses                                | 4    | (8,322)   | —  | (8,322)                                       | (1,761)   | —  | (1,761)                                       |
| Other administrative expenses                          | 4    | (4,444)   | —  | (4,444)                                       | (4,292)   | —  | (4,292)                                       |
| Other income   | 4    | 8   | —  | 8   | 17  | —  | 17  |
| <b>Operating profit</b>                                |      | <b>8,679</b>  | <b>6,092</b>   | <b>14,771</b>                                 | <b>14,284</b>   | <b>4,838</b>   | <b>19,122</b>                                 |
| Finance income   | 4,6  | 972   | —  | 972   | 1,338   | —  | 1,338   |
| Finance costs  | 4,7  | (3,121)   | (399)  | (3,520)                                       | (3,437)   | (323)  | (3,760)                                       |
| Group-controlled profit before tax                     | 8    | 6,530   | 5,693  | 12,223  | 12,185  | 4,515  | 16,700  |
| Tax on profit on ordinary activities                   | 4,9  | 435   | (1,381)  | (946)   | (4,791)   | (1,239)  | (6,030)                                       |
| Group-controlled profit after tax                      |      | 6,965   | 4,312  | 11,277  | 7,394   | 3,276  | 10,670  |
| Share of associated companies' profit/(loss) after tax | 4,15 | 9,871   | 1,723  | 11,594  | 10,902  | (20)   | 10,882  |
| <b>Profit for the year</b>                             |      | <b>16,836</b>   | <b>6,035</b>   | <b>22,871</b>                                 | <b>18,296</b>   | <b>3,256</b>   | <b>21,552</b>                                 |
| <b>Attributable to:</b>                                |      |   |  |   |   |  |   |
| Owners of M. P. Evans Group PLC                        |      | 14,438  | 5,315  | 19,753  | 15,070  | 2,615  | 17,685  |
| Non-controlling interests                              | 30   | 2,398   | 720  | 3,118   | 3,226   | 641  | 3,867   |
|  |      | 16,836  | 6,035  | 22,871  | 18,296  | 3,256  | 21,552  |
|  |      | US CENTS  |  | US CENTS                                      | US CENTS  |  | US CENTS                                      |
| <b>Basic earnings per 10p share</b>                    | 11   | <b>26.28</b>  |  | <b>35.96</b>                                  | 27.70   |  | 32.51   |
| <b>Diluted earnings per 10p share</b>                  | 11   | <b>26.24</b>  |  | <b>35.90</b>                                  | 27.65   |  | 32.44   |

\* Non-statutory column (see note 13)

# Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2013

|   | 2013<br>US\$'000 | 2012<br>US\$'000 |
|---|------------------|------------------|
| <b>Other comprehensive (expense)/income</b>   |                  |                  |
| Exchange differences on translation of foreign operations   | (11,785)         | 295              |
| Previously unrealised profit on sale of land to associated undertaking released to the consolidated income statement on sale of that land by the associate to a third party | (323)            | (137)            |
| Other comprehensive income/(expense)  | 806              | (192)            |
| Other comprehensive expense (net of tax) for the year   | (11,302)         | (34)             |
| Profit for the year   | 22,871           | 21,552           |
| <b>Total comprehensive income</b>   | <b>11,569</b>    | <b>21,518</b>    |
| <b>Attributable to:</b>   |                  |                  |
| Owners of M. P. Evans Group PLC   | 8,327            | 17,651           |
| Non-controlling interests   | 3,242            | 3,867            |
|   | <b>11,569</b>    | <b>21,518</b>    |

# Consolidated balance sheet

At 31 DECEMBER 2013

|  | NOTE  | BEFORE<br>BIOLOGICAL<br>BEARER-ASSET<br>ADJUSTMENT*<br>US\$'000 | BIOLOGICAL<br>BEARER-ASSET<br>ADJUSTMENT*<br>US\$'000 | 31 DECEMBER<br>2013<br>US\$'000 | BEFORE<br>BIOLOGICAL<br>BEARER-ASSET<br>ADJUSTMENT*<br>US\$'000 | BIOLOGICAL<br>BEARER-ASSET<br>ADJUSTMENT*<br>US\$'000 | 31 DECEMBER<br>2012<br>US\$'000 |
|--|-------|---|---|---------------------------------|---|---|---------------------------------|
| <b>Non-current assets</b>  |       |   |   |                                 |   |   |                                 |
| Goodwill   | 12    | 1,157   | —   | 1,157                           | 1,157   | —   | 1,157                           |
| Biological assets  | 13    | —   | 148,394   | 148,394                         | —   | 139,335   | 139,335                         |
| Property, plant and equipment  | 14    | 185,471   | (76,152)  | 109,319                         | 179,979   | (72,617)  | 107,362                         |
| Investments in associates  | 15    | 95,521  | 27,335  | 122,856                         | 105,130   | 25,613  | 130,743                         |
| Investments  | 16    | 102   | —   | 102                             | 109   | —   | 109                             |
| Deferred-tax asset   | 25    | 14,996  | —   | 14,996                          | 6,454   | —   | 6,454                           |
|  |       | 297,247   | 99,577  | 396,824                         | 292,829   | 92,331  | 385,160                         |
| <b>Current assets</b>  |       |   |   |                                 |   |   |                                 |
| Biological assets  | 17    | 594   | —   | 594                             | 4,594   | —   | 4,594                           |
| Inventories  | 18    | 8,267   | (277)   | 7,990                           | 9,664   | (447)   | 9,217                           |
| Trade and other receivables  | 19    | 12,345  | —   | 12,345                          | 14,325  | —   | 14,325                          |
| Current-tax asset  |       | 2,201   | —   | 2,201                           | 1,477   | —   | 1,477                           |
| Cash and cash equivalents  | 20,23 | 56,348  | —   | 56,348                          | 54,757  | —   | 54,757                          |
|  |       | 79,755  | (277)   | 79,478                          | 84,817  | (447)   | 84,370                          |
| <b>Total assets</b>  | 4     | <b>377,002</b>  | <b>99,300</b>   | <b>476,302</b>                  | <b>377,646</b>  | <b>91,884</b>   | <b>469,530</b>                  |
| <b>Current liabilities</b>   |       |   |   |                                 |   |   |                                 |
| Borrowings   | 20,22 | 31,710  | —   | 31,710                          | 25,458  | —   | 25,458                          |
| Trade and other payables   | 21    | 10,311  | —   | 10,311                          | 14,797  | —   | 14,797                          |
| Current-tax liability  |       | 4,313   | —   | 4,313                           | 1,541   | —   | 1,541                           |
|  |       | 46,334  | —   | 46,334                          | 41,796  | —   | 41,796                          |
| <b>Net current assets</b>  |       | <b>33,421</b>   | <b>(277)</b>  | <b>33,144</b>                   | <b>43,021</b>   | <b>(447)</b>  | <b>42,574</b>                   |
| <b>Non-current liabilities</b>                                       |       |   |   |                                 |   |   |                                 |
| Borrowings   | 22    | 34,780  | —   | 34,780                          | 31,423  | —   | 31,423                          |
| Deferred-tax liability   | 25    | 2,903   | 18,060  | 20,963                          | 2,514   | 16,679  | 19,193                          |
| Retirement-benefit obligations                                       | 26    | 2,933   | —   | 2,933                           | 4,230   | —   | 4,230                           |
|  |       | 40,616  | 18,060  | 58,676                          | 38,167  | 16,679  | 54,846                          |
| <b>Total liabilities</b>   | 4     | <b>86,950</b>   | <b>18,060</b>   | <b>105,010</b>                  | <b>79,963</b>   | <b>16,679</b>   | <b>96,642</b>                   |
| <b>Net assets</b>  |       | <b>290,052</b>  | <b>81,240</b>   | <b>371,292</b>                  | <b>297,683</b>  | <b>75,205</b>   | <b>372,888</b>                  |
| <b>Equity</b>  |       |   |   |                                 |   |   |                                 |
| Share capital  | 27    | 9,253   | —   | 9,253                           | 9,227   | —   | 9,227                           |
| Other reserves   | 29    | 75,212  | 27,336  | 102,548                         | 83,133  | 25,613  | 108,746                         |
| Retained earnings  | 29    | 189,626   | 45,764  | 235,390                         | 191,734   | 41,376  | 233,110                         |
| <b>Equity attributable to the owners<br/>of M.P. Evans Group PLC</b> |       | <b>274,091</b>  | <b>73,100</b>   | <b>347,191</b>                  | <b>284,094</b>  | <b>66,989</b>   | <b>351,083</b>                  |
| Non-controlling interests  | 30    | 15,961  | 8,140   | 24,101                          | 13,589  | 8,216   | 21,805                          |
| <b>Total equity</b>  |       | <b>290,052</b>  | <b>81,240</b>   | <b>371,292</b>                  | <b>297,683</b>  | <b>75,205</b>   | <b>372,888</b>                  |

\* Non-statutory column (see note 13)

The financial statements on pages 43 to 71 were approved by the board of directors on 24 April 2014 and signed on its behalf

**Tristan Price Philip Fletcher**

*Directors*

# Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2013

|  | NOTE       | SHARE CAPITAL<br>US\$'000 | OTHER RESERVES<br>US\$'000 | RETAINED EARNINGS<br>US\$'000 | TOTAL<br>US\$'000 | NON-CONTROLLING INTERESTS<br>US\$'000 | TOTAL EQUITY<br>US\$'000 |
|--|------------|---------------------------|----------------------------|-------------------------------|-------------------|---------------------------------------|--------------------------|
| Profit for the year  |            | —                         | 11,594                     | 8,159                         | 19,753            | 3,118                                 | 22,871                   |
| Other comprehensive (expense)/income for the year                |            | —                         | (9,005)                    | (2,421)                       | (11,426)          | 124                                   | (11,302)                 |
| <b>Total comprehensive income for the year</b>                   |            | —                         | 2,589                      | 5,738                         | 8,327             | 3,242                                 | 11,569                   |
| Issue of share capital   |            | 26                        | 928                        | —                             | 954               | —                                     | 954                      |
| Dividends  | 10, 30     | —                         | (9,764)                    | 2,977                         | (6,787)           | (896)                                 | (7,683)                  |
| Credit to equity for equity-settled share-based payments         | 28         | —                         | 49                         | 33                            | 82                | —                                     | 82                       |
| Movement in non-controlling interests                            |            | —                         | —                          | (6,468)                       | (6,468)           | (50)                                  | (6,518)                  |
| <b>Transactions with owners</b>                                  |            | 26                        | (8,787)                    | (3,458)                       | (12,219)          | (946)                                 | (13,165)                 |
| At 1 January 2013  |            | 9,227                     | 108,746                    | 233,110                       | 351,083           | 21,805                                | 372,888                  |
| <b>At 31 December 2013</b>                                       | 27, 29, 30 | 9,253                     | 102,548                    | 235,390                       | 347,191           | 24,101                                | 371,292                  |
| Profit for the year  |            | —                         | 10,882                     | 6,803                         | 17,685            | 3,867                                 | 21,552                   |
| Other comprehensive (expense)/income for the year                |            | —                         | (187)                      | 153                           | (34)              | —                                     | (34)                     |
| <b>Total comprehensive income for the year</b>                   |            | —                         | 10,695                     | 6,956                         | 17,651            | 3,867                                 | 21,518                   |
| Issue of share capital   |            | 134                       | 2,162                      | —                             | 2,296             | —                                     | 2,296                    |
| Dividends  | 10, 30     | —                         | (13,755)                   | 6,893                         | (6,862)           | —                                     | (6,862)                  |
| (Debit)/credit to equity for equity-settled share-based payments | 28         | —                         | (309)                      | 332                           | 23                | —                                     | 23                       |
| <b>Transactions with owners</b>                                  |            | 134                       | (11,902)                   | 7,225                         | (4,543)           | —                                     | (4,543)                  |
| At 1 January 2012  |            | 9,093                     | 109,953                    | 218,929                       | 337,975           | 17,938                                | 355,913                  |
| <b>At 31 December 2012</b>                                       | 27, 29, 30 | 9,227                     | 108,746                    | 233,110                       | 351,083           | 21,805                                | 372,888                  |



# Consolidated cash-flow statement

FOR THE YEAR ENDED 31 DECEMBER 2013

|   | NOTE | YEAR ENDED<br>31 DECEMBER<br>2013<br>US\$'000 | YEAR ENDED<br>31 DECEMBER<br>2012<br>US\$'000 |
|---|------|---|---|
| <b>Net cash generated by operating activities</b>             | 31   | <b>19,494</b>                                 | 33,897  |
| <b>Investing activities</b>                                   |      |   |   |
| Interest received   | 6    | 972   | 1,338   |
| Sale of shares to non-controlling interest                    | 30   | 498   | —   |
| Proceeds on disposal of assets                                |      | 358   | 239   |
| Purchase of property, plant and equipment                     | 14   | (12,261)                                      | (18,540)                                      |
| Purchase of shares from non-controlling interest              |      | (7,100)                                       | —   |
| Planting expenditure  |      | (6,265)                                       | (9,784)                                       |
| <b>Net cash used by investing activities</b>                  |      | <b>(23,798)</b>                               | (26,747)                                      |
| <b>Financing activities</b>                                   |      |   |   |
| Loan drawdown   | 22   | 6,800   | 310   |
| Proceeds on issue of shares                                   | 27   | 131   | 1,586   |
| Dividends paid to Company shareholders                        |      | (5,964)                                       | (6,151)                                       |
| Repayment of borrowings                                       |      | (2,318)                                       | (1,323)                                       |
| Dividend paid to non-controlling interests                    | 30   | (896)   | —   |
| <b>Net cash used by financing activities</b>                  |      | <b>(2,247)</b>                                | (5,578)                                       |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   |      | <b>(6,551)</b>                                | 1,572   |
| <b>Net cash and cash equivalents at 1 January</b>             |      | <b>29,299</b>                                 | 27,500  |
| Effect of foreign-exchange rates on cash and cash equivalents |      | 1,890   | 227   |
| <b>Net cash and cash equivalents at 31 December</b>           | 20   | <b>24,638</b>                                 | 29,299  |

# Notes TO THE CONSOLIDATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2013

## NOTE 1 General information

M.P. Evans Group PLC is incorporated in the United Kingdom under the Companies Act 2006 and listed on the London Stock Exchange's Alternative Investment Market ("AIM"). The address of its registered office is given on page 84. The nature of the Group's operations and its principal activities is set out in note 4 and in the strategic report on pages 8 to 27. The Group is domiciled in the UK.

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

## NOTE 2 Adoption of new and revised accounting standards

### (a) New and amended standards adopted by the Group

The following standards, which had no material impact on the Group, have been adopted by the Group for the first time for the financial year beginning on 1 January 2013:

Amendment to IFRS 7, 'Financial instruments: Disclosures', on offsetting assets and liabilities. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare financial statements in accordance with US GAAP.

IFRS13 'Fair Value Measurement'. This standard provides a single source of fair value measurement and disclosure requirements for use across IFRS. The implementation of this standard did not lead to a significant change in the fair value measurement applied by the Group although it has led to some enhanced disclosure in these financial statements.

### (b) New standards, amendments and interpretations issued but not effective for the year beginning 1 January 2013 and not adopted early.

The following accounting standards are effective for accounting periods beginning on or after 1 January 2014 and have not yet been adopted by the Group:

IFRS 10 'Consolidated financial statements' (effective 1 January 2014). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard is not expected to have a material impact on the consolidation of subsidiaries.

IFRS 11 'Joint arrangements' (effective 1 January 2014). This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed. The standard is not expected to have a material impact on the consolidated financial information since the Group has historically applied the equity method to account for its joint-venture interests.

IFRS 12 'Disclosure of interests in other entities' (effective 1 January 2014). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other off-balance-sheet vehicles. The Group has not yet assessed the impact of IFRS 12 on the consolidated financial information.

IFRS 9 'Financial Instruments'. The standard addresses the classification, measurement and recognition of financial instruments (effective 1 January 2015). This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Amortised cost accounting will also be applicable for most financial liabilities, with separate accounting for embedded derivatives. The main change is that in cases where the fair-value option is taken for financial liabilities, the part of a fair-value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group has not yet assessed the impact of IFRS 9 on its consolidated financial information.

There are no other IFRS's or IFRIC interpretations which are not yet effective that would be expected to have a material impact on the Group.

## NOTE 3 Accounting policies

### (a) Accounting convention and basis of presentation

These financial statements have been prepared consistently under the historical-cost convention, as modified by the valuation of biological assets and available-for-sale investments, and comply with International Financial Reporting Standards (IFRS's) adopted by the European Union. The Group financial statements therefore comply with the AIM rules.

### (b) Going concern

The financial statements have been prepared on a going-concern basis. The directors have conducted a review of projected cash flows from operations, investing and financing, concluding that the Group has sufficient projected funds to carry on its business and its planned investment programme in the medium term. Furthermore, the Group has control over its main cash expenditure, investment in its new estates and mills, which it can manage according to the resources available. Further details are given in the corporate governance section on page 38.

### (c) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiaries, and equity accounts for its associated undertakings. The Group treats as subsidiaries those entities in which it has the power to determine financial and operating policies. All subsidiary and associated undertakings prepare their financial statements to 31 December. Where necessary, the financial statements of subsidiary and associated companies are adjusted prior to consolidation or equity accounting to bring them into line with the Group's accounting policies. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. The results of subsidiaries 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.

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

### (d) Revenue

Revenue represents the value of crops, livestock and produce sold during the year, excluding sales taxes. Income is recognised at the point of delivery. Revenue in respect of construction contracts is recognised at the point the sale of the developed property is fully completed. 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 significant asset disposals outside the ordinary course of business, gains and losses arising from acquisition and disposal of shares in subsidiary and associated undertakings, and restructuring costs. However, these are included within operating profit.

### (f) Retirement benefits

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

### (g) Share-based payments

The Group issues equity-settled, share-based payments to certain employees. Such share-based payments are measured at fair value (excluding the effect of any non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled, share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by application of the Black-Scholes model, using management's best estimates. At each balance-sheet date, the Group estimates the number of options it expects to vest. Any changes from the previous estimate are recognised in the income statement.

### (h) 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 ascribed to an operating subsidiary and capitalised, with provision being made for any impairment. Goodwill is tested for impairment at least annually but, once made, provisions are not reversed. "Negative goodwill", where the fair value of the assets acquired exceeds the fair value of the consideration given, is taken to the income statement in 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 at least annually. Negative goodwill on the acquisition of shares in the Group's Australian associated undertaking was eliminated on transition to IFRS.

### (i) Biological assets

Biological gain or loss is measured in accordance with IAS 41 'Agriculture' on two groups of bearer assets (oil-palm and rubber plantations), and one consumer-biological asset (beef cattle). The Group's only interest in rubber is through its associated company, PT Agro Muko. Bearer assets (the Group's oil palms), are non-current assets. Consumer-biological assets are classified as current assets since the Group generally sells these assets within one year of the balance-sheet date. In applying the 'fair value hierarchy' in IFRS 13 the Group has concluded that the valuation of its beef cattle falls into Level 1 since there is an active local market for beef cattle of varying ages and weights. The valuation of its bearer biological assets falls into Level 3 since there is no active market in plantation assets and where sales do take place these are typically private transactions where information about the sale is not made publicly available.

## NOTE 3 Accounting policies CONTINUED

### (i) **Plantation**

The Group has valued its biological assets at the discounted net present value of cash flows arising in producing crops over the assets' expected 25-year economic life using actual and budgeted management information about the expected crop, and the fieldwork, harvesting, general and overhead costs on each of its estates. Areas are included in the valuation once they are planted. The valuation assumes that the concessions granted to exploit the land on 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 CPO production using a long-term (20-year) average price. The cost of planting the Group's estates is shown as planting expenditure on the face of the income statement.

### (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 cows 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 based on recent purchases and current market data. All other cattle are valued at an estimated weight multiplied by market price per kilogram.

### (iii) **Crops**

The cost of forage crops is charged 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.

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

### (j) **Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes all expenditure incurred in acquiring the asset. Leasehold land in Indonesia is held on 25 or 30-year leases and is not depreciated as the leases can be renewed without significant cost. Perpetual-leasehold land in Malaysia and freehold land in Australia are classified as freehold land, which is not depreciated. Buildings and 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. Estimated useful lives are reviewed at each balance-sheet date.

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 is taken to be their deemed cost.

### (k) **Investments in associated companies**

Undertakings over which the Group has the ability to exert significant influence through shareholdings and board membership are treated as associated undertakings. Investments in associated undertakings are held in the consolidated financial statements under the equity method of accounting. The consolidated income statement includes the Group's share of the profit or loss on ordinary activities after taxation based on audited financial statements for the year ended 31 December 2013. 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.

### (l) **Non-current assets and investments held for sale**

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

### (m) **Inventories**

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

### (n) **Taxation**

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

Deferred tax is accounted for using the balance-sheet-liability method, calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Liabilities are generally recognised for all taxable temporary differences; deferred-tax assets are recognised 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 provided on initial recognition of goodwill.

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

## NOTE 3 Accounting policies CONTINUED

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.

### (o) 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. Fair value is the directors' estimate of sales proceeds less costs to sell at the balance-sheet date.

**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 bank deposits 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.

### (p) Foreign currencies

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

Exchange differences are recognised as a profit or loss of the period in which they arise except for exchange differences on monetary items payable to foreign operations where settlement is neither planned nor likely to occur, in which case the difference is recognised initially in other comprehensive income.

### (q) Segmental reporting

Operating segments are consistent with the internal reporting provided to the chief operating-decision maker. The chief operating-decision maker, which is responsible for allocating resources and assessing performance of the operating segments, is the board.

### (r) Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have the most significant impact on the carrying amount of assets and liabilities are discussed below.

#### (i) Valuation of biological assets

The key assumptions underlying the valuation of the biological assets are set out in note 13. These assumptions are reviewed at least annually. Sensitivity analysis on the impact of a variation in the palm-oil price and discount rate used in the valuation is also shown in note 13.

#### (ii) Leasehold land in Indonesia

The directors have concluded that leasehold land in Indonesia should not be depreciated. Further information on this policy is included in note 3(j).

#### (iii) Deferred tax on unremitted earnings

The Group's subsidiaries and associated undertakings hold a significant level of unremitted earnings. The directors have concluded that no deferred-tax liability should be recognised in relation to these balances given the ability of the Group to control the remittance of these earnings and the Group's operational plans for the relevant entity. Further information on the level of these reserves is disclosed in note 25.

#### (iv) Investments

The directors review the fair value of the Group's available-for-sale investments to confirm that such assets are recorded at a value that does not exceed the fair value of the asset.

# Notes to the consolidated accounts

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## NOTE 3 Accounting policies CONTINUED

### (v) *Goodwill arising on acquisition of subsidiaries and associates*

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

## NOTE 4 Segment information

The Group's reportable segments follow the three areas of activity set out in the strategic report 2013. These are distinguished by location and product: plantation crops (predominantly palm oil) in Indonesia, with a residual balance in Malaysia; cattle in Australia; and property development in Malaysia.

| 2013   | PLANTATION |          |          | CATTLE    | PROPERTY | OTHER    | TOTAL         |
|--|------------|----------|----------|-----------|----------|----------|---------------|
|  | INDONESIA  | MALAYSIA | TOTAL    | AUSTRALIA | MALAYSIA | UK       |               |
|  | US\$'000   | US\$'000 | US\$'000 | US\$'000  | US\$'000 | US\$'000 | US\$'000      |
| Revenue  | 76,479     | 203      | 76,682   | 5,458     | —        | 46       | 82,186*       |
| Gross profit/(loss)                                    | 24,820     | (41)     | 24,779   | (90)      | —        | 46       | 24,735        |
| Gain on biological assets                              | 9,059      | —        | 9,059    | —         | —        | —        | 9,059         |
| Planting expenditure                                   | (6,265)    | —        | (6,265)  | —         | —        | —        | (6,265)       |
| Foreign-exchange (loss)/gain                           | (8,349)    | 46       | (8,303)  | —         | —        | (19)     | (8,322)       |
| Other administrative expenses                          | (1,361)    | 232      | (1,129)  | (66)      | —        | (3,249)  | (4,444)       |
| Other income   | —          | 8        | 8        | —         | —        | —        | 8             |
| <b>Operating profit</b>                                |            |          |          |           |          |          | <b>14,771</b> |
| Finance income   | 824        | 56       | 880      | 84        | —        | 8        | 972           |
| Finance costs  | (2,181)    | (79)     | (2,260)  | (1,155)   | —        | (105)    | (3,520)       |
| <b>Group-controlled profit before tax</b>              |            |          |          |           |          |          | <b>12,223</b> |
| Tax  | 417        | (21)     | 396      | —         | —        | (1,342)  | (946)         |
| <b>Group-controlled profit after tax</b>               |            |          |          |           |          |          | <b>11,277</b> |
| Share of associated companies' profit/(loss) after tax | 9,627      | —        | 9,627    | (2,429)   | 4,396    | —        | 11,594        |
| <b>Profit for the year</b>                             |            |          |          |           |          |          | <b>22,871</b> |
| <b>Consolidated total assets</b>                       |            |          |          |           |          |          |               |
| Assets   | 299,886    | 6,091    | 305,977  | 33,325    | —        | 14,144   | 353,446       |
| Investments in associates                              | 56,627     | —        | 56,627   | 50,254    | 15,975   | —        | 122,856       |
|  | 356,513    | 6,091    | 362,604  | 83,579    | 15,975   | 14,144   | 476,302       |
| <b>Consolidated total liabilities</b>                  |            |          |          |           |          |          |               |
| Liabilities  | 54,120     | 16,364   | 70,484   | 23,351    | —        | 11,175   | 105,010       |
| <b>Other information</b>                               |            |          |          |           |          |          |               |
| Additions to non-current assets                        | 11,912     | —        | 11,912   | 232       | —        | 117      | 12,261        |
| Depreciation   | 4,876      | 15       | 4,891    | 387       | —        | 34       | 5,312         |
| Retirement-benefit obligations                         | (64)       | —        | (64)     | —         | —        | —        | (64)          |

\* Revenue of US\$16.16 million was from sales of crude palm oil to PT Karyaindah Alam Sejahtera.

## NOTE 4 Segment information CONTINUED

| 2012   | PLANTATION |          |          | CATTLE    | PROPERTY | OTHER    | TOTAL    |
|--|------------|----------|----------|-----------|----------|----------|----------|
|  | INDONESIA  | MALAYSIA | TOTAL    | AUSTRALIA | MALAYSIA |          |          |
|  | US\$'000   | US\$'000 | US\$'000 | US\$'000  | US\$'000 | US\$'000 | US\$'000 |
| Revenue  | 76,814     | 292      | 77,106   | 6,061     | —        | 46       | 83,213*  |
| Gross profit/(loss)                                    | 25,155     | 27       | 25,182   | (2,193)   | —        | 46       | 23,035   |
| Gain on biological assets                              | 11,907     | —        | 11,907   | —         | —        | —        | 11,907   |
| Planting expenditure                                   | (9,784)    | —        | (9,784)  | —         | —        | —        | (9,784)  |
| Foreign-exchange loss                                  | (1,555)    | (18)     | (1,573)  | —         | —        | (188)    | (1,761)  |
| Other administrative expenses                          | (1,185)    | 80       | (1,105)  | (354)     | —        | (2,833)  | (4,292)  |
| Other income   | —          | 17       | 17       | —         | —        | —        | 17       |
| <b>Operating profit</b>                                |            |          |          |           |          |          | 19,122   |
| Finance income   | 1,198      | 73       | 1,271    | 45        | —        | 22       | 1,338    |
| Finance costs  | (2,135)    | —        | (2,135)  | (1,625)   | —        | —        | (3,760)  |
| <b>Group-controlled profit before tax</b>              |            |          |          |           |          |          | 16,700   |
| Tax  | (4,595)    | 4        | (4,591)  | —         | —        | (1,439)  | (6,030)  |
| <b>Group-controlled profit after tax</b>               |            |          |          |           |          |          | 10,670   |
| Share of associated companies' profit/(loss) after tax | 13,241     | —        | 13,241   | (2,012)   | (347)    | —        | 10,882   |
| <b>Profit for the year</b>                             |            |          |          |           |          |          | 21,552   |
| <b>Consolidated total assets</b>                       |            |          |          |           |          |          |          |
| Assets   | 271,869    | 9,142    | 281,011  | 41,777    | —        | 15,999   | 338,787  |
| Investments in associates                              | 52,733     | —        | 52,733   | 61,817    | 16,193   | —        | 130,743  |
|  | 324,602    | 9,142    | 333,744  | 103,594   | 16,193   | 15,999   | 469,530  |
| <b>Consolidated total liabilities</b>                  |            |          |          |           |          |          |          |
| Liabilities  | 48,949     | 18,551   | 67,500   | 28,117    | —        | 1,025    | 96,642   |
| <b>Other information</b>                               |            |          |          |           |          |          |          |
| Additions to non-current assets                        | 18,417     | 1        | 18,418   | 120       | —        | 2        | 18,540   |
| Depreciation   | 4,734      | 14       | 4,748    | 445       | —        | 18       | 5,211    |
| Retirement-benefit obligations                         | 1,585      | —        | 1,585    | —         | —        | —        | 1,585    |

\* Revenue of US\$13.62 million was from sales of crude palm oil to PT Pacific Palmindo Industries; and US\$8.57 million was from sales of crude palm oil and palm kernels to PT Salim Ivomas Pratama.

# Notes to the consolidated accounts

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## NOTE 5 Employees

|   | 2013<br>US\$'000 | 2012<br>US\$'000 |
|---|------------------|------------------|
| <b>Employee costs during the year</b>                                     |                  |                  |
| Wages and salaries  | 10,807           | 10,650           |
| Social-security costs   | 873              | 551              |
| Current-service cost of retirement benefit (see note 26)                  | 922              | 1,183            |
| Other pension costs   | 109              | 236              |
|   | 12,711           | 12,620           |
|   |                  |                  |
|   | NUMBER           | NUMBER           |
| <b>Average number of persons employed (including executive directors)</b> |                  |                  |
| Estate manual   | 1,735            | 1,488            |
| Local management  | 60               | 66               |
| United Kingdom head office  | 7                | 7                |
|   | 1,802            | 1,561            |

Employee costs and average number of persons employed represent only permanent employees of the Group. This differs from disclosure made in previous years where casual labour was included in both costs and average numbers employed.

Details of directors' remuneration required by the Companies Act 2006 are shown within the report of the board to the shareholders on directors' remuneration on pages 39 and 40 and form part of these audited financial statements.

## NOTE 6 Finance income

|                                      | 2013<br>US\$'000 | 2012<br>US\$'000 |
|--------------------------------------|------------------|------------------|
| Interest receivable on bank deposits | 972              | 1,338            |

## NOTE 7 Finance costs

|   |       |       |
|---|-------|-------|
| Interest payable on bank loans and overdrafts                       | 3,520 | 3,760 |
| Interest capitalised into the cost of property, plant and equipment | —     | —     |



## NOTE 8 Group-controlled profit before tax

|   | 2013<br>US\$'000 | 2012<br>US\$'000 |
|---|------------------|------------------|
| <b>Profit before tax is stated after charging</b> |                  |                  |
| Depreciation of property, plant and equipment     | 5,312            | 5,211            |
| Auditors' remuneration                            | 338              | 313              |
| Employee costs (note 5)                           | 12,711           | 12,620           |

The analysis of auditors' remuneration is as follows:-

| <b>Fees payable to the Company's auditor and their associates for services to the Group:*</b> |            |            |
|---|------------|------------|
| Audit of UK parent-Company  | 20         | 20         |
| Audit of consolidated financial statements  | 95         | 90         |
| <b>Total audit services</b>   | <b>115</b> | <b>110</b> |
| Audit of overseas subsidiaries  | 153        | 135        |
| <b>Total fees payable</b>   | <b>268</b> | <b>245</b> |

\* In addition to the above, fees of US\$70,000 (2012 US\$68,000) were payable to other firms for the audit of subsidiary companies.

## NOTE 9 Tax on profit on ordinary activities

|   |         |         |
|---|---------|---------|
| United Kingdom corporation tax charge for the year                                  | 384     | 370     |
| Relief for overseas taxation  | (384)   | (370)   |
|   | —       | —       |
| Overseas taxation   | 10,881  | 8,821   |
| Adjustments in respect of prior years   | 18      | (5)     |
| Total current tax   | 10,899  | 8,816   |
| Deferred taxation – origination and reversal of temporary differences (see note 25) | (9,953) | (2,786) |
|   | 946     | 6,030   |

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax, was 23.25% (2012 – 24.50%). The standard rate of Indonesian tax was 25.00% for the current year (2012 – 25.00%). The actual tax charge is lower than the standard rate for the reasons set out in the following reconciliation:-

# Notes to the consolidated accounts

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## NOTE 9 Tax on profit on ordinary activities CONTINUED

|   | 2013<br>US\$'000 | 2012<br>US\$'000 |
|---|------------------|------------------|
| Profit on ordinary activities before tax                                | 12,223           | 16,700           |
| Tax on profit on ordinary activities at the standard rate               | 2,842            | 4,092            |
| <b>Factors affecting the charge for the year</b>                        |                  |                  |
| Withholding tax on overseas dividends and interest                      | 960              | 1,070            |
| Unrelieved losses   | 1,512            | 2,593            |
| Expenses not deductible for tax purposes                                | 78               | 64               |
| Unrealised Indonesian exchange differences not included in Group profit | (4,412)          | (1,083)          |
| Utilisation of losses brought forward                                   | (184)            | (23)             |
| Lower rate applicable to disposals of fixed assets                      | (75)             | (43)             |
| Biological assets   | 57               | 134              |
| Other exchange differences  | (701)            | 157              |
| Profits subject to lower rate of tax                                    | —                | (239)            |
| Adjustments to valuation of investments                                 | 160              | (272)            |
| Other differences   | 709              | (420)            |
| Total actual amount of tax  | 946              | 6,030            |

## NOTE 10 Dividends paid and proposed

|   |       |       |
|---|-------|-------|
| 2013 interim dividend – 2.25p per 10p share (2012 interim dividend – 2.25p) | 1,991 | 1,985 |
| 2012 final dividend – 5.75p per 10p share (2011 final dividend – 5.75p)     | 4,796 | 4,877 |
|   | 6,787 | 6,862 |

Following the year end, the board has proposed a final dividend for 2013 of 6.00p per 10p share, amounting to US\$5.50 million. Shareholders will again have the option to elect to receive the dividend in shares rather than in cash. Further information is published in the report of the directors on pages 32 and 33. The dividend will be paid on or after 19 June 2014 to those shareholders on the register at the close of business on 25 April 2014.

## NOTE 11 Basic and diluted earnings per share

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

|  | 2013<br>US\$'000 | 2013<br>NUMBER OF<br>SHARES | 2012<br>US\$'000 | 2012<br>NUMBER OF<br>SHARES |
|--|------------------|-----------------------------|------------------|-----------------------------|
| Profit for the year attributable to the owners of M.P. Evans Group PLC | 19,753           |                             | 17,685           |                             |
| Average number of shares in issue                                      |                  | 54,936,947                  |                  | 54,406,455                  |
| Diluted average number of shares in issue*                             |                  | 55,025,655                  |                  | 54,509,339                  |

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

## NOTE 12 Goodwill

|                              | 2013<br>US\$'000 | 2011<br>US\$'000 |
|------------------------------|------------------|------------------|
| At 1 January and 31 December | 1,157            | 1,157            |

Goodwill is carried at cost. The directors have tested goodwill for impairment, concluding that the carrying amounts are recoverable. Goodwill has arisen in respect of the Group's projects in Indonesia in Kalimantan and on Bangka Island. The directors consider the fair value of these investments to exceed their carrying value by a significant margin. Given this, and the size of the goodwill balance, the directors do not consider it necessary to provide further detailed disclosures regarding impairment.

## NOTE 13 Biological assets

Non-current biological assets comprise plantation bearer assets. The Group values these 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 f.f.b. crop is taken to be the 20-year average based on historical selling prices or, where the plantation has its own mill, an inference based on the widely-quoted commodity price for CPO delivered c.i.f. Rotterdam. The directors have concluded that using a 20-year average provides the best estimate of the prices to be achieved over the valuation period.

### Assumptions

The long-term average price and exchange rate used in determining the valuations were as follows:

|   | 31 DECEMBER<br>2013 | 31 DECEMBER<br>2012 |
|---|---------------------|---------------------|
| Price of CPO (US\$/tonne, Rotterdam c.i.f.) | 626                 | 602                 |
| Exchange rate (Rupiah per US\$)             | 12,189              | 9,670               |

### Sensitivity in valuation of plantation assets

A change of US\$25 in the price assumption for CPO has the following effect on the valuation of plantation assets:

|                      | -US\$ 25<br>US\$'000 | +US\$ 25<br>US\$'000 |
|----------------------|----------------------|----------------------|
| Subsidiaries         | (17,630)             | 17,630               |
| Associated companies | (12,492)             | 12,492               |
|                      | <b>(30,122)</b>      | <b>30,122</b>        |

A change of 1% in the discount rate has the following effect on the valuation of plantation assets:

|                      | -1%<br>US\$'000 | +1%<br>US\$'000 |
|----------------------|-----------------|-----------------|
| Subsidiaries         | 10,128          | (9,134)         |
| Associated companies | 6,071           | (5,582)         |
|                      | <b>16,199</b>   | <b>(14,716)</b> |

# Notes to the consolidated accounts

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## NOTE 13 Biological assets CONTINUED

| Non-current biological assets        | 2013<br>US\$'000 | 2012<br>US\$'000 |
|--------------------------------------|------------------|------------------|
| Gain in fair value:                  |                  |                  |
| Initial recognition                  | 2,882            | 3,289            |
| Current period                       | 6,177            | 8,618            |
| <b>Total gain</b>                    | <b>9,059</b>     | <b>11,907</b>    |
| <br>                                 |                  |                  |
| At 1 January                         | 139,335          | 127,428          |
| At 31 December                       | 148,394          | 139,335          |
| <br>                                 |                  |                  |
| F.f.b. crop (Tonnes)                 | 2013             | 2012             |
|                                      | 345,600          | 318,600          |
| <b>Fair value of crop (US\$'000)</b> | <b>41,365</b>    | <b>34,022</b>    |

The only restrictions over biological assets are described in note 3(i). The Group's financial risk-management strategy for agricultural activity is described in the strategic report 2013 on pages 24 to 27.

### Presentation

In the balance sheet, the adjustment column shows that recognition of the biological-asset valuation replaces depreciated-historical-planting costs of US\$76,152,000 (2012 US\$72,617,000) which, prior to the adoption of IFRS, were 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\$157,392,000 (2012 US\$147,822,000).

## NOTE 14 Property, plant and equipment

|   | FREEHOLD<br>LAND<br>US\$'000 | LEASEHOLD<br>LAND<br>US\$'000 | BUILDINGS<br>US\$'000 | PLANT,<br>EQUIPMENT<br>AND VEHICLES<br>US\$'000 | CONSTRUCTION<br>IN PROGRESS<br>US\$'000 | TOTAL<br>US\$'000 |
|---|------------------------------|-------------------------------|-----------------------|---|---|-------------------|
| <b>Cost or valuation</b>                      |                              |                               |                       |   |   |                   |
| At 1 January 2013                             | 29,863                       | 25,831                        | 37,879                | 31,279  | 5,257                                   | 130,109           |
| Additions                                     | 45                           | 2,560                         | 28                    | 2,504   | 7,124                                   | 12,261            |
| Re-classification                             | —                            | —                             | 7,111                 | —   | (7,111)                                 | —                 |
| Exchange differences                          | (3,900)                      | (18)                          | (720)                 | (455)   | —                                       | (5,093)           |
| Disposals                                     | —                            | (188)                         | (268)                 | (686)   | —                                       | (1,142)           |
| At 31 December 2013                           | 26,008                       | 28,185                        | 44,030                | 32,642  | 5,270                                   | 136,135           |
| <b>Accumulated depreciation</b>               |                              |                               |                       |   |   |                   |
| At 1 January 2013                             | 2,566                        | 380                           | 6,240                 | 13,561  | —                                       | 22,747            |
| Charge for the year                           | —                            | 9                             | 2,336                 | 2,967   | —                                       | 5,312             |
| Exchange differences                          | —                            | —                             | (142)                 | (318)   | —                                       | (460)             |
| Disposals                                     | —                            | (188)                         | (52)                  | (543)   | —                                       | (783)             |
| At 31 December 2013                           | 2,566                        | 201                           | 8,382                 | 15,667  | —                                       | 26,816            |
| <b>Net book value<br/>at 31 December 2013</b> | <b>23,442</b>                | <b>27,984</b>                 | <b>35,648</b>         | <b>16,975</b>                                   | <b>5,270</b>                            | <b>109,319</b>    |
| <b>Cost or valuation</b>                      |                              |                               |                       |   |   |                   |
| At 1 January 2012                             | 29,202                       | 18,610                        | 31,134                | 29,717  | 2,814                                   | 111,477           |
| Additions                                     | 53                           | 7,212                         | 3,208                 | 2,116   | 5,951                                   | 18,540            |
| Re-classification                             | —                            | —                             | 3,479                 | —   | (3,479)                                 | —                 |
| Exchange differences                          | 608                          | 9                             | 114                   | 72  | —                                       | 803               |
| Disposals                                     | —                            | —                             | (56)                  | (626)   | (29)                                    | (711)             |
| At 31 December 2012                           | 29,863                       | 25,831                        | 37,879                | 31,279  | 5,257                                   | 130,109           |
| <b>Accumulated depreciation</b>               |                              |                               |                       |   |   |                   |
| At 1 January 2012                             | —                            | 370                           | 4,310                 | 10,767  | —                                       | 15,447            |
| Charge for the year                           | —                            | 10                            | 1,959                 | 3,242   | —                                       | 5,211             |
| Exchange differences                          | —                            | —                             | 21                    | 48  | —                                       | 69                |
| Disposals                                     | —                            | —                             | (50)                  | (496)   | —                                       | (546)             |
| Provision for impairment                      | 2,566                        | —                             | —                     | —   | —                                       | 2,566             |
| At 31 December 2012                           | 2,566                        | 380                           | 6,240                 | 13,561  | —                                       | 22,747            |
| <b>Net book value<br/>at 31 December 2012</b> | <b>27,297</b>                | <b>25,451</b>                 | <b>31,639</b>         | <b>17,718</b>                                   | <b>5,257</b>                            | <b>107,362</b>    |
| <b>Net book value<br/>at 1 January 2012</b>   | <b>29,202</b>                | <b>18,240</b>                 | <b>26,824</b>         | <b>18,950</b>                                   | <b>2,814</b>                            | <b>96,030</b>     |

As at 31 December 2013, the Group had entered into contractual commitments for the acquisition of property, plant and equipment of US\$6,891,000 (2012 US\$4,787,000).

Depreciation is charged to cost of sales, other than US\$34,000 (2012 US\$18,000) charged to other administrative expenses.

# Notes to the consolidated accounts

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## NOTE 15 Investments in associates

Details of the principal subsidiary and associated undertakings are given on page 78. The Group's associated companies are all unlisted.

|                                 | SHARE OF<br>NET ASSETS<br>2013<br>US\$'000 | SHARE OF<br>NET ASSETS<br>2012<br>US\$'000 |
|---------------------------------|--|--|
| <b>Share of net assets</b>      |  |  |
| At 1 January                    | 129,742                                    | 130,658                                    |
| Exchange differences            | (9,717)                                    | 1,957                                      |
| Profit for the year             | 11,594                                     | 10,882                                     |
| Net dividends received          | (9,764)                                    | (13,755)                                   |
| At 31 December                  | 121,855                                    | 129,742                                    |
| <b>Goodwill</b>                 |  |  |
| At 1 January and 31 December    | 1,001                                      | 1,001                                      |
| <b>Carrying value</b>           |  |  |
| At 31 December                  | 122,856                                    | 130,743                                    |
| <b>At valuation</b>             |  |  |
| Unlisted (directors' valuation) | 205,000                                    | 221,000                                    |

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

|                         | AGRO<br>MUKO<br>(36.84%)<br>US\$'000 | KERASAAN<br>(38.00%)<br>US\$'000 | NAPCo<br>(34.37%)<br>US\$'000 | BERTAM<br>PROPERTIES<br>(40.00%)<br>US\$'000 | TOTAL<br>US\$'000 |
|-------------------------|--------------------------------------|----------------------------------|-------------------------------|--|-------------------|
| <b>2013</b>             |                                      |                                  |                               |  |                   |
| Revenue                 | 21,946                               | 2,293                            | 22,713                        | 18,927                                       | 65,879            |
| Profit/(loss) after tax | 8,610                                | 1,017                            | (2,429)                       | 4,396  | 11,594            |
| Assets                  | 51,782                               | 6,741                            | 133,135                       | 24,330                                       | 215,988           |
| Liabilities             | (1,695)                              | (200)                            | (82,882)                      | (8,355)                                      | (93,132)          |
| Net assets              | 50,087                               | 6,541                            | 50,253                        | 15,975                                       | 122,856           |
| <b>2012</b>             |                                      |                                  |                               |  |                   |
| Revenue                 | 34,669                               | 3,193                            | 24,079                        | 1,925  | 63,866            |
| Profit/(loss) after tax | 11,989                               | 1,252                            | (2,012)                       | (347)  | 10,882            |
| Assets                  | 51,152                               | 6,401                            | 121,424                       | 23,416                                       | 202,393           |
| Liabilities             | (4,491)                              | (328)                            | (59,608)                      | (7,223)                                      | (71,650)          |
| Net assets              | 46,661                               | 6,073                            | 61,816                        | 16,193                                       | 130,743           |

## NOTE 16 Investments

| Other available-for-sale financial investments (unlisted) | 2013<br>US\$'000 | 2012<br>US\$'000 |
|---|------------------|------------------|
| At 1 January  | 109              | 145              |
| Exchange differences                                      | (7)              | 5                |
| Revaluation of investments                                | —                | (41)             |
| At 31 December  | 102              | 109              |

The directors have reviewed the fair values of the Group's available-for-sale investments and concluded that their realisable market value equals their carrying value.

## NOTE 17 Current biological assets

| Livestock                                      | 2013<br>US\$'000 | 2012<br>US\$'000 |
|--|------------------|------------------|
| Gain in fair value                             | 1,005            | 146              |
| Increase due to purchases                      | —                | 426              |
| Decreases due to disposal and reclassification | (4,349)          | (6,061)          |
| Net exchange differences                       | (656)            | 205              |
| Change in carrying value of biological assets  | (4,000)          | (5,284)          |
| At 1 January                                   | 4,594            | 9,878            |
| At 31 December                                 | 594              | 4,594            |
| Head sold (number)                             | 4,872            | 5,278            |
| Cattle revenue (US\$'000)                      | 4,349            | 6,061            |

## NOTE 18 Inventories

|                            | 2013<br>US\$'000 | 2012<br>US\$'000 |
|----------------------------|------------------|------------------|
| Processed produce for sale | 2,327            | 3,160            |
| Estate stores              | 2,538            | 3,013            |
| Nurseries                  | 3,125            | 3,044            |
|                            | 7,990            | 9,217            |

# Notes to the consolidated accounts

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## NOTE 19 Trade and other receivables

|   | 2013<br>US\$'000 | 2012<br>US\$'000 |
|---|------------------|------------------|
| Trade receivables                         | 905              | 1,072            |
| Receivables from smallholder cooperatives | 6,483            | 2,426            |
| Other receivables                         | 1,094            | 3,773            |
| Prepayments and accrued income            | 3,863            | 7,054            |
|   | <b>12,345</b>    | <b>14,325</b>    |

Trade and other receivables analysed by currency of receivable:

|                   |               |               |
|-------------------|---------------|---------------|
| Indonesian Rupiah | 10,915        | 12,515        |
| US Dollar         | 1,049         | 884           |
| Australian Dollar | 252           | 192           |
| Malaysian Ringgit | 74            | 582           |
| Sterling          | 55            | 152           |
|                   | <b>12,345</b> | <b>14,325</b> |

Sales of palm oil are generally made for cash payment in advance of delivery. The Group makes full provision against invoices outstanding for more than 30 days. At 31 December 2013 there was no provision for impairment of trade receivables (2012 US\$nil). The directors consider the carrying amount of trade and other receivables approximate their fair value.

## NOTE 20 Cash and cash equivalents

|                           |        |        |
|---------------------------|--------|--------|
| Cash and cash equivalents | 56,348 | 54,757 |
|---------------------------|--------|--------|

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. Of this balance, US\$19.70 million (2012 US\$19.60 million) has been pledged as security against bank loans.

|   |               |               |
|---|---------------|---------------|
| Cash and cash equivalents               | 56,348        | 54,757        |
| Bank overdrafts and loans (see note 22) | (31,710)      | (25,458)      |
| <b>Net cash</b>                         | <b>24,638</b> | <b>29,299</b> |

## NOTE 21 Trade and other payables

|   |               |               |
|---|---------------|---------------|
| Trade payables                          | 3,368         | 7,537         |
| Amounts owed to associated undertakings | 50            | 63            |
| Other payables                          | 6,893         | 7,197         |
|   | <b>10,311</b> | <b>14,797</b> |

The average credit period taken for trade purchases is 30 days (2012 - 41 days). The Group has processes in place to ensure payables are settled within the agreed terms.



## NOTE 22 Borrowings

|  | 2013<br>US\$'000 | 2012<br>US\$'000 |
|--|------------------|------------------|
| <b>Secured borrowing at amortised cost</b> |                  |                  |
| Bank Treasury Bill facility                | 20,453           | 25,458           |
| Bank loans                                 | 46,037           | 31,423           |
|  | <b>66,490</b>    | <b>56,881</b>    |
| <b>Total borrowings</b>                    |                  |                  |
| Amount due for settlement within 12 months | 31,710           | 25,458           |
| Due for settlement in one to five years    | 34,780           | 31,423           |
|  | <b>66,490</b>    | <b>56,881</b>    |

Borrowings on the bank Treasury Bill facility are treasury bills which are payable within one year but can be rolled over within the limits of the facility. They are secured on the assets of the Woodlands cattle aggregation. Bank loans in Malaysia and Indonesia are secured, respectively, on Bertam Estate and the Kalimantan palm-oil mill.

Analysis of borrowings by currency:

|                             | US DOLLARS<br>US\$'000 | AUSTRALIAN<br>DOLLARS<br>US\$'000 | MALAYSIAN<br>RINGGIT<br>US\$'000 | TOTAL<br>US\$'000 |
|-----------------------------|------------------------|-----------------------------------|----------------------------------|-------------------|
| <b>31 December 2013</b>     |                        |                                   |                                  |                   |
| Bank Treasury Bill facility | —                      | 20,453                            | —                                | 20,453            |
| Bank loans                  | 29,751                 | —                                 | 16,286                           | 46,037            |
|                             | <b>29,751</b>          | <b>20,453</b>                     | <b>16,286</b>                    | <b>66,490</b>     |
| <b>31 December 2012</b>     |                        |                                   |                                  |                   |
| Bank Treasury Bill facility | —                      | 25,458                            | —                                | 25,458            |
| Bank loans                  | 12,986                 | —                                 | 18,437                           | 31,423            |
|                             | <b>12,986</b>          | <b>25,458</b>                     | <b>18,437</b>                    | <b>56,881</b>     |

### Facilities drawn during the year

During the year, a loan of US\$6.8 million was drawn in Indonesia. In the UK, use was made of a US\$10 million revolving-credit facility which is treated as an overdraft.

### Undrawn borrowing facilities

At 31 December 2013, the Group had available US\$1.15 million of a US\$20.95 million loan facility with an Indonesian lender. The Group had no available undrawn facility in Malaysia (2012 MYR2.96 million). There is an undrawn overdraft facility of A\$500,000 (2012 A\$500,000) from an Australian lender.

### Interest rates

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

|                             | 2013<br>% | 2012<br>% |
|-----------------------------|-----------|-----------|
| Bank Treasury Bill facility | 5.0       | 6.0       |
| Bank loans                  | 5.9       | 6.0       |

# Notes to the consolidated accounts

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## NOTE 23 Net debt

|                          | 2013<br>US\$'000 | 2012<br>US\$'000 |
|--------------------------|------------------|------------------|
| Cash at bank             | 56,348           | 54,757           |
| <b>Secured borrowing</b> |                  |                  |
| Indonesia                | 19,751           | 12,986           |
| Australia                | 20,453           | 25,458           |
| Malaysia                 | 16,286           | 18,437           |
| UK                       | 10,000           | —                |
|                          | 66,490           | 56,881           |
| Net debt                 | (10,142)         | (2,124)          |

## NOTE 24 Maturity of financial liabilities

The table below shows the anticipated cash outflows relating to the Group's financial liabilities based on the period remaining between the balance-sheet and contractual-maturity dates. Where borrowings carry a floating rate of interest an estimate of future interest payments has been made by applying the interest rate in force at the balance-sheet date. Similarly, where liabilities are denominated in foreign currencies, the exchange rate at the balance-sheet date has been applied to all related future cash flows.

|   | 0-1 YEAR<br>US\$'000 | 1-2 YEARS<br>US\$'000 | 2-5 YEARS<br>US\$'000 | OVER 5 YEARS<br>US\$'000 |
|---|----------------------|-----------------------|-----------------------|--------------------------|
| <b>2013</b>                             |                      |                       |                       |                          |
| Trade and other payables                | 10,261               | —                     | —                     | —                        |
| Amounts owed to associated undertakings | 50                   | —                     | —                     | —                        |
| Short-term borrowings*                  | 31,165               | —                     | —                     | —                        |
| Term loans                              | 17,841               | 1,916                 | 21,368                | —                        |
|   | 59,317               | 1,916                 | 21,368                | —                        |
| <b>2012</b>                             |                      |                       |                       |                          |
| Trade and other payables                | 14,734               | —                     | —                     | —                        |
| Amounts owed to associated undertakings | 63                   | —                     | —                     | —                        |
| Short-term borrowings*                  | 21,071               | —                     | —                     | —                        |
| Term loans                              | 1,991                | 19,631                | 13,931                | —                        |
|   | 37,859               | 19,631                | 13,931                | —                        |

\* Short-term borrowings are shown as being fully repaid at their contractual expiry date. The Group expects these loans to be renewed: discussions are already well advanced with lenders on extending one of these facilities (Australia) and partially replacing the other (Malaysia).

## NOTE 25 Deferred tax

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

|  | ACCELERATED<br>TAX<br>DEPRECIATION<br>US\$'000 | REVALUATION<br>OF LAND<br>US\$'000 | BIOLOGICAL<br>ASSETS<br>US\$'000 | RETIREMENT-<br>BENEFIT<br>OBLIGATIONS<br>US\$'000 | OTHER<br>TIMING<br>DIFFERENCES<br>US\$'000 | TOTAL<br>US\$'000 |
|--|--|------------------------------------|----------------------------------|---|--|-------------------|
| At 1 January 2013                      | 3,874  | 3,126                              | 16,679                           | (1,058)   | (9,882)                                    | 12,739            |
| Charge/(credit) to<br>income statement | 361  | —                                  | 1,381                            | 123   | (11,818)                                   | (9,953)           |
| Exchange differences                   | (824)  | (447)                              | —                                | 201   | 4,251                                      | 3,181             |
| At 31 December 2013                    | 3,411  | 2,679                              | 18,060                           | (734)   | (17,449)                                   | 5,967             |
| At 1 January 2012                      | 3,118  | 3,746                              | 15,440                           | (741)   | (5,718)                                    | 15,845            |
| Charge/(credit) to<br>income statement | 895  | —                                  | 1,239                            | (375)   | (4,545)                                    | (2,786)           |
| Credit to revaluation reserve          | —  | (698)                              | —                                | —   | —  | (698)             |
| Exchange differences                   | (139)  | 78                                 | —                                | 58  | 381  | 378               |
| At 31 December 2012                    | 3,874  | 3,126                              | 16,679                           | (1,058)   | (9,882)                                    | 12,739            |

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

|   | 2013<br>US\$'000 | 2012<br>US\$'000 |
|---|------------------|------------------|
| To be recovered after more than 12 months |                  |                  |
| Deferred-tax assets                       | (14,996)         | (6,454)          |
| Deferred-tax liabilities                  | 20,963           | 19,193           |
|   | 5,967            | 12,739           |

At the balance-sheet date, the Group had unused tax losses of US\$81,858,000 (2012 US\$45,596,000) available for offset against future profits. A deferred-tax asset has been recognised in respect of US\$66,273,000 (2012 US\$34,674,000) of such losses. No deferred-tax asset has been recognised in respect of the remaining US\$15,585,000 (2012 US\$10,922,000) 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\$295,438,000 (2012 US\$264,557,000). No liability has been recognised in respect of these differences because either the Group is in a position to control the timing of the reversal of the temporary differences, or such a reversal would not give rise to an additional tax liability.

At the balance-sheet date, the aggregate amount of temporary differences associated with undistributed earnings of associates for which deferred-tax liabilities have not been recognised was US\$75,129,000 (2012 US\$82,032,000). 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\$604,000 (2012 US\$944,000). No asset has been recognised in respect of these differences due to the unpredictability of future profit streams.

# Notes to the consolidated accounts

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## NOTE 26 Retirement-benefit obligations

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

| The main assumptions used to assess the Group's liability are: | 2013<br>% | 2012<br>% |
|--|-----------|-----------|
| Discount rate  | 9.00      | 7.00      |
| Salary increase per annum                                      | 8.00      | 8.00      |
| Reconciliation of scheme liabilities:                          | US\$'000  | US\$'000  |
| Current-service cost   | 922       | 1,183     |
| Past-service cost  | 29        | —         |
| Interest cost  | 223       | 237       |
| Actuarial gains  | (1,238)   | (7)       |
| Difference on settlement                                       | —         | (40)      |
| Prior-year adjustment  | —         | 212       |
|  | (64)      | 1,585     |
| Less: Benefits paid out  | (232)     | (85)      |
| Movement in the year   | (296)     | 1,500     |
| At 1 January   | 4,230     | 2,963     |
| Exchange differences   | (1,001)   | (233)     |
| At 31 December   | 2,933     | 4,230     |

## NOTE 27 Share capital

| Shares of 10p each     | AUTHORISED<br>NUMBER | ALLOTTED, FULLY<br>PAID AND VOTING<br>NUMBER | AUTHORISED<br>£'000 | ALLOTTED, FULLY<br>PAID AND VOTING<br>US\$'000 |
|------------------------|----------------------|--|---------------------|--|
| At 1 January 2013      | 87,000,000           | 54,871,402                                   | 8,700               | 9,227  |
| Issued during the year | —                    | 163,474                                      | —                   | 26   |
| At 31 December 2013    | 87,000,000           | 55,034,876                                   | 8,700               | 9,253  |
| At 1 January 2012      | 87,000,000           | 54,021,901                                   | 8,700               | 9,093  |
| Issued during the year | —                    | 849,501                                      | —                   | 134  |
| At 31 December 2012    | 87,000,000           | 54,871,402                                   | 8,700               | 9,227  |

During the year 53,790 (2012 - 760,376) 10p shares were issued as a result of the exercise of share options. In addition, a further 109,684 shares (2012 - 89,125 shares) were issued to shareholders who elected to take scrip in lieu of cash dividends. Total cash benefits received by the Company in respect of these allotments amounted to US\$131,000 (2012 US\$1,586,000).

## NOTE 28 Share-based payments

The Company has a share-option scheme for directors and selected employees of the Group. Options are exercisable at a price equal to the quoted market price of the Company's shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options lapse. Options are forfeited if the employee leaves the Group before the options vest. Details of the share options outstanding during the year are as follows:-

|                                    | 2013                    |  | 2012                    |  |
|------------------------------------|-------------------------|--|-------------------------|--|
|                                    | NUMBER OF SHARE OPTIONS | WEIGHTED-AVERAGE EXERCISE PRICE (IN BRITISH PENCE) | NUMBER OF SHARE OPTIONS | WEIGHTED-AVERAGE EXERCISE PRICE (IN BRITISH PENCE) |
| At 1 January                       | 333,790                 | 314.0  | 1,014,166               | 164.3  |
| Granted during the year            | 70,000                  | 502.3  | 80,000                  | 483.2  |
| Exercised during the year          | (53,790)                | 159.0  | (760,376)               | 132.2  |
| At 31 December                     | 350,000                 | 375.4  | 333,790                 | 314.0  |
| Exercisable at the end of the year | 200,000                 | 287.9  | 253,790                 | 260.6  |

The weighted-average share price at the date of exercise for share options exercised during the period was 527p (2012 – 503p). The options outstanding at 31 December 2013 had a weighted-average remaining contractual life of 6.4 years and exercise prices in the range 159.5p to 520.0p. The Group recognised total expenses of US\$82,000 related to equity-settled share-based payment transactions (2012 US\$23,000). The expense in respect of options granted during the year was assessed using the Black-Scholes option-pricing model assuming that: options are exercised in the middle of the vesting period; dividend yield is the latest annual dividend divided by the share price on the date the options are granted; share-price volatility is assessed as the average standard deviation over one year using share prices since 1 January 1993.

Details of the directors' share options are set out in the report of the board to the shareholders on directors' remuneration on page 40.

## NOTE 29 Reserves

|  | SHARE-PREMIUM ACCOUNT<br>US\$'000 | REVALUATION RESERVE<br>US\$'000 | CAPITAL-REDEMPTION RESERVE<br>US\$'000 | MERGER RESERVE<br>US\$'000 | SHARE-OPTION RESERVE<br>US\$'000 | SHARE OF ASSOCIATES' RESERVES<br>US\$'000 | FOREIGN-EXCHANGE RESERVE<br>US\$'000 | TOTAL<br>US\$'000 | RETAINED EARNINGS<br>US\$'000 |
|--|-----------------------------------|---------------------------------|--|----------------------------|----------------------------------|---|--------------------------------------|-------------------|-------------------------------|
| At 1 January 2013                          | 25,137                            | 10,892                          | 3,896                                  | 1,056                      | 315                              | 67,683                                    | (233)                                | 108,746           | 233,110                       |
| Exchange differences                       | —                                 | (1,056)                         | —                                      | —                          | —                                | (9,191)                                   | 1,565                                | (8,682)           | (3,104)                       |
| Transfer from non-controlling interests    | —                                 | —                               | —                                      | —                          | —                                | —   | —                                    | —                 | (84)                          |
| Release of deferred profit on sale of land | —                                 | (323)                           | —                                      | —                          | —                                | —   | —                                    | (323)             | —                             |
| Retirement-benefit obligations             | —                                 | —                               | —                                      | —                          | —                                | —   | —                                    | —                 | 767                           |
| Issue of shares                            | 928                               | —                               | —                                      | —                          | —                                | —   | —                                    | 928               | —                             |
| Share-based payments                       | —                                 | —                               | —                                      | —                          | 49                               | —   | —                                    | 49                | 33                            |
| Dividends from associated undertakings     | —                                 | —                               | —                                      | —                          | —                                | (9,764)                                   | —                                    | (9,764)           | 9,764                         |
| Purchase of non-controlling interests      | —                                 | —                               | —                                      | —                          | —                                | —   | —                                    | —                 | (6,468)                       |
| Profit for the financial year              | —                                 | —                               | —                                      | —                          | —                                | 11,594                                    | —                                    | 11,594            | 8,159                         |
| Dividends paid (see note 10)               | —                                 | —                               | —                                      | —                          | —                                | —   | —                                    | —                 | (6,787)                       |
| At 31 December 2013                        | 26,065                            | 9,513                           | 3,896                                  | 1,056                      | 364                              | 60,322                                    | 1,332                                | 102,548           | 235,390                       |

# Notes to the consolidated accounts

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## NOTE 29 Reserves CONTINUED

|   | SHARE-<br>PREMIUM<br>ACCOUNT<br>US\$'000 | REVALUATION<br>RESERVE<br>US\$'000 | CAPITAL-<br>REDEMPTION<br>RESERVE<br>US\$'000 | MERGER<br>RESERVE<br>US\$'000 | SHARE-<br>OPTION<br>RESERVE<br>US\$'000 | SHARE OF<br>ASSOCIATES'<br>RESERVES<br>US\$'000 | FOREIGN-<br>EXCHANGE<br>RESERVE<br>US\$'000 | TOTAL<br>US\$'000 | RETAINED<br>EARNINGS<br>US\$'000 |
|---|--|------------------------------------|---|-------------------------------|---|---|---|-------------------|----------------------------------|
| At 1 January 2012                         | 22,974                                   | 12,468                             | 3,896   | 1,056                         | 624                                     | 68,871  | 64  | 109,953           | 218,929                          |
| Exchange differences                      | —  | 29                                 | —   | —                             | —                                       | 1,685   | (297)                                       | 1,417             | (1,981)                          |
| Transfer from<br>revaluation reserve      | —  | (2,326)                            | —   | —                             | —                                       | —   | —   | (2,326)           | 2,326                            |
| Deferred tax on land<br>impairment        | —  | 721                                | —   | —                             | —                                       | —   | —   | 721               | —                                |
| Retirement-benefit<br>obligations         | —  | —                                  | —   | —                             | —                                       | —   | —   | —                 | (192)                            |
| Issue of shares                           | 2,163                                    | —                                  | —   | —                             | —                                       | —   | —   | 2,163             | —                                |
| Share-based payments                      | —  | —                                  | —   | —                             | (309)                                   | —   | —   | (309)             | 332                              |
| Dividends from<br>associated undertakings | —  | —                                  | —   | —                             | —                                       | (13,755)  | —   | (13,755)          | 13,755                           |
| Profit for the<br>financial year          | —  | —                                  | —   | —                             | —                                       | 10,882  | —   | 10,882            | 6,803                            |
| Dividend paid<br>(see note 10)            | —  | —                                  | —   | —                             | —                                       | —   | —   | —                 | (6,862)                          |
| At 31 December 2012                       | 25,137                                   | 10,892                             | 3,896   | 1,056                         | 315                                     | 67,683  | (233)                                       | 108,746           | 233,110                          |

The revaluation reserve relates to the revaluation surplus recognised under UK GAAP. On transition to IFRS, the Group elected to treat the revalued amount of non-current assets as their deemed cost.

## NOTE 30 Non-controlling interests

|   | 2013<br>US\$'000 | 2012<br>US\$'000 |
|---|------------------|------------------|
| At 1 January  | 21,805           | 17,938           |
| Share of profit in the year   | 3,118            | 3,867            |
| Dividends paid  | (896)            | —                |
| Share of retirement-benefit credit<br>charged to other comprehensive income | 124              | —                |
| Transfer on sale of non-controlling interest by the Group                   | 498              | —                |
| Transfer on sale of non-controlling interest to the Group                   | (548)            | —                |
| At 31 December  | 24,101           | 21,805           |

During the year the Group disposed of a non-controlling interest to a new partner in its Musi Rawas project. At the same time, it successfully negotiated to reduce the non-controlling interest in its existing Kalimantan project.

## NOTE 31 Note to the consolidated cash-flow statement

|   | 2013<br>US\$'000 | 2012<br>US\$'000 |
|---|------------------|------------------|
| Profit for the year   | 22,871           | 21,552           |
| Share of associated companies' profit after tax                 | (11,594)         | (10,882)         |
| Tax charge  | 946              | 6,030            |
| Finance costs   | 3,520            | 3,760            |
| Finance income  | (972)            | (1,338)          |
| <b>Operating profit</b>   | <b>14,771</b>    | <b>19,122</b>    |
| Biological gain   | (10,064)         | (12,053)         |
| Planting expenditure  | 6,265            | 9,784            |
| Disposal of non-current assets                                  | 1                | 207              |
| Release of deferred profit                                      | (323)            | (137)            |
| Depreciation of property, plant and equipment                   | 5,312            | 5,211            |
| Retirement-benefit obligations                                  | 892              | 1,500            |
| Share-based payments  | 82               | 23               |
| Dividends from associated companies                             | 9,764            | 13,755           |
| <b>Operating cash flows before movements in working capital</b> | <b>26,700</b>    | <b>37,412</b>    |
| Decrease in inventories   | 5,444            | 5,025            |
| Decrease in receivables   | 1,917            | 164              |
| Decrease in payables  | (4,458)          | (45)             |
| <b>Cash generated by operating activities</b>                   | <b>29,603</b>    | <b>42,556</b>    |
| Income tax paid   | (6,589)          | (4,899)          |
| Interest paid   | (3,520)          | (3,760)          |
| <b>Net cash generated by operating activities</b>               | <b>19,494</b>    | <b>33,897</b>    |

# Notes to the consolidated accounts

CONTINUED

## NOTE 32 Financial instruments

### Capital-risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising returns to shareholders. The capital structure of the Group consists of debt, (see note 22), cash and cash equivalents and equity attributable to the owners of the parent-Company, comprising issued capital, reserves and retained earnings. The Group is not subject to any externally-imposed capital requirements.

The Group's board continues to monitor the capital structure based on the funding requirements of the Group. At the balance-sheet date the Group had net cash of US\$24,638,000 (2012 US\$29,299,000) as shown in note 20, and equity attributable to the owners of the parent-Company of US\$347,191,000 (2012 US\$351,083,000). The board intends to fund its continuing Indonesian expansion by a combination of the Group's cash resources, disposal of its remaining Malaysian interests and by securing additional borrowing.

### 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.

### Financial-risk-management objectives

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

### Foreign-currency risk

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

The currency profile of the Group's monetary assets, excluding trade and other receivables (the currency profile of which is given in note 19), are as follows:

|                   | 2013<br>US\$'000 | 2012<br>US\$'000 |
|-------------------|------------------|------------------|
| US Dollar         | 31,243           | 35,692           |
| Indonesian Rupiah | 15,620           | 11,641           |
| Australian Dollar | 5,143            | 4,349            |
| Malaysian Ringgit | 4,085            | 2,103            |
| Sterling          | 257              | 972              |
|                   | <b>56,348</b>    | <b>54,757</b>    |

The currency profile of the Group's monetary liabilities, excluding trade and other payables, is shown in note 22 on page 63.



## NOTE 32 Financial instruments CONTINUED

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

|                          | 2013<br>US\$'000 | 2012<br>US\$'000 |
|--------------------------|------------------|------------------|
| <b>Australian Dollar</b> |                  |                  |
| Result for the year      | (331)            | (692)            |
| Net assets               | 3,443            | 4,525            |
| <b>Malaysian Ringgit</b> |                  |                  |
| Result for the year      | 852              | (176)            |
| Net assets               | 2,743            | 2,450            |

### 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 to banks who have a credit rating of at least A minus.

The Group's only financial liabilities other than short-term trade and other payables are the borrowings referred to in note 22.

The bank Treasury Bill facility is denominated in Australian Dollars and interest is charged at a variable rate linked to the Australian base rate. The loans, denominated in Malaysian Ringgit and US Dollars, carry interest charged at a floating rate related 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 10% of gross monetary assets), other than in relation to bank deposits which management seeks to mitigate through the use of banks with high credit ratings. The Group's maximum exposure to credit risk is represented by the carrying amount of financial assets in the financial statements.

### Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and banking facilities, and through actively monitoring the Group's forecast and actual cash flows. All of the Group's monetary financial assets and liabilities have a maturity profile of less than eight years. The maturity profile for financial liabilities is shown in note 24.

## NOTE 33 Related-party transactions

### Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out in the report of the board to the shareholders on directors' remuneration on page 39. The directors' participation in the executive share-option scheme is disclosed on page 40.

The Group received dividends from its associated companies during the year. These are set out in note 15 on page 60.

# Independent auditor's report

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

### REPORT ON THE PARENT-COMPANY FINANCIAL STATEMENTS

#### OUR OPINION

In our opinion the financial statements, defined below:

- ▶ give a true and fair view of the state of the parent-Company's affairs as at 31 December 2013;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

#### WHAT WE HAVE AUDITED

The parent-Company financial statements (the "financial statements"), which are prepared by M.P. Evans Group PLC, comprise:

- ▶ parent-Company balance sheet as at 31 December 2013; and
- ▶ the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial-reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial-reporting framework the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA's (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- ▶ whether the accounting policies are appropriate to the parent-Company's circumstances and have been consistently applied and adequately disclosed;

- ▶ the reasonableness of significant accounting estimates made by the directors; and
- ▶ the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

##### Adequacy of accounting records and information and explanations received

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

- ▶ we have not received all the information and explanations we require for our audit; or
- ▶ adequate accounting records have not been kept by the parent-Company, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### OTHER INFORMATION IN THE ANNUAL REPORT

Under ISA's (UK & Ireland) we are required to report to you if, in our opinion, information in the annual report is:

- ▶ materially inconsistent with the information in the audited financial statements; or
- ▶ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- ▶ is otherwise misleading.

We have no exceptions to report arising from this responsibility.

#### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

##### Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISA's (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

#### OTHER MATTER

We have reported separately on the Group financial statements of M.P. Evans Group PLC for the year ended 31 December 2013.

**Simon O'Brien** (*Senior Statutory Auditor*)

for and on behalf of

**PricewaterhouseCoopers LLP**

*Chartered Accountants and Statutory Auditors,  
London*

24 April 2014

# Parent-Company balance sheet

AT 31 DECEMBER 2013

|  | NOTE   | US\$'000        | 2013<br>US\$'000 | US\$'000        | 2012<br>US\$'000 |
|--|--------|-----------------|------------------|-----------------|------------------|
| <b>Fixed assets</b>                                    |        |                 |                  |                 |                  |
| Tangible fixed assets                                  | (iv)   | 947             |                  | 864             |                  |
| Investments  | (v)    | 31,494          |                  | 31,494          |                  |
|  |        |                 | <b>32,441</b>    |                 | <b>32,358</b>    |
| <b>Current assets</b>                                  |        |                 |                  |                 |                  |
| Debtors  | (vi)   | 60,322          |                  | 56,854          |                  |
| Cash at bank and in hand                               |        | 11,135          |                  | 13,542          |                  |
|  |        | 71,457          |                  | 70,396          |                  |
| <b>Creditors – amounts falling due within one year</b> | (vii)  | <b>(49,289)</b> |                  | <b>(40,125)</b> |                  |
| <b>Net current assets</b>                              |        |                 | <b>22,168</b>    |                 | <b>30,271</b>    |
| <b>Total assets less current liabilities</b>           |        |                 | <b>54,609</b>    |                 | <b>62,629</b>    |
| <b>Capital and reserves</b>                            |        |                 |                  |                 |                  |
| Called-up share capital                                | (viii) |                 | 9,253            |                 | 9,227            |
| Other reserves   | (ix)   |                 | 31,759           |                 | 30,782           |
| Profit and loss account                                | (ix)   |                 | 13,597           |                 | 22,620           |
|  | (x)    |                 | <b>54,609</b>    |                 | <b>62,629</b>    |

The financial statements on pages 74 to 77 were approved by the board of directors on 24 April 2014 and signed on its behalf by:

**Tristan Price Philip Fletcher**

*Directors*

# Notes TO THE PARENT-COMPANY BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2013

## NOTE i Significant accounting policies

### Basis of accounting

The financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared consistently on a going-concern basis under the historical-cost convention and in accordance with applicable accounting standards in the United Kingdom.

The principal accounting policies are summarised below. The directors have concluded that the functional currency is the US Dollar.

### Cash-flow statement

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

### Tangible fixed assets

Tangible fixed assets are stated at the historic purchase cost less accumulated depreciation. Freehold property is not depreciated as the charge would be immaterial, but is tested for impairment. Plant, equipment and vehicles are depreciated over their estimated useful lives at 25%.

### Fixed-asset investments

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

### Debtors

These represent amounts due from Group companies in the normal course of business, are repayable on demand, unsecured and are not interest bearing. They are stated at their nominal value.

### Cash at bank and in hand

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

### Creditors

These are measured at amortised cost.

## NOTE ii Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. M.P. Evans Group PLC reported a loss for the year ended 31 December 2013 of US\$2,269,000 (2012 profit US\$10,201,000).

The auditors' remuneration for audit and other services was US\$20,000 (2012 - US\$20,000).

## NOTE iii Employees

|                                       | 2013<br>US\$'000 | 2012<br>US\$'000 |
|---------------------------------------|------------------|------------------|
| <b>Employee costs during the year</b> |                  |                  |
| Wages and salaries                    | 1,607            | 1,189            |
| Social security costs                 | 231              | 163              |
| Pension costs                         | 73               | 81               |
|                                       | <b>1,911</b>     | <b>1,433</b>     |

As reported in the report of the board to the shareholders on directors' remuneration on page 39, wages and salary costs include bonuses paid to the directors in respect of 2012 and 2013.

|   | NUMBER   | NUMBER   |
|---|----------|----------|
| <b>Average monthly number of persons employed</b> |          |          |
| Staff   | 4        | 4        |
| Directors   | 3        | 3        |
|   | <b>7</b> | <b>7</b> |

# Notes to the parent-Company balance sheet

CONTINUED

## NOTE IV Tangible assets

|                                       | BUILDINGS<br>US\$'000 | PLANT, EQUIPMENT<br>AND VEHICLES<br>US\$'000 | TOTAL<br>US\$'000 |
|---------------------------------------|-----------------------|--|-------------------|
| <b>Cost</b>                           |                       |  |                   |
| At 1 January 2013                     | 834                   | 247  | 1,081             |
| Additions                             | —                     | 117  | 117               |
| Disposals                             | —                     | (138)  | (138)             |
| <b>At 31 December 2013</b>            | <b>834</b>            | <b>226</b>                                   | <b>1,060</b>      |
| <b>Accumulated depreciation</b>       |                       |  |                   |
| At 1 January 2013                     | —                     | 217  | 217               |
| Charge for the year                   | —                     | 34   | 34                |
| Disposals                             | —                     | (138)  | (138)             |
| <b>At 31 December 2013</b>            | <b>—</b>              | <b>113</b>                                   | <b>113</b>        |
| <b>Net book value</b>                 |                       |  |                   |
| <b>At 31 December 2013</b>            | <b>834</b>            | <b>113</b>                                   | <b>947</b>        |
| Net book value<br>At 31 December 2012 | 834                   | 30   | 864               |

## NOTE V Investments

| Subsidiary undertakings              | US\$'000      |
|--------------------------------------|---------------|
| At 1 January 2013                    | 45,190        |
| Provision for impairment b/f and c/f | (13,696)      |
| <b>At 31 December 2013</b>           | <b>31,494</b> |
| At 31 December 2012                  | 31,494        |

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

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

Holdings are all of ordinary shares. Further information on the activity of the Group subsidiaries is given on page 78. The directors believe the carrying value of investments is supported by their underlying net assets.

## NOTE VI Debtors

|   | 2013<br>US\$'000 | 2012<br>US\$'000 |
|---|------------------|------------------|
| Amounts owed by subsidiary undertakings | 60,268           | 56,701           |
| Other debtors                           | 27               | 81               |
| Prepayments and accrued income          | 27               | 72               |
|   | <b>60,322</b>    | <b>56,854</b>    |

## NOTE vii Creditors – amounts falling due within one year

|   | 2013<br>US\$'000 | 2012<br>US\$'000 |
|---|------------------|------------------|
| Amounts owed to subsidiary undertakings | 38,179           | 39,171           |
| Bank loan                               | 10,000           | —                |
| Other creditors                         | 1,110            | 954              |
|   | <b>49,289</b>    | <b>40,125</b>    |

## NOTE viii Called-up share capital

See note 27 to the consolidated financial statements on page 66.

## NOTE ix Reserves

|                             | SHARE-<br>PREMIUM<br>ACCOUNT<br>US\$'000 | CAPITAL-<br>REDEMPTION<br>RESERVE<br>US\$'000 | MERGER<br>RESERVE<br>US\$'000 | OTHER<br>RESERVES<br>US\$'000 | TOTAL<br>US\$'000 | PROFIT<br>AND LOSS<br>ACCOUNT<br>US\$'000 |
|-----------------------------|--|---|-------------------------------|-------------------------------|-------------------|---|
| At 1 January 2013           | 25,137                                   | 3,896   | 1,434                         | 315                           | 30,782            | 22,620                                    |
| Issue of shares             | 928                                      | —   | —                             | —                             | 928               | —   |
| Share-based payments        | —  | —   | —                             | 49                            | 49                | 33  |
| Loss for the financial year | —  | —   | —                             | —                             | —                 | (2,269)                                   |
| Dividends*                  | —  | —   | —                             | —                             | —                 | (6,787)                                   |
| At 31 December 2013         | <b>26,065</b>                            | <b>3,896</b>                                  | <b>1,434</b>                  | <b>364</b>                    | <b>31,759</b>     | <b>13,597</b>                             |

\* See note 10 to the consolidated financial statements on page 56.

## NOTE X Reconciliation of movement in shareholders' funds

|  | 2013<br>US\$'000 | 2012<br>US\$'000 |
|--|------------------|------------------|
| (Loss)/profit for the financial year           | (2,269)          | 10,201           |
| Dividends declared                             | (6,787)          | (6,862)          |
|  | <b>(9,056)</b>   | <b>3,339</b>     |
| Issue of shares                                | 954              | 2,296            |
| Share-based payments                           | 82               | 23               |
| Net (decrease)/increase in shareholders' funds | <b>(8,020)</b>   | <b>5,658</b>     |
| At 1 January                                   | <b>62,629</b>    | <b>56,971</b>    |
| <b>At 31 December</b>                          | <b>54,609</b>    | <b>62,629</b>    |

# Subsidiary and associated undertakings

## SUBSIDIARY UNDERTAKINGS

The Group has taken the exemption under section 410 of Companies Act 2006 to disclose only the details of its principal subsidiaries. A full list of its subsidiaries will be annexed to its next annual return, which is publicly available at Companies House ([www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)). Details of the principal subsidiary undertakings as at 31 December 2013 are as follows:-

| NAME OF SUBSIDIARY                         | % OF SHARES HELD | COUNTRY OF INCORPORATION | COUNTRY OF OPERATION         | FIELD OF ACTIVITY                                      |
|--|------------------|--------------------------|------------------------------|--|
| PT Bilah Plantindo                         | 80               | Indonesia                | Indonesia                    | Production of crude palm oil and palm kernels          |
| PT Pangkatan Indonesia                     | 80               | Indonesia                | Indonesia                    | Production of crude palm oil and palm kernels          |
| PT Sembada Sennah Maju                     | 80               | Indonesia                | Indonesia                    | Production of crude palm oil and palm kernels          |
| PT Simpang Kiri Plantation Indonesia       | 80               | Indonesia                | Indonesia                    | Production of crude palm oil and palm kernels          |
| PT Gunung Pelawan Lestari                  | 90               | Indonesia                | Indonesia                    | Production of crude palm oil and palm kernels          |
| PT Prima Mitrajaya Mandiri                 | 92.5             | Indonesia                | Indonesia                    | Production of crude palm oil and palm kernels          |
| PT Teguh Jayaprima Abadi                   | 92.5             | Indonesia                | Indonesia                    | Production of crude palm oil and palm kernels          |
| PT Evans Lestari                           | 80               | Indonesia                | Indonesia                    | Production of crude palm oil and palm kernels          |
| PT Evans Indonesia                         | 100              | Indonesia                | Indonesia                    | Provision of management and consultancy services       |
| Gubbagunyah Partnership                    | 100              | Australia                | Australia                    | Beef-cattle farming                                    |
| Bertam Consolidated Rubber Company Limited | 100              | England and Wales        | Malaysia                     | Property development and production of oil-palm f.f.b. |
| Bertam (U.K.) Limited                      | 100              | England and Wales        | United Kingdom and Australia | Beef-cattle farming                                    |

The shareholdings in the above companies represent ordinary shares except for Gubbagunyah Partnership, which is a partnership and so has no class of share.

## ASSOCIATED UNDERTAKINGS

Details of the associated undertakings as at 31 December 2013 are as follows:-

|   | ISSUED, FULLY-PAID SHARE CAPITAL | % HELD | COUNTRY OF INCORPORATION | COUNTRY OF OPERATION | FIELD OF ACTIVITY                                     |
|---|----------------------------------|--------|--------------------------|----------------------|---|
| <b>Unlisted</b>                                   |                                  |        |                          |                      |   |
| PT Agro Muko                                      | Rp54.578.70m                     | 36.84  | Indonesia                | Indonesia            | Production of crude palm oil, palm kernels and rubber |
| PT Kerasan Indonesia                              | Rp138.07m                        | 38.00  | Indonesia                | Indonesia            | Production of oil-palm f.f.b.                         |
| The North Australian Pastoral Company Pty Limited | A\$16.80m                        | 34.37  | Australia                | Australia            | Beef-cattle farming                                   |
| Bertam Properties Sdn. Berhad.                    | RM60.00m                         | 40.00  | Malaysia                 | Malaysia             | Property development                                  |



# Analysis of plantation land areas

AT 31 DECEMBER 2013

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

|  | MATURE<br>HA  | IMMATURE<br>HA | TOTAL<br>PLANTED<br>HA | INFRASTRUCTURE/<br>CONSERVATION<br>AREAS<br>HA | TOTAL<br>HA   | COOPERATIVE<br>SCHEMES<br>PLANTED<br>HA |
|--|---------------|----------------|------------------------|--|---------------|---|
| <b>Subsidiaries – oil palm</b>   |               |                |                        |  |               |   |
| Pangkalan  | 1,959         | 468            | 2,427                  | 159  | 2,586         | —                                       |
| Bilah  | 2,461         | 395            | 2,856                  | 105  | 2,961         | —                                       |
| Sennah   | 1,681         | —              | 1,681                  | 132  | 1,813         | —                                       |
| <b>Total Pangkatan group</b>   | <b>6,101</b>  | <b>863</b>     | <b>6,964</b>           | <b>396</b>                                     | <b>7,360</b>  | <b>—</b>                                |
| Simpang Kiri   | 2,242         | 247            | 2,489                  | 165  | 2,654         | —                                       |
| <b>Total Sumatra</b>   | <b>8,343</b>  | <b>1,110</b>   | <b>9,453</b>           | <b>561</b>                                     | <b>10,014</b> | <b>—</b>                                |
| East Kalimantan  | 8,377         | 1,432          | 9,809                  | 3,252  | 13,061*       | 4,005*                                  |
| Bangka   | 2,424         | 1,659          | 4,083                  | 577  | 4,660*        | 1,969*                                  |
| <b>Total new Indonesian projects**</b>                                 | <b>10,801</b> | <b>3,091</b>   | <b>13,892</b>          | <b>3,829</b>                                   | <b>17,721</b> | <b>5,974</b>                            |
| <b>Total Indonesia</b>   | <b>19,144</b> | <b>4,201</b>   | <b>23,345</b>          | <b>4,390</b>                                   | <b>27,735</b> | <b>5,974</b>                            |
| <b>Total Malaysia - Bertam Estate</b>                                  | <b>65</b>     | <b>—</b>       | <b>65</b>              | <b>5</b>                                       | <b>70</b>     | <b>—</b>                                |
| <b>Total majority owned</b>  | <b>19,209</b> | <b>4,201</b>   | <b>23,410</b>          | <b>4,395</b>                                   | <b>27,805</b> | <b>5,974</b>                            |
| <b>Group share of subsidiaries' land</b>                               | <b>16,879</b> | <b>3,741</b>   | <b>20,620</b>          | <b>4,062</b>                                   | <b>24,682</b> |   |
| <b>Associates</b>  |               |                |                        |  |               |   |
| Agro Muko - oil palm   | 16,033        | 1,763          | 17,796                 | 3,056  | 20,852        | 620                                     |
| - rubber   | 947           | 707            | 1,654                  | 446  | 2,100         | —                                       |
|  | 16,980        | 2,470          | 19,450                 | 3,502  | 22,952        | 620                                     |
| Kerasaan - oil palm  | 1,816         | 501            | 2,317                  | 46   | 2,363         | —                                       |
| <b>Total associates</b>  | <b>18,796</b> | <b>2,971</b>   | <b>21,767</b>          | <b>3,548</b>                                   | <b>25,315</b> | <b>620</b>                              |
| <b>Group share of associates' land</b>                                 | <b>6,946</b>  | <b>1,100</b>   | <b>8,046</b>           | <b>1,307</b>                                   | <b>9,353</b>  |   |
| <b>Memorandum:</b>   |               |                |                        |  |               |   |
| <b>Subsidiaries' land and Group share of associates' land</b>          | <b>26,155</b> | <b>5,301</b>   | <b>31,456</b>          | <b>5,702</b>                                   | <b>37,158</b> |   |
| <b>Group share of subsidiaries' land and share of associates' land</b> | <b>23,825</b> | <b>4,841</b>   | <b>28,666</b>          | <b>5,369</b>                                   | <b>34,035</b> |   |

**NOTES** \* The currently-estimated total plantable area for Group ownership is 10,600 hectares in East Kalimantan and 6,000 hectares on Bangka; for the cooperatives 4,400 hectares in East Kalimantan and 4,000 hectares on Bangka.

\*\* In 2012, the Group acquired a concession in South Sumatra over a gross area of 20,000 hectares. It is not yet clear how much will be plantable but the board has made an initial estimate that 10,000 hectares may be able to be planted of which 7,000 hectares would relate to the Group and 3,000 hectares to the smallholders' cooperative.

# 5-year summary

|   | 2013     | 2012     | 2011     | 2010     | 2009     |
|---|----------|----------|----------|----------|----------|
|   | TONNES   | TONNES   | TONNES   | TONNES   | TONNES   |
| <b>Production</b>   |          |          |          |          |          |
| Crude palm oil  | 82,900   | 75,400   | 35,600   | 30,000   | 27,000   |
| Palm kernels  | 16,400   | 14,800   | 8,700    | 7,300    | 6,800    |
| <b>Crops</b>  |          |          |          |          |          |
| <b>Oil-palm fresh fruit bunches ("f.f.b.")</b>                |          |          |          |          |          |
| Indonesian majority-owned estates                             | 344,200  | 317,000  | 249,300  | 196,400  | 171,300  |
| Indonesian associated-company estates                         | 387,000  | 408,600  | 401,200  | 366,100  | 380,300  |
|   | US\$     | US\$     | US\$     | US\$     | US\$     |
| <b>Average sale prices</b>                                    |          |          |          |          |          |
| Crude palm oil – Rotterdam c.i.f. per tonne                   | 856      | 998      | 1,123    | 905      | 680      |
| <b>Exchange rates</b>   |          |          |          |          |          |
| US\$1 = Indonesian Rupiah – average                           | 10,449   | 9,355    | 8,763    | 9,081    | 10,374   |
| – year end  | 12,189   | 9,670    | 9,068    | 8,991    | 9,400    |
| US\$1 = Australian Dollar – average                           | 1.04     | 0.97     | 0.97     | 1.09     | 1.28     |
| – year end  | 1.12     | 0.96     | 0.98     | 0.98     | 1.11     |
| US\$1 = Malaysian Ringgit – average                           | 3.15     | 3.09     | 3.06     | 3.22     | 3.52     |
| – year end  | 3.28     | 3.06     | 3.17     | 3.08     | 3.42     |
| £1 = US Dollar – average                                      | 1.56     | 1.59     | 1.60     | 1.55     | 1.57     |
| – year end  | 1.66     | 1.63     | 1.56     | 1.57     | 1.61     |
|   | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Revenue   | 82,186   | 83,213   | 57,756   | 42,091   | 28,391   |
| Gross profit  | 24,735   | 23,035   | 25,919   | 21,887   | 11,705   |
| Group-controlled profit before tax                            | 12,223   | 16,700   | 24,350   | 19,359   | 15,338   |
|   | US CENTS | US CENTS | US CENTS | US CENTS | US CENTS |
| Basic earnings per share – continuing                         | 35.96    | 32.51    | 66.39    | 41.17    | 31.92    |
| – continuing and discontinued                                 | 35.96    | 32.51    | 66.39    | 41.17    | 34.94    |
|   | PENCE    | PENCE    | PENCE    | PENCE    | PENCE    |
| Dividend per share  | 8.25     | 8.00     | 8.00     | 7.50     | 7.00     |
|   | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Equity attributable to the owners of<br>M. P. Evans Group PLC | 347,191  | 351,083  | 337,975  | 307,578  | 275,498  |
| Net cash generated by operating activities                    | 19,494   | 33,897   | 48,339   | 19,417   | 12,311   |

# 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 5 June 2014 at 12 noon for the following purposes:-

## AS ORDINARY BUSINESS

- 1 To receive and consider the report of the directors and the audited consolidated financial statements for the year ended 31 December 2013.  
**RESOLUTION ON FORM OF PROXY No 1**
- 2 To re-elect Mr R M Robinow as a director.  
**RESOLUTION ON FORM OF PROXY No 2**
- 3 To re-elect Mr J D Shaw as a director.  
**RESOLUTION ON FORM OF PROXY No 3**
- 4 To declare a final dividend.  
**RESOLUTION ON FORM OF PROXY No 4**
- 5 To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the directors to determine their remuneration.  
**RESOLUTION ON FORM OF PROXY No 5**

## AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, of which resolution 6 will be proposed as an ordinary resolution and resolutions 7 and 8 will be proposed as special resolutions:-

6. That, in substitution for all existing unexercised authorities, the authority conferred on the directors by article 7.2 of the Company's articles of association be renewed (unless previously renewed, varied or revoked) for a period ending on the earlier of the date of the Company's next annual general meeting and 30 June 2015 and, for that period, the Section 551 Amount is £1,834,496.  
**RESOLUTION ON FORM OF PROXY No 6**
7. That, in substitution for all existing unexercised authorities, the authority conferred on the directors by article 7.3 of the Company's articles of association be renewed and extended (unless previously renewed, varied or revoked) for a period ending on the earlier of the date of the Company's next annual general meeting and 30 June 2015 so that the directors are authorised to allot shares pursuant to article 7.2 of the Company's articles of

association and to sell treasury shares for that period in an aggregate amount of up to £275,174 (the section 561 amount).

**RESOLUTION ON FORM OF PROXY No 7**

8. That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 693 of the Companies Act 2006) of shares of 10p each in the capital of the Company provided that:-
  - (a) the maximum number of shares hereby authorised to be purchased is 5,503,488;
  - (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 2015 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 8**

By order of the board

**Claire Hayes**  
*Company Secretary*

24 April 2014

# Notice of meeting

CONTINUED

## NOTES

- 1) A member of the Company entitled to attend, speak and vote at the meeting convened by this notice may appoint a proxy to exercise all or any of his or her rights to attend, speak and vote at the meeting on his or her behalf. A proxy need not be a member of the Company. Appointment of a proxy will not subsequently preclude a member from attending and voting at the meeting in person if he or she so wishes. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares held by the member. The form of proxy contains instructions on how to appoint more than one proxy.
  - 2) A form of proxy for use at the meeting is enclosed. Please return the form of proxy as soon as possible. To be valid, it must be received by post or (during normal business hours only) by hand at the office of the registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ no later than 12 noon on 3 June 2014 (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 3 June 2014 (or, if the meeting is adjourned, 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.
  - 5) As at 24 April 2014, the Company's issued share capital consisted of 55,034,876 shares carrying one vote each. Therefore the total number of voting rights in the Company as at that date was 55,034,876.
  - 6) Copies of the directors' service contracts and terms and conditions of appointment will be available for inspection at the registered office of the Company during normal business hours and at the place of the meeting from 15 minutes prior to the meeting until its conclusion.
  - 7) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, but powers purported to be exercised by more than one authorised representative in respect of the same shares will be treated as not exercised.
  - 8) Members who wish to communicate with the Company in relation to the meeting should do so using the following means: by writing to the Registrars at The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. No other methods of communication will be accepted. In particular, no person may use any electronic address to communicate with the Company for any purposes other than those expressly stated in the relevant document.
- Any addressee of this notice who has sold or transferred all of the shares of the Company held by him or her should pass the annual report of which this notice forms part (including the form of proxy enclosed herewith) to the person through whom the sale was effected for transmission to the transferee or purchaser.**



# Professional advisers and representatives

## SECRETARY AND REGISTERED OFFICE

### Claire Hayes

3 Clanricarde Gardens  
Tunbridge Wells  
Kent TN1 1HQ

*Tel:* 01892 516333

*Fax:* 01892 518639

[www.mpevans.co.uk](http://www.mpevans.co.uk)

Company number: 1555042

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## INDONESIAN REGIONAL OFFICE

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## MANAGING AGENT IN MALAYSIA

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147 Lorong Kelawei  
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## INDEPENDENT AUDITORS

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Chartered Accountants and Registered Auditors  
1 Embankment Place  
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## REGISTRARS

Computershare Investor Services PLC  
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[www.computershare.com](http://www.computershare.com)

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# VENUE OF ANNUAL GENERAL MEETING

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on Thursday, 5 June 2014 at 12 noon

**Tallow Chandlers' Hall**

4 Dowgate Hill

London EC4R 2SH



**M.P. Evans**  
GROUP PLC



[www.mpevans.co.uk](http://www.mpevans.co.uk)