



# ANNUAL REPORT 2014





**MALAYSIA PROPERTY**  
 MAJORITY HELD 70 ha  
 MINORITY HELD 371 ha



**INDONESIA PLANTATIONS**  
 MAJORITY HELD 24,100 ha OIL PALM  
 MINORITY HELD 19,900 ha OIL PALM  
 AND 1,700 ha RUBBER



**AUSTRALIA BEEF-CATTLE FARMING**  
 MAJORITY HELD 31,000 ha  
 MINORITY HELD 5,800,000 ha



**AREA OF NAPCo BREEDING AND GROWING-OUT PROPERTIES** (MOUNT ISA)  
**AREAS OF NAPCo BACKGROUNDING PROPERTIES**  
**NAPCo FEEDLOT** (BRISBANE)  
 WOODLANDS AGGREGATION (BRISBANE)

Location of the Group's properties and those of its associated companies as at 31 December 2014

- MAJORITY HELD
- HELD BY ASSOCIATED COMPANIES

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

**PORTFOLIO OF ASSETS** AS AT 31 DECEMBER 2014



24,100 planted hectares of majority-held oil-palm plantations in Indonesia plus a 60-tonne-per-hour mill in Kalimantan and a 40-tonne-per-hour mill in Sumatra



6,300 hectares of associated smallholder co-operative schemes



20,000-hectare oil-palm concession newly acquired in South Sumatra – initial estimate 10,000 hectares plantable (7,000 for the Group)



21,600 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



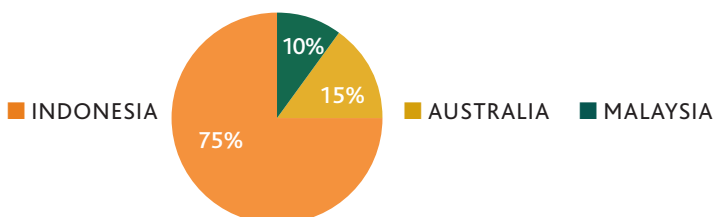
70 hectares of plantation land in Peninsula Malaysia, with property-development premium



40% share of a substantial property-development company, Bertam Properties, near Penang Island, Malaysia with a land bank of 371 hectares

Net current assets of US\$27.8 million as at 31 December 2014

**LAND ASSETS BY VALUE** 31 DECEMBER 2014



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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 increased plantation profits markedly in a year when the average palm-oil price fell by 4% through higher crops and lower costs

## Financial

- ▶ Profit for the year US\$37.1 million (2013 US\$22.9 million)
- ▶ Earnings per share US cents 61.0 (2013 US cents 36.0)
- ▶ Total dividend for the year increased by 0.50 pence to 8.75 pence (2.25 pence interim already paid)

## Indonesian palm oil

- ▶ Plantation profits higher at US\$35.8 million (2013 US\$24.8 million)
- ▶ F.f.b. crops 12% higher than 2013 - 40% on Kalimantan and 24% on Bangka projects, 7% lower on established estates
- ▶ Palm-oil price averaged US\$821 per tonne (2013 US\$856 per tonne); currently around US\$670 per tonne
- ▶ 2,200 hectares compensated at year end on the new Musi Rawas project in South Sumatra; planting commenced in late 2014
- ▶ Group's crops projected to continue rising strongly in future years

## Australian beef cattle

- ▶ NAPCo made profit after 2013 loss as cattle prices strengthened markedly
- ▶ Woodlands made small farm profit as cattle price strengthened though weight gain fell
- ▶ Good rainfall received in early 2015 – cattle prices have remained firm

## Malaysian property

- ▶ Reduced profits by Bertam Properties as completed sales comprised lower-value properties

# SUMMARY OF RESULTS

	<b>2014</b>	<b>2013</b>
For the year ended 31 December 2014	<i>US\$ million</i>	<i>US\$ million</i>
<b>Revenue</b>	<b>90.9</b>	<b>82.2</b>
<b>Gross profit</b>	<b>35.9</b>	<b>24.7</b>
<b>Group-controlled profit before tax</b>	<b>34.9</b>	<b>12.2</b>
<b>Profit for the year</b>	<b>37.1</b>	<b>22.9</b>
<b>Equity attributable to the owners of M.P. Evans Group PLC</b>	<b>371.9</b>	<b>347.2</b>
<b>Net cash inflow generated by operating activities</b>	<b>28.4</b>	<b>19.5</b>
	<i>US cents</i>	<i>US cents</i>
<b>Basic earnings per 10p share</b>	<b>61.05</b>	<b>35.96</b>
	<i>Pence</i>	<i>Pence</i>
<b>Dividend per 10p share in respect of the year</b>	<b>8.75</b>	<b>8.25</b>

## MANAGING DIRECTOR'S STATEMENT

It is pleasing to report that the Group's overall profit for the year, US\$37.1 million, was 62% higher than 2013's US\$22.9 million. The gross profit from the Indonesian operations was 44% higher compared with 2013. This was as a result of higher f.f.b. crops, particularly on the Kalimantan and Bangka projects, slightly lower average palm-oil prices and costs beneficially affected by the strengthening of the US Dollar and higher production of palm oil. Woodlands and NAPCo benefited from higher cattle prices. Woodlands recorded a slightly-improved result, approximately breaking even as in the previous year, whilst NAPCo turned 2013's loss round to a profit in 2014 despite experiencing another difficult season. The property activities in Malaysia resulted in lower profits in 2014, as development profits, despite higher numbers of units sold and completed, fell due to lower-margin sales being made in 2014.

The upward trend of the Group's f.f.b. crops continued in 2014 with 385,400 tonnes harvested, 12% more than 2013's 344,200 tonnes. The crop from the Kalimantan project was 40% higher and from the Bangka project, despite two acute dry periods in the year, was 24% higher.

The associated-company crops were similar to 2013 and profits were slightly higher.

The unusually-dry conditions experienced in early 2014 and some flooding in early 2015 have affected f.f.b. crops in the early part of 2015 although recently the crop has started to recover. Palm-oil prices have been at lower levels so far in 2015. Australian cattle prices remain firm.

Progress on the new Musi Rawas project was slower than originally expected but by the end of 2014 some 2,200 hectares had been compensated. Planting commenced, as expected, at the end of 2014.



**Philip Fletcher**

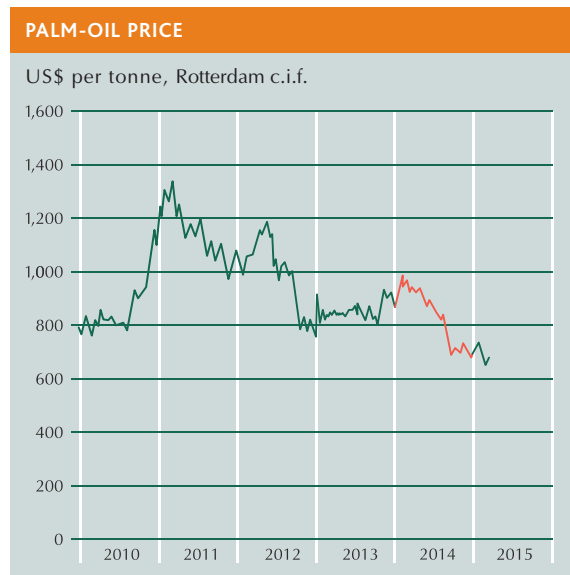
# MARKET INFORMATION

## Palm oil

The average palm-oil price (Rotterdam c.i.f.) was lower, at US\$821 per tonne, than the level of US\$856 seen in 2013. Relative strength during the first half of the year, notably a peak of nearly US\$1,000 per tonne at the beginning of March as the market responded to fears of an El Niño, gave way to much weaker prices in the second half. The price oscillated around US\$700 per tonne after falling sharply during August as competing oil seeds posted good harvests, especially soybeans in both North and South America. This was in spite of the impact of lower palm crops resulting from dryness early in the year and relatively low stock levels of palm oil. In 2015 the price has generally moved between US\$650 and US\$700 per tonne.

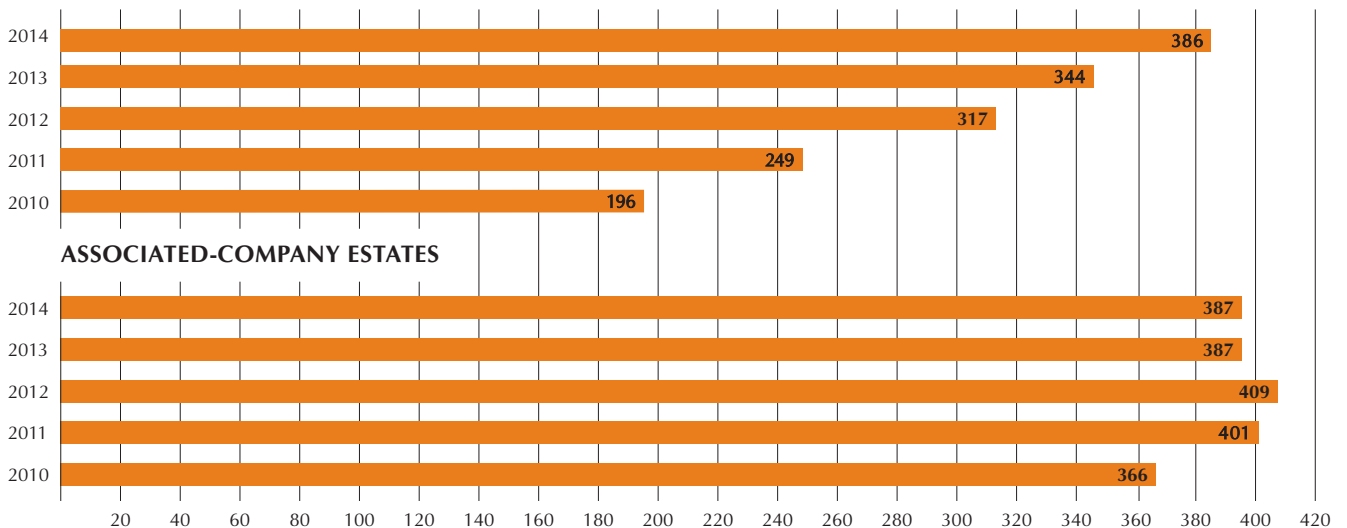
- ▶ Palm oil is used mainly as a cooking oil but also in margarine, shortenings (cakes, biscuits), soap, cosmetics, lubricants and more recently in bio-diesel.
- ▶ Palm oil has the lowest cost of production and is the most productive of all the major vegetable oils. More than 7.0 tonnes per hectare per annum can be produced in good-quality plantings compared with around 1.0 tonne for its main rival, soybean oil.

- ▶ Palm oil is the world's largest vegetable oil, with production in 2014 of 59.3 million tonnes and 36% of the global production of the major vegetable oils. Soybean oil is the second largest with 45.1 million tonnes and 27%. Palm-kernel oil accounts for a further 6.5 million tonnes (4%).



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

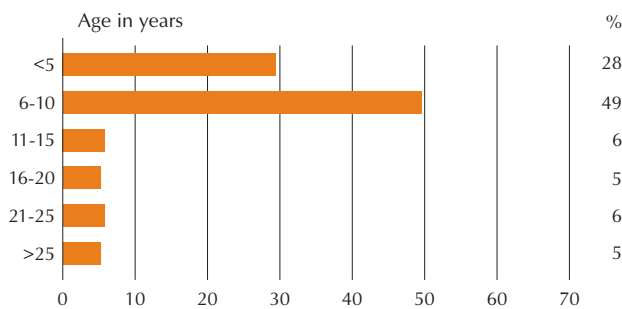
#### MAJORITY-OWNED ESTATES IN INDONESIA



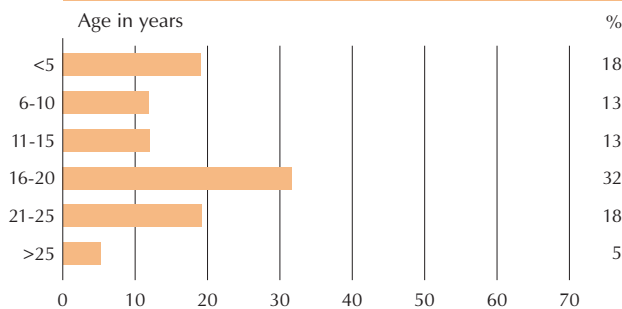
# Beef cattle

## AGE PROFILE OF THE GROUP'S OIL PALMS 31 DECEMBER 2014

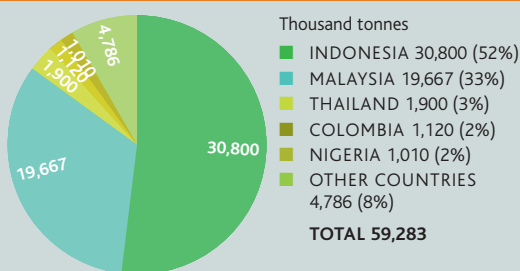
### SUBSIDIARIES – AVERAGE AGE 8.0 YEARS



### ASSOCIATES – AVERAGE AGE 13.4 YEARS

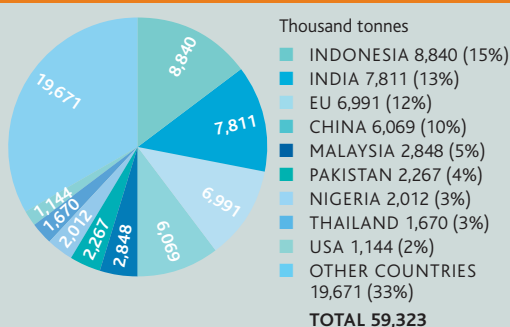


### MAIN PRODUCERS OF PALM OIL – 2014



SOURCE: OIL WORLD

### MAIN USERS OF PALM OIL – 2014

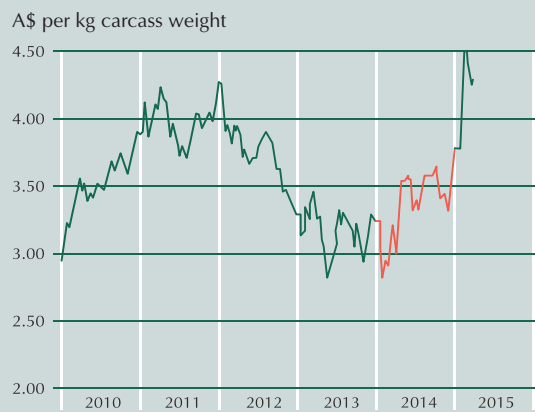


SOURCE: OIL WORLD

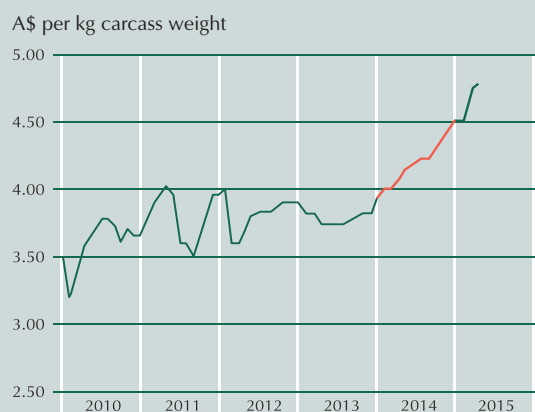
Australian beef-cattle prices rose in 2014, both for backgrounded cattle destined for feedlot “finishing” (Woodlands) and heavier, grain-finished, cattle (NAPCo). The weakening Australian Dollar and stronger Asian demand improved prices in the second half, especially for NAPCo cattle. Prices remain firm in 2015.

- ▶ 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 (34.4% held) is one of Australia’s leading beef-cattle companies with thirteen properties covering an area of 5.8 million hectares.

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



### 100-DAY SHORTFED CATTLE – NAPCo



# CHAIRMAN'S STATEMENT

## RESULTS

I am pleased to report that the profit for the year increased by 62% to US\$37.1 million, compared with US\$22.9 million in 2013. Earnings per share rose accordingly by 70% to US cents 61.0 (2013 US cents 36.0).

The markedly-improved profit was achieved largely as a result of a 12% increase in the Group's Indonesian crops of oil palm fresh fruit bunches ("f.f.b."), to 385,400 tonnes, despite a 4% decline in the average palm-oil price to US\$821 per tonne in 2014 compared with 2013. The higher crop level was mainly attributable to a significant increase from the Group's two new projects in East Kalimantan and on Bangka Island. The profits of the Group's two associated oil-palm companies were similar to last year. In Australia, a small profit was recorded at Woodlands, compared with a small loss last year, while similarly, at The North Australian Pastoral Company Pty Limited ("NAPCo"), last year's loss was turned round to a profit. This resulted from a sharp increase in cattle prices, especially for the heavier, export-orientated cattle produced by NAPCo. With regard to the Group's Malaysian property-development activities, the Group's share of the profit achieved by Bertam Properties Sdn. Berhad ("Bertam Properties") declined following a lower average value of completed property sales. Overall, chiefly because of the substantially-improved result at NAPCo, the Group's share of its associated companies' profits increased by 23%.

## DIVIDEND

Taking account of the increased profit, the board is recommending a final dividend for the year of 6.50p per share, a 0.50p per share increase compared with the 6.00p per share in respect of 2013. Together with the interim dividend of 2.25p per share paid in November 2014 (the same as the interim dividend paid in November 2013), the total dividend for the year is therefore 8.75p per share. A scrip-dividend alternative is again being offered (provided resolution 11 is passed at the annual general meeting).

## STRATEGY

The Group's 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 crop levels of f.f.b. referred to above, there was a commendable improvement, once again, in the palm-oil extraction rate achieved from the Group's Kalimantan project, which rose to 25.6% from 24.8%. On Pangkatan Estate, the extraction rate was maintained at 23.9% which the board considers acceptable in view of the low quality of the (inherited) planting material on part of Sennah Estate, one of the Group's three estates which provides Pangkatan Mill with f.f.b. On Bangka, good progress has been made with the new mill and commissioning is still expected to take place in mid-2016.

Modest progress was made on Musi Rawas, the Group's new project in South Sumatra, with compensation terms agreed with the users of the land over some 2,200 hectares at the year end. Planting commenced at the end of 2014 with some 90 hectares in the ground at 31 December. At this early stage, the board continues to estimate that of the 20,000-hectare concession some 10,000 hectares may be plantable, of which 7,000 hectares would 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 910 hectares (in addition to 320 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.

A welcome development during the year was the receipt by Pangkatan Mill of International Sustainability and Carbon Certification ("ISCC"). The mill is already accredited by the Roundtable for Sustainable Palm Oil ("RSPO") and as Indonesian Sustainable Palm Oil ("ISPO"). In addition, during the year the Kalimantan mill was accredited by RSPO, whilst the ISPO and ISCC audits are under way.

In Australia, at Woodlands, in view of rising beef-cattle prices, the board decided to replace the cattle owned by third parties with its own cattle. As referred to in the 2014 interim report, negotiations are still in progress regarding the sale of Woodlands but the property continues to be operated on a 'business-as-usual' basis until a sale is concluded. At NAPCo, despite another challenging season, the herd number only declined by



## Work on the construction of flood protection in Indonesia is proceeding well and should improve yields considerably

5% thanks to the efforts of management and staff across the company in minimising the impact of dry weather. The drought-resistance measures were, as in 2013, assisted by the recently-expanded feedlot, facilitating the retention of more young cattle than would have been possible in the past. As reported on page 11 of the strategic report, the prospective sale process of a majority holding in NAPCo, including the Group's 34.4% share, drew to a close in 2013 without a sale but the board will continue to consider any opportunities that may arise in relation to its holding.

### INDONESIAN INVESTMENT CLIMATE

The 2014 interim report referred to the fact that a draft plantation law had been tabled, although not at that time enacted, in the Indonesian House of Representatives. This draft law included provisions which, if passed, would have restricted foreign ownership of plantations in Indonesia to 30%. A modified version of the draft law was subsequently passed on 29 September 2014 that did not include the 30% cap on foreign investment. The new law mandates the Government to prioritise domestic investment, protect local customary rights, empower local farmers and to set a cap on foreign investment at some point in the future. The current cap is 95%.

### PROSPECTS

The Group's f.f.b. crops are expected to continue to rise substantially both in 2015 and in subsequent years. Notwithstanding the decline in the palm-oil price in the last two years, healthy profit margins are still achievable and the board believes growth in Indonesian domestic and global demand makes the long-term outlook for palm oil positive.

The established Sumatran estates and the Banka project have been particularly affected in 2015 by the dry weather in 2014 and the Kalimantan project has also recorded crops sharply below expectations (although 8% higher than for the same period last year) related to flooding in February 2015. Crops have recently started to pick up. Palm-oil prices have hovered between US\$650 and US\$700 per tonne (Rotterdam c.i.f.) so far in 2015 reflecting, on the upside, a slowdown in palm-oil production (relating to last year's dry weather) and, on the downside, continuing weakness in mineral-oil prices.

After welcome rainfall was received early in 2015 both on Woodlands and across the majority of the NAPCo properties, a lack of follow-up rain, combined

with high temperatures, has affected pasture quality. Very recently, substantial further rainfall has been received on Woodlands, which will enable considerably more young cattle to be acquired. Despite the lack of further rain on most of the NAPCo properties, there is sufficient feed to sustain the herd until the year end. Although cattle prices have eased a little, they remain strong and longer-term prospects, as for palm oil, appear favourable.

### CORPORATE-GOVERNANCE FRAMEWORK

The board recognises the importance of a sound system of corporate governance and internal control, so seeks to follow the principles set out in the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quoted Companies Alliance ("QCA") as far as they are relevant to the Group and its context. It should be noted that the Group is not required to comply with this code but it is nonetheless the board's intention to disclose and report on the corporate-governance structures and processes operated by the Group and to develop these further to meet the standards appropriate to the Company.

### ACKNOWLEDGEMENTS

Mike Redshaw, an independent consultant, has provided agronomic advice in respect of the Indonesian plantation operations for many years. The Group has benefited from his helpful advice both on the established estates and on the new projects that have been undertaken in Kalimantan and Bangka. He has decided to retire and the board would like to place on record its appreciation for the work that he has done for the Group and to wish him well in his retirement. The Group will continue to obtain independent agronomic advice.

I should like, as ever, to express the board's appreciation to the Group's managers, staff and workers worldwide for their dedication and hard work and for contributing to another improved result for the year.

**Peter Hadsley-Chaplin**

Chairman

24 April 2015



# STRATEGIC REPORT 2014

## STRATEGY

**The Group's 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 Group's two principal, majority-held, activities are the ownership, management and 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 has a joint venture in the oil-palm sector and a substantial minority holding in a company operating in the beef-cattle sector. In addition to these, 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 24,100 hectares, 910 of which were planted on its new projects during 2014. The planted smallholder areas adjoining the new projects amount to 6,300 hectares, 320 of which were planted in 2014. The estimated unplanted land bank is some 9,000 hectares, including the new Musi Rawas project, on the Group's estates and some 5,100 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 Group will also seek continually to maintain and, where possible, improve agronomic standards and productivity on its estates leading, ideally, to increased crops of f.f.b. and, where relevant, production of crude palm oil ("CPO"). Furthermore, the Group will continue to work closely with its joint-venture partner,

SA SIPEF NV, ("SIPEF") 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. Productivity has been, and, where appropriate, will continue to be, improved through the enhancement of waters and fencing and the upgrading of paddocks. Notwithstanding the continued improvement measures in place at Woodlands, it remains the board's intention to dispose of this property as and when suitable terms are agreed. 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. These measures have 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. In addition, over the past quarter century substantial improvements have been made to the genetic characteristics of the herd, and the strategy is for this programme to continue.

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 without a sale. 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 from Malaysia entirely.

# RESULTS AND FINANCIAL POSITION

## GROSS PROFIT FROM AGRICULTURAL ACTIVITIES

Revenue during 2014 was US\$8.7 million higher than in 2013 as f.f.b crops grew strongly in the Group's own areas and those of its smallholder co-operative schemes. This increase in crop volume combined with excellent extraction rates more than outweighed a reduction in the average price for CPO obtained during the year, amounting to some US\$35 per tonne. Increased throughput at the Group's Kalimantan Mill has, as expected, reduced the unit costs of producing palm products (CPO and palm kernels). This benign volume effect was strengthened by the weakness of the Indonesian Rupiah against the US Dollar which had the effect of reducing, in US Dollar terms, operating costs incurred in local currency. The Group's two mills and supplying estates now have a combined operating cost of US\$370 per tonne of palm products. Overall, this has had a positive effect on the Indonesian gross-profit margin which stands at 39.8% (2013 - 32.5%). The planned construction of a mill on the Group's Bangka project is expected to give further impetus to this improvement in the Group's margins.

As anticipated in the 2013 annual report, the Group's project in Kalimantan has increased its gross profit to US\$10.9 million (2013 US\$1.6 million) before the bearer-biological-asset adjustment. Subject to changes in the selling price, this trend is set to continue with production of CPO and palm kernels rising as the palms mature and approach peak productivity.

Results at Woodlands have improved, continuing the trend emerging in 2013. The operation reported another rise in cattle-trading profit resulting in a farm profit of US\$0.2 million (2013 loss of US\$0.1 million). Given the drought conditions in existence for much of the year, cattle weight gains were lower than in 2013 but much-improved cattle prices, notably towards the end of the year, placed a high value on the weight gain that had been achieved. This effect was emphasised by an increase in the Group's own herd in the second half of the year by some 5,500 head as Woodlands was stocked with its own cattle rather than replacing outgoing cattle on 'agistment' (managed for a fee) with more third-party animals.

As a result of the above, the Group's gross profit amounted to US\$35.9 million (2013 US\$24.7 million). A detailed analysis is given in note 4 to the accounts on

pages 55 and 56. The Group's palm-oil and beef-cattle operations are reviewed in more detail in the section on operations below, commencing on pages 12 and 20 respectively.

## BEARER-BIOLOGICAL-ASSET ADJUSTMENT

Whilst, as widely documented in this report, the price of CPO fell during 2014, the 20-year average price of CPO used to value the Group's biological assets nevertheless rose to US\$641 (2013 US\$626). This was the principal factor leading to a biological gain of US\$15.1 million (2013 US\$9.1 million), supported by a reduction in unit costs partly arising from a weaker Indonesian Rupiah. The value of new plantings contributed US\$2.9 million towards the reported biological gain (2013 US\$2.9 million). Overall, the net effect on profit of all the components of the bearer-biological-asset adjustment amounted to US\$8.4 million (2013 US\$6.0 million).

Following an amendment to International Accounting Standard 41: Biological Assets issued by the International Accounting Standards Board in June 2014, the Group intends to account for its plantings under International Accounting Standard 16: Property, Plant and Equipment. Hence, as from 1 January 2015 the Group will measure its planting at depreciated cost rather than as a 'biological asset' determined using a valuation model based on discounted cash flow. This future measure is shown in the columns of the income statement and balance sheet in this annual report described as '(Result) before biological-bearer-asset adjustment'.

## OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses of US\$5.9 million were US\$1.5 million higher than the US\$4.4 million reported for 2013. This is almost entirely due to an impairment of US\$1.1 million made to the value of land and buildings at Woodlands, the Group's wholly-owned cattle-backgrounding operation. This impairment was based on external valuation advice. Other administrative expenses also includes the cost of introducing a bonus scheme for the Group's four head office staff, which was largely offset by reductions in other head-office expenses.

ASSOCIATED COMPANIES

The Group's share of its associated companies' profits or losses, including the share of the Indonesian companies' biological-bearer-asset adjustments, compared with last year, was as follows:

	% HELD	2014			2013		
		POST-TAX PROFIT BEFORE BIOLOGICAL-BEARER-ASSET ADJUSTMENT US\$'000	BIOLOGICAL-BEARER-ASSET ADJUSTMENT US\$'000	POST-TAX PROFIT 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	9,856	(1,013)	8,843	6,949	1,661	8,610
Kerasaan	38.00	1,093	(39)	1,054	955	62	1,017
<b>Total Indonesia</b>		<b>10,949</b>	<b>(1,052)</b>	<b>9,897</b>	<b>7,904</b>	<b>1,723</b>	<b>9,627</b>
NAPCo	34.37	1,454	—	1,454	(2,429)	—	(2,429)
Bertam Properties	40.00	2,905	—	2,905	4,396	—	4,396
<b>Total</b>		<b>15,308</b>	<b>(1,052)</b>	<b>14,256</b>	<b>9,871</b>	<b>1,723</b>	<b>11,594</b>

The results of the Indonesian, Australian and Malaysian associated companies are described below and reviewed in more detail commencing on pages 17, 21 and 23 respectively.

Indonesia

As foreshadowed in the 2013 annual report, PT Agro Muko ("Agro Muko") has entered a period of replanting during which it is projected that its crop will fall slightly, though there was only a marginal drop in 2014's crop compared with 2013 as the average yield rose slightly across a smaller mature hectare. The modest oil-extraction rate of 22.5% seen in 2013 was repeated in 2014 and so production of CPO in 2014 was only fractionally below that in 2013 (see page 17 below). Against this background, Agro Muko was able to achieve significantly higher prices in 2014 than in 2013, partly as a result of achieving a good premium for its RSPO-certified oil and partly from its export sales which are sold for physical delivery up to three months forward. This, together with stronger prices for palm kernels, produced a 17% increase in revenue. By contrast, rubber production increased as the areas that have been replanted over recent years mature, though a 26% fall in prices led to a fall in rubber profits. The Group's share of results before the biological-bearer-asset adjustment amounted to

US\$9.9 million (2013 US\$6.9 million). The crop, and results, of PT Kerasaan Indonesia ("Kerasaan") were very similar to those in 2013. As a result of the above, the Group's combined share of the post-tax, pre-biological-bearer-asset adjustment profit of these two associated companies in 2014 was US\$10.9 million, an improvement of US\$3.0 million (39%) on the US\$7.9 million recorded in 2013.

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 Agro Muko, the costs of significant replanting and increases in general expenses and overheads outweighed the benefit of the rise in the long-term price of CPO across its much larger hectare. In Kerasaan, this gain from the increase in the CPO price was counterbalanced by the costs of replanting.

The Group's share of the post-biological-bearer-asset-adjustment, post-tax profit of the Indonesian associates amounted to US\$9.9 million (2013 US\$9.6 million). The Group received gross dividends



of US\$9.2 million from Agro Muko in 2014 (2013 US\$5.2 million). Gross dividends from Kerasaan were US\$0.9 million (2013 US\$0.6 million).

#### Australia

Following a severe drought in 2013, difficult conditions persisted across much of eastern Australia during 2014 despite which NAPCo was able to report sales revenue slightly higher than for 2013. Prices for all NAPCo's cattle increased steadily throughout the year and NAPCo worked hard to maintain its herd though, at the year end, numbers had nonetheless fallen by 5%, or 10,000 head (2013 – 9,500 head). This was largely due to lower brandings resulting from the poor seasonal conditions. Adverse weather conditions also affected revenue since cattle were slower to achieve required sales weights. Slower weight gain led to a 9% fall in the number of animals sold, offsetting to some degree the general rise in cattle prices that produced a significant increase in the year-end valuation of the herd, itself central to the much-improved result reported by NAPCo. NAPCo's expanded feedlot at Wainui was beneficially put to full use in mitigating the effects of the indifferent conditions though leading to higher costs as feedlot rations were increased at a time of high grain prices. As a result of all these factors, the Group's share of NAPCo's profit amounted to US\$1.5 million (2013 loss of US\$2.4 million). The Group's share of NAPCo's gross dividends was US\$0.4 million (2013 US\$0.6 million).

#### Malaysia

Property-development revenue fell during 2014 to US\$36.5 million compared with the US\$46.0 million reported in 2013, generating a profit after tax of

US\$7.7 million (2013 US\$11.2 million). As noted in previous annual reports, property-development revenue is brought to book under the international accounting standard IFRIC 15 only when a sale is fully completed. Exceptional income of US\$1.5 million in 2013, relating mainly to forfeiture fees paid by purchasers defaulting on contracts to buy land and contractor penalties, was not repeated in 2014. There were no sales of land during 2014 and the golf operation continued to make a small loss. Overall, the Group's share of Bertam Properties' profit for the year amounted to US\$2.9 million (2013 US\$4.4 million). The Group's share of Bertam Properties' gross dividends amounted to US\$1.2 million (2013 US\$3.5 million).

#### PROFIT FOR THE YEAR

As a result of all the above, the Group profit for the year amounted to US\$37.1 million, an increase of US\$14.2 million (62%) compared with the US\$22.9 million reported for 2013. This rise in reported profit led to an increase of 70% in basic earnings per share to US cents 61.0 (2013 US cents 36.0).

#### NET ASSETS AND BORROWING

At the end of 2014, the net assets shown in the Group's balance sheet amounted to US\$400.3 million (2013 US\$371.3 million). Current assets exceeded current liabilities by US\$27.8 million (2013 US\$33.1 million) and the Group had cash balances of US\$48.0 million (US\$20.1 million of which had been pledged as security). At the end of 2014, the Group's gearing ratio was 6% (2013 - 15%) and it held a net cash balance of US\$ 1.5 million (2013 net debt of US\$10.1 million).

# PALM OIL

The planned increase in f.f.b. crops on the Group's new projects in Kalimantan and Bangka continues, with new areas coming into maturity

### PALM-OIL MARKET

Average palm-oil prices (Rotterdam c.i.f.) were 4% lower in 2014 at US\$821 per tonne, compared with US\$856 in 2013. Downward pressure on the price primarily related to the significant increase in the production of oilseeds, particularly soybeans, in the year. Of the major oils, the price of palm oil remained the firmest with the normal discount to soybean oil narrowing to below US\$100 per tonne, compared with the average in recent years of over US\$150.

Palm-oil prices remained relatively strong in the first quarter of 2014 as dry weather in the main producing countries, Indonesia and Malaysia, and the prospect of El-Niño conditions later in the year (which did not materialise) reduced crop expectations. The early dry period did indeed affect crops later in the year and world supply (opening stocks plus production) increased considerably more slowly than in 2013.

Early price firmness was also helped by the Indonesian Government's plans to boost bio-diesel admixture to 10%. However, the dramatic fall in the mineral-oil price in the second half of the year resulted in palm oil becoming uneconomic for this purpose and so blending and exports reduced significantly. Palm-oil prices fell accordingly.

Palm-oil use by the major buyers, India, China and the EU, stagnated or fell in 2014 and world consumption increased (1.5 million tonnes) less than in previous years (2013 - 5.2 million tonnes).

Indonesia became the world's biggest palm-oil user. Further information is shown in the charts on pages 4 and 5.

Palm-kernel-oil prices followed palm-oil prices and weakened in the latter part of the year, although not to the same extent. The fall in coconut-oil production (a lauric oil like palm-kernel oil) in the Philippines following Typhoon Haiyan in 2013 was still having some effect in supporting lauric-oil prices in 2014.

### MAJORITY-OWNED ESTATES

#### CROPS AND PRODUCTION

The overall Group f.f.b. crop of 385,400 tonnes was 12% higher than the 344,200 tonnes recorded for 2013. As referred to in the 2014 interim report, the original crop estimate for the year of 425,000 tonnes had to be revised downwards mid-year to 385,000 tonnes (which was indeed achieved) as a result of an acute dry period experienced in the early part of the year. The dry period particularly affected the estates in North Sumatra and Bangka. However, notwithstanding this temporary set back, the Group's overall upward trend of crops continued and, in the circumstances, it is still pleasing to report a 12% increase, primarily derived from the Kalimantan project. Oil-extraction rates continued at most satisfactory levels in 2014 with the Kalimantan mill achieving an increase to the commendable level of 25.6%.

Details of crops, production and extraction rates



New planting, Sumatra

for 2014, with comparative figures for 2013, are set out below:-

	2014 TONNES	INCREASE/ (DECREASE) %	2013 TONNES
<b>Crops</b>			
Own crops			
Pangkalan group	140,400		148,800
Simpang Kiri	42,100		46,600
	<b>182,500</b>	<b>(7)</b>	195,400
Kalimantan	160,200	40	114,500
Bangka	42,700	24	34,300
	<b>385,400</b>	<b>12</b>	344,200
Smallholder co-operative crops			
Kalimantan	64,500	52	42,400
Bangka	22,200	21	18,300
	<b>86,700</b>	<b>43</b>	60,700
Outside crop purchased			
Kalimantan	15,600	(55)	34,400
<b>Production</b>			
Crude palm oil			
Kalimantan	61,500		47,400
Pangkalan	33,500		35,500
	<b>95,000</b>	<b>15</b>	82,900
Palm kernels			
Kalimantan	10,100		7,800
Pangkalan	8,300		8,600
	<b>18,400</b>	<b>12</b>	16,400
<b>Extraction rates</b>	<b>%</b>		<b>%</b>
Crude palm oil			
Kalimantan	25.6		24.8
Pangkalan	23.9		23.9
Palm kernels			
Kalimantan	4.2		4.1
Pangkalan	5.9		5.8

## REVIEW OF OPERATIONS

### Sumatra – established estates

The four established estates in Sumatra (see their location on the map on the inside front cover) continue to operate well. As anticipated in the 2014 interim report, the unusually dry months in the early part of 2014 impacted negatively on the f.f.b. crop in the second half of the year. The crop for the second half was similar to that in the first, whereas in more normal years it would be markedly higher than in the first half.

As has been referred to in previous annual reports, two of the estates, Bilah and Simpang Kiri, were established as new projects in the early 1980's. The programme for replanting their earlier plantings, in which the yields are falling, is under way. This programme will continue for the next seven or eight years and crops are expected to remain, in total, at around current levels until the new replantings mature and yields start to accelerate. During 2014, 136 hectares were replanted on Bilah Estate, 60 hectares on Sennah Estate and 109 hectares on Simpang Kiri Estate, totalling 305 hectares. Over the next few years, the programme is to replant between 350 and 600 hectares each year.

The oil-extraction rate achieved by Pangkatan Mill (which processes the f.f.b. from Pangkatan, Bilah and Sennah Estates) continued during 2014 at the very acceptable average rate of 23.9%. The essential close coordination between mill and field management ensured that fruit of the optimum

quality and ripeness is delivered to the mill for processing. High engineering standards required in the mill were sustained, achieving good extraction rates and oil quality and minimum oil losses. The low-quality planting material on Sennah Estate, which was acquired, and known about, when the estate was purchased in 2002, has held back (to a minor extent) the overall extraction rate in Pangkatan Mill. These areas are in the process of being replanted with modern, high-yielding seeds and, as these mature over the next few years, extraction rates are expected to increase.

Pangkalan Mill has spare capacity. In order to spread the fixed mill costs more thinly over higher throughput, and therefore reduce unit costs, local management is in the process of investigating whether it is worthwhile, in an area where competition is fierce, purchasing f.f.b. from local plantation owners at certain times of the year when crops are high. In the event that this does go ahead, it is likely that the mill's extraction rate will go down but this will be reflected in the price that would be paid to the providers of f.f.b. As it is likely that at least some purchases of f.f.b. would be from non-accredited sources, the mill would not sell its CPO as 100% "segregated" as it does at the moment and therefore would restrict the amount it could sell as RSPO/ISCC accredited to the proportion that is derived from accredited sources. This is known as the "mass-balance" system. The board believes that selective purchasing of third-party f.f.b. should profitably make use of spare capacity in the Pangkatan mill.

Bilah and Sennah Estates are low lying and each has flood-protective bunding. Extensive improvements to drains on the estates have been made over the last few years. This means that, in periods of heavy rainfall, more surplus water can be held in the drains when the water level is higher outside the bunds than on the estates. There are water gates in the bunds on each estate and new, extra ones were installed during 2014. The estates are in a tidal area so the level of water rises and falls outside the bunds. By adroit use of the gates, water inside the estate can often be evacuated when the tide is low.

Consideration is still being given by management to capturing methane from Pangkatan Mill's effluent

pond, "scrubbing" it, burning it in a gas engine and selling the resultant electricity to the government electricity board ("PLN"). This project will only progress if acceptable terms can be negotiated with PLN.

During 2014, Pangkatan Mill received International Sustainability and Carbon Certification ("ISCC"). The mill is already accredited by the international Round Table on Sustainable Palm Oil ("RSPO") and as Indonesian Sustainable Palm Oil ("ISPO"). The annual RSPO "surveillance" audit was successfully completed in 2014.

During the year, credits for both CPO and palm kernels were sold through a marketing platform with those for palm-kernel oil (and therefore palm kernels) being particularly robust following the devastating effects on Philippine coconut plantations of Typhoon Haiyan. Premia were also received from buyers for accredited CPO and also for good-quality CPO with low percentages of free fatty acid ("f.f.a.")

#### Sumatra – Musi Rawas project

Modest progress was made during 2014 on the Musi Rawas project in South Sumatra. Local elections were held in the area of the project and it was felt prudent to suspend land-compensation negotiations until the elections were over. Towards the end of 2014, these negotiations re-started and, as at the end of the year, some 2,200 hectares had been compensated. Planting commenced at the end of the year with just under 100 hectares in the ground at the year end.

An experienced management team is in place and the nursery is now well established, ready for the planting programme which is under way.

The board currently estimates that some 10,000 hectares might ultimately be plantable although it is very difficult at this early stage to be certain what will transpire. As has been said before, 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 the smallholders' cooperatives. The members of the cooperatives will be those who have agreed to sell their rights to the land to the Group.



## The annual RSPO surveillance audit in Kalimantan was successfully completed in 2014

### Kalimantan

The 40% increase in the f.f.b. crop to 160,200 tonnes in 2014, compared with the 114,500 tonnes recorded in 2013, continues the expected upward trend from this young project. The f.f.b. purchased from the associated co-operative schemes increased similarly whilst purchases from nearby, third-party estates continued, as anticipated, to decline as competition increases in the locality as a consequence of new mills being constructed.

Planting progressed at modest levels during 2014 as the project nears completion. At the end of 2014, some 13,940 hectares had been planted of which 9,780 hectares relate to the Group and 4,160 hectares to the smallholders' co-operatives. The board's estimation remains that, ultimately, some 15,000 hectares will be planted of which 10,600 hectares will relate to the Group. The unplanted balance is largely low-lying, flood-prone land which, it is intended, will be protected from flooding by the construction of bunds and the installation of powerful pumps. Preliminary work has already commenced and official clearances and permissions

are currently being sought from the authorities for the project. It is hoped that, once these have been received, work proper will commence during 2015 and is expected to extend into 2016. It is anticipated that approximately 950 hectares will be able to be flood-protected and yields from these areas are expected to be high. In addition, there are 900 hectares that have already been planted but which are susceptible to regular flooding. These areas will be protected by the new bunds and yields are expected to improve markedly as a result.

Management has been concentrating on maximising yields and field standards on the Kalimantan project now that the majority of the planting programme has been completed. To this end, an experienced general manager was appointed in 2014 to undertake an agricultural audit of the operations to assist the senior management.

The bulking station on the side of the Mahakam River continues to work successfully. Bulk purchases of such items as fertiliser and road-stoning materials are delivered by barge and unloaded at the jetty. By transporting these items in bulk, competitive cost



*New planting, Sumatra*

prices are achieved. The CPO stored in the bulking tanks is pumped into customers' barges. Of the three tanks, one is now rented to a third party, whilst the other two are utilised for the Group's increasing production. A second tank had been rented to a third party but this arrangement ceased in 2014 as more storage space is required for the Group's own purposes.

The CPO mill continued to improve its oil-extraction rate and it is pleasing to report that an outstanding average rate of 25.6% was achieved in 2014. Close coordination between mill and field management was maintained during the year and high engineering standards were achieved.

During 2014, the Kalimantan mill was accredited by RSPO. The ISPO and ISCC audit process got under way in 2014 and accreditation is expected to be completed in 2015.

#### Bangka

The 24% increase in the f.f.b. crop to 42,700 tonnes in 2014, compared with the 34,300 tonnes recorded in 2013, continues the upward trend from this young project after the set back experienced in 2013. The unexpected downturn in that year was caused by adverse weather but a further two dry spells in 2014 also negatively impacted on the 2014 crop in the latter part of the year, although not to the extent experienced in 2013. Bangka Island normally has a dry period in the middle of the year but a virtual absence of rainfall in February and March 2014 resulted in the crop in the last quarter falling off markedly. Rat damage to the fruit on the palms, which occurs in dry periods as the rats seek moisture, also negatively impacted the f.f.b. crop.

The planted area at the end of 2014 amounted to 6,880 hectares in total of which 4,730 related to the Group and 2,150 to the smallholders' cooperatives. Planting progress was relatively modest during the year, amounting to 820 hectares in total, of which 640 related to the Group and 180 to the cooperatives. Dealings with competing tin-mining interests continued to be very time consuming but it is encouraging that progress, albeit slow, continues to be made and it remains the board's view that ultimately 10,000 hectares will be planted, of which 6,000 will relate to the Group and 4,000 to the co-operatives.



*Pangkalan mill team*

Good progress has been made with the mill. A tender process has been completed and contracts awarded. Work on the ground will start shortly and commissioning of the mill is expected to take place in mid-2016 at an estimated cost of approximately US\$13 million. The mill will initially be rated at 45-tonne per hour expandable by another 15 tonnes at a later date. Methane will be captured from the liquid effluent, "scrubbed" and then burnt in a gas engine, producing power for the project. Surplus electricity will be generated and it is hoped that acceptable terms can be agreed with the government electricity board, PLN, to sell it into the grid.

The f.f.b. harvested on the Bangka project is currently sold under contract to nearby mills. When the Group's own mill is in operation the sale of CPO and palm kernels, less the manufacturing costs, will be more profitable than selling f.f.b. to third-party mills.

#### ENVIRONMENTAL AND SOCIAL FACTORS

Reference has been made earlier in the report to the Group's commitment to producing environmentally-sustainable palm oil. The Kalimantan and Pangkatan mills are already RSPO-accredited. Pangkatan mill is also ISPO and ISCC accredited whilst the Kalimantan mill is in the process of applying for 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 "Corporate environmental and social responsibility" on pages 28 to 31.

## The 40% increase in the Kalimantan f.f.b. crop continues the upward trend from this young project

### ASSOCIATED COMPANY ESTATES

#### CROPS AND PRODUCTION

PT Agro Muko's f.f.b. crop, at 344,900 tonnes, was slightly ahead of expectations and virtually identical to the 345,800 tonnes recorded in 2013. With a smaller area under cultivation due to the replanting programme, the overall yield per hectare improved but a dry third quarter followed by a wet fourth quarter hampered harvesting and crops fell towards the end of the year. The dry third quarter also held back replanting. As has been referred to in previous years, the project is now undertaking an enhanced replanting programme as the large, first plantings of the 1980's become due for replanting. During the five or so year period that this programme is expected to be under way, overall crops are likely to remain at around the level of the 2014 crop, or slightly below, before accelerating as yields from the new young plantings increase.

The rubber crop, at 1,520 tonnes, was 6% higher than 2013's 1,440 tonnes. The young areas that have been replanted in recent years are now beginning to increase their yields and this upward trend is expected to continue.

Kerasaan Estate's f.f.b. crop, at 42,000 tonnes, was similar to the 41,200 recorded in 2013.

Details of crops, production and extraction rates for 2014, with comparative figures for 2013, are set out below:-

	2014 TONNES	INCREASE/ (DECREASE) %	2013 TONNES
<b>F.f.b. crops</b>			
PT Agro Muko			
- own	344,900	—	345,800
- outgrowers	8,500	(1)	8,600
	353,400	—	354,400
PT Kerasaan Indonesia	42,000	2	41,200
	395,400	—	395,600
<b>Production (PT Agro Muko)</b>			
Crude palm oil	79,400	—	79,700
Palm kernels	18,500	1	18,400
<b>Extraction rates</b>	%		%
Crude palm oil	22.5		22.5
Palm kernels	5.2		5.2
<b>Rubber crops</b>	TONNES		TONNES
PT Agro Muko - own	1,520	6	1,440



Oil palm nursery

## PLANTATION PERFORMANCE INDICATORS

The principal performance indicators considered by the board in assessing the Group's plantation operations are as follows:

PLANTED HECTARAGE	F.F.B. CROP	F.F.B. YIELD PER HECTARE	CPO AND PK EXTRACTION RATES	COST PER TONNE OF PALM PRODUCTS
Planting new hectareage and replanting hectareage that has reached the end of its life determines the Group's capacity to produce crop growth in the future.	The volume of f.f.b. crop is the primary determinant of the Group's ability to generate CPO and PK for sale.	The rate at which the Group is able to generate f.f.b. from its planted hectareage is the most important measure of its agricultural efficiency.	The rate at which the Group is able to convert its f.f.b. into CPO and PK, quantified as oil and kernel extraction rates, is the most important measure of its processing efficiency.	The Group's long term profitability depends on its success in minimising costs of production that are summarised in this measure.

### REVIEW OF OPERATIONS

Over recent years, the management of Agro Muko has put in place a programme of improvement of agricultural practices in the field. In the past, it has proved difficult to recruit a sufficient number of workers, particularly harvesters, but a programme of house building for workers' accommodation has improved this situation and the number of harvesters has increased. The existing areas have benefited in terms of yields and of fruit quality. The standard of recent replantings of both oil palms and rubber trees has been high. Management is actively engaged on improving extraction rates from their current levels.

The methane-capture plant attached to one of the mills has been working since the end of 2013 but management has recently been considering a change of approach. Whereas, at the outset, the idea was to burn the scrubbed methane both in the boilers of one of the mills and in the dryers in the rubber factory, neither of these has proved entirely satisfactory. Management is considering the installation of a gas engine and is reviewing a number of options with regard to the use or sale of the electricity that would be generated.

The road-stoning programme continues and is expected to be largely completed within the next ten or so years. The benefit of improved access to the remoter areas during wet weather is already being felt as is reduced costs, with trucks able to collect f.f.b. and deliver straight to the mill, rather than double handling with tractors and trailers.

The leaf-pest problems encountered on Kerasaan Estate three or so years ago have largely been resolved. Management remains vigilant to prevent further outbreaks. Concerns remain about the fungal disease, ganoderma. It is hoped, however, that the strict enforcement of the standard operating procedures covering what action to take in the event

of palms suffering infestation and the rules for land preparation before replantings are undertaken will go some way to preventing the spread of the fungus.

## 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 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



Bilah water gate and, right, Kalimantan mill

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 f.f.a., 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. Oil losses, dirt and moisture content are expressed in terms of percentages and actual achievement against maximum permitted levels are monitored by management.

#### PLANTATION AND MILL COSTS

Management monitors and assesses the efficiency of plantation operations in terms of cost by means of performance indicators which identify field costs per hectare and per kilogram of f.f.b. and factory costs per tonne of palm products. 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 performance indicators are monitored by management for each individual estate.

#### CURRENT TRADING AND PROSPECTS

The unusually dry period at the beginning of 2014 had a negative impact on f.f.b. crops in the latter part of that year and this impact has continued to be felt into the first quarter of 2015. The crops from the majority-owned estates for the three months ended 31 March 2015, with comparative figures for the same period in 2014, were as follows:

	3 MONTHS ENDED 31 MARCH 2015 TONNES	INCREASE/ (DECREASE) %	3 MONTHS ENDED 31 MARCH 2014 TONNES
Sumatra	36,200	(16)	43,000
Kalimantan	35,100	8	32,600
Bangka	13,500	5	12,800
	84,800	(4)	88,400

The established Sumatran estates and the Bangka project have been particularly affected in 2015 by the dry weather in 2014 and the Kalimantan project has also recorded crops sharply below expectations (although 8% higher than for the same period last year) related to flooding in February 2015. Crops have recently started to pick up. The associated companies' f.f.b. crops have, as on the Group's majority-owned estates, been lower so far in 2015 than expectations and lower than for the first quarter of 2014.

Palm-oil prices have hovered between US\$650 and US\$700 per tonne so far in 2015 reflecting, on the upside, a slowdown in palm-oil production (relating to last year's dry weather) and, on the downside, continuing weakness in mineral-oil prices. As reported by Oil World, the weakness of mineral-oil prices has made palm oil less competitive in the energy sector despite increased subsidies being made available by the Indonesian Government in respect of bio-diesel. However, the Indonesian Government has introduced a US\$50 levy per tonne of CPO when the existing export tax falls to zero.

The Indonesian Rupiah has weakened in the first part of 2015 to the current level of around US\$1 = Rp 13,000 compared with Rp 12,440 at the end of 2014. This has a beneficial effect on the Group's Rupiah-based costs (both revenue and capital) when translated into the functional currency, US Dollars.

# BEEF CATTLE

The year-end value of the herd reflected the significant increase in the price for beef cattle

### AUSTRALIAN BEEF-CATTLE MARKET

Prices for both the lighter-weight cattle produced by Woodlands and the heavier, grain-finished cattle produced by NAPCo broadly rose during the course of 2014. The continuing decline in the value of the Australian Dollar boosted export demand, especially from Asia, which impacted positively on prices, particularly towards the year end. Higher-than-usual slaughter rates in Australia, owing to the continuing drought, led to record volumes, at record prices, of both beef and live-cattle exports from Australia during the year.

### MAJORITY-OWNED OPERATIONS

#### WOODLANDS

Income from cattle trading, at US\$2.0 million, was markedly higher than the US\$1.4 million reported for 2013, though income from fattening third parties' cattle for a fee per kilogram of weight gained (agistment) fell slightly from US\$0.5 million to US\$0.3 million. Given the improving prospects for the beef market, the board took the view that it should stock Woodlands with its own herd, and so cattle on agistment were replaced with cattle



NAPCo cattle



Woodlands cattle

purchased on Woodlands' own account. By the end of the year, the 5,600 cattle on the property at the beginning of the year had either been sold or returned to their third-party owners. In their place, 5,500 young cattle were purchased and grazed on Woodlands' pastures.

At the year end, the value of the herd reflected the significant increase in the price for beef cattle reported above, contributing to the much-improved cattle-trading result. Good rains were received early in the year but were not followed up by meaningful volumes of moisture, leading to another difficult season after the drought experienced in 2013. In addition, for much of the year, Woodlands' own herd was comprised of older animals that gain weight more slowly than young animals. As a result, it was not possible to sustain the only modestly-reduced pace of weight gain achieved in the early months of the year and, overall, weight gain for the year fell to the low level of 0.22 kg per cattle day (2013 – 0.55 kg per cattle day). Hence, poor weight gain went some way to erasing the benefit of higher prices so, in total, Woodlands made a profit in the year under review of US\$0.2 million (2013 loss of US\$0.1 million).

## ASSOCIATED COMPANY - NAPCo

### RESULTS FOR THE YEAR

A profit was achieved at NAPCo, of which the Group's share amounted to US\$1.5 million, compared with a loss in 2013, of which the Group's

share amounted to US\$2.4 million. Despite a 5% decline in the herd number, cattle weights were up and prices were stronger. These factors are all reflected in the improved year-end-herd valuation figure which forms part of the profit.

### SEASONAL CONDITIONS

Following very poor seasonal conditions in 2013, 2014 proved another challenging year for the northern Australian cattle industry, with drought conditions prevailing across much of Queensland. While NAPCo's properties enjoyed a better season than in 2013, conditions on most were still significantly dryer than on average.

### COMPANY OPERATIONS

In 2014, the herd number declined by some 5% from 187,800 to 177,800 head. In the light of the difficult season, this decline was relatively modest and the part that management and staff played in minimising the impact of the drought was commendable. Furthermore, the expansion of the Wainui feedlot in 2013 facilitated the retention of significantly more cattle than would have been possible in prior years. The branding of 50,700 calves (2013 - 58,600) was the lowest since 2009, following the 2008 drought. Lower conception rates resulting from 2013's poor season were the principal reason for this. A total of 58,000 cattle were sold during 2014, down from the previous year (64,000), as a result of many cattle not achieving the required sale weights.

## BEEF CATTLE PERFORMANCE INDICATORS

The principal performance indicators considered by the board in assessing the Group's beef-cattle operation are as follows:

### TOTAL HERD WEIGHT GAIN

The aggregate increase in cattle weight during their time on the property is the primary indicator of the property's output.

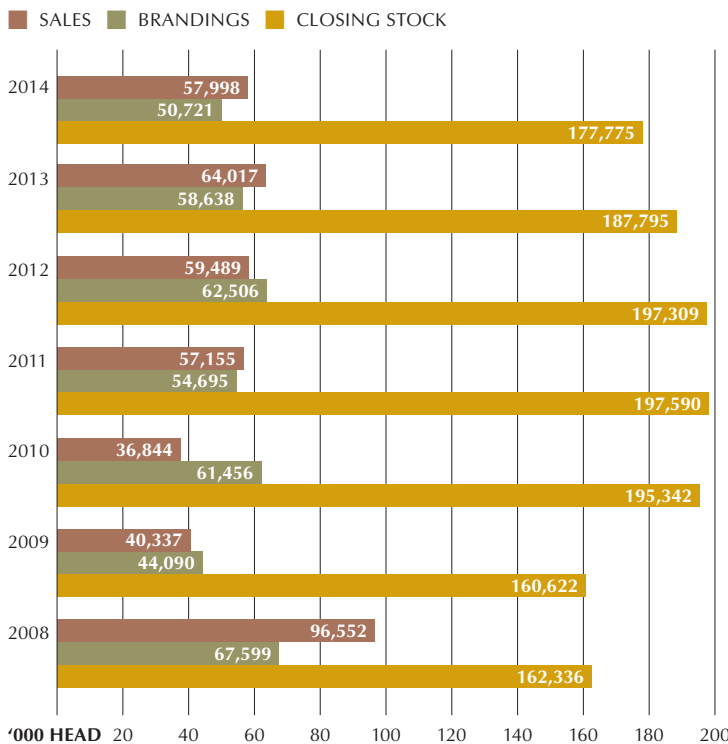
### HERD SIZE

Herd size constrains the maximum total weight gain it is possible for the operation to accumulate during a given period, though herd size must be matched to the property's capacity (itself a function of rainfall).

### WEIGHT GAIN PER CATTLE DAY

The speed with which cattle, on average, put on weight during their time on the property is an important factor in determining total weight gains.

## CATTLE SALES AND BRANDINGS



## 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, which depends on the weather and pasture/forage-crop conditions.

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.

## CURRENT TRADING AND PROSPECTS

Welcome rainfall both on Woodlands and across most of the NAPCo properties was received in early 2015, and substantial further rainfall has recently been received on Woodlands. Cattle prices moved sharply higher, to record levels, in response both to the rainfall and to the weakening Australian Dollar and consequent increase in export demand. Prices have eased a little but are still above where they were at the end of 2014. The longer-term outlook for the Australian cattle industry appears favourable, as demand for high-quality red meat, especially in Asia, continues to rise and as herd numbers both in Australia and in the US continue to fall.



# OPERATIONS PROPERTY



**Bertam Properties increased its completed sales of developed properties to over 1,000 units during the year**



## **MALAYSIAN PROPERTY**

### **MAJORITY-OWNED OPERATIONS**

#### **BERTAM ESTATE**

It is the board's intention to sell Bertam Estate (70 hectares) when market conditions are deemed suitable. The land is estimated, based on independent advice, to have a value in excess of US\$19 million. In the meantime, the minor oil-palm operations on the remaining 65 hectares of cultivated land continue with 1,400 tonnes (2013 – 1,400 tonnes) of f.f.b. harvested. No replanting has been undertaken since 1997.

#### **ASSOCIATED COMPANY – BERTAM PROPERTIES**

The Penang property market, although not quite as robust as in 2013, was, nevertheless, reasonably buoyant in 2014. Bertam Properties increased its completed sales of developed properties to over

1,000 units during the year compared with some 500 in 2013. The sales in the current year were, however, mostly at the lower end of the market on which the profit margin is smaller. As a result, the profit after tax from these sales amounted to US\$7.7 million (Group share US\$3.1 million), compared with a profit of US\$11.2 million (Group share US\$4.5 million) in 2013. No sales of raw land were completed in 2014 although there are some in the pipeline which, it is hoped, will be completed in 2015.

Oil-palm plantation activities continued on the small remaining area of agricultural land (115 hectares (2013 – 139 hectares)). 1,400 tonnes of f.f.b. were harvested compared with 1,700 tonnes in 2013 and, as a result of the lower crop, the modest profit fell compared with 2013.

As at the end of 2014, Bertam Properties held 371 hectares of land. This includes 143 hectares of the golf course and 53 hectares currently under development, leaving 176 hectares undeveloped. This remaining area continues to be a very valuable asset. The Group's investment in Bertam Properties is currently estimated to be worth in excess of US\$35 million.

# 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. There was an increase in nationalist sentiment during the 2014 presidential election but, given Indonesia's significant needs for infrastructure development and the need to attract inward investment, the board continues to perceive a low risk of, for example, nationalisation or the imposition of exchange controls, and the attendant risk that the Group will be unable to extract profits from its subsidiaries and associated companies in Indonesia.

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 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, marketing 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, scrutiny of agricultural operations is provided by an independent 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 was granted to its North Sumatran mill on Pangkatan Estate and in July 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 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. A similar system is planned for the Group's new mill in Bangka expected to open in early 2016.

Management follows industry best-practice guidelines and abides by Indonesian law with regard to such matters as fertiliser application and health and safety. Any accidents are thoroughly investigated by senior head office staff. It is planned to establish a new Health & Safety Committee in 2015, reporting to the Indonesian

President Director, in order to increase the Group's emphasis on this aspect of its operations.

#### 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 operating, with a detrimental effect on operations. The board recognises the importance of building and maintaining a good relationship with the minority partners and fellow shareholders in its Indonesian plantation projects but inevitably disagreements do sometimes arise. The executive directors endeavour to maintain regular and open contact, both formal and informal, with the Group's partners to discuss current and future issues affecting the Group's operations. Where 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 weather risk is part of the business.

### COMMODITY-PRICE FLUCTUATION

The price of CPO, 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 biofuel. 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.

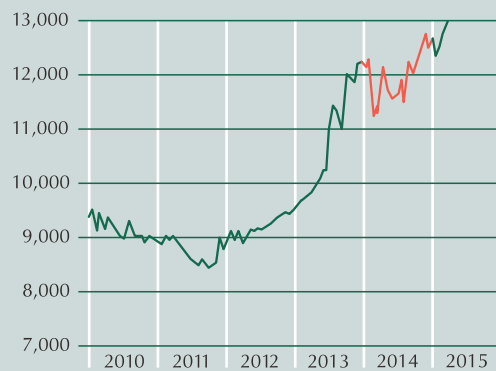
The price that the Group achieves for the sale of its fattened cattle is substantially determined by a world market over which the Group has no control. The price of live cattle and beef is determined by economic activity around the world, giving the wherewithal for demand for red meat to be created. 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

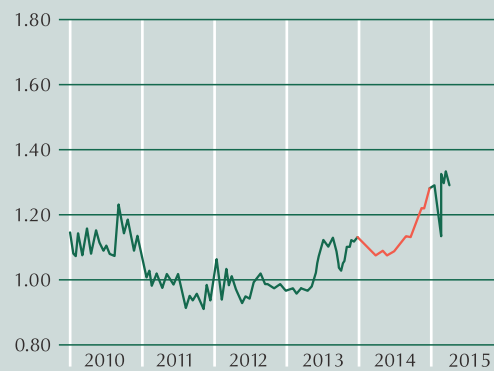
**US DOLLAR -V- INDONESIAN RUPIAH**

US\$1 = Indonesian Rupiah



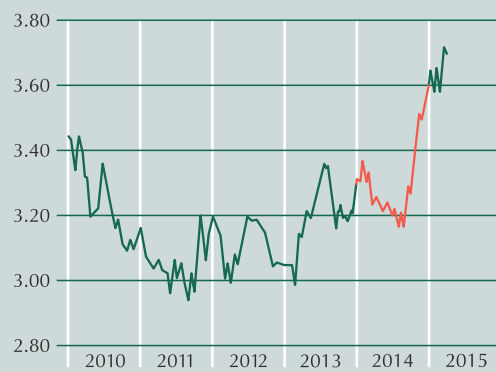
**US DOLLAR -V- AUSTRALIAN DOLLAR**

US\$1 = A\$



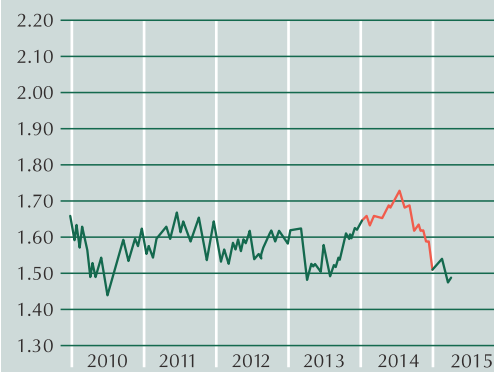
**US DOLLAR -V- MALAYSIAN RINGGIT**

US\$1 = RM



**STERLING -V- US DOLLAR**

£1 = US\$



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.

**SECURITY OF LIQUID FUNDS**

The board is concerned to ensure that the Group's liquid funds, which are in the order 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 2015

# ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

- ▶ The Group produces environmentally-sustainable palm oil in all its palm-oil mills and at its joint venture in Bengkulu province
- ▶ Smallholder co-operative schemes attached to the Group's new projects have been developed and are operated to the same high standards applied to the Group's own areas
- ▶ To ensure its high environmental standards are maintained, the Group regularly monitors air and water quality on all its estates
- ▶ The Group has 2,200 hectares of conservation areas, with another 2,500 hectares at its joint venture in Bengkulu province
- ▶ In Australia, NAPCo has won a number of environmental awards and is 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 and 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. CPO 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 2014. The RSPO audit took place on the Kalimantan project at the end of 2013 and certification was received in 2014.

Preliminary work is being done on the Bangka project to facilitate speedy certification of the mill once it is

commissioned, expected to be in mid-2016.

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. The ISPO audit of the Kalimantan project is under way at the date of this report.





## 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 species. 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 chipped and 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 larvae 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.



### 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. Methane capture and generation of electricity is planned for the Group's mill on Bangka.

### 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. From 2015 it is planned routinely to subject the Indonesian operations to an independent health and safety inspection.

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 on 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 co-operatives (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**

EXECUTIVE CHAIRMAN

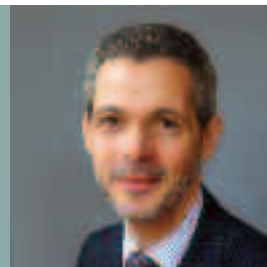
Appointed a director in 1989, chairman in 2010. Former executive chairman of Bertam Holdings PLC and Lendu Holdings PLC. A director of The North Australian Pastoral Company Pty Limited. Former chairman of The Association of the International Rubber Trade. Prior to joining the Group in 1988 he was a commodity 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

The directors present the audited consolidated financial statements of M.P. Evans Group PLC for the year ended 31 December 2014

### PRINCIPAL ACTIVITIES

At 31 December 2014, 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 45.

An interim dividend of 2.25p (2013 - 2.25p) per share was paid on 4 November 2014. The board

recommends a final dividend of 6.50p (2013 - 6.00p) per share. This dividend will be paid on or after 18 June 2015 to those shareholders on the register at the close of business on 24 April 2015. This final dividend is not provided for in the 2014 financial statements.

### SCRIP-DIVIDEND SCHEME

The Company currently operates a scrip-dividend scheme with the authority of a resolution passed at the Company's annual general meeting in 2010. This resolution was valid for five years and so expires this year. The board has decided to seek renewed authority, under resolution 11, for the directors to offer a scrip-dividend option for a further period expiring at the end of the third general meeting of the Company after the date of the resolution. If that resolution is passed, the scheme will continue to be operated in accordance with the terms and conditions set out in the circular to shareholders dated 14 May 2010 and available on the

**Jock Green-Armytage**

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

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

**Richard 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.

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.

The board has decided to make the scrip-dividend option available for the final dividend on the above terms, provided that resolution 11 is passed. If that resolution is passed, 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 88) without delay. Any such elections or revocations will not be effective unless they have been sent in accordance with the Company's instructions and received by the Company's registrars no later than 5:00 p.m. on 28 May 2015.**

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.

**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 2014</b>	<b>55,034,876</b>
Shares issued in lieu of a cash dividend	
19 June 2014	217,060
4 November 2014	75,459
<b>Issued (fully-paid and voting) capital at 31 December 2014</b>	<b>55,327,395</b>

## Report of the directors CONTINUED

### DIRECTORS AND DIRECTORS' INTERESTS

The present membership of the board is detailed on pages 32 and 33. Konrad Legg served on the board until his retirement on 5 June 2014 at the AGM and all other directors served throughout the year.

Richard Robinow, Derek Shaw, Peter Hadsley-Chaplin and Philip Fletcher will retire from the board at the forthcoming annual general meeting in accordance with the articles of association and, being eligible all 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 2014	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
R M Robinow	96,147	—	—
J D Shaw	394,065	—	—
J M Green-Armytage	—	—	—

AT 1 JANUARY 2014	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
R M Robinow	96,147	—	—
J D Shaw	435,065	—	—
J M Green-Armytage	—	—	—

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 41.

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 2014 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	10.47
JP Morgan Fleming Mercantile Investment Trust Plc	3,464,957	6.26
Montanaro Asset Management	1,982,894	3.58
M M Hadsley-Chaplin	1,892,254	3.42
<b>Indirect interests</b>		
Aberdeen Asset Management Plc	8,837,770	15.97
Fidelity Investments Limited	2,904,489	5.25

### AUTHORITY TO ALLOT SHARES

At the annual general meeting a general authority is being sought, under resolution 8, for the directors to allot shares up to a maximum nominal amount of £1,844,246, 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 9, 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 £276,637, 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 8 and 9. These authorities will lapse on 30 June 2016 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 10 for the Company to purchase its own shares on the AIM market of the London Stock Exchange until 30 June 2016 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 10 set out in the notice of the annual general meeting will accordingly be proposed to authorise the purchase of up to a maximum of 5,532,739 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 10 will lapse on 30 June 2016 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 2014 amounted to 36 days (2013 - 31 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 73 and 74.

### 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 (IFRSs) 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 IFRSs 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.

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 pages 38 and 39 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 2015

# CORPORATE GOVERNANCE

The board recognises the importance of a sound system of corporate governance and internal control and so seeks to follow the principles set out in the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quoted Companies Alliance ("QCA") as far as they are relevant to the Group and its context. It should be noted that the Group is not required to comply with this code but it is nonetheless the board's intention to disclose and report on the corporate-governance structures and processes operated by the Group and to develop these further to meet the appropriate standards. An explanation of how the Group has applied the principles is set out below.

## 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 three 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 2014, with the exception of Richard Robinow who was unable to attend the meeting on 6 November 2014 and Konrad P Legg who attended all meetings until his retirement on 5 June 2014. 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. The board has an executive chairman, Peter Hadsley-

Chaplin. Given the current structure and composition of the board, the role that Peter Hadsley-Chaplin performs (which is not that of chief executive officer), the size of the Group, the size of the shareholdings which the directors hold in the Company and the active dialogue with institutional shareholders that takes place throughout the year, the board considers that a non-executive chairman would not provide any further benefit to the Company.

The chairman maintains a strong individual relationship with all the directors and on this basis is confident that there are currently no planned retirements. It is considered that the board would be robust to any unplanned retirements and be able to recruit suitable, well-qualified, candidates within a reasonable time period. As such, the board does not feel that there is a need for a formal succession plan at this time.

The board has access to independent professional advice at the Group's expense when the board deems it necessary in order for them to carry out their responsibilities. Currently, the board retains Peel Hunt as the Company's nominated adviser and Hudson Sandler for advice regarding corporate public relations. It additionally receives advice from independent professionals on the valuation of its property assets in Australia and Malaysia.

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

During the year the board has had a balance of executive and non-executive directors. A description of the roles and responsibilities of the directors is set out on pages 32 and 33 and the terms and conditions of the non-executive directors are available on the website ([www.mpevans.co.uk/mpevans/en/aboutus/board/non-executive-directors](http://www.mpevans.co.uk/mpevans/en/aboutus/board/non-executive-directors)). Half of the directors are non-executive, two of whom (Richard Robinow and Derek Shaw) have served for more than nine years. The board considers that Richard Robinow and Derek Shaw have valuable experience in the palm-oil and cattle industries respectively and that both act in the best interests of the Company and the Group, free from any conflicts or undue influence. As such, the board is satisfied that both Richard Robinow and Derek Shaw are independent and that the Group should continue to benefit from their experience and knowledge.

### DIRECTORS' REMUNERATION AND APPOINTMENT

As set out in the report on page 41, 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 twice during 2014 and both meetings were attended by all the members .

The Company does not currently have a nominations committee. Owing to the size of the board, it is considered inappropriate to establish such a committee at this time. Any new appointments to the board 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.

### RELATIONS WITH SHAREHOLDERS

The board attaches great importance to communications with both institutional and private shareholders. The board actively meets with major shareholders to update them on the progress of the Group and discuss any areas of concern that they may have. Any issues raised by major shareholders are discussed by the board as a whole. This is not always possible with private shareholders but the annual general meeting provides an opportunity for private shareholders to raise any issues and discuss the development of the business. The board uses the Group's website to set out details of the annual general meeting and the results of the votes cast at those meetings and contains the reports and presentations given at meetings with investors [www.mpevans.co.uk/mpevans/en/investors/reports](http://www.mpevans.co.uk/mpevans/en/investors/reports) and [www.mpevans.co.uk/mpevans/en/investors/governance/agm](http://www.mpevans.co.uk/mpevans/en/investors/governance/agm)). These are also available through an "app" that is available for users to download free of charge.

### ACCOUNTABILITY

#### Financial reporting

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

### Risk management

The directors acknowledge their responsibilities for the Group's system of risk management. Such a system can provide reasonable, but not absolute, assurance against material misstatement or loss. A review of the process of risk identification, evaluation and management is carried out and 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 areas 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.

#### Going-concern basis

The Group's operations are funded through a combination of long-term equity capital, cash resources, long-term loans and an 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 22.



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 2015 will be renewed (see note 24 on page 68). Discussions with the one lender to convert a revolving credit facility into a term loan are well advanced, and the directors have taken the view that it is reasonable to expect these discussions will successfully conclude with agreement for a new facility 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 March 2011, March 2013 and June 2014, 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.

#### AUDIT COMMITTEE

The audit committee is formally constituted with written terms of reference (which are available on the Company's website [www.mpevans.co.uk](http://www.mpevans.co.uk) and is chaired by Jock Green-Armytage; the other members are 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 three times during 2014 and each meeting was attended by all of the members with the exception that Richard Robinow was unable to attend the meeting on 6 November 2014. The external auditors attended the meetings on 10 April and 6 November 2014.

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.

During the year the audit committee has:

- ▶ Reviewed the financial statements, having received a report from the external auditors on their review and audit;
- ▶ Reviewed the effectiveness of the Group's internal controls, including a review of main findings by the internal-audit team in Indonesia;
- ▶ Considered the Group's accounting policies, notably its response to an amendment by the IASB to IAS 41;
- ▶ Considered and approved the Group's risk analysis;
- ▶ Considered the management letter from the external auditors on their review of the effectiveness of internal controls; and
- ▶ Agreed the fees and terms of appointment of the external auditors, reviewed their quality and effectiveness and discussed the key risks to be addressed during their audit.

#### Auditors

The auditors were first appointed, following a tender exercise, in 2009. The audit partner changes periodically in accordance with professional and regulatory standards in order to protect independence and objectivity. The last rotation took place in 2010 and another is expected for the 2015 audit. Current policy is to tender the external audit at least every ten years.

The audit committee meets the external auditors to consider audit planning and the results of the external audit. The committee specifically considered the scope of the Group auditors' engagement and agreed the significant risks for the audit of the 2014 results. The external auditors have provided only audit services, other than a small amount of tax advice in Malaysia and Australia. Hence the board does not consider there to be a risk that the provision of non-audit services may compromise the external auditors' independence.

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

### Financial reporting and review of financial statements

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

- ▶ The Group's response to the IASB's amendment of IAS 41: Biological assets, which permits entities to account for plantation assets at depreciated cost rather than at 'biological valuation'. The committee concluded that depreciated historical cost should be used as soon as the amendment comes into force, expected to be in the third quarter of 2015; and
- ▶ The carrying value of Woodlands. The committee took independent external professional advice on the market value of the property in concluding that its carrying value should be reduced to A\$28.5 million.

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

### NOTES TO TABLE OPPOSITE

1. The pension costs for Mr TRJ 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 PE Hadsley-Chaplin and Mr PA 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.
2. 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

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.

## BOARD EVALUATION

Whilst the board does not undertake any formal appraisal process for the directors, there is a close working relationship between the board as a whole and the executive and non-executive directors and with the Company's external advisers. Given the nature of the business of the Group and the open dialogue with investors, the board do not feel that a formal appraisal process is currently appropriate but will continue to review this position.

## REMUNERATION POLICY

### Executive directors

The Group's policy on remuneration recognises that the success of the Group depends, in part, on the performance of the directors and senior management

and recognises the importance of ensuring that employees are incentivised. When determining the remuneration of the executive directors, the remuneration committee considers the pay and conditions across the Group, particularly those of the senior management of the operations in Indonesia. It is the Group's policy to provide remuneration packages for the directors and senior management which are a fair reward for their contribution to the business, having regard to the complexity of the Group's operations and the need to attract, retain and motivate high-quality senior management. In addition, remuneration packages are designed to ensure retention in the long term and to be broadly comparable with those offered by similar businesses.

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 2014 was as follows:-

	SALARY AND FEES £	BONUS £	BENEFITS IN KIND £	SALARY IN LIEU OF PENSION £	PENSION COSTS £	TOTAL REMUNERATION 2014 £	TOTAL REMUNERATION 2013 £
<b>Executive directors</b>							
P E Hadsley-Chaplin	146,400	30,000	25,128	22,512	—	224,040	202,579
P A Fletcher	244,000	50,000	53,719	37,521	—	385,240	349,704
T R J Price	182,500	40,000	22,410	—	22,812	267,722	245,783
	572,900	120,000	101,257	60,033	22,812	877,002	798,066
<b>Non-executive directors</b>							
R M Robinow	27,500	—	—	—	—	27,500	24,500
J D Shaw	39,250	—	—	—	—	39,250	35,000
J M Green-Armytage	32,000	—	—	—	—	32,000	15,952
K P Legg	11,881	—	—	—	—	11,881	26,500
	110,631	—	—	—	—	110,631	101,952
<b>Total</b>	<b>683,531</b>	<b>120,000</b>	<b>101,257</b>	<b>60,033</b>	<b>22,812</b>	<b>987,633</b>	<b>900,018</b>
<b>Gains on exercise of share options</b>							
P E Hadsley-Chaplin						—	98,449
P A Fletcher						—	98,449
<b>Total</b>						—	196,898
<b>Grand total</b>						<b>987,633</b>	<b>1,096,916</b>

SEE NOTES ON PAGE OPPOSITE

## 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 2014, options over 250,000 (2013 - 250,000) 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, no options (2013 - 53,790) granted to directors

were exercised and none (2013 - none) lapsed.

No performance criteria are attached to the options and no options are held by the non-executive directors. At 31 December 2014 the middle-market quotation for the Company's shares, as derived from the London Stock Exchange Daily Official List, was 391.37p, as compared with the high and low quotations for the year of 492.25p and 364.25p respectively.

Details of the options held over shares of the Company by the executive directors during the year ended 31 December 2014 are set out in the table below:-

Number of shares under option										
	BALANCE AT 1 JANUARY 2014	GRANTED IN THE YEAR	EXERCISED IN THE YEAR	BALANCE AT 31 DECEMBER 2014	EXERCISE PRICE	MARKET PRICE WHEN EXERCISED	DATE OF OF GRANT	DATE FROM WHICH NORMALLY FIRST EXERCISABLE	EXPIRY DATE	
P E Hadsley-Chaplin	—	—	—	—	—	—	—	—	—	
P A Fletcher	—	—	—	—	—	—	—	—	—	
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	
	250,000	—	—	250,000						
<b>Total</b>	<b>250,000</b>	<b>—</b>	<b>—</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 2015

# INDEPENDENT AUDITOR'S REPORT

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

### REPORT ON THE GROUP FINANCIAL STATEMENTS

#### OUR OPINION

In our opinion, M.P. Evans Group PLC's group financial statements (the "financial statements"):

- ▶ give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- ▶ have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

#### WHAT WE HAVE AUDITED

M.P. Evans Group PLC's financial statements comprise:

- ▶ the consolidated balance sheet as at 31 December 2014;
- ▶ the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- ▶ the consolidated cash-flow statement for the year then ended;
- ▶ the 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.

Certain required disclosures have been presented elsewhere in the annual report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

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.

### 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.

### 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 set out on pages 35 and 36, 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 International Standards on Auditing (UK and Ireland) ("ISAs (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.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

### OTHER MATTER

We have reported separately on the parent-company financial statements of M.P. Evans Group PLC for the year ended 31 December 2014.

### Simon O'Brien

(Senior Statutory Auditor)

**for and on behalf of PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

London

24 April 2015

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	RESULT BEFORE BIOLOGICAL- BEARER-ASSET ADJUSTMENT * US\$'000	BIOLOGICAL- BEARER-ASSET ADJUSTMENT * US\$'000	YEAR ENDED 31 DECEMBER 2014 US\$'000	RESULT BEFORE BIOLOGICAL- BEARER-ASSET ADJUSTMENT* US\$'000	BIOLOGICAL- BEARER-ASSET ADJUSTMENT* US\$'000	YEAR ENDED 31 DECEMBER 2013 US\$'000
Revenue	4	90,922	—	90,922	82,186	—	82,186
Cost of sales		(58,987)	3,959	(55,028)	(60,749)	3,298	(57,451)
Gross profit	4	31,935	3,959	35,894	21,437	3,298	24,735
Gain on biological assets	13	—	15,144	15,144	—	9,059	9,059
Planting expenditure		—	(6,314)	(6,314)	—	(6,265)	(6,265)
Foreign-exchange losses	4	(2,379)	—	(2,379)	(8,322)	—	(8,322)
Other administrative expenses	4	(5,870)	—	(5,870)	(4,444)	—	(4,444)
Other income	4	448	—	448	8	—	8
<b>Operating profit</b>		<b>24,134</b>	<b>12,789</b>	<b>36,923</b>	<b>8,679</b>	<b>6,092</b>	<b>14,771</b>
Finance income	4,6	1,650	—	1,650	972	—	972
Finance costs	4,7	(3,310)	(403)	(3,713)	(3,121)	(399)	(3,520)
Group-controlled profit before tax	8	22,474	12,386	34,860	6,530	5,693	12,223
Tax on profit on ordinary activities	4,9	(9,095)	(2,923)	(12,018)	435	(1,381)	(946)
Group-controlled profit after tax		13,379	9,463	22,842	6,965	4,312	11,277
Share of associated companies' profit/(loss) after tax	4,15	15,308	(1,052)	14,256	9,871	1,723	11,594
<b>Profit for the year</b>		<b>28,687</b>	<b>8,411</b>	<b>37,098</b>	<b>16,836</b>	<b>6,035</b>	<b>22,871</b>
<b>Attributable to:</b>							
Owners of M. P. Evans Group PLC		25,395	8,281	33,676	14,438	5,315	19,753
Non-controlling interests	30	3,292	130	3,422	2,398	720	3,118
		28,687	8,411	37,098	16,836	6,035	22,871
		US CENTS		US CENTS	US CENTS		US CENTS
<b>Basic earnings per 10p share</b>	11	<b>46.04</b>		<b>61.05</b>	26.28		35.96
<b>Diluted earnings per 10p share</b>	11	<b>45.98</b>		<b>60.97</b>	26.24		35.90

\* Non-statutory column (see note 13)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 US\$'000	2013 US\$'000
<b>Other comprehensive (expense)/income</b>		
Exchange loss on translation of foreign operations	(4,060)	(11,785)
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	(458)	(323)
Release of deferred tax	2,460	–
Other comprehensive (expense)/income	(633)	806
Other comprehensive expense for the year	(2,691)	(11,302)
Profit for the year	37,098	22,871
<b>Total comprehensive income</b>	<b>34,407</b>	<b>11,569</b>
<b>Attributable to:</b>		
Owners of M. P. Evans Group PLC	30,095	8,327
Non-controlling interests	4,312	3,242
	<b>34,407</b>	<b>11,569</b>



# CONSOLIDATED BALANCE SHEET

At 31 DECEMBER 2014

	NOTE	BEFORE BIOLOGICAL- BEARER-ASSET ADJUSTMENT* US\$'000	BIOLOGICAL- BEARER-ASSET ADJUSTMENT* US\$'000	31 DECEMBER 2014 US\$'000	BEFORE BIOLOGICAL- BEARER-ASSET ADJUSTMENT* US\$'000	BIOLOGICAL- BEARER-ASSET ADJUSTMENT* US\$'000	31 DECEMBER 2013 US\$'000
<b>Non-current assets</b>							
Goodwill	12	1,157	—	1,157	1,157	—	1,157
Biological assets	13	—	163,538	163,538	—	148,394	148,394
Property, plant and equipment	14	191,584	(79,601)	111,983	185,471	(76,152)	109,319
Investments in associates	15	94,333	26,284	120,617	95,521	27,335	122,856
Investments	16	96	—	96	102	—	102
Deferred-tax asset	25	14,137	—	14,137	14,996	—	14,996
		<b>301,307</b>	<b>110,221</b>	<b>411,528</b>	<b>297,247</b>	<b>99,577</b>	<b>396,824</b>
<b>Current assets</b>							
Biological assets	17	4,440	—	4,440	594	—	594
Inventories	18	6,879	415	7,294	8,267	(277)	7,990
Trade and other receivables	19	13,220	—	13,220	12,345	—	12,345
Current-tax asset		2,029	—	2,029	2,201	—	2,201
Cash and cash equivalents	20,23	48,042	—	48,042	56,348	—	56,348
		<b>74,610</b>	<b>415</b>	<b>75,025</b>	<b>79,755</b>	<b>(277)</b>	<b>79,478</b>
<b>Total assets</b>	4	<b>375,917</b>	<b>110,636</b>	<b>486,553</b>	<b>377,002</b>	<b>99,300</b>	<b>476,302</b>
<b>Current liabilities</b>							
Borrowings	20,22	32,424	—	32,424	31,710	—	31,710
Trade and other payables	21	12,555	—	12,555	10,311	—	10,311
Current-tax liability		2,202	—	2,202	4,313	—	4,313
		<b>47,181</b>	<b>—</b>	<b>47,181</b>	<b>46,334</b>	<b>—</b>	<b>46,334</b>
<b>Net current assets</b>		<b>27,429</b>	<b>415</b>	<b>27,844</b>	<b>33,421</b>	<b>(277)</b>	<b>33,144</b>
<b>Non-current liabilities</b>							
Borrowings	22	14,103	—	14,103	34,780	—	34,780
Deferred-tax liability	25	199	20,984	21,183	2,903	18,060	20,963
Retirement-benefit obligations	26	3,765	—	3,765	2,933	—	2,933
		<b>18,067</b>	<b>20,984</b>	<b>39,051</b>	<b>40,616</b>	<b>18,060</b>	<b>58,676</b>
<b>Total liabilities</b>	4	<b>65,248</b>	<b>20,984</b>	<b>86,232</b>	<b>86,950</b>	<b>18,060</b>	<b>105,010</b>
<b>Net assets</b>		<b>310,669</b>	<b>89,652</b>	<b>400,321</b>	<b>290,052</b>	<b>81,240</b>	<b>371,292</b>
<b>Equity</b>							
Share capital	27	9,302	—	9,302	9,253	—	9,253
Other reserves	29	69,258	26,284	95,542	75,212	27,336	102,548
Retained earnings	29	211,966	55,098	267,064	189,626	45,764	235,390
<b>Equity attributable to the owners of M.P. Evans Group PLC</b>		<b>290,526</b>	<b>81,382</b>	<b>371,908</b>	<b>274,091</b>	<b>73,100</b>	<b>347,191</b>
Non-controlling interests	30	20,143	8,270	28,413	15,961	8,140	24,101
<b>Total equity</b>		<b>310,669</b>	<b>89,652</b>	<b>400,321</b>	<b>290,052</b>	<b>81,240</b>	<b>371,292</b>

\* Non-statutory column (see note 13)

The financial statements on pages 45 to 74 were approved by the board of directors on 24 April 2015 and signed on its behalf by

**Tristan Price Philip Fletcher**

Directors

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	SHARE CAPITAL US\$'000	OTHER RESERVES US\$'000	RETAINED EARNINGS US\$'000	TOTAL US\$'000	NON- CONTROLLING INTERESTS US\$'000	TOTAL EQUITY US\$'000
Profit for the year		—	14,256	19,420	33,676	3,422	37,098
Other comprehensive (expense)/income for the year		—	(11,734)	8,153	(3,581)	890	(2,691)
<b>Total comprehensive income for the year</b>		—	2,522	27,573	30,095	4,312	34,407
Issue of share capital	27,29	49	2,130	—	2,179	—	2,179
Dividends	10, 15, 30	—	(11,742)	4,101	(7,641)	—	(7,641)
Credit to equity for equity-settled share-based payments	28	—	84	—	84	—	84
Movement in non-controlling interests		—	—	—	—	—	—
<b>Transactions with owners</b>		49	(9,528)	4,101	(5,378)	—	(5,378)
At 1 January 2014		9,253	102,548	235,390	347,191	24,101	371,292
<b>At 31 December 2014</b>	27, 29, 30	9,302	95,542	267,064	371,908	28,413	400,321
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	27, 29	26	928	—	954	—	954
Dividends	10, 15, 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

# CONSOLIDATED CASH-FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	YEAR ENDED 31 DECEMBER 2014 US\$'000	YEAR ENDED 31 DECEMBER 2013 US\$'000
<b>Net cash generated by operating activities</b>	31	<b>28,351</b>	19,494
<b>Investing activities</b>			
Interest received	6	1,650	972
Sale of shares to non-controlling interest	30	926	498
Proceeds on disposal of assets		415	358
Purchase of property, plant and equipment	14	(11,917)	(12,261)
Purchase of shares from non-controlling interest		—	(7,100)
Planting expenditure		(6,314)	(6,265)
<b>Net cash used by investing activities</b>		<b>(15,240)</b>	(23,798)
<b>Financing activities</b>			
Loan drawdown		—	6,800
Proceeds on issue of shares	27	—	131
Dividends paid to Company shareholders	10	(5,462)	(5,964)
Repayment of borrowings	23	(17,262)	(2,318)
Dividend paid to non-controlling interest	30	—	(896)
<b>Net cash used by financing activities</b>		<b>(22,724)</b>	(2,247)
<b>Net decrease in cash and cash equivalents</b>		<b>(9,613)</b>	(6,551)
<b>Net cash and cash equivalents at 1 January</b>		<b>24,638</b>	29,299
Effect of foreign-exchange rates on cash and cash equivalents		593	1,890
<b>Net cash and cash equivalents at 31 December</b>	20	<b>15,618</b>	24,638

# NOTES TO THE CONSOLIDATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2014

## 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 88. 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.

As permitted by section 408 of the Companies Act 2006, the Company has not elected not to present its own profit and loss account for the year. M.P. Evans Group PLC reported a profit of US\$36,754,000 for the financial year ended 31 December 2014 (2013 loss of US\$2,269,000).

By virtue of Section 479A of the Companies Act 2006, the following subsidiaries are exempt from the requirement to have an audit and prepare individual accounts: Lendu (UK) Limited; Sungkai Estates Limited; Supara Investments Limited; and The Singapore Para Rubber Estates, Limited.

## 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 2014:

IFRS 10 'Consolidated financial statements'. 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.

IFRS 11 'Joint arrangements'. 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.

IFRS 12 'Disclosure of interests in other entities'. 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.

IFRS 9 'Financial Instruments'. The standard addresses the classification, measurement and recognition of financial instruments. 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.

### (b) New standards, amendments and interpretations issued but not effective for the year beginning 1 January 2014 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:

Amendments to IAS 16 'Property, plant and equipment' and IAS 41 'Agriculture' (effective 1 January 2016; not endorsed by the EU at the date of this report). These amendments change the reporting for bearer plants, such as oil palms and rubber trees. These should be accounted for in the same way as property, plant and equipment under IAS 16 rather than IAS 41, though the produce of bearer plants remains in the scope of IAS 41. The amendments to IAS 16 and IAS 41 are expected to have a material effect on the consolidated financial statements of the Group, as explained in the section Results and financial position on page 9.

IFRIC 21 'Levies' (effective 1 January 2014; endorsed by the EU 17 June 2014). IAS 37 sets out criteria for the recognition of a liability, one of which is the presence of an obligation resulting from a past event. The interpretation addresses what is the obligating event that gives rise to the payment of a levy, and when a liability should be recognised. The Group has not yet assessed the impact of IFRIC 21 on the consolidated financial information.

Amendment to IFRS 11 'Joint arrangements' (effective 1 January 2016; not endorsed by the EU at the date of this report). This amendment provides guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments are applicable both to the initial acquisition of an interest in a joint operation and

**NOTE 2****Adoption of new and revised accounting standards** CONTINUED

the acquisition of any subsequent additional interest. A previously-held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control. The Group has not yet assessed the impact of the amendment to IFRS 11 on the consolidated financial information.

IFRS 9, 'Financial instruments' (effective 1 January 2018; not endorsed by the EU at the date of this report). The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. For financial liabilities there were no changes to classification and measurement except for some liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by now requiring an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. The Group has not yet assessed the impact of IFRS 9 on the 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**

The consolidated financial statements of M.P.Evans Group PLC have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union, and the Companies Act 2006 as applicable to companies reporting under IFRS. They have been prepared under the historical cost convention, as modified by the valuation of biological assets and available-for-sale financial assets. The Group 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 37.

**(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.

**NOTE 3** Accounting policies CONTINUED**(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 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. 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.

**(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. Where the board judges the residual value of an asset to exceed its carrying value, no provision is made for depreciation.

**NOTE 3****Accounting policies** CONTINUED

Work-in-progress is measured at cost and is not depreciated.

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 at transition to IFRS 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 2014. 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.

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.

### NOTE 3 Accounting policies CONTINUED

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 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.

**(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 2014. 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.

2014	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	89,786	124	89,910	966	—	46	90,922*
Gross profit/(loss)	35,772	(92)	35,680	168	—	46	35,894
Gain on biological assets	15,144	—	15,144	—	—	—	15,144
Planting expenditure	(6,314)	—	(6,314)	—	—	—	(6,314)
Foreign-exchange (loss)/gain	(2,074)	(354)	(2,428)	—	—	49	(2,379)
Other administrative expenses	(1,356)	396	(960)	(178)	—	(3,616)	(4,754)
Impairment of Woodlands	—	—	—	(1,116)	—	—	(1,116)
Other income	448	—	448	—	—	—	448
<b>Operating profit</b>							<b>36,923</b>
Finance income	1,259	322	1,581	59	—	10	1,650
Finance costs	(2,161)	(266)	(2,427)	(956)	—	(330)	(3,713)
<b>Group-controlled profit before tax</b>							<b>34,860</b>
Tax	(9,989)	(557)	(10,546)	(25)	—	(1,447)	(12,018)
<b>Group-controlled profit after tax</b>							<b>22,842</b>
Share of associated companies' profit after tax	9,897	—	9,897	1,454	2,905	—	14,256
<b>Profit for the year</b>							<b>37,098</b>
<b>Consolidated total assets</b>							
Assets	321,395	1,052	322,447	29,003	—	14,486	365,936
Investments in associates	56,927	—	56,927	47,147	16,543	—	120,617
	378,322	1,052	379,374	76,150	16,543	14,486	486,553
<b>Consolidated total liabilities</b>							
Liabilities	56,874	68	56,942	18,236	—	11,054	86,232
<b>Other information</b>							
Additions to non-current assets	11,857	—	11,857	57	—	3	11,917
Depreciation	5,364	12	5,376	355	—	37	5,768
Retirement-benefit obligations	1,178	—	1,178	—	—	—	1,178

\* US\$42.3 million of revenue (46.6%) was from sales of CPO to three customers (18.9%, 17.0% and 10.7% respectively).

## Notes to the consolidated accounts CONTINUED

### NOTE 4 Segment information CONTINUED

2013	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	76,479	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\$16.2 million (19.7%) was from sales of crude palm oil one customer.

**NOTE 5** Employees

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
<b>Employee costs during the year</b>		
Wages and salaries	12,583	10,807
Social-security costs	894	873
Current-service cost of retirement benefit (see note 26)	620	922
Other pension costs	169	109
	<b>14,266</b>	<b>12,711</b>
	NUMBER	NUMBER
<b>Average number of persons employed (including executive directors)</b>		
Estate manual	2,141	1,735
Local management	71	60
United Kingdom head office	7	7
	<b>2,219</b>	<b>1,802</b>

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 41 and 42 and form part of these audited financial statements.

**NOTE 6** Finance income

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
Interest receivable on bank deposits	1,650	972

**NOTE 7** Finance costs

Interest payable on bank loans and overdrafts	3,713	3,520
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**NOTE 8** Group-controlled profit before tax

	2014 US\$'000	2013 US\$'000
<b>Profit before tax is stated after charging</b>		
Depreciation of property, plant and equipment	5,768	5,312
Auditors' remuneration	356	338
Employee costs (note 5)	14,266	12,711

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	96	95
<b>Total audit services</b>	<b>116</b>	<b>115</b>
Audit of overseas subsidiaries	172	153
<b>Total fees payable</b>	<b>288</b>	<b>268</b>

\* In addition to the above, fees of US\$68,000 (2013 US\$70,000) 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	413	384
Relief for overseas taxation	(413)	(384)
	—	—
Overseas taxation	8,152	10,881
Adjustments in respect of prior years	—	18
<b>Total current tax</b>	<b>8,152</b>	<b>10,899</b>
Deferred taxation – origination and reversal of temporary differences (see note 25)	3,866	(9,953)
	<b>12,018</b>	<b>946</b>

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax, was 21.49 % (2013 – 23.25%). The standard rate of Indonesian tax was 25.00% for the current year (2013 – 25.00%). The actual tax charge is higher (lower in 2013) than the standard rate for the reasons set out in the following reconciliation:-

**NOTE 9****Tax on profit on ordinary activities** CONTINUED

	2014 US\$'000	2013 US\$'000
Profit on ordinary activities before tax	34,860	12,223
Tax on profit on ordinary activities at the standard rate	7,491	2,842
<b>Factors affecting the charge for the year</b>		
Withholding tax on overseas dividends and interest	1,059	960
Unrelieved losses	1,906	1,512
Expenses not deductible for tax purposes	21	78
Unrealised Indonesian exchange differences not included in Group profit	47	(4,412)
Utilisation of losses brought forward	(56)	(184)
Lower rate applicable to disposals of fixed assets	(99)	(75)
Biological assets	262	57
Other exchange differences	115	(701)
Adjustments to valuation of investments	51	160
Other differences	1,221	709
Total actual amount of tax	12,018	946

**NOTE 10****Dividends paid and proposed**

2014 interim dividend – 2.25p per 10p share (2013 interim dividend – 2.25p)	1,994	1,991
2013 final dividend – 6.00p per 10p share (2012 final dividend – 5.75p)	5,647	4,796
	7,641	6,787

Following the year end, the board has proposed a final dividend for 2014 of 6.50p per 10p share, amounting to US\$5.4 million. Shareholders will again have the option to elect to receive the dividend in shares rather than in cash (provided resolution 11 is passed at the annual general meeting). Further information is published in the report of the directors on page 33. The dividend will be paid on or after 18 June 2015 to those shareholders on the register at the close of business on 24 April 2015.

**NOTE 11****Basic and diluted earnings per share**

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

	2014 US\$'000	2014 NUMBER OF SHARES	2013 US\$'000	2013 NUMBER OF SHARES
Profit for the year attributable to the owners of M.P. Evans Group PLC	33,676		19,753	
Average number of shares in issue		55,163,657		54,936,947
Diluted average number of shares in issue*		55,235,438		55,025,655

\* 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.

## Notes to the consolidated accounts CONTINUED

### NOTE 12 Goodwill

	2014 US\$'000	2013 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 2014	31 DECEMBER 2013
Price of CPO (US\$/tonne, c.i.f. Rotterdam)	641	626
Exchange rate (Rupiah per US\$)	12,440	12,189

#### 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 US\$'000	+US\$ 25 US\$'000
Subsidiaries	(18,677)	18,677
Associated companies	(12,638)	12,638
	(31,315)	31,315

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

	-1% US\$'000	+1% US\$'000
Subsidiaries	11,260	(10,148)
Associated companies	6,568	(6,017)
	17,828	(16,165)

**NOTE 13** **Biological assets** CONTINUED

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
<b>Non-current biological assets</b>		
Gain in fair value:		
Initial recognition	2,932	2,882
Current period	12,212	6,177
<b>Total gain</b>	<b>15,144</b>	<b>9,059</b>
At 1 January	148,394	139,335
At 31 December	163,538	148,394
	2014	2013
<b>F.f.b. crop (Tonnes)</b>	<b>385,400</b>	<b>345,600</b>
<b>Fair value of crop (US\$'000)</b>	<b>48,104</b>	<b>41,365</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 2014 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\$79,601,000 (2013 US\$76,152,000) 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\$169,253,000 (2013 US\$157,392,000).

## Notes to the consolidated accounts CONTINUED

### NOTE 14 Property, plant and equipment

	FREEHOLD LAND US\$'000	LEASEHOLD LAND US\$'000	BUILDINGS US\$'000	PLANT, EQUIPMENT AND VEHICLES US\$'000	CONSTRUCTION IN PROGRESS US\$'000	TOTAL US\$'000
<b>Cost or valuation</b>						
At 1 January 2014	26,008	28,185	44,030	32,642	5,270	136,135
Additions	—	2,604	—	2,367	6,946	11,917
Re-classification	—	—	9,403	—	(9,403)	—
Exchange differences	(1,921)	(16)	(355)	(364)	—	(2,656)
Disposals	—	—	(275)	(345)	—	(620)
At 31 December 2014	24,087	30,773	52,803	34,300	2,813	144,776
<b>Accumulated depreciation</b>						
At 1 January 2014	2,566	201	8,382	15,667	—	26,816
Charge for the year	—	14	2,678	3,076	—	5,768
Exchange differences	—	—	(88)	(330)	—	(418)
Disposals	—	—	(106)	(383)	—	(489)
Impairment	1,116	—	—	—	—	1,116
At 31 December 2014	3,682	215	10,866	18,030	—	32,793
<b>Net book value at 31 December 2014</b>	<b>20,405</b>	<b>30,558</b>	<b>41,937</b>	<b>16,270</b>	<b>2,813</b>	<b>111,983</b>
<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 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>Net book value at 1 January 2013</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>

As at 31 December 2014, the Group had entered into contractual commitments for the acquisition of property, plant and equipment of US\$2,267,000 (2013 US\$6,891,000).

Depreciation is charged to cost of sales, other than US\$37,000 (2013 US\$34,000) charged to other administrative expenses.



**NOTE 15** Investments in associates

Details of the principal subsidiary and associated undertakings are given on page 81.  
The Group's associated companies are all unlisted.

	SHARE OF NET ASSETS 2014 US\$'000	SHARE OF NET ASSETS 2013 US\$'000
<b>Share of net assets</b>		
At 1 January	121,855	129,742
Exchange differences	(4,753)	(9,717)
Profit for the year	14,256	11,594
Dividends received	(11,742)	(9,764)
At 31 December	119,616	121,855
<b>Goodwill</b>		
At 1 January and 31 December	1,001	1,001
<b>Carrying value</b>		
At 31 December	120,617	122,856
<b>At valuation</b>		
Unlisted (directors' valuation)	202,000	205,000

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

	AGRO MUKO (36.84%) US\$'000	KERASAAN (38.00%) US\$'000	NAPCo (34.37%) US\$'000	BERTAM PROPERTIES (40.00%) US\$'000	TOTAL US\$'000
<b>2014</b>					
Revenue	25,596	2,943	24,835	15,084	68,458
Profit after tax	8,843	1,054	1,454	2,905	14,256
Non-current assets	43,528	6,115	86,719	11,197	147,559
Current assets	12,067	1,077	11,619	13,238	38,001
Total assets	55,595	7,192	98,338	24,435	185,560
Current liabilities	(3,339)	(380)	(5,405)	(5,734)	(14,858)
Non-current liabilities	(1,985)	(156)	(45,786)	(2,158)	(50,085)
Total liabilities	(5,324)	(536)	(51,191)	(7,892)	(64,943)
Net assets	50,271	6,656	47,147	16,543	120,617

## Notes to the consolidated accounts CONTINUED

### NOTE 15 Investments in associates CONTINUED

	AGRO MUKO (36.84%) US\$'000	KERASAAN (38.00%) US\$'000	NAPCo (34.37%) US\$'000	BERTAM PROPERTIES (40.00%) US\$'000	TOTAL US\$'000
2013					
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
Non-current assets	43,682	5,509	91,578	12,096	152,865
Current assets	8,100	1,232	10,923	12,234	32,489
Total assets	51,782	6,741	102,501	24,330	185,354
Current liabilities	(564)	(60)	(4,214)	(5,945)	(10,783)
Non-current liabilities	(1,131)	(140)	(48,034)	(2,410)	(51,715)
Total liabilities	(1,695)	(200)	(52,248)	(8,355)	(62,498)
Net assets	50,087	6,541	50,253	15,975	122,856

### NOTE 16 Investments

	2014 US\$'000	2013 US\$'000
<b>Other available-for-sale financial investments (unlisted)</b>		
At 1 January	102	109
Exchange differences	(6)	(7)
At 31 December	96	102

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

	2014 US\$'000	2013 US\$'000
<b>Livestock</b>		
Gain in fair value	1,545	1,005
Increase due to purchases	3,044	—
Decrease due to disposal and reclassification	(694)	(4,349)
Foreign exchange loss	(49)	(656)
Change in carrying value of biological assets	3,846	(4,000)
At 1 January	594	4,594
At 31 December	4,440	594
Head sold (number)	671	4,872
Cattle revenue	694	4,349

**NOTE 18** Inventories

	2014 US\$'000	2013 US\$'000
Processed produce for sale	3,175	2,327
Estate stores	2,422	2,538
Nurseries	1,697	3,125
	<b>7,294</b>	<b>7,990</b>

**NOTE 19** Trade and other receivables

	2014 US\$'000	2013 US\$'000
Trade receivables	1,116	905
Receivable from smallholder co-operatives	10,258	6,483
Other receivables	508	1,094
Prepayments and accrued income	1,338	3,863
	<b>13,220</b>	<b>12,345</b>

Trade and other receivables analysed by currency of receivable:

	2014 US\$'000	2013 US\$'000
Indonesian Rupiah	12,144	10,915
US Dollar	865	1,049
Sterling	132	55
Australian Dollar	71	252
Malaysian Ringgit	8	74
	<b>13,220</b>	<b>12,345</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 2014 there was no provision for impairment of trade receivables (2013 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	<b>48,042</b>	56,348
---------------------------	---------------	--------

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\$20.1 million (2013 US\$19.7 million) has been pledged as security against bank loans.

Cash and cash equivalents	<b>48,042</b>	56,348
Bank overdrafts and loans (see note 22)	<b>(32,424)</b>	(31,710)
<b>Net cash</b>	<b>15,618</b>	24,638

## Notes to the consolidated accounts CONTINUED

### NOTE 21 Trade and other payables

Trade payables	4,286	3,368
Amounts owed to associated undertakings	44	50
Other payables	8,225	6,893
	12,555	10,311

The average credit period taken for trade purchases is 36 days (2013 - 30 days). The Group has processes in place to ensure payables are settled within the agreed terms.

### NOTE 22 Borrowings

	2014 US\$'000	2013 US\$'000
<b>Secured borrowing at amortised cost</b>		
Bank Treasury Bill facility	—	20,453
Bank loans	46,527	46,037
	46,527	66,490
<b>Total borrowings</b>		
Amount due for settlement within 12 months	32,424	31,710
Due for settlement in one to five years	14,103	34,780
	46,527	66,490

Bank loans from lenders in Indonesia, Australia and Malaysia are secured, respectively, the assets of the Woodlands cattle aggregation, on Bertam Estate and the Kalimantan palm-oil mill.

Analysis of borrowings by currency:

	US DOLLARS US\$'000	AUSTRALIAN DOLLARS US\$'000	MALAYSIAN RINGGIT US\$'000	TOTAL US\$'000
<b>31 December 2014</b>				
Bank loans	28,494	18,033	—	46,527
<b>31 December 2013</b>				
Bank Treasury Bill facility	—	20,453	—	20,453
Bank loans	29,751	—	16,286	46,037
	29,751	20,453	16,286	66,490

#### Facilities drawn during the year

In the UK, continuing use was made of a US\$10 million revolving-credit facility which is treated as an overdraft.

#### Undrawn borrowing facilities

At 31 December 2014, the Group had no undrawn loan facilities in either Indonesia or Malaysia. There is no longer an overdraft facility from an Australian lender (2013 A\$500,000).

#### Interest rates

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

**NOTE 22** Borrowings CONTINUED

	2014 %	2013 %
Bank Treasury Bill facility	4.8	5.0
Bank loans	6.3	5.9

**NOTE 23** Net debt

	2014 US\$'000	2013 US\$'000
Cash at bank	48,042	56,348
<b>Secured borrowing</b>		
Indonesia	18,494	19,751
Australia	18,033	20,453
Malaysia	—	16,286
UK	10,000	10,000
	46,527	66,490
<b>Net cash/(debt)</b>	1,515	(10,142)
<b>Net debt reconciliation</b>		
At 1 January	(10,142)	(2,124)
Repayment of borrowings	17,262	2,318
Loans drawn down	—	(6,800)
Net change in cash and cash equivalents	(7,155)	(6,551)
Difference on foreign exchange	1,550	3,015
At 31 December	1,515	(10,142)

## Notes to the consolidated accounts CONTINUED

### NOTE 24 Maturity of financial liabilities

The table below shows 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 US\$'000	1-2 YEARS US\$'000	2-5 YEARS US\$'000
<b>2014</b>			
Trade and other payables	12,511	—	—
Amounts owed to associated undertakings	44	—	—
Short-term borrowings*	29,233	—	—
Term loans	4,622	5,168	10,911
	<b>46,410</b>	<b>5,168</b>	<b>10,911</b>
<b>2013</b>			
Trade and other payables	10,261	—	—
Amounts owed to associated undertakings	50	—	—
Short-term borrowings*	31,165	—	—
Term loans	18,802	4,852	16,324
	<b>60,278</b>	<b>4,852</b>	<b>16,324</b>

\* Short-term borrowings are shown as being fully repaid at their contractual expiry date. The Group expects these facilities to be renewed if needed

### NOTE 25 Deferred tax

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

	ACCELERATED TAX DEPRECIATION US\$'000	REVALUATION OF LAND US\$'000	BIOLOGICAL ASSETS US\$'000	RETIREMENT- BENEFIT OBLIGATIONS US\$'000	OTHER TIMING DIFFERENCES US\$'000	TOTAL US\$'000
At 1 January 2014	3,411	2,679	18,060	(734)	(17,449)	5,967
Charge/(credit) to income statement	477	—	2,923	(172)	638	3,866
Transfer from revaluation reserve	—	(2,460)	—	—	—	(2,460)
Exchange differences	(112)	(219)	—	23	(19)	(327)
At 31 December 2014	<b>3,776</b>	<b>—</b>	<b>20,983</b>	<b>(883)</b>	<b>(16,830)</b>	<b>7,046</b>
At 1 January 2013	3,874	3,126	16,679	(1,058)	(9,882)	12,739
Charge/(credit) to income statement	361	—	1,381	123	(11,818)	(9,953)
Exchange differences	(824)	(447)	—	201	4,251	3,181
At 31 December 2013	<b>3,411</b>	<b>2,679</b>	<b>18,060</b>	<b>(734)</b>	<b>(17,449)</b>	<b>5,967</b>

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

**NOTE 25** Deferred tax CONTINUED

	2014 US\$'000	2013 US\$'000
To be recovered after more than 12 months		
Deferred-tax assets	(14,137)	(14,996)
Deferred-tax liabilities	21,183	20,963
	<b>7,046</b>	<b>5,967</b>

At the balance-sheet date, the Group had unused tax losses of US\$84,129,000 (2013 US\$81,858,000) available for offset against future profits. A deferred-tax asset has been recognised in respect of US\$65,529,000 (2013 US\$66,273,000) of such losses. No deferred-tax asset has been recognised in respect of the remaining US\$18,600,000 (2013 US\$15,585,000) 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\$303,618,000 (2013 US\$295,438,000). 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\$75,049,000 (2013 US\$75,129,000). 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\$323,000 (2013 US\$604,000). No asset has been recognised in respect of these differences due to the unpredictability of future profit streams.

**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.

<b>The main assumptions used to assess the Group's liability are:</b>	2014 %	2013 %
Discount rate	8.50	9.00
Salary increase per annum	8.00	8.00
<b>Reconciliation of scheme liabilities:</b>	US\$'000	US\$'000
Current-service cost	620	922
Past-service cost	48	29
Interest cost	259	223
Actuarial gains/(loss)	251	(1,238)
	<b>1,178</b>	<b>(64)</b>
Less: Benefits paid out	(255)	(232)
Movement in the year	923	(296)
At 1 January	2,933	4,230
Exchange differences	(91)	(1,001)
At 31 December	<b>3,765</b>	<b>2,933</b>

## Notes to the consolidated accounts CONTINUED

### NOTE 27 Share capital

Shares of 10p each	AUTHORISED	ALLOTTED, FULLY	AUTHORISED	ALLOTTED, FULLY
	NUMBER	PAID AND VOTING	£'000	PAID AND VOTING
		NUMBER		US\$'000
At 1 January 2014	87,000,000	55,034,876	8,700	9,253
Issued during the year	—	292,519	—	49
At 31 December 2014	87,000,000	55,327,395	8,700	9,302
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

During the year, no 10p shares were issued as the result of the exercise of share options (2013 - 53,790). In addition, a further 292,519 shares (2013 - 109,684 shares) were issued to shareholders who elected to take scrip in lieu of cash dividends. There were no cash receipts by the Company in respect of allotments in 2014 (2013 US\$131,000).

### 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:-

	2014		2013	
	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	350,000	375.4	333,790	314.0
Granted during the year	—	—	70,000	502.3
Exercised during the year	—	—	(53,790)	159.0
At 31 December	350,000	375.4	350,000	375.4
Exercisable at the end of the year	200,000	287.9	200,000	287.9

No options were exercised in 2014. The weighted-average share price at the date of exercise for share options exercised during 2013 was 527p. The options outstanding at 31 December 2014 had a weighted-average remaining contractual life of 5.4 years and exercise prices in the range 159.5p to 520.0p.

The Group recognised total expenses of US\$84,000 related to equity-settled share-based payment transactions (2013 US\$82,000).

Details of the directors' share options are set out in the report of the board to the shareholders on directors' remuneration on pages 41 and 42.



**NOTE 29 Reserves**

	SHARE- PREMIUM ACCOUNT US\$'000	REVALUATION RESERVE <sup>1</sup> US\$'000	CAPITAL- REDEMPTION RESERVE US\$'000	MERGER RESERVE US\$'000	SHARE- OPTION RESERVE US\$'000	SHARE OF ASSOCIATES' RESERVES US\$'000	FOREIGN- EXCHANGE RESERVE US\$'000	TOTAL US\$'000	RETAINED EARNINGS US\$'000
At 1 January 2014	26,065	9,513	3,896	1,056	364	60,322	1,332	102,548	235,390
Exchange differences	—	(524)	—	—	—	(4,293)	(621)	(5,438)	1,302
Release of deferred profit on sale of land	—	(506)	—	—	—	—	—	(506)	—
Retirement-benefit obligations	—	—	—	—	—	—	—	—	(183)
Issue of shares	2,130	—	—	—	—	—	—	2,130	—
Share-based payments	—	—	—	—	84	—	—	84	—
Statutory Indonesian reserve	—	—	191	—	—	—	—	191	(191)
Liquidation of dormant subsidiary	—	—	—	(290)	—	—	—	(290)	—
Transfer to retained earnings <sup>2</sup>	—	(8,151)	—	—	—	—	—	(8,151)	8,151
Release of deferred tax	—	2,460	—	—	—	—	—	2,460	—
Dividends from associated undertakings	—	—	—	—	—	(11,742)	—	(11,742)	11,742
Sale of shares to minority	—	—	—	—	—	—	—	—	(926)
Profit for the financial year	—	—	—	—	—	14,256	—	14,256	19,420
Dividends paid (see note 10)	—	—	—	—	—	—	—	—	(7,641)
At 31 December 2014	28,195	2,792	4,087	766	448	58,543	711	95,542	267,064

	SHARE- PREMIUM ACCOUNT US\$'000	REVALUATION RESERVE <sup>1</sup> US\$'000	CAPITAL- REDEMPTION RESERVE US\$'000	MERGER RESERVE US\$'000	SHARE- OPTION RESERVE US\$'000	SHARE OF ASSOCIATES' RESERVES US\$'000	FOREIGN- EXCHANGE RESERVE US\$'000	TOTAL US\$'000	RETAINED EARNINGS US\$'000
At 1 January 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 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

1. 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.
2. This amount has been treated as non-distributable since it arose on the disposal of some properties in Australia more than a decade ago. On further investigation it has been established that under IFRS this amount is distributable and has therefore been transferred to retained earnings.

## Notes to the consolidated accounts CONTINUED

### NOTE 30 Non-controlling interests

	2014 US\$'000	2013 US\$'000
At 1 January	24,101	21,805
Share of profit in the year	3,422	3,118
Dividends paid	—	(896)
Share of retirement-benefit (credit)/debit charged to other comprehensive income	(36)	124
Transfer on sale of non-controlling interest by the Group	926	498
Transfer on sale of non-controlling interest to the Group	—	(548)
<b>At 31 December</b>	<b>28,413</b>	<b>24,101</b>

During the year the Group disposed of a non-controlling interest to a new partner in its Kalimantan project.

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

	2014 US\$'000	2013 US\$'000
Profit for the year	37,098	22,871
Share of associated companies' profit after tax	(14,256)	(11,594)
Tax charge	12,018	946
Finance costs	3,713	3,520
Finance income	(1,650)	(972)
<b>Operating profit</b>	<b>36,923</b>	<b>14,771</b>
Biological gain	(16,689)	(10,064)
Planting expenditure	6,314	6,265
Disposal of non-current assets	833	1
Release of deferred profit	(506)	(323)
Depreciation of property, plant and equipment	5,768	5,312
Retirement-benefit obligations	923	892
Share-based payments	84	82
Dividends from associated companies	11,742	9,764
<b>Operating cash flows before movements in working capital</b>	<b>45,392</b>	<b>26,700</b>
(Increase)/decrease in inventories	(1,710)	5,444
(Increase)/decrease in receivables	(974)	1,917
(Increase)/decrease in payables	2,265	(4,458)
<b>Cash generated by operating activities</b>	<b>44,973</b>	<b>29,603</b>
Income tax paid	(12,909)	(6,589)
Interest paid	(3,713)	(3,520)
<b>Net cash generated by operating activities</b>	<b>28,351</b>	<b>19,494</b>

**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\$15,618,000 (2013 US\$24,638,000) as shown in note 20, and equity attributable to the owners of the parent Company of US\$371,908,000 (2013 US\$347,191,000). 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 as needed.

**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 material 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:

	2014 US\$'000	2013 US\$'000
US Dollar	30,790	31,243
Indonesian Rupiah	15,597	15,620
Malaysian Ringgit	832	4,085
Australian Dollar	465	5,143
Sterling	358	257
	<b>48,042</b>	<b>56,348</b>

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

**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:

	2014 US\$'000	2013 US\$'000
<b>Australian Dollar</b>		
Result for the year	(51)	(331)
Net assets	3,078	3,443
<b>Malaysian Ringgit</b>		
Result for the year	413	852
Net assets	2,266	2,743

**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 loan denominated in Australian Dollars is charged at a three-month variable market 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 five 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 pages 41 and 42. The directors' participation in the executive share-option scheme is disclosed on page 42.

The Group received dividends from its associated companies during the year. These are set out in note 15 on page 63.

# 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, M.P. Evans Group PLC's parent-Company financial statements (the "financial statements"):

- ▶ give a true and fair view of the state of the parent-Company's affairs as at 31 December 2014;
- ▶ 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.

##### WHAT WE HAVE AUDITED

M.P. Evans Group PLC's financial statements comprise:

- ▶ the parent-Company balance sheet as at 31 December 2014; and
- ▶ the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the annual report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements 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.

##### 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 on 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.

##### 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 set out on pages 35 and 36, 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 International Standards on Auditing (UK and Ireland) ("ISAs (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, 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.

### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw

conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

### **OTHER MATTER**

We have reported separately on the Group financial statements of M.P. Evans Group PLC for the year ended 31 December 2014.

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

for and on behalf of

**PricewaterhouseCoopers LLP**

*Chartered Accountants and Statutory Auditors,  
London*

24 April 2015

# PARENT-COMPANY BALANCE SHEET

AT 31 DECEMBER 2014

	NOTE	US\$'000	2014 US\$'000	US\$'000	2013 US\$'000
<b>Fixed assets</b>					
Tangible fixed assets	(iv)	913		947	
Investments	(v)	31,494		31,494	
			<b>32,407</b>		<b>32,441</b>
<b>Current assets</b>					
Debtors	(vi)	94,716		60,322	
Cash at bank and in hand		7,545		11,135	
		<b>102,261</b>		<b>71,457</b>	
<b>Creditors – amounts falling due within one year</b>	(vii)	<b>(48,683)</b>		<b>(49,289)</b>	
<b>Net current assets</b>			<b>53,578</b>		<b>22,168</b>
<b>Total assets less current liabilities</b>			<b>85,985</b>		<b>54,609</b>
<b>Capital and reserves</b>					
Called-up share capital	(viii)		9,302		9,253
Other reserves	(ix)		33,973		31,759
Profit and loss account	(ix)		42,710		13,597
<b>Total shareholders' funds</b>	(x)		<b>85,985</b>		<b>54,609</b>

The financial statements on pages 77 to 80 were approved by the board of directors on 24 April 2015 and signed on its behalf by

**Tristan Price Philip Fletcher**

*Directors*

# NOTES

## TO THE PARENT-COMPANY BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2014

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

#### 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. These are measured at amortised cost.

#### 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 profit for the year ended 31 December 2014 of US\$36,754,000 (2013 loss of US\$2,269,000).

The auditors' remuneration for audit and other services was US\$20,000 (2013 - US\$20,000).

### NOTE iii Employees

	2014 US\$'000	2013 US\$'000
<b>Employee costs during the year</b>		
Wages and salaries	1,946	1,607
Social security costs	221	231
Pension costs	80	73
	<b>2,247</b>	<b>1,911</b>

As recorded in the report of the board to the shareholders on directors' remuneration on page 41, wages and salary costs include bonuses paid to the directors in respect of 2013 and 2014.

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



**NOTE iv** Tangible fixed assets

	BUILDINGS US\$'000	PLANT, EQUIPMENT AND VEHICLES US\$'000	TOTAL US\$'000
<b>Cost</b>			
At 1 January 2014	834	226	1,060
Additions	—	3	3
Disposals	—	—	—
<b>At 31 December 2014</b>	<b>834</b>	<b>229</b>	<b>1063</b>
<b>Accumulated depreciation</b>			
At 1 January 2014	—	113	113
Charge for the year	—	37	37
Disposals	—	—	—
<b>At 31 December 2014</b>	<b>—</b>	<b>150</b>	<b>150</b>
<b>Net book value</b>			
<b>At 31 December 2014</b>	<b>834</b>	<b>79</b>	<b>913</b>
Net book value At 31 December 2013	834	113	947

**NOTE v** Investments

Subsidiary undertakings	US\$'000
<b>At 1 January and 31 December 2014</b>	<b>31,494</b>
At 31 December 2013	31,494

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

	COUNTRY OF OPERATION	HOLDING %
M.P. Evans & Co. Limited	UK	100
Sungkai Holdings Limited	UK	100
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 81. The directors believe the carrying value of investments is supported by their underlying net assets.

**NOTE vi** Debtors

	2014 US\$'000	2013 US\$'000
Amounts owed by subsidiary undertakings	94,585	60,268
Other debtors	76	27
Prepayments and accrued income	55	27
	<b>94,716</b>	<b>60,322</b>

## Notes to the parent company balance sheet CONTINUED

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

	2014 US\$'000	2013 US\$'000
Amounts owed to subsidiary undertakings	37,692	38,179
Bank loan	10,000	10,000
Other creditors	991	1,110
	<b>48,683</b>	<b>49,289</b>

### NOTE viii Called-up share capital

See note 27 to the consolidated financial statements on page 70.

### NOTE ix Reserves

	SHARE- PREMIUM ACCOUNT US\$'000	CAPITAL- REDEMPTION RESERVE US\$'000	MERGER RESERVE US\$'000	OTHER RESERVES US\$'000	TOTAL US\$'000	PROFIT AND LOSS ACCOUNT US\$'000
At 1 January 2014	26,065	3,896	1,434	364	31,759	13,597
Issue of shares	2,130	—	—	—	2,130	—
Share-based payments	—	—	—	84	84	—
Profit for the financial year	—	—	—	—	—	36,754
Dividends*	—	—	—	—	—	(7,641)
At 31 December 2014	<b>28,195</b>	<b>3,896</b>	<b>1,434</b>	<b>448</b>	<b>33,973</b>	<b>42,710</b>

\* See note 10 to the consolidated financial statements on page 59.

### NOTE x Reconciliation of movement in shareholders' funds

	2014 US\$'000	2013 US\$'000
Profit/(loss) for the financial year	36,754	(2,269)
Dividends declared	(7,641)	(6,787)
	<b>29,113</b>	<b>(9,056)</b>
Issue of shares	2,179	954
Share-based payments	84	82
Net increase/(decrease) in shareholders' funds	<b>31,376</b>	<b>(8,020)</b>
At 1 January	<b>54,609</b>	<b>62,629</b>
<b>At 31 December</b>	<b>85,985</b>	<b>54,609</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 2014 are as follows:-

NAME OF SUBSIDIARY	% OF SHARES HELD	COUNTRY OF INCORPORATION	COUNTRY OF OPERATION	FIELD OF ACTIVITY
PT Pangkatan Indonesia	80	Indonesia	Indonesia	Production of crude palm oil and palm kernels
PT Bilah Plantindo	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 Prima Mitrajaya Mandiri	95	Indonesia	Indonesia	Production of crude palm oil and palm kernels
PT Teguh Jayaprima Abadi	95	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 Evans Lestari	80	Indonesia	Indonesia	Production of crude palm oil and palm kernels
PT Evans Indonesia	100	Indonesia	Indonesia	Provision of management and agronomic 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 2014 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

AS AT 31 DECEMBER 2014

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

	OWNERSHIP %	MATURE HA	IMMATURE HA	TOTAL PLANTED HA	INFRASTRUCTURE/ CONSERVATION AREAS HA	TOTAL HA	CO-OPERATIVE SCHEMES PLANTED HA
<b>Subsidiaries – oil palm</b>							
Pangkalan	80.00	1,959	468	2,427	159	2,586	—
Bilah	80.00	2,633	223	2,856	105	2,961	—
Sennah	80.00	1,621	60	1,681	132	1,813	—
<b>Total Pangkatan group</b>		<b>6,213</b>	<b>751</b>	<b>6,964</b>	<b>396</b>	<b>7,360</b>	<b>—</b>
Simpang Kiri	80.00	2,133	356	2,489	165	2,654	—
<b>Total Sumatra</b>		<b>8,346</b>	<b>1,107</b>	<b>9,453</b>	<b>561</b>	<b>10,014</b>	<b>—</b>
East Kalimantan	95.00	8,557	1,221	9,778	3,287	13,065*	4,160*
Bangka	90.00	2,571	2,163	4,734	961	5,695*	2,141*
Musi Rawas	80.00	—	92	92	—	92**	—
<b>Total new Indonesian projects**</b>		<b>11,128</b>	<b>3,476</b>	<b>14,604</b>	<b>4,248</b>	<b>18,852</b>	<b>6,301</b>
<b>Total Indonesia</b>		<b>19,474</b>	<b>4,583</b>	<b>24,057</b>	<b>4,809</b>	<b>28,866</b>	<b>6,301</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 subsidiaries</b>		<b>19,539</b>	<b>4,583</b>	<b>24,122</b>	<b>4,814</b>	<b>28,936</b>	<b>6,301</b>
<b>Group share of subsidiaries' land</b>		<b>17,184</b>	<b>4,079</b>	<b>21,263</b>	<b>4,442</b>	<b>25,705</b>	
<b>Associates</b>							
Agro Muko - oil palm	36.84	15,290	2,515	17,805	3,457	21,262	651
- rubber	36.84	1,006	684	1,690	—	1,690	—
		16,296	3,199	19,495	3,457	22,952	651
Kerasaan - oil palm	38.00	1,539	559	2,098	264	2,362	—
<b>Total associates</b>		<b>17,835</b>	<b>3,758</b>	<b>21,593</b>	<b>3,721</b>	<b>25,314</b>	<b>651</b>
<b>Group share of associates' land</b>		<b>6,589</b>	<b>1,391</b>	<b>7,980</b>	<b>1,374</b>	<b>9,354</b>	
<b>Memorandum:</b>							
<b>Subsidiaries' land and Group share of associates' land</b>		<b>26,128</b>	<b>5,974</b>	<b>32,102</b>	<b>6,188</b>	<b>38,290</b>	
<b>Group share of subsidiaries' land and share of associates' land</b>		<b>23,773</b>	<b>5,470</b>	<b>29,243</b>	<b>5,816</b>	<b>35,059</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

	2014	2013	2012	2011	2010
	TONNES	TONNES	TONNES	TONNES	TONNES
<b>Production</b>					
Crude palm oil	95,000	82,900	75,400	35,600	30,000
Palm kernels	18,400	16,400	14,800	8,700	7,300
<b>Crops</b>					
<b>Oil-palm fresh fruit bunches ("f.f.b.")</b>					
Indonesian majority-owned estates	385,500	344,200	317,000	249,300	196,400
Indonesian associated-company estates	386,900	387,000	408,600	401,200	366,100
	US\$	US\$	US\$	US\$	US\$
<b>Average sale prices</b>					
Crude palm oil – Rotterdam c.i.f. per tonne	821	856	998	1,123	905
<b>Exchange rates</b>					
US\$1 = Indonesian Rupiah – average	11,864	10,449	9,355	8,763	9,081
– year end	12,440	12,189	9,670	9,068	8,991
US\$1 = Australian Dollar – average	1.11	1.04	0.97	0.97	1.09
– year end	1.22	1.12	0.96	0.98	0.98
US\$1 = Malaysian Ringgit – average	3.27	3.15	3.09	3.06	3.22
– year end	3.50	3.28	3.06	3.17	3.08
£1 = US Dollar – average	1.65	1.56	1.59	1.60	1.55
– year end	1.56	1.66	1.63	1.56	1.57
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	90,922	82,186	83,213	57,756	42,091
Gross profit	35,894	24,735	23,035	25,919	21,887
Group-controlled profit before tax	34,860	12,223	16,700	24,350	19,359
	US CENTS	US CENTS	US CENTS	US CENTS	US CENTS
Basic earnings per share	61.05	35.96	32.51	66.39	41.17
	PENCE	PENCE	PENCE	PENCE	PENCE
Dividend per share	8.75	8.25	8.00	8.00	7.50
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Equity attributable to the owners of M. P. Evans Group PLC	371,908	347,191	351,083	337,975	307,578
Net cash generated by operating activities	28,351	19,494	33,897	48,339	19,417

# 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 2015 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 2014.  
*RESOLUTION ON FORM OF PROXY No 1*
- 2 To re-elect Mr P E Hadsley-Chaplin as a director.  
*RESOLUTION ON FORM OF PROXY No 2*
- 3 To re-elect Mr P A Fletcher as a director.  
*RESOLUTION ON FORM OF PROXY No 3*
- 4 To re-elect Mr R M Robinow as a director.  
*RESOLUTION ON FORM OF PROXY No 4*
- 5 To re-elect Mr J D Shaw as a director.  
*RESOLUTION ON FORM OF PROXY No 5*
- 6 To declare a final dividend.  
*RESOLUTION ON FORM OF PROXY No 6*
- 7 To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the directors to determine their remuneration.  
*RESOLUTION ON FORM OF PROXY No 7*

## AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, of which resolution 8 and 11 will be proposed as an ordinary resolution and resolutions 9 and 10 will be proposed as special resolutions:-

8. 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 2016 and, for that period, the Section 551 Amount is £1,844,246.  
*RESOLUTION ON FORM OF PROXY No 8*
9. 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 2016 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 £276,637 (the section 561 amount).

*RESOLUTION ON FORM OF PROXY No 9*

10. 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 5,532,739;
  - (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 2016 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 10*

11. That the directors be generally and unconditionally authorised to exercise the power contained in the articles of association of the Company as from time to time varied so that, to the extent and in the manner announced and determined by the directors, shareholders will be entitled to elect to receive an allotment of additional shares credited as fully paid in lieu of any cash dividend (or part thereof) paid by the directors or declared by the Company provided that this resolution shall expire at the end of the third general meeting of the Company after the date on which this resolution is passed.  
*RESOLUTION ON FORM OF PROXY No 11*

By order of the board  
**Claire Hayes**  
*Company Secretary*  
24 April 2015

## 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 2015 (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 2015 (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 2015, the Company's issued share capital consisted of 55,327,395 shares carrying one vote each. Therefore the total number of voting rights in the Company as at that date was 55,327,395.
  - 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.**

## NOTES

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# NOTES

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# 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

## INDONESIAN REGIONAL OFFICE

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Jakarta 12950

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10250 Penang

## INDEPENDENT AUDITORS

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

## REGISTRARS

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The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ

*Tel:* 08707 071176

*Fax:* 08707 036101

[www.computershare.com](http://www.computershare.com)

*Email:* [www.investorcentre.co.uk/contactus](http://www.investorcentre.co.uk/contactus)

## PRINCIPAL BANKERS

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50200 Kuala Lumpur  
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105 Mount Pleasant  
Tunbridge Wells  
Kent TN1 1QP

## NOMINATED ADVISER AND BROKER

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Moor House  
120 London Wall  
London EC2Y 5ET

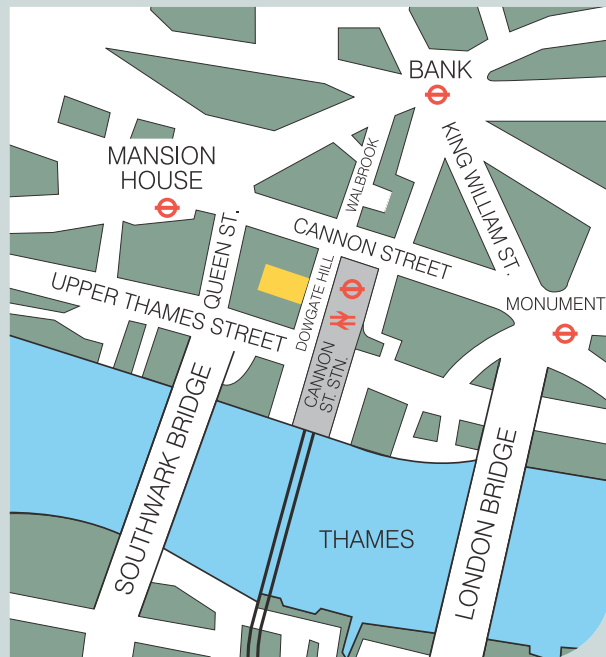
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# VENUE OF ANNUAL GENERAL MEETING

on Friday 5 June 2015 at 12 noon  
**Tallow Chandlers' Hall**  
4 Dowgate Hill  
London EC4R 2SH





**ANNUAL REPORT 2014**



***M.P. Evans***  
GROUP PLC 

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