M.P.Evans
GROUP PLC




2016

ANNUAL REPORT

LOCATION OF THE GROUP'S PROPERTIES AND THOSE OF ITS ASSOCIATED COMPANIES

MALAYSIA–PROPERTY
MAJORITY HELD 71 ha
MINORITY HELD 314 ha

INDONESIA–PLANTATIONS
MAJORITY HELD 27,400 ha
SMALLHOLDER CO-OPERATIVE 8,900 ha
JOINT VENTURE 19,100 ha
MINORITY HELD 2,300 ha

MAJORITY HELD
JOINT VENTURE*
MINORITY HELD

* Group shareholding <50%; no controlling party

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

PORTFOLIO OF ASSETS AS AT 31 DECEMBER 2016

27,400 planted hectares of majority-held oil-palm plantations in Indonesia plus three palm-oil mills on the Group's majority-owned estates

8,900 hectares of valuable associated smallholder co-operative schemes managed by the Group

Current estimate of 8,200 hectares plantable land (5,600 for the Group), majority of which in South Sumatra

38% share of a 2,300 hectare oil-palm estate in North Sumatra

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

40% share of a valuable property-development company, Bertam Properties, near Penang Island, Malaysia with a land bank of 314 hectares

Total equity value at 31 December 2016 of US$760 million based on independent valuation of Group's Indonesian plantation and Malaysian property assets

Net current assets of US$132 million as at 31 December 2016

Milling operations in Kalimantan

CONTENTS

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

Group highlights

Group profit increased in the year as a result of strengthening palm-oil prices

INDONESIAN PALM OIL

- Plantation gross profit US$24.4 million (2015 US$15.1 million)
- Palm-oil prices c.i.f. Rotterdam higher at average of US$700 per tonne (2015 US$622)
- F.f.b. crops fell 6% due to dry weather of an exceptional 'El Niño', in line with global palm-oil production
- Strong average extraction rates of 24.1%
- New 60-tonne mill commissioned in Bangka; fourth Group mill to be completed in 2018
- Total new planting of 3,600 ha in the year (Group and smallholders)
- Young planted areas, average age of 7½ years, mean Group crops projected to rise strongly in future years

MALAYSIAN PROPERTY

- 36% increase in Group share of Bertam Properties' profit as more sales completed in year
- Less development begun in 2016 than in previous years

GROUP VALUATION

- Directors' estimate of Group equity value at period end, based on independent valuation, of £11.00 per share

Total dividends of 20.00 pence per share reflect the positive results

FINANCIAL RESULTS

- Profit for the year including discontinued operations US$35.3 million (2015 US$25.4 million)
- Profit for the year on continuing operations more than doubled to US$16.4 million (2015 US$7.8 million)
- Total dividends for the year, including special dividend of 5.00 pence per share, of 20.00 pence per share (2015 - 8.75 pence per share)
- Dividends for 2017, including special dividend of 10.00 pence per share, to be minimum of 25.00 pence per share
- Earnings per share 56.1 US cents (2015 - 43.4 US cents)
- Net funds at 31 December 2016 of US$75.3 million (2015 US$11.5 million)

SUMMARY OF RESULTS

FOR THE YEAR ENDED 31 DECEMBER

	2016	2015
	US$ million	*US$ million*
Revenue	83.9	72.5
Gross profit	24.4	15.1
Group-controlled profit before tax	19.2	6.8
Profit for the year	35.3	25.4
Equity attributable to the owners of M.P.Evans Group PLC	321.0	300.0
Net cash inflow generated by operating activities	22.9	20.2
	US cents	*US cents*
Basic earnings per 10p share *(continuing and discontinued operations)*	56.1	43.4
	Pence	*Pence*
Dividends per 10p share in respect of the year	20.00	8.75

MARKET INFORMATION

PALM OIL

The palm-oil market in 2016 was dominated by the effects of a severe El Niño resulting in a period of dryness in South East Asia. Palm productivity was adversely affected by this and exacerbated by a period of haze in parts of Indonesia and Malaysia. According to Oil World, these factors resulted in global palm-oil production falling by 6% during 2016 compared to 2015, with average yield per hectare falling to its lowest level for more than 15 years.

Stocks of crude palm oil ("CPO") began 2016 at record-high levels, but were drawn down during the year in response to low production and finished the year at a multi-year low level of less than 10 million tonnes. In spite of lower production, this reduction in stocks allowed consumption of palm oil to increase during 2016, notably as a result of the sharp increase in demand flowing from Indonesia's adoption of a mandatory increase in the proportion of vegetable oil in its biodiesel standard. Shortage in supply affected trade, where exports of CPO fell to a three-year low. Imports by both China and India decreased significantly.

Prices for CPO improved during 2016. After a weak showing in January, prices strengthened during the first quarter before receding gently in the middle part of the year and then rose sharply in August. Following a short setback in October, they finished the year strongly at US$795 per tonne, more than US$200 per tonne higher than they had been on 1 January. The average price for CPO c.i.f. Rotterdam during 2016 was US$700 per tonne, US$78 or 13% higher than in 2015. The increase in the price of CPO was constrained by continuing weakness in the price of mineral oil and that of competing vegetable oils. Unusually, there were points during 2016 when CPO traded at a premium to soybean oil. Production in Indonesia began a recovery during the last quarter of 2016, and a similar turnaround was expected in Malaysia during the first quarter of 2017. This recovery in supply is likely to exert downward pressure on the market for CPO, especially during the second half of 2017.

Palm kernel oil was affected by the same forces that bore down on volumes of CPO, resulting in a 7% fall in production. However, unlike CPO, lower opening stock levels resulted in very tight supply in the latter part of 2016, reinforced by equally reduced supplies of competing coconut oil, with ensuing high prices.

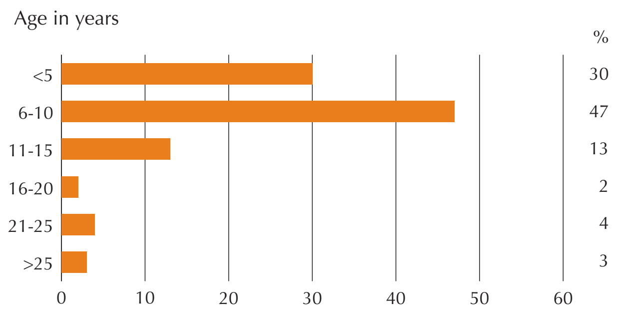
CRUDE-PALM-OIL PRICE

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

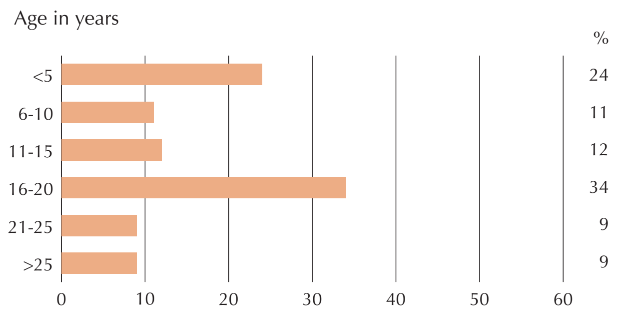
AGE PROFILE OF THE GROUP'S OIL PALMS

31 DECEMBER 2016

SUBSIDIARIES – AVERAGE AGE 7.5 YEARS



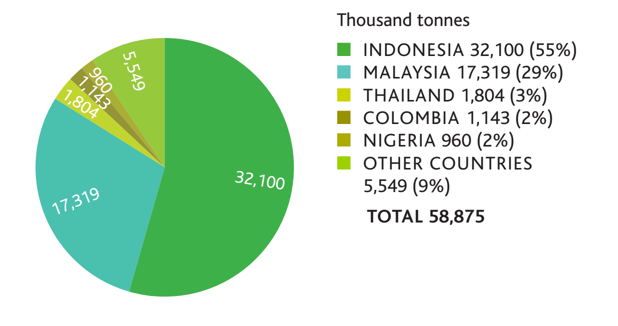
ASSOCIATES – AVERAGE AGE 13.1 YEARS



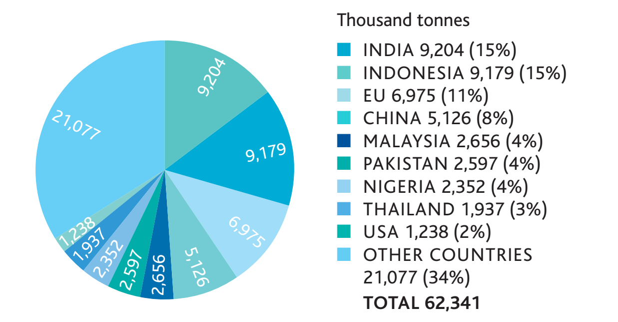
PRODUCERS AND USERS

31 DECEMBER 2016

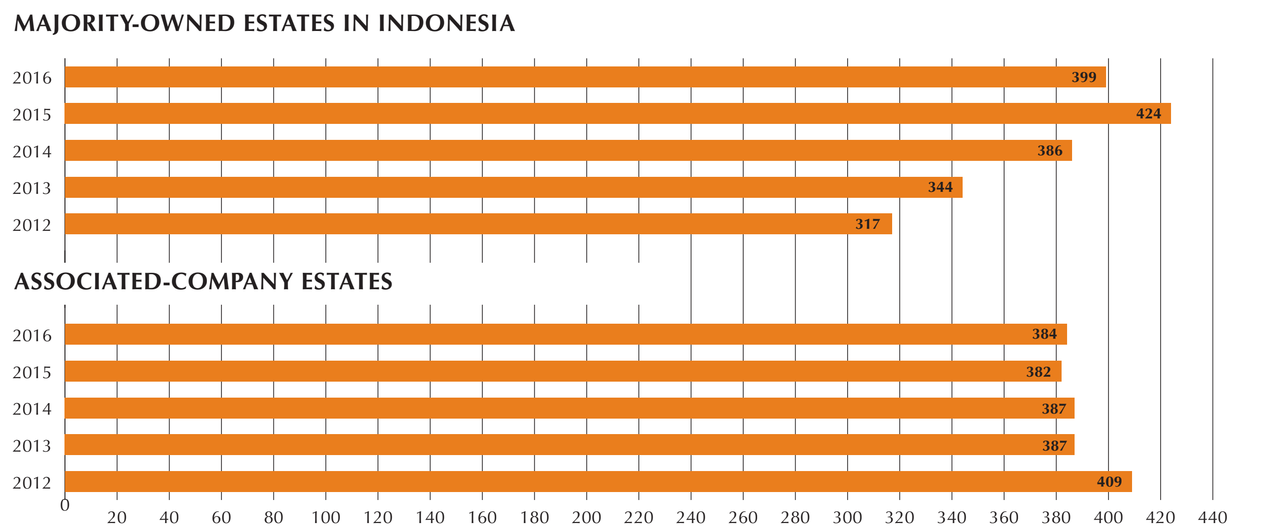
MAIN PRODUCERS OF PALM OIL – 2016



MAIN USERS OF PALM OIL – 2016



F.F.B CROPS - '000 TONNES



CHAIRMAN'S STATEMENT

Exciting prospects give grounds for confidence the Group will be able to expand its plantation hectarage delivering strong crop growth, and hence improving results for shareholders

STRATEGY

I should like to begin my report this year by noting how the Group finished the year as a one-commodity company, principally located in one country, well on the way to controlling all of its operations. To focus on oil palm in Indonesia, and to be in control of all the Group's assets, have both been long-standing strategic objectives of the board.

The successful disposal of the Group's investment in The North Australian Pastoral Company Pty Limited ("NAPCo") marked its exit from the Australian cattle sector. The Group sold its shares in NAPCo for A$18.50 per share that it had bought for an average of A$8.44 per share. The Group also reached an agreement in late 2016 to sell its investment in PT Agro Muko ("Agro Muko"), a joint venture in which it had a 37% share. This sale was made at a level supported by an independent valuation and was significantly higher than that implied by the unsuccessful unsolicited offer made in October for the Group's shares by Kuala Lumpur Kepong Berhad ("KLK"). More information on valuation can be found in the table on page 84.

The sale of NAPCo and Agro Muko, in line with the Group's strategy, puts it in a strong position to expand its plantation hectarage, and so strengthen the growth in crop which it already expects from the projects developed over the last ten years. The proceeds from these disposals are expected to allow the Group to increase returns to shareholders through enhanced dividends, without compromising its ongoing programme of expansion and hence growth in value.

As in the case of NAPCo and Agro Muko, the board will give consideration to the payment of special dividends as and when further non-core asset disposals are achieved.

The board is actively reviewing a prospective investment in a new, developed oil-palm project to replace at least the equivalent hectarage of its share in Agro Muko. In addition, the Group is at an advanced stage in negotiations for further smaller areas in the immediate vicinity of the Group's existing East Kalimantan project, which will bring the size of that project from some 15,000 hectares (including smallholder co-operatives) towards the desired target of 20,000 hectares. These are exciting prospects and, in view of the Group's excellent operational management team and proven track record of developing new plantation projects in Indonesia, give grounds for confidence that the Group will be able to expand its plantation hectarage, delivering strong crop growth and hence improving results for shareholders.

RESULTS

The Group is able to report an excellent result for the year with profit rising by US$9.9 million to US$35.3 million, including discontinued operations.

The year saw a steady recovery in the price of CPO, the Group's principal commodity, which finished the year at US$795 per tonne c.i.f. Rotterdam, some 37% higher than the US$580 per tonne where it started the year. With global consumption of CPO rising, partly due to new regulations on the admixture for biodiesel in Indonesia, a sharp fall in global production led to a dramatic drawdown of stocks that eventually stimulated a rally in the price. Additionally, prices for palm kernel oil, which translate directly into the price for the palm kernels sold by the Group, rose even higher than the strong levels experienced in 2015.

Despite a small reduction in crop, a recovery in prices combined with good control of costs led to a sharp rise in gross profit on continuing operations to US$24.4 million (2015 US$15.1 million). Profit for the year on continuing operations more than doubled to US$16.4 million from US$7.8 million. The Group's share of Agro Muko's results and its share of NAPCo's results up to the point of disposal, as well as the profit made on selling NAPCo, comprised US$18.8 million of profit on discontinued operations in 2016.
This compares with US$17.6 million in 2015, chiefly reflecting NAPCo's and Agro Muko's trading results and the sale of Woodlands. Overall, earnings per share on continuing operations increased to 22.3 US cents per share (2015 - 11.7 US cents

Peter Hadsley-Chaplin
Chairman

per share); earnings per share on continuing and discontinued operations rose by 29% to 56.1 US cents per share (2015 - 43.4 US cents per share).

Crops from the Group's own areas fell by an average of 6% during 2016 as a result of the widely reported El Niño weather pattern, the most severe for nearly 20 years. The effects were most keenly felt on the Group's estates in Kalimantan and Bangka; less so in North Sumatra. The dry weather occasioned by the El Niño had abated by the middle of the year and the return to more normal rainfall resulted in crops increasing during the last quarter. Total crop for the year, including that from smallholder co-operatives attached to the Group's estates and outside crop purchased from third parties, reached 543,700 tonnes for the year (2015 - 562,300 tonnes).

DIVIDEND

An interim dividend of 2.25p per share in respect of 2016 was paid on 4 November. Separately, shareholders received a special dividend of 5.00p per share on 17 August following the disposal of the Group's significant investment in NAPCo. In line with its previously announced intention, the board is recommending a final dividend for the year of 12.75p per share. Overall, therefore, shareholders will have received total dividends in respect of 2016 of 20.00p per share (2015 - 8.75 pence per share).

In respect of 2017, the board has already paid a special dividend of 10.00p per share on completion of the sale of its interest in Agro Muko. The board has also announced its intention to maintain or increase its dividend in future years, starting with a dividend of at least 15.00p per share in respect of both 2016 and 2017, excluding any special dividends. Shareholders can therefore expect total dividends of at least 25.00p per share in respect of 2017.

OPERATIONAL DEVELOPMENTS

The Group planted 3,600 hectares in 2016 (2,100 in respect of itself and 1,500 for its associated smallholder co-operatives) and replanted a further 800 hectares. Of the new planting, the project in Musi Rawas continued to develop apace, accounting for nearly half of the new planting. As previously reported, there is an accelerated programme of replanting under way in the mature North Sumatran estates, which was concentrated on Simpang Kiri in 2016. The Group expects to conclude development of the projects in Kalimantan and Bangka during 2017, and will focus its new planting activity in Musi Rawas. The current enhanced replanting programme will continue for some years in North Sumatra.

Following the successful commissioning of a new millon Bangka, a new high for CPO production of 117,300 tonnes was achieved by the Group.
The Bangka mill began production in May 2016 and incorporates a composting facility that creates compost from empty fruit bunches and mill effluent as well as a biogas plant for producing electricity from methane. This follows the pattern established by the Group in Kalimantan of building an efficient integrated facility that enables the Group to effect its policy of 'zero waste' whilst maximising both cost saving and the potential for earning additional revenues from the production of 'green' energy.

The Group was able to maintain high levels of extraction from its fresh fruit bunches ("f.f.b.") during 2016. The mill in Kalimantan achieved 25.0% of oil extraction, whilst the mills on Pangkatan and Bangka were slightly lower, for different reasons, at 23.1% and 23.3% respectively. These compare favourably with mills in their vicinity. On Bangka, the Group has decided to buy outside fruit from third parties to maximise the use of spare capacity until its own crops rise. Whilst profitable, this does bring down the average rate of extraction. On Pangkatan, f.f.b. are older varieties that are not as high yielding.

In Kalimantan, the Group has completed the first two phases of a project to build flood-protection bunds in the northern part of the project. The unusually dry El Niño weather allowed this work to be completed ahead of schedule and the bund began to prove its

CHAIRMAN'S STATEMENT CONTINUED

value once heavier rains returned towards the end of the year. The Group is now able to pump water collecting in the fields during times of heavy rain out to the Mahakam River.

PROSPECTS

The end of the El Niño in 2016 is likely to herald an increasing crop in 2017, which will add further momentum to the Group's f.f.b. crop. This is already rising, owing to the young average age of its palms, only 7½ years, as a consequence of the development of its projects in Bangka and Kalimantan over the last ten years. The upward trend in crop is expected to last well into the next decade. This would be augmented by the acquisition or development of new project areas.

The expected increase in global CPO production in 2017 is likely to put some pressure on prices, particularly in the second half of the year, notwithstanding very low levels of CPO stocks. However, the board is of the view that palm oil, because of its high yield and low cost of production, is well placed to continue to benefit from increasing demand for vegetable oil and the outlook, therefore, remains encouraging.

BOARD AND SENIOR APPOINTMENTS

Just after the end of the year, Derek Shaw retired from the board. The Group was introduced to Mr Shaw in 1984 when it invested in Colly Farms Cotton Limited, in which he and his family were founding shareholders and responsible for its substantial expansion. He was appointed a director of the Group's associate, Lendu Holdings PLC, in 1990, and of M.P.Evans Group PLC in 2005. He helped develop, expand and guide the Group's operations in the Australian agricultural sector from the time of its investment in cotton, as well as sheep and cereal farming, through to its substantial holding of beef-cattle assets. He represented the Group on the board of NAPCo, helping direct and improve its operations prior to its disposal. During his tenure he provided consistent advice on optimising values, and returns, on the Group's Australian operations, including regular inspections of the properties. The board is most grateful to him for his substantial contribution over many years.

I should like to take this opportunity to welcome Matthew Coulson to the board as Group finance director from 1 February 2017. Matthew joined the Group in 2016 from Deloitte LLP where he was an audit director. Since then he has become an active member of the senior management team in Tunbridge Wells, playing a full part in its decision making. At the same time I should also like to welcome Katya Merrick, who joined the Group as company secretary in October 2016. She has taken over from Claire Hayes who left the Group after five years, and to whom we are grateful for her excellent contribution.

ACKNOWLEDGEMENTS

I should like to express the board's appreciation to the Group's managers, staff and workers worldwide for their dedication and hard work during a year of change and continued progress for the Group.

Peter Hadsley-Chaplin
Chairman
13 April 2017

Young palms in Kalimantan

Reviewing operations on site

Strategy

The Group's strategy is to maintain steady expansion of its majority-owned Indonesian palm-oil areas in a sustainable and cost-effective manner, using the proceeds from the sale of its Australian cattle assets and Indonesian palm-oil joint venture.

Following the disposal of its agricultural assets in Australia, the Group's principal activity is the ownership, management and development of sustainable oil-palm estates in Indonesia, together with the management and development of smallholder areas attached to some of those estates. The Group's strategy is to expand its principal activity and maintain a steady rate of growth in planted hectarage controlled by it. Control enables the Group to deploy its operational expertise to greatest effect with the aim of generating better returns to shareholders through a sustained increase in dividends. The Group has confidence in both the palm-oil sector and Indonesia as an area of operation to provide a basis for successfully delivering its strategy.

During 2016, the Group reached agreement to sell its share of the Agro Muko joint venture, a mature 19,100 hectare Indonesian plantation project. The Group is actively reviewing the prospective acquisition of young, planted hectarage to replace its share of this joint venture, as well as planting its existing land bank. Additionally, it seeks in future to acquire pieces of land suitable for sustainable oil-palm development located near its existing estates. The Group seeks to bring its operating units to what the board considers an optimal size of 10,000 hectares with a palm-oil mill. The funds for this are in essence a reallocation of the Group's resources realised by the sale of its share in Agro Muko and NAPCo (see notes 11 and 34 to the accounts). The Group seeks continually to maintain and, where possible, improve agronomic standards and productivity on its estates with a view to increasing crops of f.f.b. and production of CPO.

As in the case of NAPCo and Agro Muko, the board will give consideration to the payment of special dividends as and when further non-core asset disposals are achieved.

The total planted area of the Group's majority-held Indonesian operations extends to approximately 27,400 hectares. The smallholder areas adjoining the new projects amount to 8,900 planted hectares. The estimated unplanted land bank is some 5,600 hectares, including the new Musi Rawas project, on the Group's estates and some 2,600 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 as rapidly as the availability of suitable land permits. In addition, the Group owns a 38% share of the 2,300 hectare Kerasaan estate in North Sumatra, which could potentially be sold to finance the expansion of majority-held areas.

In Malaysia, the Group owns land with property development potential, as well as a significant minority share of a property-development company. In retaining these assets, the Group is maximising the opportunity for sharing in the increasing value of property-development land in Malaysia. However, both could potentially be sold to finance the Group's strategic expansion of its Indonesian oil-palm hectarage. It is the Group's long-term intention to dispose of its property-development assets in order to fund the acquisition or development of new Indonesian palm-oil projects and, in consequence, ultimately to exit from Malaysia.

STRATEGIC REPORT 2016 CONTINUED

Results and financial position

REVENUE AND GROSS PROFIT

During the course of 2016, the Group experienced a fall in f.f.b. crops, by 6% on the Group's own areas, and by 8% on the associated smallholder areas. However, as a result of an increase in average palm-oil prices to US$700 c.i.f. Rotterdam (2015 US$622), Group revenue increased to US$83.9 million (2015 US$72.5 million). Group production costs per tonne of palm product (CPO and palm kernels) increased by a small amount during the year, mainly as a result of the absorption of fixed costs over lower production volumes, combined with the introduction of the new Bangka mill during the year, which had higher, albeit falling, production costs during its early production period. The Group's average cost of production for 2016 was US$370 per tonne of palm product (2015 US$350).

As a result of the above, the Group's gross profit on continuing activities increased by 62% to US$24.4 million (2015 US$15.1 million). A more detailed analysis by business and geographical segment is provided in note 4 to the accounts.

BIOLOGICAL ASSETS

The Group adopted the amendments to International Accounting Standard 41 ("IAS 41") Biological Assets in the 2015 annual report, treating palms as assets to be accounted for at depreciated historic cost. F.f.b. prior to harvest have never been included in the Group's internal reporting and are not incorporated in the board's decision making. However, based on the advice of its auditor on the interpretation of IAS 41, the Group introduced a policy of estimating a value for growing, but unharvested, f.f.b. for the purposes of statutory reporting. The Group has continued to apply the same policy for growing f.f.b. in the 2016 statutory accounts, resulting in a gain on biological assets of US$0.7 million.

OTHER ADMINISTRATIVE EXPENSES

The Group's other administrative expenses increased to US$4.9 million in the year (2015 US$2.8 million). During the year, the Group incurred professional fees of US$2.0 million in responding to the unsuccessful unsolicited bid by KLK to purchase the Company.

TAXATION

The Group's tax charge amounted to US$7.5 million (2015 US$2.4 million). The Group's effective rate in 2016 exceeded the standard rate largely due to the higher rate of taxation borne by the Group's subsidiary companies in Indonesia and exchange differences not allowable for tax (see note 9).

ASSOCIATED COMPANIES

Indonesia

The crop at Agro Muko (36.84% held) remained consistent with that in the prior year. As a result of maintaining production, combined with the improving average prices referred to above, the Group's share of Agro Muko's profit increased to US$7.1 million (2015 US$5.1 million). The Group received gross dividends of US$3.7 million (2015 US$5.5 million) from Agro Muko during the year.

In December 2016, the Group entered into an agreement for the sale of its shareholding in Agro Muko. This transaction was completed in March 2017 (see note 34). Accordingly, the Group's share of profits from Agro Muko has been included in discontinued operations (see note 11).

The crop at Kerasaan (38.00% held) increased a little from the prior year, and improving prices resulted in an increase in the Group's share of Kerasaan's profit to US$1.0 million (2015 US$0.7 million). The Group received gross dividends of US$0.8 million (2015 US$0.6 million) from Kerasaan during the year.

Malaysia

At Bertam Properties (40.00% held), revenue from property development increased by 41% in the year. The profit arising on these activities was US$8.4 million (2015 US$6.2 million). Similarly to 2015, two pieces of land were sold for separate development, generating a profit of US$1.4 million (2015 US$1.0 million). The golf club continued to operate at a small loss.

The Group's share of Bertam Properties' profit in the year was US$3.8 million (2015 US$2.8 million) and its share of Bertam Properties' gross dividends was US$1.9 million (2015 US$1.0 million).

Australia

In May 2016, the Group agreed to sell its 34.37% interest in NAPCo for A$18.50 per share. This compared with the Group's average cost of purchase of A$8.44 for those shares. Total proceeds from the disposal were US$79.7 million, and the Group's equity carrying value at disposal (having recognised the Group's share of profits up to the point of disposal) was US$57.6 million. After costs and associated taxation, the net profit on disposal recorded in the income statement was US$7.4 million.

Prior to disposal, the Group's share of NAPCo's profit in the year was US$4.3 million, the majority of which was derived from a revaluation of NAPCo's herd. Combining the Group's share of profit prior to disposal and the profit on disposal, the total profit to the Group in the year was US$11.7 million, which has been included in discontinued operations (see note 11).

PROFIT FOR THE YEAR

As a result of all of the above, the Group's profit for the year increased to US$35.3 million (2015 US$25.4 million).

NET ASSETS AND BORROWING

At the end of 2016, the Group's net assets were US$344.2 million (2015 US$321.6 million). Current assets exceeded current liabilities by US$131.6 million (2015 US$43.7 million), the increase being due to both a significant increase in the Group's cash balances following the disposal of the Group's interest in NAPCo, and to a change in the treatment for 2016 of the investment in Agro Muko to be an 'asset held for sale', a current asset in the year-end balance sheet.

The Group had cash and liquid resources of US$105.7 million (of which US$14.3 million has been pledged as security) at the end of 2016. At this date, the Group's gearing ratio was 8% and it held a net funds balance of US$75.3 million (2015 US$11.5 million).

The nursery at Musi Rawas

F.f.b. being loaded into a mill steriliser

Housing development at Bertam Properties

STRATEGIC REPORT 2016 CONTINUED

OPERATIONS

Palm oil

MAJORITY-OWNED ESTATES

CROPS

Crops in 2016 were adversely affected by the El Niño which, as reported in the 2015 annual report, was gathering strength during the last quarter of 2015. The Group's estates in Kalimantan and Bangka were particularly severely affected. Overall, the Group's own crops fell by 6% to 399,300 tonnes and those of its associated smallholder co-operatives by 8% to 92,400 tonnes. Purchases of third-party f.f.b. were hit by the general reduction in available supply due to the El Niño, falling by 25% year on year. However, total purchases of outside crop in fact increased due to commencing purchases in Bangka during 2016 following the commissioning of the Group's newest mill in May. In total, crops fell by 3% to 543,700 tonnes.

Crop on the Group's mature operations around Pangkatan was less affected by the adverse weather that impacted the Group's operations in other parts of Indonesia. Although the younger plantings would under other circumstances have been expected to produce an increase in crop, the dry weather led crops in this region to rise marginally above those recorded in 2015. An aggressive replanting programme at Simpang Kiri was the principal cause of the reduction in crop from this estate: mature hectarage was 12% lower during 2016 than in 2015. The accelerated replanting programme in North Sumatra is expected to continue for the next five years. The Group is able to make a good return on purchasing outside crop during the peak cropping months by using spare capacity in its Pangkatan mill. The general reduction in Indonesian crop during 2016 meant that competition from other mills in its vicinity curtailed this opportunity in 2016.

Bangka suffered an extended period of acute dryness that severely affected the crop on this estate, with the Group's crop falling by 8% and those of the associated smallholder co-operatives by 17%. Long-term average rainfall fell for 17 months from June 2014 until November 2015. More normal, higher, patterns of rainfall have since re-established themselves and in consequence Bangka's crop finished the year on an upward trend.

The El Niño also affected crops in Kalimantan, although the dry period there was shorter than that experienced in Bangka with good rainfall occurring from the middle of the year. This led to crop increasing during the last quarter of 2016, leaving the combined

Details of crops for 2016, with comparative figures for 2015, are set out below:-

	2016 TONNES	(DECREASE) INCREASE %	2015 TONNES
Crops			
Own crop			
Pangkatan group	**149,100**	**—**	148,900
Simpang Kiri	**37,400**	**(15)**	44,200
	186,500	**(3)**	193,100
Kalimantan	**151,700**	**(8)**	164,500
Bangka	**61,100**	**(8)**	66,300
	399,300	**(6)**	423,900
Smallholder co-operative crop			
Kalimantan	**67,400**	**(4)**	70,400
Bangka	**25,000**	**(17)**	30,300
	92,400	**(8)**	100,700
Outside crop purchased			
Kalimantan	**20,500**	**(4)**	21,400
Pangkatan	**7,800**	**(52)**	16,300
Bangka	**23,700**	**—**	—
	52,000	**38**	37,700
Total crop	**543,700**	**(3)**	562,300

Estate workers at Musi Rawas

crop for the year from the Group's own areas as well as associated smallholder co-operatives 7% below that in 2015. By the end of the year, heavy rain meant that the new system of bunds and water pumps in the northern part of the estate was proving its worth. The dry weather that adversely affected crops enabled work on the bunds to progress faster than expected, with the first two phases of this project being completed in October. Pumping stations evacuate water collecting inside the project to the Mahakam River. In the southern part of the estate, however, flooding led to some crop losses.

PRODUCTION

The Group was able to maintain excellent rates of extraction during 2016. Whilst absolute production in the Kalimantan and Pangkatan mills reduced in line with crop, the Group's total production increased as a result of its new mill in Bangka being commissioned in May 2016, reaching 117,300 tonnes of CPO and 24,400 tonnes of palm kernel during the year.

The new mill in Bangka has performed to a good standard. Its extraction rate of 23.3% is below the 25.0% recorded in Kalimantan due to the decision taken by the Group to maximise the purchase of

The details of production and extraction rates for 2016, with comparative figures for 2015, are set out below:-

	2016 TONNES	(DECREASE) INCREASE %	2015 TONNES
Production			
Crude palm oil			
Kalimantan	**60,000**	**(7)**	64,300
Pangkatan	**36,200**	**(4)**	37,900
Bangka	**21,100**	**—**	—
	117,300	**15**	102,200
Palm kernels			
Kalimantan	**11,000**	**—**	11,000
Pangkatan	**8,800**	**(8)**	9,600
Bangka	**4,600**	**—**	—
	24,400	**18**	20,600
Extraction rates			
Crude palm oil			
Kalimantan	**25.0**	**—**	25.1
Pangkatan	**23.1**	**—**	23.0
Bangka	**23.3**	**—**	—
Palm kernels			
Kalimantan	**4.6**	**7**	4.3
Pangkatan	**5.6**	**(3)**	5.8
Bangka	**5.0**	**—**	—

STRATEGIC REPORT 2016 CONTINUED

OPERATIONS Palm oil CONTINUED

outside fruit in Bangka in order to utilise, as much as possible, spare capacity at the mill. There is a good supply of outside fruit available for purchase. This fruit yields significantly lower rates of extraction than fruit from the Group's own areas or that of its associated smallholder co-operatives, although this is reflected in the price the Group pays for it. Hence, purchases of outside fruit make an acceptable profit margin notwithstanding the consequential reduction in the mill's average rate of extraction.

All of the mill effluent from the Bangka mill is collected and held in a pond to allow collection of methane which is then burned in a gas engine to produce electricity. The Group has signed a contract with the local state-owned power utility to sell it any excess power over and above the Group's requirements for its own use. The facility was being commissioned at the end of 2016 and began transmission in early January 2017. Production of power will increase as the volume of crop processed in the mill increases. Separately, all of the empty fruit bunches are conveyed to a composting facility where, over 50 days, the Group creates a compost rich in potassium and nitrogen which it returns to the field reducing the need for inorganic fertilizers. This is in line with the Group's facilities in Pangkatan and Kalimantan.

The extraction rate in Pangkatan, as reported in previous annual reports, lags behind that in Kalimantan due to the greater average age of its plantings, as well as the improved planting material available to the Group when it developed its estates in Kalimantan and Bangka. Furthermore, f.f.b. from Sennah estate, which supplies the Pangkatan mill, contains fruit from some low-yielding *Dura* palms. These are gradually being replanted, which will in due course lead to an increased extraction rate in the Pangkatan mill.

Work has begun on designing a fourth mill, the second in Kalimantan, necessitated by the sharp projected increase in crop over the coming years. This fourth mill is expected to be operational in 2018.

COSTS

The combined operating cost of the Group's three mills was US$370 per tonne of palm product during 2016, US$20 higher than in 2015. This rise partly reflects depreciation on increased plantings as the Group brings more hectarage into maturity: at the end of 2016 the Group had 21,000 mature hectares compared with 20,600 at the end of 2015. The 2016 cost also incorporates depreciation on the new Bangka

Replanting in North Sumatra

mill. The underlying cash operating costs increased modestly, mainly due to unit labour costs in the field which have risen as a result of the crop falling. Whilst the cost of harvesting broadly rises and falls in line with crop, the cost of field maintenance and that of fertilizing and manuring do not vary with crop. Lower crop would therefore be expected to push up the cost per tonne of palm product. Overall, despite the pressures of lower crop and increased depreciation, the Group was able to limit the increase in its unit cost, underlining its ability to control costs through its operational expertise. For example, extensive use of river transport to bring supplies into the Kalimantan project has allowed the Group to make and maintain significant procurement savings.

MILL-GATE PRICE

The average mill-gate price for the CPO sold by the Group during 2016 was US$595, a marked increase on the US$500 per tonne in 2015. This price takes account of the US$50 per tonne export levy due on CPO which is in practice borne largely by CPO producers irrespective of whether they make sales into the domestic or export markets. The average mill-gate price rose steadily through the year, reaching US$621 per tonne CPO for the last quarter.

As a result of the lack of supply of coconut oil and the market conditions affecting palm kernel oil, the average mill-gate price for palm kernels substantially exceeded even the levels experienced in 2015 to reach US$514 per tonne in 2016, an increase of US$195 per tonne.

PLANTING

New planting proceeded strongly during 2016, totalling 3,600 hectares by the year end, of which 2,100 related to the Group and 1,500 to associated smallholder co-operatives. Approaching half of this took place on the Group's Musi Rawas project in South Sumatra, where 1,100 hectares were planted for the Group and 600 for smallholder co-operatives. At the year end, a further 800 hectares had been cleared ready for planting which did not take place owing to a planting pause initiated by the Group in order to control pig damage to new plantings. The Group moved quickly to address this issue as soon as it became apparent, individually protecting palms that had been planted with bamboo fencing. Planting resumed in January 2017.

Development of the Group's projects in Bangka and Kalimantan is nearing completion. A total of 900 hectares

STRATEGIC REPORT 2016 CONTINUED

OPERATIONS Palm oil CONTINUED

was planted during 2016 in Kalimantan, mainly behind the new flood-protection bund, of which 700 was for the Group and 200 for smallholder co-operatives. Some 1,000 hectares were planted in Bangka, 300 for the Group and 700 for smallholder co-operatives.

By the end of 2017, the Group expects to have substantively concluded planting in Kalimantan and Bangka with, respectively, 10,600 and 6,000 hectares for itself and 4,500 and 4,000 hectares in respect of the smallholder co-operatives. In Kalimantan, in early 2017 the government issued the Group and the associated smallholder co-operatives with the final land lease, the HGU, in respect of 8,680 and 1,920 hectares respectively. A full title for the balance of the land will follow in due course. It is too early yet to predict with confidence how many hectares the Group will eventually be able to plant in Musi Rawas, but the board's current estimate is 7,000 hectares for itself and 3,000 hectares for the smallholder co-operatives.

NEW LAND

The Group's strategy is to replace its share in the hectarage of the disposed Agro Muko joint venture, 7,000 hectares, with new estates under its control. To this end, it is actively reviewing suitable newly planted projects. In addition, it has ambitions to add to its portfolio of estates to maintain its ability to increase crop and future profits.

As well as acquiring suitably sized discrete new projects, the Group is exploring the acquisition of incremental hectarage close to its new projects to bring them to an optimal size. The Group's experience is that 10,000 hectares of oil palm with a mill able to process 60 tonnes of f.f.b. per hour provides a unit which is both big enough to provide economies of scale in production and administration and small enough to allow the careful scrutiny by field management needed to maintain high standards. The Group's projects in Bangka and Musi Rawas, including smallholder areas, are of this size. In Kalimantan, the board is actively engaged in extending the Group's areas from the currently projected 15,100 hectares to bring the project to the equivalent of two 10,000 hectare units. The design for a second mill has already begun and construction is expected to begin before the end of 2017.

MINORITY-OWNED ESTATES

CROPS AND PRODUCTION

Whilst an agreement was reached in December 2016 to sell the Group's share in the Agro Muko joint venture, the operation remained part of the Group for the entire year under review. Agro Muko's own f.f.b. crop of 341,900 tonnes in 2016 was very similar to the crop achieved in 2015. In line with the Group's own operations in North Sumatra, Agro Muko suffered relatively little from the El Niño that affected the more easterly parts of Indonesia. As noted in previous annual and interim reports, Agro Muko is undergoing an extensive programme of replanting that is expected to hold back crop growth until the middle of the next decade. There was a significant increase in the quantity of outside crop bought for processing in Agro Muko's mills, including from a 2,000 hectare project partly owned and managed by the SIPEF group, one of the Agro Muko joint-venture partners. However, outside crop remains relatively small in absolute terms, representing a little less than 6% of total crop processed by Agro Muko.

Production in Agro Muko's two oil-palm mills amounted to 80,700 tonnes, a small increase on the 80,300 tonnes recorded in 2015. This was less than expected given the growth in crop processed because the oil-extraction rate fell to 22.2%. As noted in previous reports, local management is engaged in a set of initiatives to improve extraction, initially by driving up field standards.

As expected following the planting of new rubber concentrated around its crumb-rubber factory, Agro Muko's rubber crop grew by 12% in 2016. Rubber prices increased gradually during the year, notably in the last quarter.

Crops at Kerasaan Estate were, as expected, similar to 2015. This estate has good soils and benign terrain. The estate has a relatively old average age of planting, so a programme of replanting will have to begin in the next few years. In the meantime, the main challenge in maintaining production is to identify palms affected by the fungal disease ganoderma and prevent its spread. Local management is continuing to address this.

Details of crops, production and extraction rates for 2016, with comparative figures for 2015, are set out below:-

	2016 TONNES	INCREASE/ (DECREASE) %	2015 TONNES
F.f.b. crops			
PT Agro Muko			
- own	**341,900**	**—**	340,500
- outgrowers	**21,600**	**70**	12,700
	363,500	**3**	353,200
PT Kerasaan Indonesia	**42,100**	**1**	41,600
	405,600	**3**	394,800
Production (PT Agro Muko)			
Crude palm oil	**80,700**	**—**	80,300
Palm kernels	**18,800**	**—**	18,800
Extraction rates	%		%
Crude palm oil	**22.2**	**(2)**	22.7
Palm kernels	**5.2**	**(2)**	5.3
Rubber crops	TONNES		*TONNES*
PT Agro Muko - own	**1,850**	**12**	1,650

Framing for new buildings at Musi Rawas

STRATEGIC REPORT 2016 CONTINUED

OPERATIONS Palm oil CONTINUED

PLANTATION PERFORMANCE INDICATORS

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

PLANTED HECTARAGE

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

F.F.B. CROP

The volume of f.f.b. crop is the primary determinant of the Group's ability to generate CPO and palm kernels for sale.

F.F.B. YIELD PER HECTARE

The rate at which the Group is able to generate f.f.b. from its planted hectarage is the most important measure of its agricultural efficiency.

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 crop yield per hectare on each year's planting on each estate is budgeted, recorded and monitored. Yields can vary widely because of factors such as soil type, terrain, sunshine hours, rainfall, distribution of rainfall and the fertility cycle of the palms. 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 and drains, for example). These are monitored by management on the ground and, in some cases, independently verified and advised upon. Decisions, such as when and how to replant, are taken based on local conditions.

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 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., throughput, and the percentage of free fatty acids, oil losses, dirt and moisture. Extraction rates vary according to factors such as the type and quality of planting material, the age profile of plantings, rainfall, etc. Throughput is monitored on a daily basis; oil losses, dirt and moisture content are expressed in terms of percentages and actual achievement against maximum permitted levels are monitored by management.

PLANTATION AND MILL COSTS

Management monitors and assesses the efficiency of plantation operations with regard to 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 utilisation. 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.

CPO AND PK EXTRACTION RATES

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

COST PER TONNE OF PALM PRODUCTS

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

Mature estate in North Sumatra

CURRENT TRADING AND PROSPECTS

F.f.b. crops during the first quarter of 2017 have been in line with expectation. At the end of March they stood at 99,900 tonnes, 15% ahead of the same period in 2016. Crops have benefited from the increase in rainfall that accompanied the end of the dry weather occasioned by the El Niño weather pattern.
The increase in crop was held back in Kalimantan by the flooding described above, which interfered with harvesting and collection of f.f.b.. The flooding has now receded and crops are on a strongly upward trend.

The details are set out in the following table:-

F.f.b. CROPS	3 MONTHS ENDED 31 MARCH 2017 TONNES	INCREASE %	3 MONTHS ENDED 31 MARCH 2016 TONNES
Sumatra	**41,600**	**15**	36,300
Kalimantan	**40,300**	**5**	38,200
Bangka	**18,000**	**44**	12,500
	99,900	**15**	87,000

The end of the El Niño in 2016 is likely to herald an increasing crop in 2017, which will add further momentum to the Group's f.f.b. crop. This is already rising, owing to the young average age of its palms, only 7½ years, as a consequence of the development of its projects in Bangka and Kalimantan over the last ten years. The upward trend in crop is expected to last well into the next decade. This would be augmented by the acquisition or development of new project areas.

The expected increase in global CPO production in 2017 is likely to put some pressure on prices, particularly in the second half of the year, notwithstanding very low levels of CPO stocks.
The average CPO price c.i.f. Rotterdam for the first quarter of the year has been US$772 per tonne, but weakened noticeably in the last week of March to finish the quarter at US$700 per tonne, compared with US$795 per tonne at the end of 2016. Low levels of physical supply in the first part of the year could lead to some price volatility. However, the board is of the view that palm oil, because of its high yield and low cost of production, is well placed to continue to benefit from increasing demand for vegetable oil and the outlook, therefore, remains encouraging.

STRATEGIC REPORT 2016 CONTINUED

OPERATIONS

Property

MAJORITY-OWNED: BERTAM ESTATE

The value of this land, sited in a prime position not far from the slip road onto the highway heading to Penang Island, rises as development progresses on the neighbouring Bertam Properties land. An estimate of its current value is given in the table on page 84.

It remains the board's intention to sell Bertam Estate at a suitable time taking into account market conditions and the Group's need for investment capital. In the meantime, the minor residual oil-palm operation on 65 hectares of cultivated land yielded a crop of 1,700 tonnes (2015 – 1,800 tonnes). No replanting has been done since 1997 and the Group's objective in managing this land is to maximise the crop from its ageing palms whilst minimising costs. The Group has only three junior employees on Bertam Estate and no other employees or office space in Malaysia. Administrative and agricultural advice and work is carried out by Straits Estates Sdn Berhad and other external service providers.

Bertam Properties' developments

The golf course at Bertam Properties

ASSOCIATED COMPANY: BERTAM PROPERTIES

Mixed development of residential housing and commercial properties continues to progress on Bertam Properties' land. At the end of 2016, Bertam Properties owned 314 hectares of land, including 29 hectares under development and 143 hectares of golf course. This left a balance of 142 hectares for development or sale. Given the small membership of the 36-hole golf course, a discussion was under way at the end of 2016 as to whether the golf course could be reduced to an 18-hole course releasing some 40 hectares for development. Outline planning permission was successfully sought and, on 18 February 2017, the golf club membership voted at an extraordinary general meeting to accept a scheme along these lines, which compensated individual golf club members 12,000 Malaysian Ringgit each (some US$2,700) for their loss of amenity; a total cost to Bertam Properties of some US$2.4 million. During 2016, Bertam Properties completed the sale of 479 developed properties, a significant increase over the 370 units on which sales were completed in 2015. Sales recorded in 2016 were mainly of single-storey residential terraces, and sales during the year yielded a very similar margin to those in the previous year. Two pieces of land were sold for development, including one for a Tesco supermarket. Overall, less development was begun in 2016 than in previous years, reflecting a slowdown in the Penang property market. The volume of property transactions in the Penang region, and their total value, decreased during 2016 in part reflecting tighter lending conditions by banks. The remaining development land at Bertam Properties remains a valuable asset whose value has appreciated as development in the project is completed and the new town attracts residents and businesses to an area that is designated by the Malaysian government as a 'hub' for education. The board expects the value of this land to continue to appreciate in future. An estimate of the current value of the Group's share in Bertam Properties is given in the table on page 84.

STRATEGIC REPORT 2016 CONTINUED

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

In 2014, a draft plantation law was tabled in the Indonesian House of Representatives which included a provision to restrict foreign ownership of plantations in Indonesia to 30%. This was not enacted but a modified version was subsequently passed in September 2014 that did not include this restriction. The new law mandated the Government to prioritise domestic investment, protect local customary rights, empower local farmers and set a cap on foreign investment at some point in the future. The board continues to monitor the situation closely and will, if necessary, liaise with other plantation companies and industry bodies to lobby the government not to enact such proposals. The board continues to consider the merits of a partial listing in Jakarta of its Indonesian business, partly to mitigate this risk.

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

Operations in Indonesia are deemed to be at high risk from the threat of bribery and corruption. The Group has a robust policy on bribery and corruption, 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 anti-corruption activities and policies. The Group has employed external advisers to ensure its actions carry the maximum prospect of preventing bribery and corruption in its operations.

SUPERVISION OF OPERATIONS

Geographical distance between the UK head office and its operations located in Indonesia and Malaysia puts a premium on strong supervision of the Group's operations. Regular written reporting from all 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 board of its large Malaysian associated company and regularly attends its board meetings as well as maintaining a dialogue with its chief executive and senior management.

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

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

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 some cases, is closely associated with cutting down rainforest and destroying the habitat of endangered species. The Group may therefore receive attention from the many organisations connected with climate change and South East Asian tropical rainforests.

The Group is a member of the Round Table on Sustainable Palm Oil ("RSPO"). The RSPO has strict guidelines by which members must abide in order to be able to state that they are producing sustainable palm oil, including the protection of forested areas. The Group endorses the "Principles and Criteria" which have been adopted by the membership. The Group has specialist RSPO officers, supported by external consultants, working to ensure the Group complies with RSPO best practice. RSPO accreditation was granted to its North Sumatran mill on Pangkatan Estate in 2012 and in 2014 for the Kalimantan mill. The mill on Bangka, commissioned in May 2016, is expected to receive certification in 2017.

The Group is also complying with the requirement to achieve certification as Indonesian Sustainable Palm Oil ("ISPO") and International Sustainability Carbon Certification ("ISCC").

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

With regard to its mills, the Group has installed composting systems which utilise both the "empty" fruit bunches (i.e. after the fruit has been removed from them) and the liquid effluent from the mill. The resulting compost is tested for its nutrient value and applied in the field, reducing the requirement for inorganic fertiliser. No effluent is discharged into external water courses. At the mills in Kalimantan and Bangka, methane is captured from the mill effluent before it is used for composting and then in a biogas engine to generate electricity.

Management follows industry best-practice guidelines and abides by Indonesian law with regard to such matters as fertiliser application and health and safety. Any accidents are thoroughly investigated by senior head-

Bertam Properties

STRATEGIC REPORT 2016 CONTINUED

RISK MANAGEMENT CONTINUED

office staff. Health and safety inspections are carried out annually. The managers of all of the Group's estates and mills hold a monthly meeting with key staff to review health and safety. These meetings are minuted and actions identified and followed up.

RELATIONSHIP WITH LOCAL POPULATIONS

A breakdown in relations could significantly disrupt the Group's operations, for example through strikes, or lead ultimately to a stoppage in production should villagers 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 population where development is taking place. On each of the projects, there has been extensive communication not only with local government officials but also with local people collectively and through their representatives: the local mayor and village heads. Smallholder co-operative schemes ("KKPA") are being developed alongside the Group's areas and managed by the Group. Staff members have been appointed to deal with compensation for losing the use of land and crops, and to explain the basis and workings of the KKPA schemes and to gain the support of the villages surrounding the Group's project areas. This is a time-consuming but effective process.

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.

The board has taken the view that acceptance of weather risk is part of the business.

COMMODITY-PRICE FLUCTUATION

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

The Group relies on its ability to sell its palm oil, palm kernels and f.f.b. into 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 contract is agreed.

The price of palm oil is determined both by disposable income around the world generated by economic activity and by the supply, pricing and demand for competing vegetable oils. These factors can result in fluctuations in the price. 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, has the lowest cost and is the most productive, by a wide margin, in terms of yield per hectare.

EXCHANGE-RATE FLUCTUATION

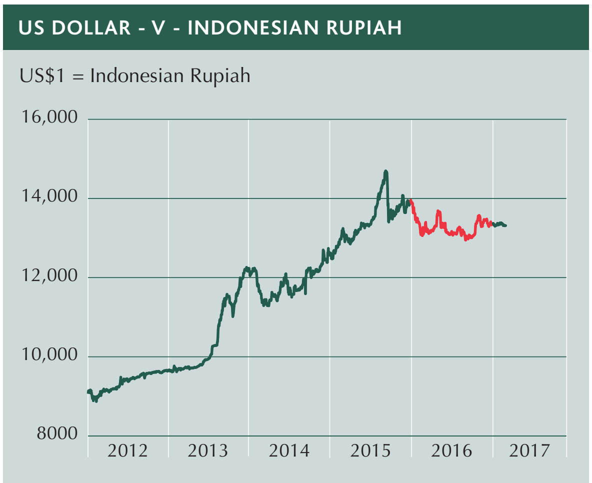
Palm oil is a US-Dollar-denominated commodity and a significant proportion of revenue costs in Indonesia (such as fertiliser and fuel) and development costs (such as heavy machinery and fuel) are US-Dollar related. Adverse movements in the Indonesian Rupiah against the US Dollar can have a negative effect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

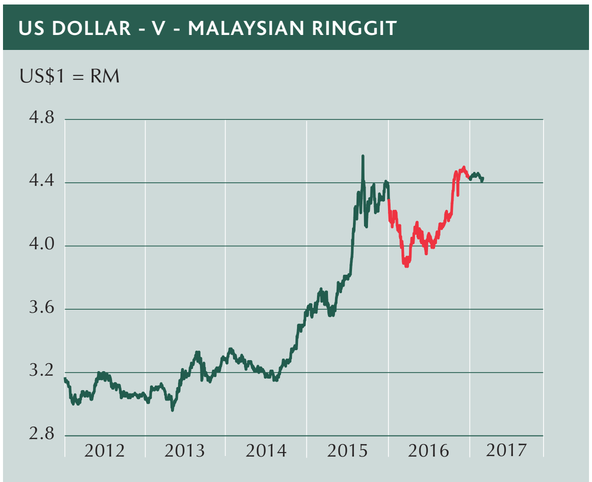
The board has taken the view that these risks are part of the business and feels that adopting hedging mechanisms to counter the negative effects of exchange movements are both difficult to achieve and would not be cost effective. Surplus cash balances are largely held in US Dollars.

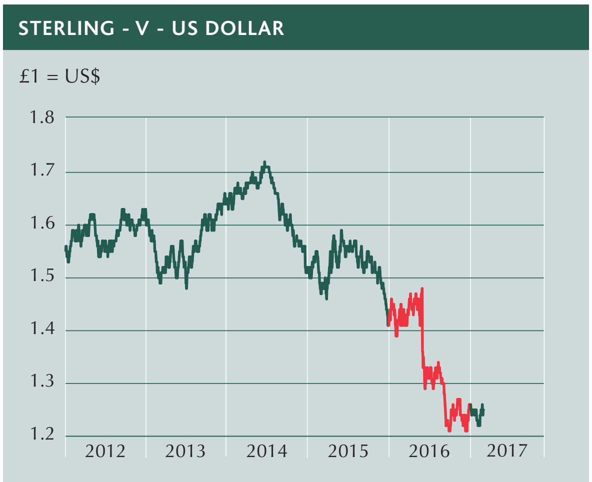
Approved by the board of directors and signed on its behalf

Tristan R J Price
Chief executive

13 April 2017







Environmental & social **responsibility**

- The Group produces environmentally sustainable palm oil in all its palm-oil mills
- Smallholder co-operative schemes attached to the Group's 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 does not allow the burning of vegetation or old palms when planting or replanting its estates
- The Group has more than 2,000 hectares of conservation areas
- The Group adopts agronomic policies and practices which encourage the biodiversity of flora and fauna on its estates

The Group is committed to the sustainability of its practices and the welfare of its employees

ENVIRONMENTAL & SOCIAL **RESPONSIBILITY** CONTINUED

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, many of which formalise long-standing practices which the Group regards as hallmarks of good plantation management.

The Pangkatan and Kalimantan mills were granted RSPO accreditation in October 2012 and June 2014 respectively. The new Bangka mill began the process of accreditation as soon as it was commissioned in May 2016 and is on track to receive certification in 2017. The three estates that send f.f.b. to the Pangkatan mill, namely, Bilah, Pangkatan and Sennah, are covered by RSPO accreditation, as are the smallholder co-operative areas attached to the Group's projects in Kalimantan and Bangka.

PT Kerasaan Indonesia, in which the Group has a 38% share and the PT Agro Muko joint venture received RSPO accreditation in 2010 and 2011 respectively.

INTERNATIONAL SUSTAINABILITY & CARBON CERTIFICATION ("ISCC")

ISCC is a leading certification system for sustainability and greenhouse gas emissions. It was one of the first schemes to comply with the requirements of the EU's Renewable Energy Directive. It can be used to meet legal requirements in the bioenergy markets as well as to demonstrate sustainability and traceability in the food, feedstock and chemical industries.

Certification under ISCC was obtained for the Pangkatan and Kalimantan mills in September 2014 and July 2016 respectively.

INDONESIAN SUSTAINABLE PALM OIL ("ISPO")

Mandatory ISPO certification, whose requirements are similar in most respects to those of the RSPO, was received in respect of Pangkatan mill in January 2014. Compliance of the mills in Kalimantan and Bangka awaits only the final HGU land leases to be issued by the Indonesian government.

AGRONOMIC POLICIES

The Group recognises public concerns about the impact of the palm-oil industry's agronomic practices on the environment and natural habitat in the regions where it operates. The Group has the following policies, many long-standing, in respect of plantation management. These policies have tangible benefits to the business as a whole whilst also responding to potential concerns:-

NEW LAND

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.

The Group ensures that any new plantation development is undertaken only in heavily-degraded areas which will not be suitable habitats for major endangered species.

ZERO BURNING

The Group operates a strict policy prohibiting the burning of vegetation or old palms/trees in order to clear land and when carrying out new planting or replanting on its estates. Vegetation or old palms/trees are chipped and stacked in inter-rows 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. The planting of jungle trees and other environmentally suitable plants is undertaken in these areas on an ongoing basis. Areas alongside river banks (riparian reserves) are set aside and safeguarded 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 minimising 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 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.

All effluent from the Group's mills, in some cases after being used to capture methane, is applied to the empty fruit bunches to create nutritious compost. This compost is applied in the field, reducing the requirement for inorganic fertilisers. No effluent is discharged into rivers or water courses. Covered ponds are used to capture methane from all the effluent from the mill in Bangka and 30% of it from the mill in Kalimantan. The Group has a contract to supply power generated from its biogas to the local electricity utility company ("PLN") in Bangka for one year, and management will seek to renew this contract once its term has come to an end. The Group is exploring the potential in Kalimantan to enter into a similar agreement.

Barn owls are introduced and bred to control rats, thus minimising the need for chemical baits.

ENVIRONMENTAL & SOCIAL **RESPONSIBILITY** CONTINUED

Medical care is provided on the plantations in polyclinics which are staffed on a daily basis by trained employees

Staff at the Kalimantan estate clinic

HEALTH AND SAFETY

The Group gives priority to the health and safety of its employees and those affected by its activities, such as local people living on and near its estates. During 2016, independent health and safety inspections were carried out on the Group's North Sumatran and Kalimantan estates. The managers of all of the Group's estates and mills hold a monthly meeting with key staff to review health and safety.

Medical care is provided to staff and workers on the plantations in polyclinics which are manned on a daily basis by trained employees. In addition, doctors visit these clinics once or twice a week. The Group pays for hospital treatment for its staff and workers if this is required.

Trained sprayers apply chemicals in the field. They are provided with (and are required to use) appropriate protective clothing and masks. They are provided with washing facilities to use after they complete their tasks and receive regular medical checks.

FACILITIES

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

Kindergartens are provided in the estates for very young children, as is transport for older children to nearby government schools. In remote locations, where schools are not available, the Group supports education by providing land and some buildings, as well as paying for some teaching staff, so that government schools can operate on its estates.

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 which conducts residential induction courses for the Group's agricultural staff as well as courses covering subjects as diverse as accounting, people management, harvesting, first aid, anti-bribery and anti-corruption training, and environment and conservation.

SMALLHOLDER SCHEMES

On the projects in Kalimantan, Bangka and Musi Rawas, the Group has an obligation to promote schemes for local smallholders. This is done by means of smallholder 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 of development, 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 by local government officials.

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

Estate housing and children at the on-site school

REPORT OF THE **DIRECTORS**

The directors present the audited consolidated and parent-Company financial statements of M.P.Evans Group PLC for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

At 31 December 2016, the Company, through its subsidiary and associated undertakings, operates oil-palm plantations in Indonesia and property development in 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 to 8) and in the strategic report (pages 9 to 25) and is incorporated in this report by reference.

RESULTS AND DIVIDEND

Details of the profit for the year are given in the consolidated income statement on page 46.

An interim dividend of 2.25p (2015 - 2.25p) per share was paid on 4 November 2016 and a special dividend of 5.00p (2015 nil) per share was paid on 17 August 2016. The board recommends a final dividend of 12.75p (2015 - 6.50p) per share. This dividend will be paid on or after 23 June 2017 to those shareholders on the register at the close of business on 21 April 2017. This final dividend is not provided for in the 2016 financial statements.

SHARE CAPITAL

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

	SHARES OF 10P EACH
Issued (fully-paid and voting) capital at 1 January 2016	**55,700,444**
Shares issued in lieu of a cash dividend 18 June 2016	39,275
Issued (fully-paid and voting) capital at 31 December 2016	**55,739,719**

DIRECTORS AND DIRECTORS' INTERESTS

The present membership of the board is detailed on page 33. The directors shown on page 33 served throughout the year with the exception of Bruce Tozer who was appointed on 10 June 2016, and Matthew Coulson who was appointed subsequent to the year end on 1 February 2017. In addition, Derek Shaw served as a director throughout 2016 and retired from the board on 31 January 2017. Richard Robinow, Jock Green-Armytage and Philip Fletcher will retire from the board at the forthcoming annual general meeting in accordance with the articles of association and, being eligible, will offer themselves for re-election. Matthew Coulson will retire from the board and present himself for election at the forthcoming annual general meeting.

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

	BENEFICIAL	OPTIONS
AT 31 DECEMBER 2016		
P E Hadsley-Chaplin	**1,561,717**	—
T R J Price	—	**275,000**
P A Fletcher	**1,128,171**	—
J M Green-Armytage	—	—
R M Robinow	**96,147**	—
J D Shaw	**333,065**	—
B C J Tozer		—
AT 1 JANUARY 2016		
P E Hadsley-Chaplin	1,561,717	—
T R J Price	—	250,000
P A Fletcher	1,128,171	—
J M Green-Armytage	—	—
R M Robinow	96,147	—
J D Shaw	353,065	—
B C J Tozer (on appointment)	—	—

Board of directors

1 Peter E Hadsley-Chaplin
2 Tristan R J Price
3 Matthew H Coulson
4 Jock M Green-Armytage
5 Richard M Robinow
6 Philip A Fletcher
7 Bruce C J Tozer

1 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. 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.

2 Tristan R J Price, MA MSc FCA CHIEF EXECUTIVE
Appointed a director in 2010, chief executive in June 2016. Previously worked as a senior civil servant in the UK Diplomatic Service, as an economist at the Organisation for Economic Co-operation and Development (OECD) and at the Treuhandanstalt (East German privatisation agency). Qualified as a Chartered Accountant with Coopers & Lybrand.

3 Matthew H Coulson, BA FCA FINANCE DIRECTOR
Appointed a director in 2017. Joined the Group as Chief Finance Officer in 2016 with previous experience as an audit director of Deloitte LLP, including work on companies in the agricultural sector and in their technical policy team.

4 Jock M 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.

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

6 Philip A Fletcher, FCA NON-EXECUTIVE DIRECTOR
Retired as managing director in June 2016, having been appointed 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. Member of the audit committee.

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

REPORT OF THE **DIRECTORS** CONTINUED

Further details of the directors' interests in share options are disclosed in the report of the board to the shareholders on directors' remuneration, on pages 42 and 43.

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 2016 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:-

	NATURE	SHARES	%
Aberdeen Asset Managers Limited	Indirect	8,942,650	16.14
KL-Kepong International Ltd	Direct	6,231,850	11.25
Alcatel Bell Pensioenfonds VZW	Direct	5,750,000	10.38
JP Morgan Asset Management Holdings Inc	Direct	2,819,546	5.09
M M Hadsley-Chaplin	Direct	1,928,254	3.48
Montanaro Asset Management Limited	Direct	1,705,000	3.08

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 £1,846,564 which represents one third 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 £276,985, 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 2018 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 2018 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 5,539,691 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 2018 or, if earlier, the date of the Company's next annual general meeting.

OUTSTANDING OPTIONS TO SUBSCRIBE

As at the date of this report there were options to subscribe for 375,000 shares outstanding under the executive share-option schemes. If all of the options were exercised, the resulting number of shares would represent (a) 0.67% of the enlarged issued share capital at that date; and (b) 0.75% 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 2016 amounted to 45 days (2015 - 42 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 72 and 73.

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 Company financial statement in accordance with United Kingdom Generally-Accepted Accounting Practices (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101") and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group 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;

Inspecting fertilizer stores

REPORT OF THE **DIRECTORS** CONTINUED

- state whether IFRSs as adopted by the European Union and applicable United Kingdom accounting standards, including FRS101, have been followed, subject to any material departures disclosed and explained in the Group's and Company's financial statements respectively;
- 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 the Group and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, article 4 of the IAS Regulation. 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.

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

GOING CONCERN

The board's conclusions on adopting the going-concern basis for preparing the financial statements are set out in the report on corporate governance on page 39 and are incorporated in this report by reference.

POST-BALANCE-SHEET EVENTS

Following the end of the year, on 17 March 2017, the Group completed the sale of its 36.84% interest in PT Agro Muko. Total sale proceeds were US$99.8 million, and the Group recorded a profit on disposal of US$66.4 million.

Additionally, since the end of the year, the Company has instigated a share buyback programme. Up to the date of this report, 362,807 of the Company's 10p shares have been repurchased and cancelled for a total cost of £2.6 million.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

Katya Merrick
Company secretary

13 April 2017

CORPORATE **GOVERNANCE**

The board recognises the importance of a sound system of corporate governance and internal control, and the board 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 page 33. The board comprises an executive chairman, two further executive directors and four non-executive directors, one of whom chairs the audit and remuneration committees.

During the year and since the year end there have been a number of changes to the composition of the board and, whilst for some of 2016 the board comprised two executives and five non-executives, the board is now made up of three executive directors and four non-executives. The maximum number of directors permitted under the articles of association is eight.

This structure is designed to ensure that there is a clear balance of responsibilities between the executive and the non-executive functions. 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 13 full board meetings held in 2016, with the exception of Richard Robinow who was unable to attend the meetings on 8 September 2016 and 25 October 2016. Each executive director, and non-executive director with less than nine years' tenure, retires and must seek re-election at least every three years. Non-executive directors who have served on the board continuously for a period of nine years or more will offer themselves for re-election at each year's annual general meeting.

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 executive directors who are responsible for the day-to-day management of the business. All major and strategic decisions of the Company are made in the United Kingdom. The executive and non-executive directors 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), 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 board has access to independent professional advice at the Group's expense when the board deems it necessary in order for them to carry out their responsibilities. Currently, the board retains Peel Hunt LLP as the Company's nominated adviser. NM Rothschild & Sons provided financial advice on the offer made for the Company by Kuala Lumpur Kepong Berhad during the autumn of 2016. The board additionally receives advice from independent professionals on legal matters, corporate public relations, taxation and the valuation of the Group's property assets.

INDEPENDENCE AND RE-ELECTION OF LONG-SERVING DIRECTORS

During the year the board has sought to maintain a balance of executive and non-executive directors. A description of the roles and responsibilities of the directors is set out on page 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). More than half of the directors are non executive, out of whom Richard Robinow has served for more than nine years, as had Derek Shaw before his retirement from the board on 31 January 2017. The board considers that Richard Robinow and Jock Green-Armytage have valuable experience in the palm-oil industry. Bruce Tozer brings experience in commodity finance and environmental markets, and agri-business project finance including palm oil to complement the existing skill set of the board. The board is confident that each of these directors 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 Richard Robinow, Bruce Tozer and

CORPORATE **GOVERNANCE** CONTINUED

Jock Green-Armytage are independent and that the Group should continue to benefit from their experience and knowledge. The board acknowledges that Philip Fletcher, who was formerly managing director, and has also served for more than nine years, is not independent but takes the view that the Group is well served by Mr Fletcher in a non-executive role, due to his in-depth knowledge of the Group and the sector.

DIRECTORS' REMUNERATION AND APPOINTMENT

As set out in the report on page 42 the remuneration of the executive directors is determined by the remuneration committee whilst that of the non executives is determined by the whole board. The committee, which during the course of 2016 comprised Jock Green-Armytage, Richard Robinow and Derek Shaw, met three times and all meetings were attended by all members of the committee. Following the resignation of Derek Shaw from the committee on 31 January 2017, the board has appointed Bruce Tozer to the remuneration committee.

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

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:

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 22 to 25.

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; and
- exchange-rate fluctuation

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.

www.mpevans.co.uk/mpevans/en/investors/reports and

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.

Going concern and viability

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

At the year end, the Group held net funds of US$75.3 million and, following the completion of the disposal of its interest in Agro Muko in March 2017, a further US$99.8 million was received. Budgets and forecasts have taken this into account, whilst also incorporating the Group's plans for the further development of its Indonesian operations, as discussed in the strategic report.

Principal areas of risk, and their mitigation, are included in the section on risk management on pages 22 to 25. As noted, whilst legislative changes in Indonesia could adversely impact on the viability of the Group in its current form, the board monitors the situation carefully and considers the risk to be low. Financially, the main risk to the Group's results is commodity-price fluctuation, and as was seen during 2015 and 2016, the Group is able to continue delivering returns even during periods of lower CPO prices.

The Group's prospects remain sound, in particular given the young average age of its palms, at 7½ years. An upward trend in crop is expected to last well into the next decade. Given these prospects and the resources available to the Group, the board intends at least to maintain, if not increase, normal dividends in future years from their 2016 levels.

In light of the above, the board has concluded that the Group is expected to be able to continue in operational existence for the foreseeable future, and for this reason the board has concluded that the going-concern basis is appropriate in preparing the financial statements. Furthermore, the board has not identified any significant concerns regarding the Group's longer-term viability.

AUDIT COMMITTEE

The audit committee is formally constituted with written terms of reference (which are available on the Company's website www.mpevans.co.uk) and is chaired by Jock Green-Armytage; the other members are Richard Robinow, and Derek Shaw (who resigned on 31 January 2017). All served throughout the year. The executive directors are not members of the committee but can be invited to attend its meetings. Following the resignation of Derek Shaw the board has appointed Philip Fletcher and Bruce Tozer to the audit committee. 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 2016 and each meeting was attended by all of the members with the exception of the meeting held on 8 September 2016 which Richard Robinow was unable to attend. The external auditors attended two of the meetings.

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

During the year the audit committee has:-

- reviewed the Group's external financial reporting, including receiving a report from the external auditors on the audit work they have performed;
- reviewed the effectiveness of the Group's internal controls, including a review of the main findings of the internal-audit team in Indonesia;
- considered the ongoing appropriateness of the Group's accounting policies;
- assessed key accounting judgements made during the year, notably the recognition of significant disposal transactions;
- considered and approved the Group's risk analysis; 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.

CORPORATE **GOVERNANCE** CONTINUED

Auditors

The auditors were first appointed, following a tender exercise, in 2009. The audit partner changes every five years in accordance with professional and regulatory standards in order to protect independence and objectivity, with Tim McAllister the audit partner for the 2016 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 2016 results. The external auditors have provided only audit services, other than some tax advice in the UK, Malaysia and Australia. Accordingly, the board does not consider there to be a risk that the provision of non-audit services may compromise the external auditors' independence.

To assess the effectiveness of the auditors, the committee reviewed their fulfilment of the agreed audit plan and variations from it, and the 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 estimations made, and the key judgements applied in determining a fair value for growing produce in accordance with IAS41. The committee concluded that depreciated historical cost should continue to be used and that for internal reporting and decision-making f.f.b. should be recognised at harvest. For the purposes of statutory reporting, taking into account the advice of its auditor regarding interpretation of IAS41, the Group applies a policy of including an estimated valuation of partly formed f.f.b. prior to harvest; and
- the timing of recognition of disposal transactions in the year. The committee considered the disposal of NAPCo as part of the Group's 2016 interim reporting, and the disposal of Agro Muko as part of the Group's 2016 annual reporting. For Agro Muko, the committee concluded that due to the sale conditions remaining to be satisfied at the end of the year, the disposal should not be recognised in 2016.

After reviewing 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 for both the amounts reported and relevant disclosures. The committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

Estate houses in Kalimantan

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 to the board. The committee comprises Jock Green-Armytage, Richard Robinow and Bruce Tozer, and is chaired by Jock Green-Armytage.

SERVICE CONTRACTS

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

BOARD AND PERFORMANCE 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 does not feel that a formal appraisal process is currently appropriate but will continue to review this position.

SUCCESSION PLANNING

The chairman maintains a strong individual relationship with all the directors and any changes to the board are managed collaboratively and with minimal cost and disruption to the Group. Philip Fletcher stood down as managing director at the annual general meeting in 2016 and was appointed as a non-executive director. Tristan Price became chief executive on the same date. Matthew Coulson was appointed as chief financial officer in 2016, and has been appointed as finance director in 2017. These appointments ensure continuity of knowledge within the Group and facilitate a comprehensive handover process. 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.

TOTAL DIRECTORS' REMUNERATION

The total amount of directors' remuneration for the year ended 31 December 2016 was as follows:-

	SALARY AND FEES £	BONUS: PAID £	BONUS: DEFERRED INTO SHARES £	BENEFITS IN KIND £	SALARY IN LIEU OF PENSION £	PENSION COSTS £	TOTAL REMUNERATION 2016 £	*TOTAL REMUNERATION 2015 £*
Executive directors								
P E Hadsley-Chaplin	165,600	82,800	—	27,768	25,466	—	301,634	246,654
P A Fletcher	127,175	45,900	—	19,621	19,557	—	212,253	406,893
T R J Price	245,222	122,600	122,600	27,540	17,484	10,781	546,227	295,484
	537,997	**251,300**	**122,600**	**74,929**	**62,507**	**10,781**	**1,060,114**	**949,031**
Non-executive directors								
R M Robinow	31,000	5,000	—	—	—	—	36,000	30,000
J D Shaw	44,500	15,000	—	—	—	—	59,500	43,000
J M Green-Armytage	36,200	5,000	—	—	—	—	41,200	35,000
P A Fletcher	17,222	5,000	—	—	—	—	22,222	—
B C J Tozer	17,284	5,000	—	—	—	—	22,284	—
	146,206	**35,000**	**—**	**—**	**—**	**—**	**181,206**	**108,000**
Total	**684,203**	**286,300**	**122,600**	**74,929**	**62,507**	**10,781**	**1,241,320**	**1,057,031**

1. The pension costs for Mr T R J Price are the contributions made by the Company to a Company-sponsored Self-Invested Personal Pension ("SIPP").
2. The information for Mr P A Fletcher has been split to show separately his remuneration as an executive and non-executive director.
3. The bonuses awarded to members of the board for 2016 reflect the additional work undertaken by them as a result of the unsuccessful unsolicited offer by KLK, and in the case of Derek Shaw in recognition of his additional contribution in relation to the sale of the Group's interest in NAPCo.
4. In line with Group remuneration policy, described below, half of Mr T R J Price's 2016 bonus is payable in cash with the balance deferred into an award of fully-paid shares of equal value which vest after three years subject to continued employment by the Group.

REPORT OF THE BOARD TO THE SHAREHOLDERS ON DIRECTORS' **REMUNERATION** CONTINUED

REMUNERATION POLICY

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

The remuneration committee does not intend to award any further market-price share options under the schemes established in 2001 and 2012 (see 'Long-term incentive scheme' and 'Executive share-option schemes' below).

LONG-TERM INCENTIVE SCHEME

As noted above, the remuneration committee does not intend to grant any further share options under the scheme established in 2012. It now aims to provide senior staff, year-on-year, with a limited number of fully-paid shares which vest after three years subject to continued employment by the Group. These have the advantage of being substantially less dilutive than market-priced share options whilst continuing to provide an adequate level of incentive to the recipient. Executive directors will participate in the deferred-bonus policy described above.

The new long-term incentive scheme will govern the grant of both deferred-bonus awards to executive directors and annual awards of fully-paid shares to senior staff other than directors. No additional performance criteria will attach to the deferred-bonus awards since the original bonus will have been performance related; and no performance criteria will attach to the senior-staff awards.

EXECUTIVE DIRECTORS

When determining the remuneration of the executive directors, the remuneration committee considers the pay and conditions across the Group, particularly those of the senior management of the operations in Indonesia. The Group aims to provide remuneration packages for the directors and senior management which are a fair reward for their contribution to the business, having regard to the complexity of the Group's operations and the need to attract, retain and motivate high-quality senior management. Remuneration packages are designed to be broadly comparable with those offered by similar businesses so, in reaching its decisions, the remuneration committee reviews remuneration data for other European plantation and AIM-listed companies.

Non-pensionable bonuses may be awarded annually in arrears at the discretion of the committee, taking account of the Group's performance during the period and other targeted objectives. Bonuses do not exceed twelve months' salary, half payable in cash and half deferred into an award of fully-paid shares which vest three years after their grant subject to continued employment by the Group (as described above).

NON-EXECUTIVE DIRECTORS

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

EXECUTIVE SHARE-OPTION SCHEMES

The chief executive is a member 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 scheme established in 2001. As at 31 December 2016, options over 275,000 (2015 – 250,000) shares granted to him remain outstanding. These were granted between 16 November 2007 and 13 June 2016. During the year, no options (2015 none) were exercised and none (2015 none) lapsed.

No performance criteria are attached to the options and no options are held by the non-executive directors. However, options which have been granted under the

2001 and 2012 schemes give the executive director the right to purchase shares on a future date at the market price of the shares on the date that the options are granted. As such, the value of any option is closely tied to the performance of the Group as reflected in its share price. These options are of zero value if the share price on the exercise date is lower than or equal to the share price on the date that the options were granted.

At 31 December 2016 the middle-market quotation for the Company's shares, as derived from the London Stock Exchange Daily Official List, was 635.25p, as compared with the high and low quotations for the year of 700p and 371.75p respectively.

Details of the options held over shares of the Company by the executive directors during the year ended 31 December 2016 are set out in the table below:-

Number of shares under option

	BALANCE AT 1 JANUARY 2016	GRANTED IN THE YEAR	BALANCE AT 31 DECEMBER 2016	EXERCISE PRICE	DATE OF OF GRANT	DATE FROM WHICH NORMALLY EXERCISABLE	EXPIRY DATE
T R J Price	*75,000	—	75,000	385.00p	16 Nov 07	16 Nov 10	16 Nov 17
	*75,000	—	75,000	159.50p	24 Nov 08	24 Nov 11	24 Nov 18
	50,000	—	50,000	483.21p	19 Jun 12	19 Jun 15	19 Jun 22
	5,750	—	5,750	520.00p	17 Jan 13	17 Jan 16	17 Jan 23
	44,250	—	44,250	510.00p	17 Jan 13	17 Jan 16	17 Jan 23
	—	25,000	25,000	410.50p	13 Jun 16	13 Jun 19	13 Jun 26
Total	250,000	25,000	275,000				

* Held at appointment on 1 January 2010

PENSIONS

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

Approved by the board of directors and signed on its behalf

Katya Merrick
Company secretary

13 April 2017

INDEPENDENT **AUDITORS' 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 2016 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

The financial statements, included within the annual report, comprise:-

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash-flow statement 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 IFRSs adopted by the European Union, and applicable law.

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, based on the work undertaken in the course of the audit:

- the information given in the strategic report and report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the strategic report and the report of the directors. We have nothing to report in this respect.

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

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. With respect to the strategic report and report of the directors, we consider whether those reports include the disclosures required by applicable legal requirements.

OTHER MATTER

We have reported separately on the parent-Company financial statements of M.P.Evans Group PLC for the year ended 31 December 2016.

Timothy McAllister (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

13 April 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	NOTE	2016 US$'000	2015* US$'000
Continuing operations			
Revenue		**83,864**	72,528
Cost of sales		**(59,480)**	(57,469)
Gross profit		**24,384**	15,059
Gain/(loss) on biological assets		**683**	(232)
Foreign-exchange losses		**(658)**	(5,320)
Other administrative expenses		**(4,931)**	(2,768)
Other income		**258**	380
Operating profit		**19,736**	7,119
Finance income	6	**868**	894
Finance costs	7	**(1,389)**	(1,244)
Group-controlled profit before tax	8	**19,215**	6,769
Tax on profit on ordinary activities	9	**(7,547)**	(2,401)
Group-controlled profit after tax		**11,668**	4,368
Share of associated companies' profit after tax	15	**4,763**	3,449
Profit for the year on continuing operations		**16,431**	7,817
Profit for the year from discontinued operations	11	**18,823**	17,578
Profit for the year		**35,254**	25,395
Attributable to:			
Owners of M.P.Evans Group PLC		**31,273**	24,084
Non-controlling interests	29	**3,981**	1,311
		35,254	25,395
		US cents	US cents
Continuing operations			
Basic earnings per 10p share	12	**22.3**	11.7
Diluted earnings per 10p share	12	**22.3**	11.7
Continuing and discontinued operations			
Basic earnings per 10p share	12	**56.1**	43.4
Diluted earnings per 10p share	12	**56.0**	43.3

* Restated for discontinued operations - see note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 US$'000	2015 US$'000
Other comprehensive income		
Items that may be reclassified to the income statement		
Exchange loss on translation of foreign operations	**(221)**	(10,402)
Release of deferred profit on sale of land	**(291)**	(263)
Items that will not be reclassified to the income statement		
Other comprehensive income	**12**	232
Other comprehensive expense for the year	**(500)**	(10,433)
Profit for the year	**35,254**	25,395
Total comprehensive income	**34,754**	14,962
Attributable to:		
Owners of M.P.Evans Group PLC	**30,771**	13,630
Non-controlling interests	**3,983**	1,332
	34,754	14,962

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	NOTE	2016 US$'000	2015* US$'000
Non-current assets			
Goodwill	13	**1,157**	1,157
Property, plant and equipment	14	**201,789**	185,902
Investments in associates	15	**18,392**	97,586
Investments	16	**66**	78
Deferred-tax asset	24	**15,386**	17,076
Trade and other receivables	19	**2,889**	—
		239,679	301,799
Current assets			
Biological assets	17	**1,576**	893
Inventories	18	**13,436**	8,000
Trade and other receivables	19	**19,026**	18,316
Current-tax asset		**3,440**	3,155
Current-asset investments	20	**14,262**	18,403
Cash and cash equivalents	20	**91,405**	25,811
Assets classified as held for sale	11	**31,751**	—
		174,896	74,578
Total assets		**414,575**	376,377
Current liabilities			
Borrowings	22	**9,519**	13,453
Trade and other payables	21	**19,232**	15,209
Current-tax liability		**14,590**	2,206
		43,341	30,868
Net current assets		**131,555**	43,710
Non-current liabilities			
Borrowings	22	**20,810**	19,222
Deferred-tax liability	24	**526**	429
Retirement-benefit obligations	25	**5,675**	4,233
		27,011	23,884
Total liabilities		**70,352**	54,752
Net assets		**344,223**	321,625
Equity			
Share capital	26	**9,366**	9,360
Other reserves	28	**49,669**	76,226
Retained earnings	28	**261,964**	214,423
Equity attributable to the owners of M.P.Evans Group PLC		**320,999**	300,009
Non-controlling interests	29	**23,224**	21,616
Total equity		**344,223**	321,625

* Restated for current-asset investments - see note 20.

The financial statements on pages 46 to 73 were approved by the board of directors on 13 April 2017 and signed on its behalf by

Tristan R J Price
Chief executive

Matthew H Coulson
Finance director

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the year ended 31 December 2016

	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		**—**	**4,763**	**26,510**	**31,273**	**3,981**	**35,254**
Disposal of associate		**—**	**(24,506)**	**24,506**	**—**	**—**	**—**
Other comprehensive (expense)/income for the year		**—**	**(683)**	**181**	**(502)**	**2**	**(500)**
Total comprehensive (expense)/income for the year		**—**	**(20,426)**	**51,197**	**30,771**	**3,983**	**34,754**
Issue of share capital	*26*	**6**	**225**	**—**	**231**	**—**	**231**
Dividends	*10,15,29*	**—**	**(6,377)**	**(3,656)**	**(10,033)**	**(2,375)**	**(12,408)**
Credit to equity for equity-settled share-based payments	*27*	**—**	**21**	**—**	**21**	**—**	**21**
Transactions with owners		**6**	**(6,131)**	**(3,656)**	**(9,781)**	**(2,375)**	**(12,156)**
At 1 January 2016		**9,360**	**76,226**	**214,423**	**300,009**	**21,616**	**321,625**
At 31 December 2016		**9,366**	**49,669**	**261,964**	**320,999**	**23,224**	**344,223**
Profit for the year		—	19,531	4,553	24,084	1,311	25,395
Other comprehensive (expense)/income for the year		—	(7,312)	(3,142)	(10,454)	21	(10,433)
Total comprehensive income for the year		—	12,219	1,411	13,630	1,332	14,962
Issue of share capital	*26*	58	2,308	—	2,366	—	2,366
Dividends	*10,15*	—	(7,637)	63	(7,574)	—	(7,574)
Credit to equity for equity-settled share-based payments	*27*	—	78	—	78	—	78
Transactions with owners		58	(5,251)	63	(5,130)	—	(5,130)
At 1 January 2015		9,302	69,258	212,949	291,509	20,284	311,793
At 31 December 2015		9,360	76,226	214,423	300,009	21,616	321,625

CONSOLIDATED
CASH-FLOW STATEMENT

For the year ended 31 December 2016

	NOTE	2016 US$'000	2015* US$'000
Net cash generated by operating activities	30	**22,888**	20,231
Investing activities			
Purchase of property, plant and equipment	14	**(26,847)**	(28,419)
Interest received	6	**868**	894
Proceeds on disposal of property, plant and equipment		**155**	21,127
Disposal of associated undertaking	11	**79,720**	—
Net cash generated/(used) by investing activities		**53,896**	(6,398)
Financing activities			
New borrowings		**11,486**	18,571
Repayment of borrowings		**(14,073)**	(30,449)
Decrease in bank deposits treated as current-asset investments		**4,141**	1,666
Dividends paid to Company shareholders		**(9,802)**	(5,208)
Dividends paid to non-controlling interest		**(2,375)**	—
Net cash used by financing activities		**(10,623)**	(15,420)
Net increase/(decrease) in cash and cash equivalents		**66,161**	(1,587)
Cash and cash equivalents at 1 January		**25,811**	27,973
Effect of foreign-exchange rates on cash and cash equivalents		**(567)**	(575)
Cash and cash equivalents at 31 December	20	**91,405**	25,811

* Restated for current-asset investments - see note 20.

NOTES
TO THE CONSOLIDATED ACCOUNTS
For the year ended 31 December 2016

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 are set out in note 4 and in the strategic report on pages 9 to 25. 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.

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the year. M.P.Evans Group PLC reported a loss of US$6,979,000 for the financial year ended 31 December 2016 (2015 profit of US$57,958,000). The Company's separate financial statements are set out on pages 76 to 81.

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; The Singapore Para Rubber Estates, Limited; Bertam UK Limited; Bertam Consolidated Rubber Company Limited; and Sungkai Holdings Limited. Details of all subsidiary companies are shown on page 82.

NOTE 2 Adoption of new and revised accounting standards

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

i) There have been a number of amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that have become effective for the first time during the year ended 31 December 2016. However, whilst the Group has assessed each of them, none of the following standards have had a material impact on the Group's results or financial position.

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

Amendments to IAS 1 *Disclosure Initiative*

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to IAS 27 *Equity Method in Separate Financial Statements*

Annual Improvements to IFRSs 2012-2014 Cycle

ii) In addition to the above, the amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* became mandatory for the Group during the year ended 31 December 2016. However, the Group had chosen to adopt these changes early, and incorporated their effect in the consolidated accounts for the year ended 31 December 2015.

(b) **New standards, amendments and interpretations issued but not effective for the year beginning 1 January 2016 and not adopted early**

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

IFRS 9 *Financial instruments*

IFRS 15 *Revenue from contracts with customers*

IFRS 16 *Leases*

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

IAS 7 (amendments) *Disclosure initiative*

IAS 12 (amendments) *Recognition of deferred tax assets for unrealised losses*

IFRS 10 and IAS 28 (amendments) *Sale or contribution of assets between an investor and its associate or joint venture*

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

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's financial statements therefore comply with the AIM rules.

(b) **Going concern**

The financial statements have been prepared on a going-concern basis. The directors have conducted a review of projected cash flows from operations, investing and financing, concluding that the Group has sufficient projected funds to carry on its business and its planned investment programme in the medium term. Furthermore, the Group has control over its main cash expenditure, investment in its new estates and mills, which it can manage according to the resources available. Further details are given in the corporate governance section on page 39.

(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 or associated companies acquired or disposed of during the year are included in the consolidated income statement from or up to the effective point of 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.

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

(d) **Revenue**

Revenue represents the value of crops 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) **Exceptional items**

Exceptional items are those items of a significant, non-recurring nature which the directors have concluded require separate disclosure to aid a full understanding of the Group's financial performance.

(f) **Retirement benefits**

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

(g) **Share-based payments**

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

NOTE 3 *continued*

Accounting policies CONTINUED

(h) **Goodwill**

On acquisition of shares in subsidiary companies or associated undertakings, the directors compare the fair value of the consideration given for the shares with the fair value of the 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.

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

(i) **Biological assets**

For internal reporting and decision making, the Group's policy is to recognise f.f.b. at the point of harvest. For the purposes of statutory reporting, taking into account advice from the Group's auditor on the interpretation of IAS 41, the Group's policy is to include an estimate of the value of f.f.b. prior to harvest as a biological asset in the Group's financial statements (see note 17). The valuation falls into the IFRS category 'Level 3', since sales of f.f.b. prior to harvest are never transacted. This policy will be kept under review.

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.

(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, including directly-attributable borrowing costs. Leasehold land in Indonesia is held on 25 or 30-year leases and is not depreciated as the leases can be renewed without significant cost. Perpetual-leasehold land in Malaysia is classified as freehold land, which is not depreciated. Oil-palm plantings are recognised at cost and depreciated, once they reach maturity, over 20 years.

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

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

The Group follows transitional arrangements made available under IFRS1 'First-time Adoption of International Financial Reporting Standards'. The fair value of Indonesian leases (HGU or 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 information for the year ended 31 December 2016. 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) **Assets held for sale**

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

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

NOTE 3 *continued* Accounting policies CONTINUED

(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 if it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is not provided on initial recognition of goodwill.

The Group recognises deferred-tax liabilities arising from taxable temporary differences on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and 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.

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

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

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

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

(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 property-development sector is the local currency. Where relevant, results of all Group companies are translated for the purposes of consolidation into the Group's presentation currency, the US Dollar. The monetary assets and liabilities of the Group's foreign operations are translated at exchange rates on the balance-sheet date. Items in the income statement are translated at the average exchange rate for the period.

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

NOTE 3 *continued*

Accounting policies CONTINUED

(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 of directors.

(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

Oil palms are harvested continuously, and so at any given time each individual palm will be at a different point in its production cycle depending on its age, innate productivity, past production, rainfall, terrain, climate and husbandry. It is not feasible to undertake a census of each individual palm: the Group's own operations contain upward of three million palms. Even if it were possible to conduct a census, there is no accepted method within the industry for gauging the time until harvest of an observable growing bunch. Hence it is impossible to measure directly the volume of growing f.f.b..

An alternative to direct measurement is to estimate the volume of growing f.f.b. indirectly. This can be done by attributing an assumed percentage of full ripeness at the measurement date to crop actually harvested in future months. This necessitates further assumptions about percentage ripeness. Female flowers that become f.f.b. appear some 22 months prior to harvest, though bunches become visible only some five to six months prior to harvesting. By assumption, a decreasing percentage can be applied to future crop to synthesise an assumed volume of growing bunches at the measurement date.

The Group has previously investigated a range of different assumptions for indirectly estimating a valuation for its growing f.f.b., leading to a very wide range of estimates. Given this wide range, and the different defensible methodologies, the Group continues to exclude f.f.b. prior to harvest from internal reporting and decision-making. For both these purposes f.f.b are recognised at the point of harvest.

The Group's auditors have a different interpretation to that of the board regarding f.f.b. prior to harvest, and on their advice that reliable measurement constitutes an ability to construct an estimation methodology capable of being applied consistently from year to year, albeit there is no one self-evidently correct methodology and that different defensible methodologies will give widely differing answers, the Group's policy for statutory reporting is to include an estimate of f.f.b. prior to harvest in its financial statements. This estimate is based on the assumption that 'measurable' value in f.f.b. is related to oil content, which accrues exponentially in the four weeks prior to harvest (see note 17).

(ii) Disposal of Agro Muko

The Group entered into an agreement to sell its shareholding in Agro Muko in December 2016 (see note 11). The directors have reviewed the sale contract, and concluded that, as a result of there being conditions within the sale contract that were not satisfied at the end of the year, the transaction should not be recorded until post year end. However, the directors also judged it highly probable that the sale would be completed within six months of the year end date. As a result, the Group's share of the net assets and goodwill associated with Agro Muko have been reclassified in the year end balance sheet as an asset classified as held for sale, and the Group's share of Agro Muko's results included within discontinued operations.

(iii) 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).

(iv) 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 24.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

NOTE 4

Segment information

The Group's reportable segments follow the areas of activity set out in the strategic report. These are distinguished by location and product: palm oil plantation crops in Indonesia and property development in Malaysia.

	PLANTATION INDONESIA US$'000	PROPERTY MALAYSIA US$'000	OTHER US$'000	TOTAL US$'000
2016				
Continuing operations				
Revenue	83,742	—	122	*83,864
Gross profit/(loss)	24,415	—	(31)	24,384
Gain on biological assets	683	—	—	683
Foreign-exchange gain/(loss)	744	—	(1,402)	(658)
Other administrative expenses	(236)	—	(4,695)	(4,931)
Other income	252	—	6	258
Operating profit				19,736
Finance income	699	—	169	868
Finance costs	(638)	—	(751)	(1,389)
Group-controlled profit before tax				19,215
Tax	(6,959)	—	(588)	(7,547)
Group-controlled profit after tax				11,668
Share of associated companies' profit after tax	986	3,777	—	4,763
Profit for the year from continuing operations				16,431
Profit for the year from discontinued operations				18,823
Profit for the year				35,254
Consolidated total assets				
Assets	315,665	—	80,518	396,183
Investments in associates	2,292	16,100	—	18,392
	317,957	16,100	80,518	414,575
Consolidated total liabilities				
Liabilities	26,475	—	43,877	70,352
Other information				
Additions to property, plant and equipment	26,824	—	23	26,847
Depreciation	10,800	—	52	10,852
Retirement-benefit obligations	1,521	—	—	1,521

* US$12.4 million of revenue (14.8%) was from sales of CPO to one customer.

NOTE 4 *continued*

Segment information CONTINUED

	PLANTATION INDONESIA *US$'000*	PROPERTY MALAYSIA *US$'000*	OTHER *US$'000*	TOTAL *US$'000*
2015 (restated - see note 11)				
Continuing operations				
Revenue	72,381	—	147	*72,528
Gross profit/(loss)	15,084	—	(25)	15,059
Loss on biological assets	(232)	—	—	(232)
Foreign-exchange loss	(5,311)	—	(9)	(5,320)
Other administrative gains/(expenses)	289	—	(3,057)	(2,768)
Other income	373	—	7	380
Operating profit				7,119
Finance income	863	—	31	894
Finance costs	(788)	—	(456)	(1,244)
Group-controlled profit before tax				6,769
Tax	(1,260)	—	(1,141)	(2,401)
Group-controlled profit after tax				4,368
Share of associated companies' profit after tax	699	2,750	—	3,449
Profit for the year from continuing operations				7,817
Profit for the year from discontinued operations				17,578
Profit for the year				25,395
Consolidated total assets				
Assets	263,621	—	15,170	278,791
Investments in associates	30,352	15,070	52,164	97,586
	293,973	15,070	67,334	376,377
Consolidated total liabilities				
Liabilities	31,917	—	22,835	54,752
Other information				
Additions to property, plant and equipment	28,126	—	293	28,419
Depreciation	9,594	—	275	9,869
Retirement-benefit obligations	1,016	—	—	1,016

*US$34.5 million of revenue (47.6%) was from sales of CPO to four customers (14.2%, 12.0%, 10.8% and 10.6% respectively).

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

NOTE 5 Employees

	2016 US$'000	2015 US$'000
Employee costs during the year		
Wages and salaries	**12,402**	11,743
Social-security costs	**1,641**	1,405
Current-service cost of retirement benefit (see note 25)	**1,153**	942
Other pension costs	**135**	130
Share-based-payment charge	**21**	78
	15,352	14,298

	NUMBER	NUMBER
Average monthly number of persons employed (including executive directors)		
Estate manual	**4,302**	3,404
Local management	**68**	72
United Kingdom head office	**7**	7
	4,377	3,483

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 to 43 and form part of these audited financial statements.

NOTE 6 Finance income

	2016 US$'000	2015 US$'000
Interest receivable on bank deposits	**868**	894

NOTE 7 Finance costs

	2016 US$'000	2015 US$'000
Interest payable on bank loans and overdrafts	**1,389**	1,244

NOTE 8 Group-controlled profit before tax

	2016 US$'000	2015 US$'000
Profit before tax is stated after charging		
Depreciation of property, plant and equipment	**10,852**	9,869
Costs associated with response to KLK offer	**2,000**	—
Auditors' remuneration	**486**	452
Employee costs (note 5)	**15,352**	14,298
The analysis of auditors' remuneration is as follows:-		
Fees payable to the Company's auditor and their associates for services to the Group*		
Audit of UK parent Company	**20**	20
Audit of consolidated financial statements	**134**	94
Audit of overseas subsidiaries	**191**	186
Total audit services	**345**	300
Taxation advisory services	**110**	106
Other services	**2**	3
Total non-audit services	**112**	109

* In addition to the above, fees of US$29,000 (2015 US$43,000) were payable to other firms for the audit of subsidiary companies.

NOTE 9 Tax on profit on ordinary activities

	2016 US$'000	2015 US$'000
United Kingdom corporation tax charge for the year	**121**	480
Relief for overseas taxation	**(121)**	(480)
	—	—
Overseas taxation	**5,159**	7,001
Adjustments in respect of prior years	**4**	26
Total current tax	**5,163**	7,027
Deferred taxation – origination and reversal of temporary differences (see note 24)	**2,384**	(4,626)
	7,547	2,401

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax, was 20% (2015 – 20.25%). The standard rate of Indonesian tax was 25% for the current year (2015 – 25%). The actual tax charge is higher than the standard rate for the reasons set out in the following reconciliation:-

	2016 US$'000	2015 US$'000
Profit on ordinary activities before tax	**19,215**	6,769
Tax on profit on ordinary activities at the standard rate	**3,843**	1,371
Factors affecting the charge for the year		
Profits taxed at higher standard tax rate	**1,204**	251
Unrealised Indonesian exchange differences not included in Group profit	**1,179**	(1,600)
Withholding tax on overseas dividends and interest	**464**	635
Adjustment relating to intercompany loan relationships	**1,327**	—
Utilisation of losses brought forward	**(814)**	(46)
Unrelieved losses	**727**	1,677
Other differences	**(383)**	113
Total tax charge	**7,547**	2,401

NOTE 10 Dividends paid and proposed

	2016 US$'000	2015 US$'000
2016 interim dividend – 2.25p per 10p share (2015 interim dividend – 2.25p)	**1,528**	1,928
2016 special dividend – 5.00p per 10p share (2015 nil)	**3,653**	—
2015 final dividend – 6.50p per 10p share (2014 final dividend – 6.50p)	**4,852**	5,646
	10,033	7,574

Following the year end, the board has proposed a final dividend for 2016 of 12.75p per 10p share, amounting to US$8.8 million. The dividend will be paid on or after 23 June 2017 to those shareholders on the register at the close of business on 21 April 2017. In addition, following the year end, the board has declared and paid a special dividend of 10.00p per 10p share upon completion of the disposal of the Group's investment in PT Agro Muko (see notes 11 and 34).

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

NOTE 11 Discontinued operations

i. On 6 December 2016, the Group entered into a contract for the sale of its 36.84% shareholding in PT Agro Muko. At 31 December 2016, whilst shareholder approval for the sale had been received, the transaction remained subject to Indonesian regulatory approval. This was received after the end of the year and the transaction completed on 17 March 2017 as disclosed in note 34, at which point the profit on disposal was recorded. At 31 December 2016, the investment in PT Agro Muko was reclassified from investments in associates (note 15). As a result US$31,751,000 was included under assets held for sale in the consolidated balance sheet and the profits arising shown within discontinued operations.

ii. On 6 May 2016, the Group entered into a contract for the sale of its 34.37% interest in NAPCo. The transaction formally completed with receipt of proceeds of US$79,720,000 on 21 July 2016. Results from NAPCo, along with the profit arising on disposal, have been included in discontinued operations.

iii. In the prior year, the Group completed the sale of its wholly-owned cattle property in Australia, Woodlands. Results from Woodlands were reported within discontinued operations.

The financial information relating to the discontinued operations referred to above is as follows:

	WOODLANDS *US$'000*	NAPCO *US$'000*	AGRO MUKO *US$'000*	TOTAL *US$'000*
2016				
Share of associated companies' profit	—	4,312	7,129	11,441
Profit on disposal of discontinued operations	—	21,184	—	21,184
Attributable tax expense	—	(13,802)	—	(13,802)
Net profit from discontinued operations	—	11,694	7,129	18,823
2015				
Revenue	11,259	—	—	11,259
Expenses	(9,355)	—	—	(9,355)
Profit before income tax	1,904	—	—	1,904
Share of associated companies' profit	—	10,977	5,105	16,082
Loss on disposal of discontinued operations	(408)	—	—	(408)
Net profit from discontinued operations	1,496	10,977	5,105	17,578

During the year, the discontinued operations contributed US$3,684,000 (2015 US$1,904,000) to operating cash flows, contributed US$nil (2015 US$20,862,000) to investing cash flows, and contributed US$nil (2015 paid US$16,058,000) to financing activities.

NOTE 12 Basic and diluted earnings per share

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

	2016 US$'000	2016 NUMBER OF SHARES	2015 US$'000	2015 NUMBER OF SHARES
Profit for the year attributable to the owners of M.P.Evans Group PLC	**31,273**		24,084	
Average number of shares in issue		**55,721,155**		55,501,745
Diluted average number of shares in issue*		**55,799,844**		55,557,477

* 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.

	2016 US CENTS	2015 US CENTS
Basic earnings per share		
From continuing operations attributable to equity holders of the company	**22.3**	11.7
From discontinued operations	**33.8**	31.7
Total basic earnings per share attributable to equity holders of the company	**56.1**	43.4
Diluted earnings per share		
From continuing operations attributable to equity holders of the company	**22.3**	11.7
From discontinued operations	**33.7**	31.6
Total diluted earnings per share attributable to equity holders of the company	**56.0**	43.3

NOTE 13 Goodwill

	2016 US$'000	2015 US$'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.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

NOTE 14 Property, plant and equipment

	FREEHOLD LAND US$'000	LEASEHOLD LAND US$'000	*PLANTING US$'000	BUILDINGS US$'000	PLANT, EQUIPMENT & VEHICLES US$'000	CON-STRUCTION IN PROGRESS US$'000	TOTAL US$'000
Cost or valuation							
At 1 January 2016	—	33,753	101,376	53,115	32,684	13,713	234,641
Additions	—	4,820	11,522	21	1,520	8,964	26,847
Re-classification	—	—	—	9,521	9,351	(18,872)	—
Exchange differences	—	(9)	—	(7)	(2)	—	(18)
Disposals	—	—	(290)	(172)	(580)	—	(1,042)
At 31 December 2016	—	38,564	112,608	62,478	42,973	3,805	260,428
Accumulated depreciation							
At 1 January 2016	—	233	17,818	12,673	18,015	—	48,739
Charge for the year	—	17	4,453	3,179	3,203	—	10,852
Exchange differences	—	—	—	(7)	(3)	—	(10)
Disposals	—	—	(280)	(158)	(504)	—	(942)
At 31 December 2016	—	250	21,991	15,687	20,711	—	58,639
Net book value at 31 December 2016	—	38,314	90,617	46,791	22,262	3,805	201,789
Cost or valuation							
At 1 January 2015	24,087	30,773	93,493	52,803	34,300	2,813	238,269
Additions	151	3,024	8,121	451	1,861	14,811	28,419
Re-classification	—	—	—	3,911	—	(3,911)	—
Exchange differences	(2,234)	(44)	—	(456)	(283)	—	(3,017)
Disposals	(22,004)	—	(238)	(3,594)	(3,194)	—	(29,030)
At 31 December 2015	—	33,753	101,376	53,115	32,684	13,713	234,641
Accumulated depreciation							
At 1 January 2015	3,682	215	13,892	10,866	18,030	—	46,685
Charge for the year	—	18	4,122	2,910	2,819	—	9,869
Exchange differences	—	—	—	(128)	(231)	—	(359)
Disposals	(3,682)	—	(196)	(975)	(2,603)	—	(7,456)
At 31 December 2015	—	233	17,818	12,673	18,015	—	48,739
Net book value at 31 December 2015	—	33,520	83,558	40,442	14,669	13,713	185,902
Net book value at 1 January 2015	20,405	30,558	79,601	41,937	16,270	2,813	191,584

* Included in planting is immature planting of US$21,823,000 (2015 US$17,379,000) which is not depreciated.

As at 31 December 2016, the Group had entered into contractual commitments for the acquisition of property, plant and equipment of US$907,000 (2015 US$9,108,000).

Depreciation is charged to cost of sales, other than US$42,000 (2015 US$45,000) charged to other administrative expenses.

NOTE 15 Investments in associates

Details of the Group's subsidiary and associated undertakings are given on page 82. The Group's associated companies are all unlisted.

	SHARE OF NET ASSETS 2016 *US$'000*	SHARE OF NET ASSETS 2015 *US$'000*
Share of net assets		
At 1 January	**96,585**	93,332
Exchange differences	**366**	(8,641)
Profit for the year	**4,763**	3,449
Profit from discontinued associates (note 11)	**11,441**	16,082
Dividends received	**(6,376)**	(7,637)
Reclassified as held for sale	**(31,016)**	—
Disposals	**(57,371)**	—
At 31 December	**18,392**	96,585
Goodwill		
At 1 January	**1,001**	1,001
Reclassified as held for sale	**(735)**	—
Disposals	**(266)**	—
At 31 December	**—**	1,001
Carrying value		
At 31 December	**18,392**	97,586

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

	KERASAAN *US$'000*	BERTAM PROPERTIES *US$'000*	TOTAL *US$'000*
2016 (Total)			
Revenue	**7,018**	**38,380**	
Profit after tax	**2,595**	**9,442**	
Non-current assets	**4,666**	**18,430**	
Current assets	**2,795**	**35,707**	
Current liabilities	**(966)**	**(9,957)**	
Non-current liabilities	**(463)**	**(3,930)**	
Net assets	**6,032**	**40,250**	
2016 (Group share)	**(38.00%)**	**(40.00%)**	
Revenue	**2,667**	**15,352**	**18,019**
Profit after tax	**986**	**3,777**	**4,763**
Non-current assets	**1,773**	**7,372**	**9,145**
Current assets	**1,062**	**14,283**	**15,345**
Current liabilities	**(367)**	**(3,983)**	**(4,350)**
Non-current liabilities	**(176)**	**(1,572)**	**(1,748)**
Carrying value at 31 December	**2,292**	**16,100**	**18,392**

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

NOTE 15 *continued* INVESTMENTS IN ASSOCIATES CONTINUED

	AGRO MUKO *US$'000*	KERASAAN *US$'000*	NAPCO *US$'000*	BERTAM PROPERTIES *US$'000*	TOTAL *US$'000*
2015 (Total)					
Revenue	50,597	5,868	98,138	30,522	
Profit after tax	13,857	1,839	31,938	6,875	
Non-current assets	61,778	4,368	245,755	20,595	
Current assets	25,046	2,245	44,094	35,105	
Current liabilities	(6,403)	(755)	(9,700)	(13,865)	
Non-current liabilities	(5,643)	(413)	(129,150)	(4,160)	
Net assets	74,778	5,445	150,999	37,675	
2015 (Group share restated*)	**(36.84%)**	**(38.00%)**	**(34.37%)**	**(40.00%)**	
Revenue	—	2,230	—	12,209	14,439
Profit after tax	—	699	—	2,750	3,449
Non-current assets	22,759	1,660	84,466	8,238	117,123
Current assets	9,227	853	15,155	14,042	39,277
Current liabilities	(2,359)	(287)	(3,334)	(5,546)	(11,526)
Non-current liabilities	(2,079)	(157)	(44,389)	(1,664)	(48,289)
Net assets	27,548	2,069	51,898	15,070	96,585
Goodwill	735	—	266	—	1,001
Carrying value at 31 December	28,283	2,069	52,164	15,070	97,586

* Revenue and profit has been excluded for Agro Muko and NAPCo as the Group's share of profits arising from these companies has been restated to discontinued operations (note 11).

NOTE 16 Investments

	2016 *US$'000*	2015 *US$'000*
Other available-for-sale financial investments (unlisted)		
At 1 January	**78**	96
Provision for diminution	**(9)**	—
Exchange differences	**(3)**	(18)
At 31 December	**66**	78

The directors have reviewed the fair value of the Group's available-for-sale investments (categorised as level 3 in the fair value hierarchy) and concluded that their realisable market value equals their carrying value.

NOTE 17 Current biological assets

	2016 *US$'000*	2015 *US$'000*
F.f.b. prior to harvest	**1,576**	893

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

The chosen valuation methodology determines the value presented for f.f.b. prior to harvest; different defensible valuation methods will give widely differing answers (see note 3r(i)). Changes to the assumed tonnage will have a directly equivalent proportional effect on the reported valuation.

NOTE 18 Inventories

	2016 US$'000	2015 US$'000
Processed produce for sale	**5,223**	3,701
Estate stores	**6,743**	2,846
Nurseries	**1,470**	1,453
	13,436	8,000

NOTE 19 Trade and other receivables

	2016 US$'000	2015 US$'000
Current assets		
Trade receivables	**379**	687
Receivable from smallholder co-operatives	**15,499**	14,913
Other receivables	**2,431**	1,461
Prepayments and accrued income	**717**	1,255
	19,026	18,316
Non-current assets		
Receivable from smallholder co-operatives	**2,889**	—
Trade and other receivables analysed by currency of receivable:		
Indonesian Rupiah	**21,662**	17,187
US Dollar	**—**	865
Sterling	**252**	158
Australian Dollar	**—**	98
Malaysian Ringgit	**1**	8
	21,915	18,316

Sales of palm oil are made for cash payment in advance of delivery. The Group makes full provision against invoices outstanding for more than 30 days. At 31 December 2016 there was no provision for impairment of trade receivables (2015 US$nil). The directors consider the carrying amount of trade and other receivables approximates their fair value.

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

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

	2016 US$'000	2015 US$'000
Immature areas - allocated	**6,967**	6,023
Mature areas	**8,532**	8,890
Current asset	**15,499**	14,913
Non-current asset – immature areas – not allocated	**2,889**	—
	18,388	14,913

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

NOTE 20 Cash and other liquid resources

	2016 US$'000	2015 US$'000
Cash and cash equivalents	**91,405**	25,811
Current-asset investments	**14,262**	18,403
	105,667	44,214

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Current-asset investments are bank deposits with a maturity of twelve months or less, which have been pledged as security against bank loans. In the 2015 annual report, these amounts were incorrectly included in cash and cash equivalents, and have been reclassified to aid comparability with current year information.

The carrying value of these assets approximates their fair value.

NOTE 21 Trade and other payables

	2016 US$'000	2015 US$'000
Trade payables	**9,328**	8,963
Amounts owed to associated undertakings	**16**	27
Other payables	**9,888**	6,219
	19,232	15,209

The average credit period taken for trade purchases is 45 days (2015 – 42 days). The Group has processes in place to ensure payables are settled within the agreed terms.

NOTE 22 Borrowings

	2016 US$'000	2015 US$'000
Secured borrowing at amortised cost		
Bank loans	**30,329**	32,675
Total borrowings		
Amount due for settlement within 12 months	**9,519**	13,453
Due for settlement in one to two years	**11,402**	8,956
Due for settlement in two to five years	**9,408**	10,266
Amount due for settlement after 12 months	**20,810**	19,222
	30,329	32,675

Bank loans from lenders in Malaysia are secured on the assets of Bertam Estate. Bank loans in Indonesia are secured against certain assets within subsidiary companies, comprising land titles, fixed assets, inventory and cash balances.

Analysis of borrowings by currency:

	US DOLLARS US$'000	INDONESIAN RUPIAH US$'000	AUSTRALIAN DOLLARS US$'000	TOTAL US$'000
31 December 2016				
Bank loans	**26,347**	**3,982**	**—**	**30,329**
31 December 2015				
Bank loans	29,104	—	3,571	32,675

NOTE 22 *continued* BORROWINGS CONTINUED

Facilities drawn and repaid during the year

Two revolving credit facilities, one of US$5 million, and one of A$5 million (approximately US$3.8 million) were repaid during the year. Two new term loans were fully drawn, one of US$7.5 million, and one of IDR53.5 billion (approximately US$4 million).

Undrawn borrowing facilities

At 31 December 2016, the Group had an available revolving credit facility of US$5 million (2015 no undrawn facilities).

Interest rates

The weighted-average interest rate paid during the year on bank loans was 4.1% (2015 – 4.1%).

NOTE 23 Maturity of financial liabilities

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

	0-1 YEAR *US$'000*	1-2 YEARS *US$'000*	2-5 YEARS *US$'000*
2016			
Trade and other payables	**19,216**	**—**	**—**
Amounts owed to associated undertakings	**16**	**—**	**—**
Bank loans	**9,836**	**11,802**	**9,712**
	29,068	**11,802**	**9,712**
2015			
Trade and other payables	15,182	—	—
Amounts owed to associated undertakings	27	—	—
Bank loans	14,024	9,408	10,749
	29,233	9,408	10,749

NOTE 24 Deferred tax

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

	ACCELERATED TAX DEPRECIATION *US$'000*	RETIREMENT-BENEFIT OBLIGATIONS *US$'000*	OTHER TIMING DIFFERENCES *US$'000*	TOTAL *US$'000*
At 1 January 2016	**(3,950)**	**1,058**	**19,539**	**16,647**
Credit/(charge) to income statement	**825**	**336**	**(3,545)**	**(2,384)**
Exchange differences	**(111)**	**24**	**684**	**597**
At 31 December 2016	**(3,236)**	**1,418**	**16,678**	**14,860**
At 1 January 2015	(3,776)	883	16,830	13,937
(Charge)/credit to income statement	(562)	269	4,919	4,626
Exchange differences	388	(94)	(2,210)	(1,916)
At 31 December 2015	(3,950)	1,058	19,539	16,647

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

NOTE 24 *continued* DEFERRED TAX CONTINUED

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

	2016 US$'000	2015 US$'000
To be recovered after more than 12 months:		
Deferred-tax assets	**15,386**	17,076
Deferred-tax liabilities	**(526)**	(429)
	14,860	16,647

At the balance-sheet date, the Group had unused tax losses of US$86,299,000 (2015 US$97,760,000) available for offset against future profits. A deferred-tax asset has been recognised in respect of US$66,708,000 (2015 US$78,059,000) of such losses. No deferred-tax asset has been recognised in respect of the remaining US$19,591,000 (2015 US$19,701,000) due to the unpredictability of future profit streams and due to the time limit on utilisation of tax losses in Indonesia.

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$383,453,000 (2015 US$269,806,000). 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$40,766,000 (2015 US$79,566,000). 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$1,285,000 (2015 US$304,000). No asset has been recognised in respect of these differences due to the unpredictability of future profit streams.

NOTE 25 Retirement-benefit obligations

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

	2016 %	2015 %
The main assumptions used to assess the Group's liabilities are:		
Discount rate	**8.00**	9.00
Salary increase per annum	**8.00**	8.00

	2016 US$'000	2015 US$'000
Reconciliation of scheme liabilities:		
Current-service cost	**1,153**	942
Past-service cost	**—**	86
Interest cost	**389**	300
Actuarial loss	**(21)**	(312)
	1,521	1,016
Less: Benefits paid out	**(179)**	(145)
Movement in the year	**1,342**	871
At 1 January	**4,233**	3,765
Exchange differences	**100**	(403)
At 31 December	**5,675**	4,233

NOTE 26 Share capital

	AUTHORISED *NUMBER*	ALLOTTED, FULLY PAID AND VOTING *NUMBER*	AUTHORISED *£'000*	ALLOTTED FULLY PAID AND VOTING *US$'000*
At 1 January 2016	**87,000,000**	**55,700,444**	**8,700**	**9,360**
Issued during the year	**—**	**39,275**	**—**	**6**
At 31 December 2016	**87,000,000**	**55,739,719**	**8,700**	**9,366**
At 1 January 2015	87,000,000	55,327,395	8,700	9,302
Issued during the year	—	373,049	—	58
At 31 December 2015	87,000,000	55,700,444	8,700	9,360

During the year, 39,275 (2015 – 373,049) 10p shares were issued to shareholders who elected to take scrip in lieu of cash dividends.

NOTE 27 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:-

	2016 NUMBER OF SHARE OPTIONS	2016 WEIGHTED-AVERAGE EXERCISE PRICE (IN BRITISH PENCE)	2015 NUMBER OF SHARE OPTIONS	2015 WEIGHTED-AVERAGE EXERCISE PRICE (IN BRITISH PENCE)
At 1 January	**370,000**	**355.1**	350,000	375.4
Granted during the year	**25,000**	**410.5**	20,000	412.5
At 31 December	**395,000**	**379.5**	370,000	355.1
Exercisable at the end of the year	**350,000**	**375.4**	280,000	343.7

No options were exercised in 2016, nor in 2015. The options outstanding at 31 December 2016 had a weighted-average remaining contractual life of 4.1 years and exercise prices in the range 159.5p to 483.2p. The Group recognised total expenses of US$21,000 related to equity-settled share based payments (2015 US$78,000). Details of the directors' share options are set out in the report of the board to the shareholders on directors' remuneration on pages 42 and 43.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

NOTE 28 Reserves

	SHARE-PREMIUM ACCOUNT US$'000	REVALU-ATION RESERVE* US$'000	CAPITAL-REDEMPTION RESERVE US$'000	MERGER RESERVE US$'000	SHARE-OPTION RESERVE US$'000	SHARE OF ASSOCIATES' RESERVES US$'000	FOREIGN-EXCHANGE RESERVE US$'000	TOTAL US$'000	RETAINED EARNINGS US$'000
At 1 January 2016	**30,503**	**2,499**	**4,087**	**766**	**526**	**36,775**	**1,070**	**76,226**	**214,423**
Exchange differences	**—**	**(6)**	**—**	**—**	**—**	**616**	**(1,003)**	**(393)**	**172**
Release of deferred profit on sale of land	**—**	**(291)**	**—**	**—**	**—**	**—**	**—**	**(291)**	**—**
Retirement-benefit obligations	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**10**
Disposal of associate	**—**	**—**	**—**	**—**	**—**	**(24,506)**	**—**	**(24,506)**	**24,506**
Issue of shares	**225**	**—**	**—**	**—**	**—**	**—**	**—**	**225**	**—**
Share-based payments	**—**	**—**	**—**	**—**	**21**	**—**	**—**	**21**	**—**
Dividends from associates	**—**	**—**	**—**	**—**	**—**	**(6,376)**	**—**	**(6,376)**	**6,376**
Profit for the financial year	**—**	**—**	**—**	**—**	**—**	**4,763**	**—**	**4,763**	**26,510**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(10,033)**
At 31 December 2016	**30,728**	**2,202**	**4,087**	**766**	**547**	**11,272**	**67**	**49,669**	**261,964**
At 1 January 2015	28,195	2,792	4,087	766	448	32,259	711	69,258	212,949
Exchange differences	—	(30)	—	—	—	(7,378)	359	(7,049)	(3,353)
Release of deferred profit on sale of land	—	(263)	—	—	—	—	—	(263)	—
Retirement-benefit obligations	—	—	—	—	—	—	—	—	211
Issue of shares	2,308	—	—	—	—	—	—	2,308	—
Share-based payments	—	—	—	—	78	—	—	78	—
Dividends from associates	—	—	—	—	—	(7,637)	—	(7,637)	7,637
Profit for the financial year	—	—	—	—	—	19,531	—	19,531	4,553
Dividends paid	—	—	—	—	—	—	—	—	(7,574)
At 31 December 2015	30,503	2,499	4,087	766	526	36,775	1,070	76,226	214,423

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

NOTE 29 Non-controlling interests

	2016 US$'000	2015 US$'000
At 1 January	**21,616**	20,284
Share of profit in the year	**3,981**	1,311
Dividends paid	**(2,375)**	—
Share of retirement-benefit credit charged to other comprehensive income	**2**	21
At 31 December	**23,224**	21,616

NOTE 30

Note to the consolidated cash-flow statement

	2016 US$'000	2015 US$'000
Operating profit	**19,736**	7,119
Biological gain	**(684)**	(4,346)
Disposal of property, plant and equipment	**(55)**	438
Release of deferred profit	**(291)**	(263)
Depreciation of property, plant and equipment	**10,852**	9,869
Impairment of investment	**9**	—
Retirement-benefit obligations	**1,352**	871
Share-based payments	**21**	78
Discontinued operations	**—**	1,496
Dividends from associated companies	**6,376**	7,637
Operating cash flows before movements in working capital	**37,316**	22,899
(Increase)/decrease in inventories	**(5,435)**	7,399
Increase in receivables	**(3,599)**	(5,228)
Increase in payables	**3,057**	2,676
Cash generated by operating activities	**31,339**	27,746
Income tax paid	**(7,062)**	(6,271)
Interest paid	**(1,389)**	(1,244)
Net cash generated by operating activities	**22,888**	20,231

NOTE 31

Analysis of movements in net funds

	CASH AND CASH EQUIVALENTS US$'000	CURRENT ASSET INVESTMENTS US$'000	BORROWINGS DUE WITHIN ONE YEAR US$'000	BORROWINGS DUE AFTER ONE YEAR US$'000	TOTAL US$'000
At January 2016	**25,811**	**18,403**	**(13,453)**	**(19,222)**	**11,539**
Net increase in cash and cash equivalents	**66,161**	**—**	**—**	**—**	**66,161**
New borrowings	**—**	**—**	**—**	**(11,486)**	**(11,486)**
Repayment of borrowings	**—**	**—**	**14,073**	**—**	**14,073**
Change in deposits	**—**	**(4,141)**	**—**	**—**	**(4,141)**
Reclassification	**—**	**—**	**(9,893)**	**9,893**	**—**
Foreign-exchange movements	**(567)**	**—**	**(246)**	**5**	**(808)**
At 31 December 2016	**91,405**	**14,262**	**(9,519)**	**(20,810)**	**75,338**
At 1 January 2015	27,973	20,069	(32,424)	(14,103)	1,515
Net decrease in cash and cash equivalents	(1,587)	—	—	—	(1,587)
New borrowings	—	—	—	(18,571)	(18,571)
Repayment of borrowings	—	—	30,449	—	30,449
Change in deposits	—	(1,666)	—	—	(1,666)
Reclassification	—	—	(13,451)	13,451	—
Foreign-exchange movements	(575)	—	1,973	1	1,399
At 31 December 2015	25,811	18,403	(13,453)	(19,222)	11,539

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

NOTE 32

Financial instruments

Capital-risk management

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

The Group's board continues to monitor the capital structure based on the funding requirements of the Group. At the balance-sheet date the Group had net funds of US$75,338,000 (2015 US$11,539,000) and equity attributable to the owners of the parent Company of US$320,999,000 (2015 US$300,009,000). The board intends to fund its continuing Indonesian expansion by a combination of the Group's cash and other liquid resources, securing debt finance, and considering the sale of further non-core assets where appropriate.

Categories of financial instruments

All of the Group's financial assets (other than cash and other liquid resources) are classified as loans and receivables, with the exception of its other investments shown in note 16 which are classified as 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 majority of the Group's main risks arising from the Group's financial instruments are foreign-currency, interest-rate, credit and liquidity. The board reviews and agrees the policies for managing these risks. The policies and the impact of these risks on the Group's balance sheet at the end of the financial year are summarised below.

Foreign-currency risk

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

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

	2016 *US$'000*	2015 *US$'000*
US Dollar	**60,420**	31,374
Indonesian Rupiah	**21,090**	9,856
Australian Dollar	**15,223**	2,051
Sterling	**8,253**	400
Malaysian Ringgit	**681**	533
	105,667	44,214

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

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 sensitivity arises in respect of movements in the Malaysian Ringgit. Management estimates that a 10% weakening of the US Dollar against the Malaysian Ringgit would have the following impact on the result and net assets of its Malaysian investments:-

	2016 *US$'000*	2015 *US$'000*
Result for the year	**402**	287
Net assets	**1,846**	1,941

NOTE 32 *continued* FINANCIAL INSTRUMENTS CONTINUED

Interest-rate risk

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

Credit risk

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

Liquidity risk

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

NOTE 33 Related-party transactions

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out in the report of the board to the shareholders on directors' remuneration on page 41. The directors' participation in the executive share-option scheme is disclosed on page 43.

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

NOTE 34 Post-balance-sheet events

Following the end of the year, on 17 March 2017, the Group completed the sale of its 36.84% interest in PT Agro Muko. Total sale proceeds were US$99.8 million, and the Group recorded a profit on disposal of US$66.4 million.

Additionally, since the end of the year, the Company has instigated a share buyback programme. Up to the date of this report, 362,807 of the Company's 10p shares have been repurchased and cancelled for a total cost of £2.6 million.

INDEPENDENT **AUDITORS' 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 ("financial statements"):

- give a true and fair view of the state of the parent-Company's affairs as at 31 December 2016;
- 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

The financial statements, included within the annual report, comprise:-

- the parent-Company balance sheet as at 31 December 2016;
- the parent-Company statement of changes in equity for the year ended 31 December 2016; 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 United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (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, based on the work undertaken in the course of the audit:

- the information given in the strategic report and report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the parent-Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the strategic report and the report of the directors. We have nothing to report in this respect.

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

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. With respect to the strategic report and report of the directors, we consider whether those reports include the disclosures required by applicable legal requirements.

OTHER MATTER

We have reported separately on the Group financial statements of M.P.Evans Group PLC for the year ended 31 December 2016.

Timothy McAllister (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

13 April 2017

PARENT-COMPANY BALANCE SHEET

As at 31 December 2016

	NOTE	2016 US$'000	2015 US$'000
Non-current assets			
Property, plant and equipment	iv	**907**	934
Investments in subsidiaries	v	**31,494**	31,494
		32,401	32,428
Current assets			
Trade and other receivables	vi	**137,722**	161,772
Cash and cash equivalents		**964**	434
		138,686	162,206
Total assets		**171,087**	194,634
Current liabilities			
Trade and other payables	vii	**41,687**	46,025
Net current assets		**96,999**	116,181
Non-current liabilities			
Borrowings		**7,347**	9,796
Total liabilities		**49,034**	55,821
Net assets		**122,053**	138,813
Equity			
Share capital	viii	**9,366**	9,360
Other reserves	ix	**36,605**	36,359
Retained earnings	ix	**76,082**	93,094
Total equity	x	**122,053**	138,813

The financial statements of pages 76 to 81 were approved by the board of directors on 13 April 2017 and signed on its behalf by

Tristan R J Price
Chief executive

Matthew H Coulson
Finance director

PARENT-COMPANY
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	SHARE CAPITAL *US$'000*	OTHER RESERVES *US$'000*	RETAINED EARNINGS *US$'000*	TOTAL *US$'000*
Loss for the year	**—**	**—**	**(6,979)**	**(6,979)**
Total comprehensive expense for the year	**—**	**—**	**(6,979)**	**(6,979)**
Issue of share capital	**6**	**225**	**—**	**231**
Dividends	**—**	**—**	**(10,033)**	**(10,033)**
Credit to equity for equity-settled share-based payments	**—**	**21**	**—**	**21**
Transactions with owners	**6**	**246**	**(10,033)**	**(9,781)**
At 1 January 2016	**9,360**	**36,359**	**93,094**	**138,813**
At 31 December 2016	**9,366**	**36,605**	**76,082**	**122,053**
Profit for the year	—	—	57,958	57,958
Total comprehensive income for the year	—	—	57,958	57,958
Issue of share capital	58	2,308	—	2,366
Dividends	—	—	(7,574)	(7,574)
Credit to equity for equity-settled share-based payments	—	78	—	78
Transactions with owners	58	2,386	(7,574)	(5,130)
At 1 January 2015	9,302	33,973	42,710	85,985
At 31 December 2015	9,360	36,359	93,094	138,813

NOTES
TO THE PARENT-COMPANY ACCOUNTS
For the year ended 31 December 2016

NOTE i

Significant accounting policies

Basis of accounting

The financial statements of the Company are presented as required by the Companies Act 2006. The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared on a going concern basis under the historical cost convention, in accordance with applicable accounting standards in the United Kingdom.

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

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

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

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

Cash-flow statement

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

Property, plant and equipment

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

Investments in subsidiaries

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

Trade and other receivables

These represent amounts due from Group companies in the normal course of business, are repayable on demand, unsecured and are not interest bearing. These are measured at amortised cost.

Cash and cash equivalent

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

Trade and other payables

These are measured at amortised cost.

NOTE ii

Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. M.P.Evans Group PLC reported a loss for the year ended 31 December 2016 of US$6,979,000 (2015 profit US$57,958,000).

The auditors' remuneration for audit services was US$20,000 (2015 US$20,000).

NOTE iii

Employees

	2016 *US$'000*	2015 *US$'000*
Employee costs during the year		
Wages and salaries	**1,795**	1,678
Social-security costs	**267**	231
Pension costs	**65**	76
Shared-based payments	**21**	78
	2,148	2,063

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 2016 and 2015.

	NUMBER	*NUMBER*
Average monthly number of persons employed		
Staff	**5**	4
Directors	**2**	3
	7	7

NOTE iv

Property, plant and equipment

	LAND AND BUILDINGS *US$'000*	PLANT, EQUIPMENT & VEHICLES *US$'000*	TOTAL *US$'000*
Cost			
At 1 January 2016	**834**	**257**	**1,091**
Additions	**—**	**23**	**23**
Disposals	**—**	**(44)**	**(44)**
At 31 December 2016	**834**	**236**	**1,070**
Accumulated depreciation			
At 1 January 2016	**—**	**157**	**157**
Charge for the year	**—**	**42**	**42**
Disposals	**—**	**(36)**	**(36)**
At 31 December 2016	**—**	**163**	**163**
Net book value at 31 December 2016	**834**	**73**	**907**
Net book value at 31 December 2015	834	100	934

NOTES TO THE PARENT-COMPANY ACCOUNTS CONTINUED

NOTE v Investments in subsidiaries

	US$'000
Subsidiary undertakings	
At 1 January and 31 December 2016	**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

Holdings are all of ordinary shares. The directors believe the carrying value of investments is supported by their underlying net assets. Details of all subsidiary companies are shown on page 82.

NOTE vi Trade and other receivables

	2016 US$'000	2015 US$'000
Amounts owed by subsidiary undertakings	**137,471**	161,613
Other debtors	**121**	31
Prepayments and accrued income	**130**	128
	137,722	161,772

NOTE vii Trade and other payables

	2016 US$'000	2015 US$'000
Amounts owed to subsidiary undertakings	**36,273**	36,308
Borrowings	**2,449**	8,775
Other creditors	**2,965**	942
	41,687	46,025

NOTE viii Called-up share capital

See note 26 to the consolidated financial statements on page 69.

NOTE ix

Reserves

	SHARE-PREMIUM ACCOUNT US$'000	CAPITAL-REDEMPTION RESERVE US$'000	MERGER RESERVE US$'000	OTHER RESERVES US$'000	TOTAL US$'000	RETAINED EARNINGS US$'000
At 1 January 2016	30,503	3,896	1,434	526	36,359	93,094
Issue of shares	225	—	—	—	225	—
Share-based payments	—	—	—	21	21	—
Loss for the financial year	—	—	—	—	—	(6,979)
Dividends*	—	—	—	—	—	(10,033)
At 31 December 2016	**30,728**	**3,896**	**1,434**	**547**	**36,605**	**76,082**

* See note 10 to the consolidated financial statements.

NOTE x

Reconciliation of movement in shareholders' funds

	2016 US$'000	2015 US$'000
(Loss)/profit for the financial year	**(6,979)**	57,958
Dividends	**(10,033)**	(7,574)
	(17,012)	50,384
Issue of shares	**231**	2,366
Share-based payments	**21**	78
Net increase in shareholders' funds	**(16,760)**	52,828
At 1 January	**138,813**	85,985
At 31 December	**122,053**	138,813

NOTE xi

Post-balance-sheet events

Since the end of the year, the Company has instigated a share buyback programme. Up to the date of this report, 362,807 of the Company's 10p shares have been repurchased and cancelled for a total cost of £2.6 million.

SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

SUBSIDIARY UNDERTAKINGS

Details of the Group's subsidiary undertakings as at 31 December 2016 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 Plantido	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 agronomicand management-consultancy services
Gubbagunyah Partnership	100	Australia	Australia	Non-trading
Bertam Consolidated Rubber Company Limited	100	England & Wales	Malaysia	Property development and production of oil-palm f.f.b.
Bertam (U.K.) Limited	100	England & Wales	United Kingdom & Australia	Holding company
M. P. Evans & Co. Limited	100	England & Wales	United Kingdom	Holding company
Lendu Australia Pty. Ltd	100	Australia	Australia	Holding company
Sungkai Holdings Limited	100	England & Wales	United Kingdom	Holding company
Lendu (U.K.) Limited	100	England & Wales	United Kingdom	Dormant
Sungkai Estates Limited	100	England & Wales	United Kingdom	Dormant
Supara Investments Limited	100	England & Wales	United Kingdom	Dormant
The Singapore Para Rubber Estates, Limited	100	England & Wales	United Kingdom	Dormant

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 2016 are as follows:-

	ISSUED, FULLY-PAID SHARE CAPITAL	% HELD	COUNTRY OF INCORPORATION	COUNTRY OF OPERATION	FIELD OF ACTIVITY
Unlisted					
PT Agro Muko	Rp54,578.70m	36.84	Indonesia	Indonesia	Production of crude palm oil, palm kernels and rubber
PT Kerasaan Indonesia	Rp138.07m	38.00	Indonesia	Indonesia	Production of oil-palm f.f.b.
Bertam Properties Sdn. Berhad.	RM60.00m	40.00	Malaysia	Malaysia	Property development

ANALYSIS OF
INDONESIAN PLANTATION LAND AREAS

As at 31 December 2016

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

	OWNERSHIP %	MATURE HA	IMMATURE HA	TOTAL PLANTED HA	INFRA-STRUCTURE/ CONSERVATION AREAS HA	TOTAL[3] HA	CO-OPERATIVE SCHEMES PLANTED HA
Subsidiaries – oil palm							
Pangkatan	80.00	2,291	142	2,433	153	2,586	
Bilah	80.00	2,225	630	2,855	101	2,956	
Sennah	80.00	1,406	275	1,681	132	1,813	
Total Pangkatan group		**5,922**	**1,047**	**6,969**	**386**	**7,355**	
Simpang Kiri	80.00	1,767	611	2,378	173	2,551	
Total Sumatra		**7,689**	**1,658**	**9,347**	**559**	**9,906**	
East Kalimantan	95.00	9,321	1,131	10,452	4,775	15,227	4,475
Bangka	90.00	3,956	1,779	5,735	1,453	7,188	3,605
Musi Rawas	80.00	—	1,873	1,873	816	2,689	785
Total new projects		**13,277**	**4,783**	**18,060**	**7,044**	**25,104**	**8,865**
Total		**20,966**	**6,441**	**27,407**	**7,603**	**35,010**	**8,865**
Group share of subsidiaries' land		**18,567**	**5,500**	**24,067**	**6,944**	**31,011**	
Associates							
Agro Muko – oil palm	36.84	15,851	1,526	17,377	3,476	20,853	669
– rubber	36.84	1,127	595	1,722	378	2,100	—
		16,978	2,121	19,099	3,854	22,953	669
Kerasaan – oil palm	38.00	1,648	659	2,307	56	2,363	—
Total associates		**18,626**	**2,780**	**21,406**	**3,910**	**25,316**	**669**
Group share of associates' land		**6,881**	**1,031**	**7,912**	**1,441**	**9,353**	
Memorandum:							
Group share of subsidiaries' land and share of associates' land		**25,448**	**6,531**	**31,979**	**8,385**	**40,364**	
Subsidiaries' land and Group share of associates' land		**27,847**	**7,472**	**35,319**	**9,044**	**44,363**	

Notes:

1. The currently-estimated total plantable area for Group ownership is 10,600 hectares in East Kalimantan and 6,000 hectares on Bangka; for the co-operatives 4,500 hectares in East Kalimantan and 4,000 hectares on Bangka.
2. 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 it may be possible to plant 10,000 hectares, of which 7,000 hectares would relate to the Group and 3,000 hectares to the smallholders' co-operatives.
3. All of the Group's areas at Pangkatan, Bilah, Sennah and Simpang Kiri, totalling 9,906 hectares have HGUs. Similarly, all of the associates' areas at Agro Muko and Kerasaan, totalling 25,316 hectares, and of which the Group's share was 9,353 hectares at 31 December 2016, have HGUs. The Group's new projects at Kalimantan, Bangka and Musi Rawas are at various stages in process towards obtaining HGUs, and have the necessary operating and development licences. Since the year end, an HGU has been granted at the Kalimantan project for 8,683 hectares and at Bangka for 1,366 hectares.

ANALYSIS OF GROUP EQUITY VALUE

As at 31 December 2016

The information in the following table provides a directors' estimate of the Group equity value at 31 December 2016, and is based on an independent valuation of the Group's properties performed at the end of 2016.

	OWNERSHIP %	PLANTED AREA HA	TOTAL MARKET VALUE US$'000	MARKET VALUE PER PLANTED HECTARE US$	MARKET VALUE ATTRIBUTABLE TO GROUP US$'000
Subsidiaries – oil palm					
Pangkatan	80.00	2,433	43,100	17,700	34,480
Bilah	80.00	2,855	37,840	13,300	30,272
Sennah	80.00	1,681	27,550	16,400	22,040
Total Pangkatan group		**6,969**			**86,792**
Simpang Kiri	80.00	2,378	29,050	12,200	23,240
Total Sumatra		**9,347**			**110,032**
East Kalimantan	95.00	10,452	221,830	21,200	210,738
Bangka	90.00	5,735	103,274	18,000	92,947
Musi Rawas	80.00	1,873	27,900	14,900	22,320
Total new Indonesian projects - Group		**18,060**			**326,005**
East Kalimantan smallholders	95.00	4,475	23,670	5,300	22,486
Bangka smallholders	90.00	3,605	15,940	4,400	14,346
Musi Rawas smallholders	80.00	785	8,230	10,500	6,584
Total new Indonesian projects - smallholders		**8,865**			**43,416**
Associates					
Agro Muko[1]	36.84	19,099	n/a	13,100	99,769
Kerasaan	38.00	2,307	34,200	14,800	12,996
Total associates		**21,406**			**112,765**
Total Indonesia					**592,218**
Malaysian Property					
Bertam Estate	100.00	n/a	33,690	n/a	33,690
Bertam Properties	40.00	n/a	110,643	n/a	44,257
Total Malaysian Property					**77,947**
Net cash[2]					**75,338**
Other assets and liabilities[3]					**14,639**
Total equity value					**760,142**
Equity value (per share[4])					**£11.00**

Notes:
1. Agro Muko was not included in the independent valuation at 31 December 2016, and has been included at the amount received after the year end in respect of its disposal.
2. Net cash is taken as cash and other liquid resources less borrowings from the 31 December 2016 balance sheet.
3. Other assets and liabilities taken as net assets minus plantation and property-related assets, minus net cash from the 31 December 2016 balance sheet.
4. Amount per share calculated using the year end exchange rate and year end shares in issue (see note 26).

FIVE-YEAR SUMMARY

		2016 *TONNES*	2015 *TONNES*	2014 *TONNES*	2013 *TONNES*	2012 *TONNES*
Production						
Crude palm oil		**117,300**	102,200	95,000	82,900	75,400
Palm kernels		**24,400**	20,600	18,400	16,400	14,800
Crops						
Oil-palm fresh fruit bunches ("f.f.b.")						
Indonesian majority-owned estates		**399,300**	423,900	385,500	344,200	317,000
Indonesian associated company estates		**384,000**	382,100	386,900	387,000	408,600
		US$	*US$*	*US$*	*US$*	*US$*
Average sale prices						
Crude palm oil – Rotterdam c.i.f. per tonne		**700**	622	821	856	998
Exchange rates						
US$1 = Indonesian Rupiah	– average	**13,303**	13,390	11,864	10,449	9,355
	– year end	**13,473**	13,785	12,440	12,189	9,670
US$1 = Australian Dollar	– average	**1.35**	1.33	1.11	1.04	0.97
	– year end	**1.38**	1.37	1.22	1.12	0.96
US$1 = Malaysian Ringgit	– average	**4.14**	3.91	3.27	3.15	3.09
	– year end	**4.49**	4.29	3.50	3.28	3.06
£1 = US Dollar	– average	**1.35**	1.53	1.65	1.56	1.59
	– year end	**1.24**	1.47	1.56	1.66	1.63
		US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue		**83,864**	72,528	89,956	82,186	83,213
Gross profit		**24,384**	15,059	31,767	24,735	23,035
Group-controlled profit before tax		**19,215**	6,769	24,062	6,530	12,185
		US cents	*US cents*	*US cents*	*US cents*	*US cents*
Basic earnings per share		**56.1**	43.4	45.4	26.3	27.7
		PENCE	*PENCE*	*PENCE*	*PENCE*	*PENCE*
Dividend per share		**20.00**	8.75	8.75	8.25	8.00
		US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Equity attributable to the owners of M.P.Evans Group PLC		**320,999**	300,009	291,509	274,091	284,094
Net cash generated by operating activities		**22,888**	20,231	29,156	19,494	33,897

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of M.P.Evans Group PLC will be held at Tallow Chandlers' Hall, 4 Dowgate Hill, London EC4R 2SH on Friday 9 June 2017 at 12 noon for the following purposes:-

AS ORDINARY BUSINESS

		RESOLUTION ON FORM OF PROXY
1	To receive and consider the report of the directors and the audited consolidated financial statements for the year ended 31 December 2016.	No 1
2	To re-elect Richard Robinow as a director.	No 2
3	To re-elect Jock Green-Armytage as a director.	No 3
4	To re-elect Philip Fletcher as a director.	No 4
5	To elect Matthew Coulson as a director.	No 5
6	To declare a final dividend.	No 6
7	To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the directors to determine their remuneration.	No 7

AS SPECIAL BUSINESS

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

		RESOLUTION ON FORM OF PROXY
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 2018 and, for that period, the Section 551 Amount is £1,846,564.	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 2018 so that the directors are authorised to allot shares pursuant to article 7.3 of the Company's articles of association and to sell treasury shares for that period in an aggregate amount of up to £276,985 (the Section 561 Amount).	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 5,539,691 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 2018 whichever shall be the earlier save that the Company may, before the expiry of this authority, make a contract of purchase which will or may be executed wholly or partly after such expiry and may make a purchase of shares pursuant to any such contract.	No 10

By order of the board

Katya Merrick
Company Secretary

13 April 2017

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 7 June 2017 (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 7 June 2017 (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 13 April 2017, the Company's issued share capital consisted of 55,396,912 shares carrying one vote each. Therefore the total number of voting rights in the Company as at that date was 55,396,912.

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

7 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, but powers purported to be exercised by more than one authorised representative in respect of the same shares will be treated as not exercised.

8 Members who wish to communicate with the Company in relation to the meeting should do so by writing to the Registrars at The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. No other methods of communication will be accepted. In particular, no person may use any electronic address to communicate with the Company for any purposes other than those expressly stated in the relevant document.

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

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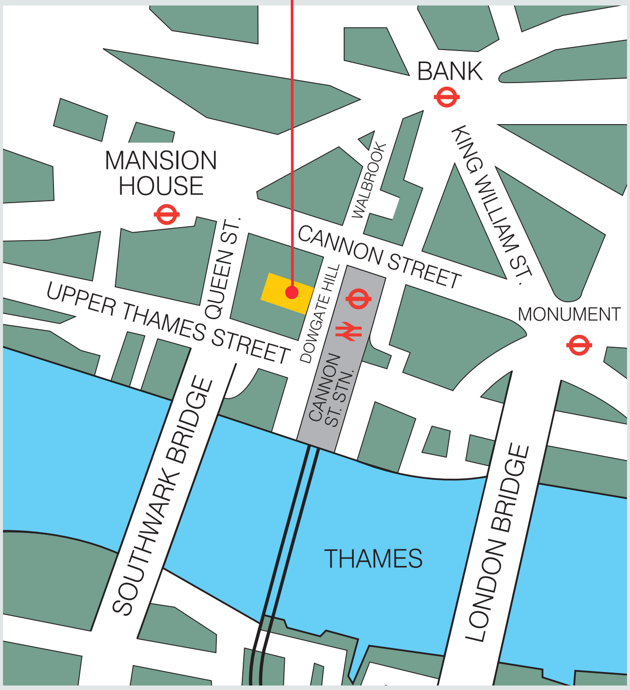
VENUE OF ANNUAL GENERAL MEETING

On 9 June 2017 at noon
Tallow Chandlers' Hall
4 Dowgate Hill
London EC4R 2SH



M.P. Evans
GROUP PLC

www.mpevans.co.uk