Annual Report & Financial Statements

ANNUAL REPORT

For the year ended 31 December 2017

2017

M.P. Evans GROUP PLC

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M.P. Evans GROUP PLC

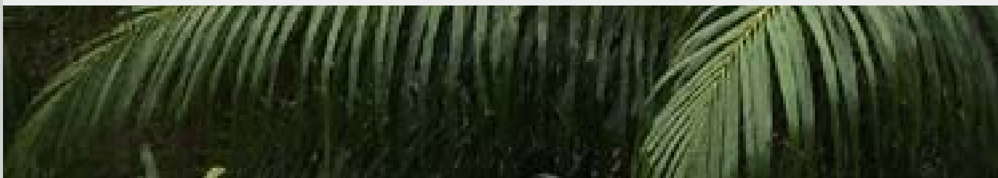
M.P. Evans aspires to the quality of its output and management of its plantations being regarded as a reference point for the industry.

"The Group is able to report a record year for crops, production and profit, with operating profit increasing by 72% to US$34.0 million."

Peter Hadsley-Chaplin

➔ Read more in the Chairman's statement on pages 2 to 4

➔ Read more on the Group's commitment to sustainability on pages 30 to 35



GROUP FINANCIAL HIGHLIGHTS

39%
REVENUE
2017
US$ 116.5m
2016 US$ 83.9m

49%
GROSS PROFIT
2017
US$ 36.2m
2016 US$ 24.4m

72%
OPERATING PROFIT
2017
US$ 34.0m
2016 US$ 19.7m

168%
PROFIT FOR THE YEAR
2017
US$ 94.4m
2016 US$ 35.3m

20%
TOTAL EQUITY
2017
US$ 414.0m
2016 US$ 344.2m

31%
OPERATING CASH GENERATED
2017
US$ 41.2m
2016 US$ 31.3m

83%
CONTINUING BASIC EARNINGS PER SHARE
2017
40.7 US cents
2016 22.3 US cents

18%
NORMAL DIVIDEND PER SHARE
2017
17.75 pence
2016 15.00 pence

- **Profit for the year US$94.4 million** (2016 US$35.3 million)
- **Operating profit up 72%** to US$34.0 million
- Profit on discontinued operations **US$68.0 million**
- **Continuing EPS 40.7 US cents** (2016 – 22.3 US cents)
- Reduction in Malaysian property-development profit
- Proposed **final dividend of 12.75p per share**

CHAIRMAN'S STATEMENT

The Group took a significant step forward in 2017, executing its strategy by acquiring a new 10,000-hectare project in East Kalimantan.

Peter Hadsley-Chaplin
Chairman

STRATEGIC DEVELOPMENTS

In 2017, the Group consolidated its position as the producer of a single commodity in a single country: Indonesian palm oil. It continues to be the Group's strategic objective to expand its production of sustainable palm oil, in a controlled fashion, from its own operations and those of its associated smallholder co-operatives. Following the successful disposal, in 2016, of its Australian cattle business and, in March 2017, of its share of the substantial Agro Muko palm-oil joint venture, the Group was able to announce, in August 2017, the acquisition of a new 10,000-hectare oil-palm project, PT Bumi Mas Agro ("Bumi Mas"). This was completed in December 2017. The Bumi Mas plantation consists mainly of young oil palms that will quickly contribute to the Group's crop, crude palm oil ("CPO") production and cash inflow. In Malaysia, 40 hectares of valuable land from the golf course on the Bertam Properties Sdn Berhad project were approved for property development.

A strong balance sheet enables the Group to continue searching for environmentally-suitable plantation land to acquire, in line with its strategy. The Group regards areas of around 10,000 hectares as being an efficient size but will only expand at a rate that does not compromise its ability to deliver the operational excellence for which it has become known. Acquisition of a new project would further increase future projected crop and CPO growth that even now does not reach a peak until nearly the end of the next decade. In addition, the Group continues to negotiate for smaller pieces of land to add to its existing plantations at Kota Bangun in East Kalimantan, with a view to increasing this project from its current total of 15,100 hectares towards 20,000 hectares.

THE STRATEGY EXPLOITS THE GROUP'S EXCELLENT OPERATIONAL MANAGEMENT TEAM AND PROVEN TRACK RECORD OF ESTATE DEVELOPMENT AND IMPROVEMENT.

Even without a new acquisition, growth in crop from land already planted, or available to plant, for the Group or its smallholders, underlies its commitment to deliver good and improving results for shareholders.

RESULTS

The Group is able to report a record year for crops, production and profit. A marked increase in production of CPO in the face of very similar prices and cost of production led to an increase in operating profit to US$34.0 million, a 72% increase compared with US$19.7 million achieved in 2016. Results from discontinued operations, namely the Group's Agro Muko palm-oil joint venture, contributed another US$68.0 million to the record profit for the year. Total profit for the year amounted to US$94.4 million.

THE GROUP'S CROPS INCREASED BY 9% DURING 2017; THOSE OF ITS SMALL-HOLDER CO-OPERATIVES BY A SIMILAR AMOUNT.

This reflected strong growth in crops during the first half of the year as the palms recovered from the extreme dryness experienced in 2015-16, a consequence of an 'El Niño' weather pattern in South East Asia. As typically occurs, the El Niño gave way to a period of high rainfall and, in some cases, temporary flooding. On the Group's Kota Bangun estates, this meant the upturn in crops during the first half of 2017 was not maintained and this area recorded a small reduction in crop for the year as a whole compared with 2016. There was no such flooding on Bangka Island, where crops increased by nearly half during the year. Especially noteworthy is the strong increase in crops bought in from third parties, notably on Bangka Island, enabling the Group to make profitable use of spare capacity in its mills. Overall, the Group processed 20% more crop in 2017 than in the previous year. The Pangkatan group benefited from less extreme variation in weather and an increase in yield from recent replantings.

The average price of CPO was US$714 per tonne during 2017, a little higher than the US$700 in 2016. Overall, the price weakened during the year as supplies of palm oil increased in response to the recovery in crops throughout South East Asia after the El Niño. Towards the end of 2017, however, the CPO price began to recover as stocks were rebuilt and the discount to other vegetable oils increased, making CPO more attractive to buyers. The price for palm kernel oil, which directly affects the price of palm kernels sold by the Group, was exceptionally high in January 2017. This level was not maintained and, after a marked dip in the middle of the year, returned to more normal levels during the last quarter. On average, the price of palm kernels sold by the Group was very similar to that in 2016. The Group was able to continue selling its sustainable palm oil and palm kernels at a premium.

DIVIDEND

An interim dividend of 5.00p per share (2016 – 2.25p per share) was paid on 3 November 2017. Above its previously announced intention, the board is recommending a final dividend of 12.75p per share (2016 – 12.75p per share). This brings dividends in respect of normal operations to 17.75p per share (2016 – 15.00p per share), an 18% increase.

The board paid a special dividend of 10.00p per share in April 2017 on completion of the sale of the Group's interest in Agro Muko; a special dividend of 5.00p per share was paid in 2016. Hence, subject to shareholder approval, total dividends in respect of 2017 will amount to 27.75p per share (2016 – 20.00p per share) resulting in dividend payments to shareholders of more than US$20 million for the year.

The board's intention continues to be to maintain or increase its normal dividend in future years. The board believes the anticipated increase in yield from its young plantations and the acquisition of Bumi Mas provide a basis for sustained future crop growth and, hence, enhanced dividends.

OPERATIONAL DEVELOPMENTS

The year saw good progress on planting. In total, the Group planted 2,200 hectares for itself and 1,000 hectares for its smallholder co-operatives during the year. Planting in South Sumatra at Musi Rawas has built up good momentum. This area accounted for 90% of the Group's new planting in the year as the estates at Kota Bangun and Bangka are now essentially fully planted. The project at Musi Rawas reached 5,200 planted hectares, including smallholders, by the end of 2017. This is more than half way to the expected total of 10,000 hectares. In North Sumatra, the accelerated replanting programme referred to in previous reports continues. At the end of 2017, including the purchase of Bumi Mas, the Group's share of subsidiaries' land had increased by 37% to stand at 33,000 hectares.

As noted in the Group's Interim Report, high levels of rainfall in East Kalimantan led to the northern bund on the Kota Bangun estates being overrun. The bund has been repaired and is being strengthened to prevent future breaches. Some 580 hectares of planting carried out in 2016 behind the bund had to be replaced, delaying by 12 months the point at which it will come into harvesting. Flooding made it temporarily difficult to harvest the remaining low-lying areas.

CHAIRMAN'S STATEMENT continued

Extraction of crude palm oil and palm kernels from fresh fruit bunches ("ffb") continued at good levels. There was a small fall in extraction of CPO in Kalimantan, to 24.7%. The Group monitors carefully the performance of its mills against others and this dip was experienced by all other operators in the region, a consequence of high rainfall that followed the El Niño. A similar small reduction was experienced in the Pangkatan mill and in Bangka, although in the latter's case this is attributable to processing very high levels of third-party ffb, which is not of the same quality as that produced by the Group or its smallholder co-operatives. In respect of extraction rates, the Group continues to perform at a high level in comparison with its peers.

The Group is able to report a record year for CPO production, which reached 154,000 tonnes. The significant increase over the previous record of 126,000 tonnes, achieved in 2016, was due in part to the purchase of substantial quantities of ffb from third parties in Bangka. This used spare capacity in its mill which is temporarily available until the Group's own estates reach their maximum yields. The mills at Kota Bangun in East Kalimantan and in Bangka continue to produce bio-electricity from methane and also valuable compost from empty bunches and mill effluent, which the Group uses in its operations. For the first time, in 2017, the Group began selling surplus power to the Indonesian state electricity company.

GROUP VALUATION

Continuing development of the Group's Indonesian plantations has enhanced their US Dollar value during the year. Notwithstanding a decline in value of the US Dollar against Sterling, the Group's equity valuation remains at approximately £11 per share.

PROSPECTS

The Group's crops are expected to continue rising, notably from its projects in East Kalimantan, Bangka Island and South Sumatra. The average age of the Group's palms following the purchase of Bumi Mas is now seven years. This young average age is expected to give rise to increasing crops as the palms mature from the Group's existing plantings and new planting on land it already controls, a trend that should last for another decade.

World production of CPO grew strongly in 2017 as the most recent El Niño receded, putting some pressure on prices and leading to an accumulation of stocks. In the longer term, insufficient levels of replanting in Malaysia and Indonesia are likely to curb growth in production. In the short term, uncertainty about the world trading regime may lead to greater commodity-price volatility. However, the board remains of the view that palm oil is well placed to benefit from rising global demand for vegetable oil and, therefore, that the outlook remains positive.

ACKNOWLEDGEMENTS

I should like to record the board's thanks to the Group's managers, staff and workers in all our operations for their dedication and hard work during what proved to be a very successful year.

Peter Hadsley-Chaplin
Chairman
9 April 2018

OUR VALUES

INTEGRITY

The Group is a reliable partner and employer with a reputation for keeping its word and not tolerating any form of bribery or corruption.

TEAMWORK

We are open about our challenges and solve them together.

EXCELLENCE

The Group aspires to the quality of its output and management of its plantations being a reference point for the industry.

OPERATIONAL HIGHLIGHTS

INDONESIAN PALM OIL

Acquisition of new 10,000-hectare project (Bumi Mas)

Group crops increased 9% to 435,000 tonnes

Crop growth held back by flooding in East Kalimantan

Record production of crude palm oil: up 23% to 154,000 tonnes

New planting of 2,200 hectares for Group; 1,000 hectares for smallholders

Planting at Musi Rawas reached 5,200 hectares: more than half way to expected total

Sales begun of bio-electricity to Indonesian grid

MALAYSIAN PROPERTY

40 hectares of golf-course land released for development

Sale of 383 developed properties as property market slowed

M.P. EVANS GROUP PLC

Net current assets of US$92.4 million as at 31 December 2017

Group equity value of £10.96 per share at 31 December 2017

1. PANGKATAN GROUP

7,400 hectares

Group planted area: 7,000 hectares

Grouping of three estates (Pangkatan, Bilah, Sennah) whose fruit is processed in a 40-tonne mill built on Pangkatan in 2005. Combination of a long-established, mature (ex-rubber) oil-palm estate (Pangkatan), and land acquired or planted over the last 30 years (Bilah and Sennah).

5. MUSI RAWAS

10,000 hectares

Group planted area: 3,600 hectares

Smallholder co-operatives planted area: 1,600 hectares

Located in South Sumatra province near the town of Lubuk Linggau, the project was started in 2012. Much had previously been planted with smallholders' rubber, which had been abandoned. The Group began planting oil palm at the end of 2014, and harvesting started in 2017.

6. KOTA BANGUN ESTATES

16,000 hectares

Group planted area: 10,600 hectares

Smallholder co-operatives planted area: 4,500 hectares

Located in East Kalimantan, close to Kota Bangun and next to the Mahakam River, the land was acquired in 2006. The first areas planted started production during 2010; a 60-tonne mill was commissioned in December 2012, and a second mill will be commissioned in 2019.

2. KERASAAN

Planted area: 2,300 hectares

Group minority share: 38%

Mature (ex-rubber) oil-palm estate near the town of Pematangsiantar in North Sumatra. Fresh fruit bunches are processed in the neighbouring Bukit Marajah mill, owned by the SIPEF Group - also the majority shareholder in Kerasaan.

3. SIMPANG KIRI

Group planted area: 2,400 hectares

Mature oil-palm estate in the province of Aceh, near the border with North Sumatra, which was acquired in the early 1980s.
Fresh fruit bunches are processed in a nearby third-party mill.

4. BANGKA

10,000 hectares

Group planted area: 6,000 hectares

Smallholder co-operatives planted area: 3,800 hectares

Located on the island of Bangka, the land was acquired in 2005.
The first areas planted started production during 2009. A 45-tonne mill with composting facility and bio-gas plant was commissioned in May 2016.

7. BUMI MAS

10,000 hectares

Group planted area: 7,500 hectares

Smallholder co-operatives planted area: 1,400 hectares

Located in East Kalimantan, north-east of Sangatta next to the Manubar River. The land was acquired in 2017. It was largely planted in 2012-14, with the first harvesting taking place during 2015.

8. BERTAM PROPERTIES AND BERTAM ESTATE

Bertam Properties: 310 hectares (Group minority share: 40%)

Bertam Estate: 70 hectares

This land was previously the Group's Bertam Estate, most of which was sold into a joint venture, Bertam Properties, with two Malaysian partners. Starting in 1992, the area has been developed into a new township. The remaining developable land amounts to 197 hectares. Both Bertam Estate and Bertam Properties have significant value as property-development land.

THE GROUP'S BUSINESS MODEL

Producing sustainable Indonesian palm oil to deliver strong results and growing returns for shareholders.

OUR MAIN RESOURCES

PLANTATION LAND

The Group's plantation land is used to grow oil palms and harvest them to the fullest extent.

37,100

HECTARES OF GROUP OIL PALM

RELATIONSHIPS WITH COMMUNITIES

The Group engages with the local communities living on and near its operations and manages superlative smallholder schemes on their behalf.

11,300

HECTARES OF SMALLHOLDER OIL PALM

PEOPLE

The Group has nearly 5,000 employees, including 160 agronomic staff, 70 engineers and more than 2,500 harvesters.

4,800

EMPLOYEES

STABLE FUNDING

The Group has a robust capital structure with a market capitalisation of more than US$580 million*, net funds of US$81 million and low levels of debt.

0%

NET GEARING

*Based on a share price of 783p on 31 December 2017.

OUTCOMES

SUSTAINABLE PRODUCTION

85%

CERTIFIED SUSTAINABLE

HOW WE OPERATE

PROMOTE A PHILOSOPHY OF ZERO WASTE

The Group turns its empty bunches into compost and generates electricity from methane collected from mill effluent. It establishes and maintains conservation areas and strictly adheres to environmental standards.

FOCUS ON OUR STRENGTH AS A PRODUCER OF SUSTAINABLE INDONESIAN PALM OIL

The Group builds shareholder returns by exploiting the Group's strengths as a producer of sustainable Indonesian palm oil to produce increasing crop, production and revenues.

DO A THOUSAND SMALL THINGS WELL, REPEATEDLY

Even our most senior agronomic managers are resident in our operations, controlling a system of supervision and support that focuses on high agronomic and engineering standards. Staff in Jakarta and the UK are frequent visitors to the operations.

CONTROL OUR OPERATIONS

The Group makes the most of its mature areas and maximises the potential of new areas by being in control of its operations. It makes use of the expertise concentrated in its Jakarta regional office.

MAKE SMALLHOLDER CO-OPERATIVES A SUCCESS

The Group treats its smallholder co-operatives equally, planting, maintaining and harvesting land to the same standard as its own areas. As a result, smallholders own a valuable asset and identify their own success with the Group's success.

MAINTAIN STRONGLY INCREASING CROP

Having young plantations underpins strong projected crop growth to the end of the 2020s because of the way oil palms increase yield as they mature. New planting or acquisition of young estates helps keep the average age low.

GROWING PRODUCTION

154,000

TONNES OF CRUDE PALM OIL

LOW AND FALLING COSTS

US$ 370

PER TONNE OWN PALM PRODUCT

IMPROVING RETURNS, RISING DIVIDENDS

27.75P

TOTAL DIVIDEND FOR 2017

THE PALM-OIL MARKET

Recovery from the 2015-16 El Niño weather pattern

Marked increase in Malaysian and Indonesian production

World consumption of CPO increased 4%

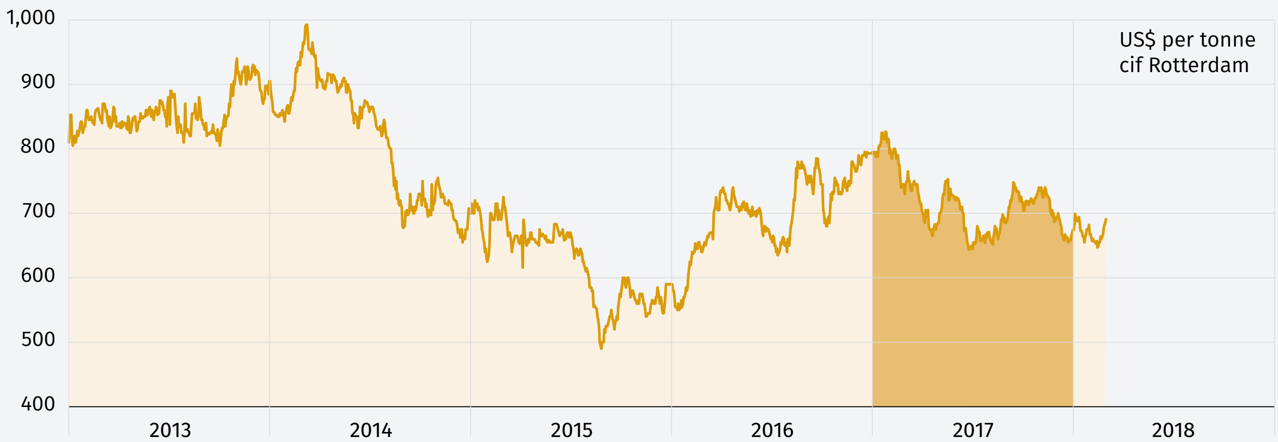
During 2017, the palm-oil market was dominated by recovery from the 2015-16 El Niño weather pattern. There was a marked increase in production by both Malaysia and Indonesia, which together accounted for 83% of world output of CPO, as average palm yields improved. The resulting fall in the price of CPO stimulated demand, resulting in greater imports notably by India, China and the EU. World consumption of palm oil, according to Oil World, rose by 4% to 65 million tonnes.

The rebound in global production surpassed increasing consumption, leading to a rise in stocks. World stocks rose from relatively low levels, and notably in producing countries rather than in countries with import demand. By the end of the year, stocks stood at a little above 12 million tonnes, still somewhat below the level of 13.5 million tonnes reached at the end of 2015. Moreover, the stock:usage ratio for CPO remained at a modest 13% in the main importing countries of India and China.

As a result of increasing production, barring a rally in May, the price of CPO fell during the first half of the year. It fell from the levels above US$800 per tonne at which it had started the year as a rebound in production occurred following the end of the 2015-16 El Niño. From the end of June, however, the CPO price strengthened until the beginning of November, when it again experienced a setback before rising in the last two weeks of December to finish the year at US$674 per tonne, US$121 below its level on 1 January. Despite the fall in price between the beginning and end of the year, the average price for CPO, cif Rotterdam in 2017 was US$714, US$14 higher than it had been in 2016.

A shortage of palm kernel oil as well as its main competitor, coconut oil, drove prices to reach a five-year high at the beginning of 2017. As production of both oils increased, the price of palm-kernel oil fell sharply even against the background of increasing consumption, before rising to establish a more normal level of discount against coconut oil during the last quarter of the year.

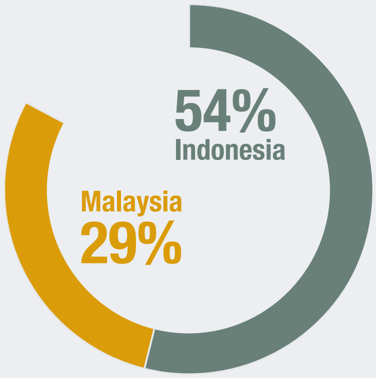
CRUDE PALM-OIL PRICE



Source: Oil World

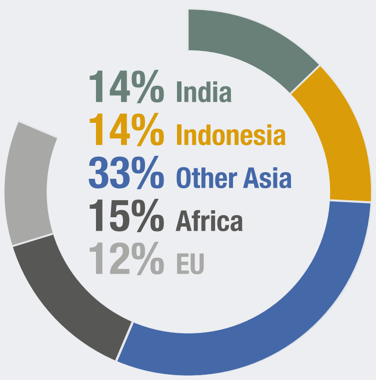
WORLD CONSUMPTION OF PALM OIL DURING 2017 ROSE BY 4% TO 65 MILLION TONNES.

MAIN PRODUCERS OF PALM OIL 2017



Remaining 17% consists of Thailand (4%), Colombia (2%), Nigeria (1%), other countries (10%). Source: Oil World.

MAIN CONSUMERS OF PALM OIL 2017



Remaining 12% consists of Americas (8%), other countries (4%). Source: Oil World.

STRATEGIC REPORT 2017

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.

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. It designs its operating procedures to address the risks of operating in Indonesia. 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.

In August 2017, the Group was able to announce the acquisition of a new 10,000-hectare oil-palm project, PT Bumi Mas Agro ("Bumi Mas") which was completed in December 2017. This project was planted mainly in 2012-15 and so has a young average age of less than four years held under a renewable 35-year Hak Guna Usaha ("HGU") land license. These palms will quickly contribute to the Group's crop, production and cash inflow. The young age profile is expected to help sustain the projected rise in the Group's crop and production to the end of the next decade.

Following the acquisition of Bumi Mas, the total planted area of the Group's majority-held Indonesian operations extends to approximately 37,100 hectares. The smallholder areas adjoining the new projects amount to 11,300 planted hectares. The estimated unplanted land bank is some 3,500 hectares on the Group's estates and some 1,700 hectares on the adjoining smallholder areas managed by the Group, mainly at Musi Rawas in South Sumatra. It is the board's aim for these areas to be planted as rapidly as the availability of suitable land permits. When fully planted, and without taking account of any future acquisitions, the combined Group and smallholder areas are likely to reach 53,000 hectares. 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 line with its strategy.

The Group seeks continually to maintain and, where possible, improve agronomic standards and productivity on its estates, including investment to manage both excessive rainfall and dry spells, with a view to increasing crops of fresh fruit bunches ("ffb") and production of crude palm oil ("CPO"). In addition, it has ambitions to add to its portfolio of estates to maintain its ability to increase crop and future profits.

The Group is exploring the acquisition of new land. Its experience is that 10,000 hectares of oil palm with a mill able to process 60 tonnes of ffb 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, Bumi Mas and Musi Rawas, including smallholder areas, are of this size. In Kota Bangun, East 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. During 2017, the Group successfully acquired a 51% share in an area close to one of its Kota Bangun divisions, of which some 500 hectares are estimated to be plantable on the Group's account and 100 hectares for its smallholder co-operative. Further areas are being assessed for prospective acquisition.

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 continued

RESULTS & FINANCIAL POSITION

REVENUE AND GROSS PROFIT

The Group's revenue for 2017 was US$116.5 million, 39% higher than the US$83.9 million achieved in 2016. This follows the substantial increase in the Group's production in the year: CPO and palm kernels increased by 23% and 28% as shown on page 18. Sales increased by more than this due to falling inventory of finished products during the year and, furthermore, the Group achieved a slightly higher sales price as described in the section on mill-gate price on pages 19 and 20.

Set against a background of increased sales prices, the Group's cost of production per tonne of palm product (a combined measure for CPO and palm kernels) remained at the same level to that in 2016 for the Group as a whole, whether for its own ffb or for total production including ffb purchased from smallholders and third parties.
As a result of the above, the Group achieved a gross margin of US$190 per tonne (2016 US$183) on sales of CPO during the year, and gross profit increased by 49% to US$36.2 million (2016 US$24.4 million).

BIOLOGICAL ASSETS

The Group has continued to apply International Accounting Standard 41 ("IAS 41") in estimating a value for its unharvested growing ffb for the purposes of statutory reporting. The Group has never included ffb prior to harvest in its internal reporting, and this item is not incorporated in the board's decision-making.

OTHER ADMINISTRATIVE EXPENSES

The Group's other administrative expenses decreased to US$3.1 million in the year (2016 US$4.9 million). In the previous year the Group incurred professional fees of US$2.0 million responding to the unsuccessful, unsolicited bid by the Malaysian plantation company Kuala Lumpur Kepong Berhad to purchase the Group.

TAXATION

The Group tax charge for the year was US$11.2 million (2016 US$7.5 million). The Group's effective tax rate is higher than the standard rate mainly due to the higher rate of taxation borne by the Group's subsidiary companies in Indonesia and the reduction in deferred tax assets resulting from the inability of the Group to carry forward tax losses arising in its Indonesian subsidiaries indefinitely.

ASSOCIATED COMPANIES

Indonesia

The Group sold its 36.84% investment in PT Agro Muko in March 2017. The Group's share of profit on disposal and profit up to the point of disposal together totalled US$68.0 million. This amount has been included in profit from discontinued operations.

The Group's remaining Indonesian associate, PT Kerasaan (38% owned), contributed US$1.2 million (2016 US$1.0 million) to Group profit in the year, and the Group received dividends of US$0.4 million (2016 US$0.8 million) in the year.

Malaysia

The Group's 40% associate, Bertam Properties Sdn Berhad ("Bertam Properties"), continued to develop and sell properties profitably during the year. Its golf-course subsidiary reached a final agreement with its members to reduce the playing area from 36 holes to 18 holes, releasing valuable land for development. This entailed a compensation payment to members, which, along with a lower sales volume in the year, resulted in a fall in the Group's share of Bertam Properties' profit for the year to US$1.4 million (2016 US$3.8 million). The Group received dividends of US$1.9 million (2016 US$1.9 million).

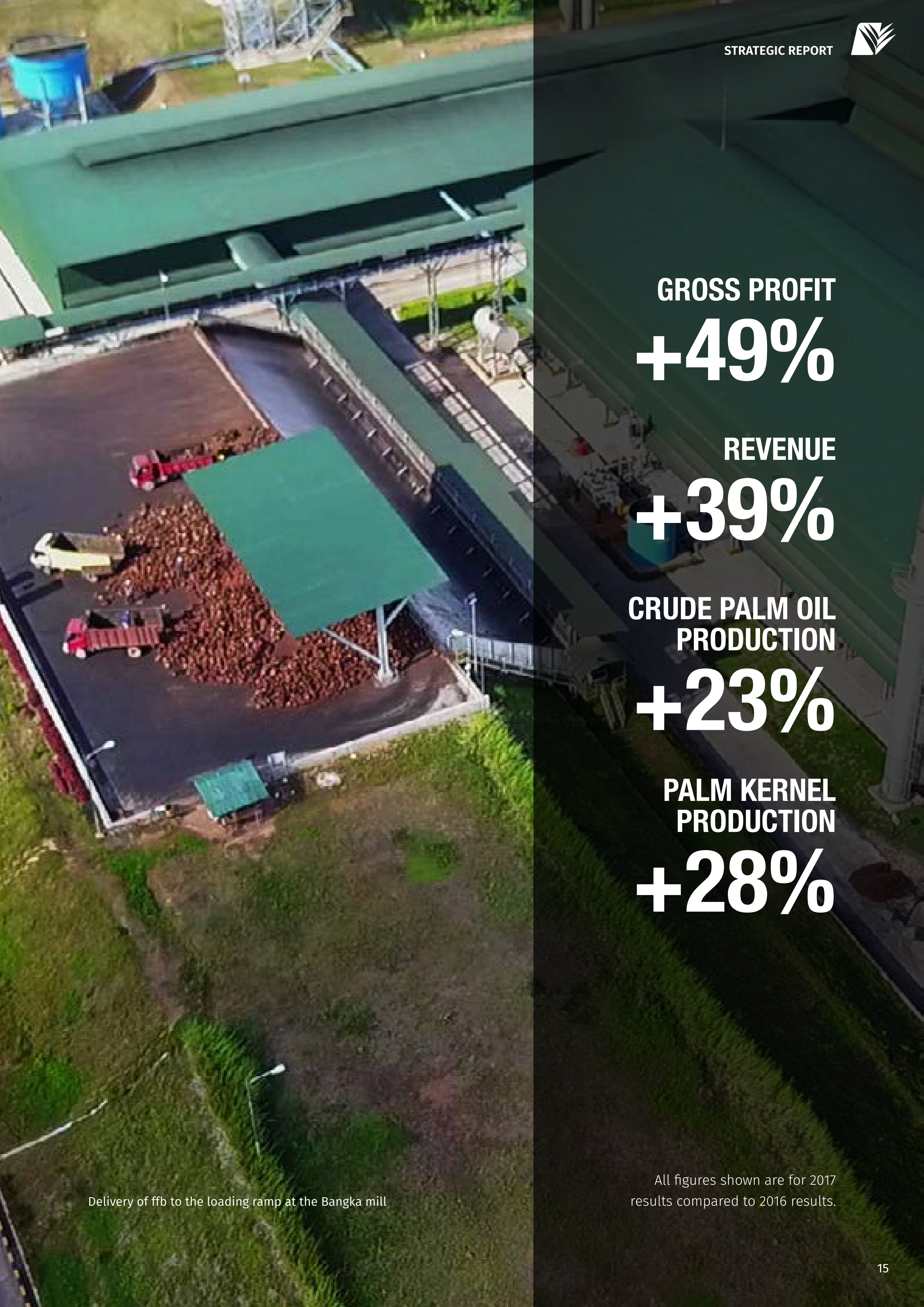
PROFIT FOR THE YEAR

As a result of the above, the Group's profit for the year increased to US$94.4 million (2016 US$35.3 million).

NET ASSETS AND BORROWING

At the end of the year, the Group's net assets were US$414.0 million (2016 US$344.2 million). Current assets exceeded current liabilities by US$92.4 million (2016 US$131.6 million). The decrease in net current assets was principally a result of the Group making an initial payment in the acquisition of Bumi Mas.

At the end of 2017, the Group had cash and liquid resources of US$120.8 million (2016 US$105.7 million), of which US$6.9 million had been pledged as security. At this date the Group had no net gearing, holding positive net funds of US$81.4 million (2016 US$75.3 million); gross gearing was 9% (2016 – 8%).



Delivery of ffb to the loading ramp at the Bangka mill

GROSS PROFIT
+49%

REVENUE
+39%

CRUDE PALM OIL PRODUCTION
+23%

PALM KERNEL PRODUCTION
+28%

All figures shown are for 2017 results compared to 2016 results.

OPERATIONS: INDONESIAN PALM OIL

Harvesting mature palms at Rahayu Estate, Kota Bangun

CROPS

The end of the 2015-16 El Niño weather pattern brought with it a sharp increase in crops as a more normal pattern of rainfall re-established itself. Overall, the Group's crop increased by 9% during the year, that of its smallholder co-operatives by 10%. Crop from all the Group's areas grew strongly during the first half of the year but two echoes of the El Niño, heavy rainfall and a pronounced phase of male flowering in the palms, notably in Kota Bangun (East Kalimantan), meant this rate of growth did not persist into the second half of the year. The acquisition of Bumi Mas occurred so late in the year that no crop was harvested between acquisition and the year end.

The Group's own crop was supplemented through significant purchase of crop from third parties, notably in Bangka. Here, the Group's newest mill still has spare capacity whilst the Group's own plantings continue to mature and so currently yield less than the levels that will be attained in time. The Group has very successfully sought to make profitable use of this spare capacity by purchasing crop from outside suppliers. Taking this into account, total crop processed by the Group rose by 20% to 654,000 tonnes.

As noted in the Group's interim report, the estates at Kota Bangun (East Kalimantan) suffered from severe flooding in the middle of the year, exacerbated by the project's northern bund being breached in four places. Repairs were quickly carried out and water levels dropped to more normal levels. However, parts of the project are not yet protected by bunds and in these

CROP

	2017 TONNES	INCREASE/ (DECREASE) %	2016 TONNES
Own crops			
Kota Bangun, East Kalimantan	147,600	(3)	151,700
Bangka	90,200	48	61,100
Musi Rawas	400	—	—
Pangkatan group	157,400	6	149,100
Simpang Kiri	38,900	4	37,400
	434,500	9	399,300
Smallholder co-operative crops			
Kota Bangun, East Kalimantan	60,500	(10)	67,400
Bangka	40,800	63	25,000
	101,300	10	92,400
Outside crop purchased			
Kota Bangun, East Kalimantan	16,800	(18)	20,500
Bangka	85,400	260	23,700
Pangkatan group	16,100	106	7,800
	118,300	128	52,000
TOTAL CROP	**654,100**	**20**	**543,700**

areas modest levels of flooding persisted during the heavier rainfall associated with the end of an El Niño. This cumulatively bore down on harvesting in these areas. In addition, the extreme dryness that is the hallmark of an El Niño in South East Asia manifests itself not only through immediate production, but also affects the formation of flowers deep inside the palm that is expressed some 18 months later. This resulted in a phase of disproportionate male flowering, which significantly affected palm fertility in the early part of 2017 and so reduced production of ffb during the second half of the year, and especially so in the last quarter of the year. Crop in the Kota Bangun estates fell by 3% in comparison with 2016, that in the smallholder areas by 10%. A repeat of the unusual conditions present in 2017 is not expected in 2018, and hence there should be a rebound in crop from these areas.

Bangka was the first of the Group's areas to suffer from the 2015-16 El Niño, and the dry period experienced here was the longest. As a more normal pattern of rainfall re-established itself, the area was not affected by flooding in the same way as experienced in East Kalimantan. As a result, whilst the astonishing rate of growth in crop during the first half of the year was not maintained during the second half, crop nevertheless increased by 48% in the Group's areas and 63% in the associated smallholder co-operatives during the year as a whole. The Group is using the compost produced in its mill from empty bunches to improve the soil structure in parts of the estate in addition to benefitting from its value as an organic fertiliser.

The area around the Pangkatan mill was less affected by adverse weather than other areas. The benefit of replanting that has taken place over the last few years became apparent as crop grew by 6%, the onset of this increase having been delayed by the El Niño. One of the three estates in the group, Bilah Estate, is just beginning a programme of replanting, which will limit crop growth from the Pangkatan group over the next few years. An accelerated programme of replanting is under way at Simpang Kiri, which held back crop growth from this area in comparison with the Pangkatan group. In both cases, yields from newer seed varieties will benefit the Group after only two to three years.

PRODUCTION

Thanks to growth in the Group's own crop and the significant purchases of outside fruit in Bangka, 2017 was a record year for the Group's production. CPO production rose 23% to reach 154,000 tonnes, that of palm kernels rose by 28% to 33,500 tonnes. Whilst the Group does not have its own mill at Simpang Kiri, it has a contract to sell its ffb to a local mill based on the commodity price for CPO and an assumed rate of extraction. To reflect the substance of this arrangement, oil produced from Simpang Kiri's crop has been included in CPO production, and the comparative figure for 2016 has been amended to bring it in line with the new presentation.

Extraction rates have continued at good levels. High levels of rainfall throughout Indonesia have led to

STRATEGIC REPORT continued

PRODUCTION AND EXTRACTION RATES

	2017	INCREASE/ (DECREASE)	2016
PRODUCTION	**TONNES**	**%**	**TONNES**
Crude palm oil			
Kota Bangun, East Kalimantan	55,600	(7)	60,000
Bangka	50,000	137	21,100
Pangkatan group	39,800	10	36,200
Simpang Kiri	8,600	4	8,300
	154,000	23	125,600
Palm kernels			
Kota Bangun, East Kalimantan	10,100	(8)	11,000
Bangka	11,700	154	4,600
Pangkatan group	9,800	11	8,800
Simpang Kiri	1,900	6	1,800
	33,500	28	26,200
EXTRACTION RATES	**%**	**%**	**%**
Crude palm oil			
Kota Bangun, East Kalimantan	24.7	(1)	25.0
Bangka	23.1	(1)	23.3
Pangkatan group	22.9	(1)	23.1
Simpang Kiri	22.3	–	22.3
Palm kernels			
Kota Bangun, East Kalimantan	4.5	(2)	4.6
Bangka	5.4	8	5.0
Pangkatan group	5.7	2	5.6
Simpang Kiri	4.9	4	4.7

higher moisture content in the ffb and so resulted in a slightly lower rate of extraction than in 2016. The Group compares its performance with other mills in the region and remains confident that its mills continue to perform at a high level compared with its peers. The performance of the mill in Bangka, at 23.1%, is very creditable given the high volume of outside fruit being processed, which is not of the same standard as that produced by the Group and its smallholder co-operatives. Outside fruit is predominantly from *dura* palms, which tend to have larger kernels and less flesh from which to squeeze CPO. This can be seen in the increase in the kernel extraction rate and emphasises the good performance in CPO extraction.

The Group continues to buy outside fruit to utilise spare capacity at all three of its mills. Whilst outside fruit yields significantly less CPO than fruit from the Group's own areas or that of its associated smallholder co-operatives, this is reflected in the price the Group pays for it. Hence, purchases of outside fruit make an acceptable profit margin notwithstanding the reduction in the mill's average rate of extraction their purchase involves.

The composting and bio-gas facilities in Kota Bangun and Bangka are processing all of the Group's empty ffb and mill effluent. The compost is a valuable nutrient applied in a carefully controlled and supervised manner by the Group. The bio-gas plant at the Bumi Permai mill at Kota Bangun supplies all of the Group's electricity needs. Negotiations are at an advanced stage to increase the capacity of this bio-gas plant and sell the resulting electricity to the state electricity company, PLN. In Bangka, following a short delay in commissioning the plant and establishing the connection to the electricity grid, the Group started supplying PLN with its surplus electricity in January 2017. Production of power will increase with the volume of crop processed by the mill.

Work has begun in designing and tendering for a second mill, the Rahayu mill, at the Kota Bangun estates. The new mill is expected to begin production in 2019.

COSTS

At US$370 per tonne of palm product (CPO and palm kernels), the combined cost of the output from the Group's areas in its three mills was the same as in 2016. The main upward pressure was from the increased cost of labour on the Group's Kota Bangun estates. The reduction in crop on these estates did not lead to a proportionate reduction in unit costs since certain tasks, for example fertilising, pruning and field maintenance, are fixed irrespective of the volume of crop. Upward cost pressures were offset by the falling cost of fertiliser, and by the benefits of processing substantially more crop than expected in the Bangka mill. The Group makes significant efforts to achieve procurement savings, notably in the bulk purchase and transport of fertilisers. As overall crop volume growth resumes its expected path, unit costs are expected to fall.

Unlike the cost of production using the Group's own ffb, the cost per tonne of palm product for ffb purchased from both the Group's smallholder co-operatives and outsiders varies with the world market price for CPO. The Group's aggregate total cost per tonne of palm product, including ffb from all sources, was US$415, also the same level as in 2016.

MILL-GATE PRICE

The average mill-gate price for CPO received by the Group in 2017, excluding sustainability premia, was US$600 per tonne, slightly higher than the US$595 received in 2016. The picture for palm kernels was very similar with a mill-gate price in 2017 of US$506 per tonne compared to US$512 per tonne in 2016.

Sustainability premia were available, although at different levels, for both CPO and palm kernels produced by the Pangkatan and Kota Bangun mills. The Group's Bangka mill achieved its sustainability certification only in November 2017, and did not sell any output with this premium during 2017; production at Simpang Kiri estate does not qualify for a sustainability premium.

Due to the shortage of sustainable supply and strong demand, the

Visit by directors to screw-press station, Bumi Permai Mill, East Kalimantan

STRATEGIC REPORT continued

premium for sustainable palm kernels was upwards of US$40 per tonne during 2016. Averaged across the Group's total tonnage sold, revenue from sustainability premia for palm kernels amounted to an average of US$25 per tonne in 2017, significantly higher than the US$16 per tonne in 2016. There was similarly an increase in sustainability premia for CPO, but at a much lower level. Calculated on the same basis, the premium was US$5 per tonne in 2017 (2016 US$3 per tonne).

Taking into account sustainability premia, the average mill-gate price per tonne CPO for the year was US$605 (2016 US$598); per tonne of palm kernels it was US$531 (2016 US$528).

PLANTING

The Group was able to maintain the good pace of new planting achieved in 2016. In 2017, a total of 3,200 hectares were planted, of which 2,200 were for the Group and 1,000 for the smallholder co-operatives. This new planting was concentrated in the Group's South Sumatran project at Musi Rawas, which accounted for 2,800 hectares of the total new planting. The planting on this project reached 5,200 hectares at the year end, more than half way to the total area of 10,000 hectares that the Group expects to plant.

As reported in the Group's Interim Report for 2017, a consequence of the flooding in Kalimantan described above is that some 580 hectares of the palms planted during 2016 in the areas affected are being replaced. This will increase the total cost of planting in these areas by some US$0.6 million and introduce a delay of 12 months to the point at which they will come into harvesting.

In addition to this new planting, the Group replanted 580 hectares in its mature North Sumatran estates. The old *dura* palms on Sennah Estate have now all been replanted. The effect of this is expected to lead to an increase in the oil-extraction rate over the coming years of Pangkatan mill, which processes the ffb from Sennah. This is, however, likely to be at the cost of a slightly lower rate of kernel extraction: *dura* palms have relatively large kernels and thin flesh. Replanting continues at Simpang Kiri, and a replanting programme has begun on Bilah, which was largely planted originally in the late 1980s and early 1990s.

ASSOCIATED COMPANY: KERASAAN

Crops at Kerasaan Estate were 50,000 tonnes (2016 – 42,000 tonnes). Strong crop growth in the first half of the year, in common with other parts of

Bumi Permai Mill, East Kalimantan

South East Asia, was carried through into the second half as the estate continues to recover from an outbreak of leaf pest and exploits its good soils and benign terrain. Some 30% of its planting dates from the early to mid-1990s, so a programme of replanting will have to begin in the coming years.

PERFORMANCE EVALUATION

Plantation and mill operations

Management monitors and assesses the efficiency of operations with regard to crops and production using 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. The most important factor is a palm's age. The Group's average yield of 19.9 tonnes per hectare reflects the young average age of its palms. This total can be expected to rise in future years. Monitoring of performance 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. Overall, during 2017, the Group achieved total crop from its own areas and those of its smallholder co-operatives of 535,800 tonnes.

The development of new plantings is monitored by management, as is the area to be planted in a given year and the cost per hectare of that planting. A budget for planting programmes is set to allow sufficient planting material to be purchased for the nursery in the previous year. A high proportion of planting work is undertaken by contractors, and management monitors the progress achieved on the contracted areas. Planting costs are monitored by management for each individual estate. As with other plantation activities, costs per hectare are influenced by factors such as the weather pattern, the soil type and terrain. Ultimately, the total planted hectarage determines future crop. At the end of 2017 the Group had reached 48,400 hectares planted for itself and its smallholder co-operatives.

With regard to mill production, the key performance indicators are the extraction rate of palm oil and palm kernels per tonne of ffb, 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 is monitored by management. An average oil-extraction rate of 23.6%, in 2017, compares favourably with industry norms and with mills operating in the same areas as does the Group.

Plantation and mill costs

Management monitors and assesses the efficiency of plantation costs by means of performance indicators which identify field costs per hectare and per kilogram of ffb, and mill costs per tonne of palm product. A significant proportion of costs both in the field and in the mill 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, so the performance indicators are monitored by management for each individual estate. The projected increase in crop is expected to bring down the US$370 it currently costs the Group to produce one tonne of palm product (a combination of CPO and palm kernels).

CURRENT TRADING AND PROSPECTS

Crops during the first quarter of 2018 have been ahead of last year in all regions. At the end of March, total crop for processing (including smallholder co-operatives and third-party ffb) stood at 183,000 tonnes, 23% ahead of the same period in 2017. This included, for the first time, crop from Bumi Mas, acquired at the end of 2017. The palms have continued to recover from the El Niño in 2015-16, whose dry weather affected the formation of bunches which would have been harvested in the second half of 2017. This phenomenon particularly affected the Group's estates in East Kalimantan, where crop is now on a strongly upward trend. The Group continues to purchase outside crop, which contributes to increased production.

STRATEGIC REPORT continued

The details are set out in the following table:

	3 MONTHS ENDED 31 MARCH 2018 TONNES	INCREASE %	3 MONTHS ENDED 31 MARCH 2017 TONNES
Own crops	125,100	25	99,900
Smallholder crops	31,800	34	23,700
Outside crops purchased	26,100	3	25,400
	183,000	**23**	**149,000**

The Group's crop is rising owing to the young age of its palms, an average of 7 years, in consequence of the development of its projects in Bangka and East Kalimantan over the last ten years and the acquisition of Bumi Mas. The upward trend in crop is expected to last until the end of the next decade. This would be further augmented by the acquisition or development of new project areas.

The increase in global production of CPO during 2017 is expected to persist into 2018. However, a poor South American soybean harvest and relatively low stock levels of CPO in some of the principal consuming countries is likely to counteract any downward pressure on prices. The average CPO price cif Rotterdam for the first quarter of the year has been US$677 per tonne, moving very little during the quarter to finish March at US$675 per tonne, compared with US$674 per tonne at the end of 2017. However, increasing uncertainty about the world trading regime may lead to a higher degree of price volatility than in the recent past. Nevertheless, 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 hence the outlook remains encouraging.

KEY PERFORMANCE INDICATORS

The Group uses key performance indicators at all levels in the Group, both in Indonesia and in the UK, in assessing its plantation operations and directing management effort in supervising those operations.

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.

48,400
HECTARES
GROUP AND SMALLHOLDERS

FFB YIELD PER HECTARE

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

19.9
TONNES PER HECTARE

FFB CROP

The volume of ffb crop is the primary determinant of the Group's ability to generate CPO and palm kernels ("PK") for sale.

535,800
TONNES

CPO AND PK EXTRACTION RATES

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

23.6%
OIL-EXTRACTION RATE

COST PER TONNE OF PALM PRODUCT

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

US$ 370
PER TONNE PALM PRODUCT

OPERATIONS: MALAYSIAN PROPERTY

MAJORITY-OWNED: BERTAM ESTATE

The value of Bertam Estate's land, situated 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 US$36.2 million.

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 1,500 tonnes (2016 – 1,700 tonnes). No replanting has been done since 1997 and the Group's objective in managing this land is to maximise the crop and cash revenue 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 are carried out by its agent, Straits Estates Sdn Berhad, and other external service providers.

ASSOCIATED COMPANY: BERTAM PROPERTIES

Mixed development of residential housing and commercial properties continues to progress on Bertam Properties' land. At the end of 2017, Bertam Properties owned 157 hectares of development land, including 17 hectares already under development, and a 143-hectare golf course. Of the golf course, 40 hectares have been approved for development and their official status will change during 2018.

During 2017, Bertam Properties completed the sale of 383 developed properties, a significant decrease from the 479 units completed in 2016. The reduced number of sales recorded in 2017 was mainly of low-cost and single-storey residential terraces. Whilst fewer in number and at lower prices, sales during the year yielded a nearly identical margin to those in the previous year. No land was sold for development during 2017. Overall, less development was begun in 2017 than in either of the preceding years, reflecting a continuing slowdown in the Penang property market. The reduced volume of property transactions in the Penang region, and their total value, in part reflected tighter lending conditions by banks through much of 2017.

The remaining development land at Bertam Properties continues to be 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 US$54.6 million.

STRATEGIC REPORT continued

RISK MANAGEMENT

The Group regularly considers its principal risks. They are reviewed and assessed by the audit committee at least annually and reported to the board for approval.

The 2017 review concluded that the principal risks reported in the 2016 annual report remain risks to the Group, and that no new principal risks have been identified. Set out below is the board's evaluation of the principal areas of potential risk. Risks have been classified as being either specific to the Group or of a general nature. The risk to the Group is described, along with the steps taken to mitigate that risk. The board regards the principal risk to the Group to be a reduction in the commodity price for CPO.

SPECIFIC RISKS

INDONESIA COUNTRY RISK

The Group's strategy is based on maintaining control over its plantation assets and identifying opportunities to expand by acquisition of additional plantation areas.

➔ Read more in the strategic report on page 13

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 is a tendency for nationalist sentiment to increase during presidential elections 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 and will, if necessary, liaise with other plantation companies and industry bodies to lobby the government not to enact such proposals.

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 ("HGUs") which are legally renewable, and which have to date been renewed without difficulty when falling due. The Group has already obtained the HGU for most of the land it has developed since it began its expansion in 2005. 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 perusahan*). 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, completes risk assessments and conducts training of senior management in Indonesia and Malaysia. It requires all its business partners to submit 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.

RELATIONSHIP WITH LOCAL POPULATIONS

The Group's business model includes making smallholder co-operatives a success. Smallholder areas are planted, maintained and harvested to the same standard as the Group's own areas.

➔ See the business model on pages 8 to 9

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 ffb, 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

SUPERVISION OF OPERATIONS

The business model explains how the Group controls and supervises its operations using expert staff. The Group also uses key performance indicators (KPIs) to monitor plantation operations.

➔ See the business model on pages 8 to 9

➔ Find out more in the KPIs on page 23

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. In order to strengthen its controls, the Group is putting in place an integrated operations and accounting software system which staff will be able to access from the UK as well as Indonesia and Malaysia. 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.

RELATIONSHIP WITH LOCAL PARTNERS

As set out in the business model, the Group's strength is as a producer of Indonesian palm oil. Under Indonesian law, the Group's subsidiaries are required to have a local partner with at least 5% of the equity.

➔ The Group's business model is on pages 8 to 9

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.

STRATEGIC REPORT continued

PROTECTION OF THE ENVIRONMENT

Sustainable production and zero waste are priority areas for the Group. Further information is included in the section on sustainability and in the business model.

➔ Read more about sustainability: pages 30 to 35

➔ See the business model on pages 8 to 9

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. All of its mills have been accredited by the RSPO. Additionally, the Group's Pangkatan mill in North Sumatra and Bumi Permai mill in East Kalimantan are covered by 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 maintain 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 bio-gas 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-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.

GENERAL RISKS

COMMODITY-PRICE FLUCTUATION

Sales of CPO and palm kernels take place based on a world market over which the Group has no control. This has been considered as part of the Group's assessment of viability.

➔ Assessment of viability report is on pages 43 to 44

The prices of crude palm oil ("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 ffb into a world market over which it has no control. Palm oil is a permanent tree crop with ffb being harvested every day of the year. Palm oil and palm kernels are sold on a fortnightly basis by open tender and ffb 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 for vegetable oil for human consumption has supported prices, as has demand for vegetable oils as a bio-fuel. Palm oil is the vegetable oil with the highest production in the world, has the lowest cost and is the most productive, by a wide margin, in terms of yield per hectare.

WEATHER AND NATURAL DISASTERS

The Group projects a sustained increase in crop. Adverse weather events may temporarily slow the rate of increase in crop.

➔ **More detail about our strategy is on page 13**

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.

EXCHANGE-RATE FLUCTUATION

The Group's functional currency is the US Dollar. Risks associated with changes in exchange rates have been assessed by the board, as set out in note 32 to the financial statements.

➔ **Note 32, containing further detail, is on page 82**

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 Price
Chief executive
9 April 2018

SUSTAINABILITY

The Group produces certified sustainable palm oil in all its palm-oil mills.

APPROACH

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, and the risk to the Group's reputation and operations of failing to address these concerns.

The Group makes sustainable long-term decisions investing in land, the environment, a skilled workforce and the communities in and around its operations. The Group has a dedicated sustainability manager based in Jakarta supported by field staff resident on the Group's estates.

In 2017, the Group launched a social survey in collaboration with the University of Indonesia that collected information about the quality of life of people living on and around its operations in Indonesia. This will help ensure the Group understands the impact of its operations on those living on and around its plantations.

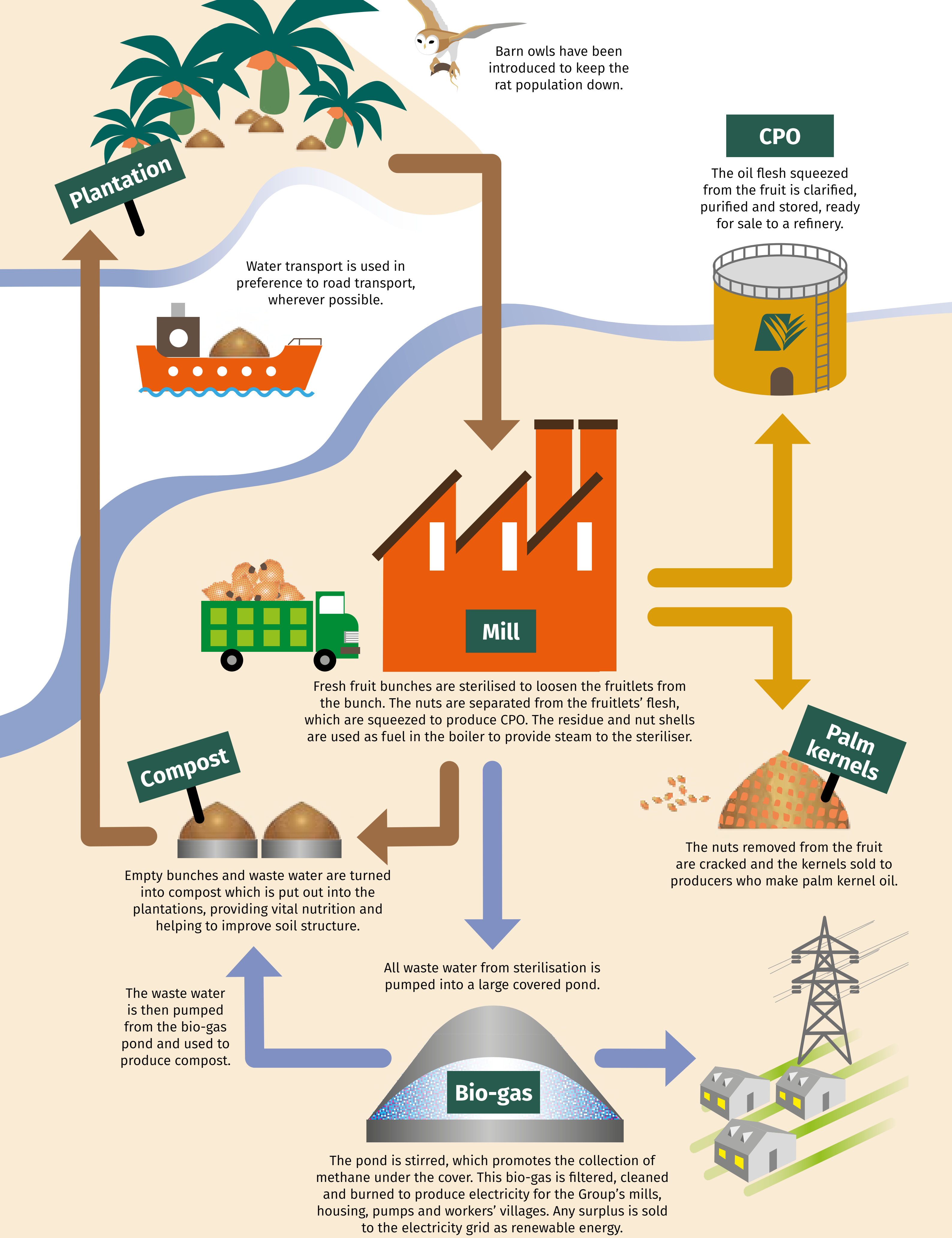
Certification

The Group demonstrates its commitment to sustainability through its membership of the Roundtable on Sustainable Palm Oil ("RSPO"). Compliance with RSPO standards is independently audited. All its estates, whether they have a mill or not, and including all smallholder schemes attached to the Group's projects, are run in accordance with the RSPO's standards, which relate to environmental, social and ethical plantation practices. The Group's policy is for all its mills to be certified by the RSPO with any new mills achieving RSPO certification within 18 months of commencing operation. All three of its mills have been certified.

In addition, the Pangkatan and Kalimantan mills are certified under ISCC, which is a leading certification system for sustainability and greenhouse gas emissions.

ISCC was one of the first schemes to comply with the requirements of the EU's Renewable Energy Directive, and 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. The Bangka mill will become ISCC-certified as soon as the Group has constructed its own bulking facility on Bangka for the crude palm oil produced there.

Bulking tanks at the Kota Bangun estates, complying with ISCC-certification requirements


Plantation
Barn owls have been introduced to keep the rat population down.
CPO
The oil flesh squeezed from the fruit is clarified, purified and stored, ready for sale to a refinery.
Water transport is used in preference to road transport, wherever possible.
Mill
Fresh fruit bunches are sterilised to loosen the fruitlets from the bunch. The nuts are separated from the fruitlets' flesh, which are squeezed to produce CPO. The residue and nut shells are used as fuel in the boiler to provide steam to the steriliser.
Palm kernels
The nuts removed from the fruit are cracked and the kernels sold to producers who make palm kernel oil.
Compost
Empty bunches and waste water are turned into compost which is put out into the plantations, providing vital nutrition and helping to improve soil structure.
All waste water from sterilisation is pumped into a large covered pond.
The waste water is then pumped from the bio-gas pond and used to produce compost.
Bio-gas
The pond is stirred, which promotes the collection of methane under the cover. This bio-gas is filtered, cleaned and burned to produce electricity for the Group's mills, housing, pumps and workers' villages. Any surplus is sold to the electricity grid as renewable energy.

ZERO WASTE: GOOD FOR THE ENVIRONMENT WHILST KEEPING DOWN M.P. EVANS' COSTS

ENVIRONMENT

Zero waste

The Group's mills in Kota Bangun (East Kalimantan) and Bangka capture methane from mill effluent. This methane is used to fuel a bio-gas engine which generates electricity for office compounds, housing and workers' villages in the vicinity of the mill, giving rise to a significant reduction in the use of diesel for the generators which would otherwise have been needed. In Bangka, the Group began selling surplus electricity to the state electricity company in January 2017.

In addition to capturing methane from mill effluent, the Group operates a composting facility in its three mills. Effluent is applied to the empty fruit bunches to create a nutritious compost. The compost, in turn, is applied in the field, reducing the requirement for inorganic fertilisers. Surplus effluent (which can occur during very rainy periods) is applied directly in the field, which acts as a beneficial organic fertiliser.

The generation of electricity from mill effluent and the use of empty bunches to produce compost are at the heart of what the Group does to achieve 'zero waste'.

Zero burning

The Group operates a strict policy prohibiting the burning of vegetation or old palms 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.

All the Group's managers are trained to be alert to fires and react quickly to any that do arise through natural forces or by accident. The Group operates a fire watch on all its estates. It also maintains water tenders that can be quickly deployed and used to pump water from drains on the estate in an effort to extinguish any fire.

The Group is not aware of any fire hotspots on or near the Group's estates developed since 2005.

In line with our zero burning policy, all the Group's managers are trained to be alert to natural or accidental fires

Careful water management is important for the palms and reduces the risk of fire

Our nutritious home-produced compost is used as an organic fertiliser in our palm plantations

Methane is captured for bio-gas production in covered ponds

SUSTAINABILITY continued

COMMUNITIES

Doing the right thing for the long term naturally includes doing the right thing both for the environment and for the communities that live on and around the Group's operations.

The Group believes the success of its operations is bound up with the success of smallholders operating alongside it. Successful smallholders foster strong support for the Group's activities amongst the local communities where it operates. The Group's managers get to know the village heads of the communities near Group operations, and maintain an open dialogue with them on any issues that affect their communities.

On the plantations, the Group ensures workers have access to medical care either in a local hospital or in clinics and medical centres we build and staff. The Group provides crêches to care for workers' children and builds nursery schools. For primary and secondary education, the Group either provides buildings or organises buses to transport students to the nearest government school.

INTEGRITY

The Group is committed to respecting the rights of all our workers, whether they be permanent, temporary or casual, indigenous or immigrants from other Indonesian islands or elsewhere.

Smallholder schemes

The main way in which the Group supports local communities is through smallholder co-operative schemes that operate alongside the Group's own areas. When it undertakes new development, the Group enters into an arrangement with the local community to provide land planted with oil palms. The Group carries out an intensive programme of 'socialisation' designed to ensure that all individuals giving up rights to land do so freely and only after they fully understand what is being given up, in terms of either legal or customary rights, in return for financial compensation offered by the Group.

In the early stages, the Group loans the finance to plant these areas and helps the co-operative to obtain its own bank finance, guaranteed by the Group, once official land titles have been issued. More importantly for the future, the Group ensures co-operative areas are planted and managed to exactly the same standard as its own areas.

The Group then manages the co-operative schemes on behalf of the members, and buys their fresh fruit bunches at a price set by the provincial Indonesian government.

This has been a successful way of engendering goodwill with the community in and around our areas of operation, as well as providing it with a tangible and remunerative business which is owned by them.

Co-operatives potentially give a triple benefit to those living near the Group's operations:

1. Members receive a compensation payment if they offer land to the Group to develop;
2. Members may come and work for the Group for a wage; and
3. As a co-operative member, they receive an income from a well-managed and productive asset.

Employees

The Group undertakes to train and motivate its staff and workforce, to help employees improve their skills and extend their education and qualifications.

Medical care is provided on the plantations in polyclinics staffed on a daily basis by trained employees. Doctors visit these clinics once or twice a week. On its Kalimantan project, the Group employs a full-time doctor and the Group pays for hospital treatment if this is required.

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

CONSERVATION AND NEW LAND

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

The Group has nearly 3,000 hectares of conservation areas, which are regularly monitored by sustainability teams resident on its estates.

Outside the conservation areas, beneficial "host" plants are planted alongside estate roads to attract predators of leaf pests (insects). 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.

New planting procedure ('NPP') documents have been routinely lodged with the RSPO Secretariat in a timely manner and are available on the RSPO website. All new plantings carried out since the beginning of 2015 have been covered by an HCV and high carbon stock ("HCS") assessment. In accordance with its RSPO commitments, the Group does not plant in peat.

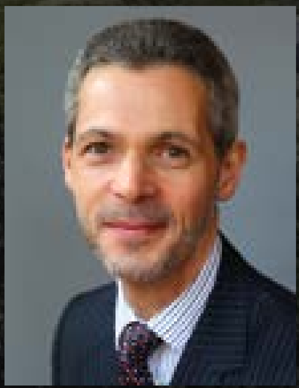
REPORT OF THE DIRECTORS

BOARD OF DIRECTORS

Peter Hadsley-Chaplin

EXECUTIVE CHAIRMAN

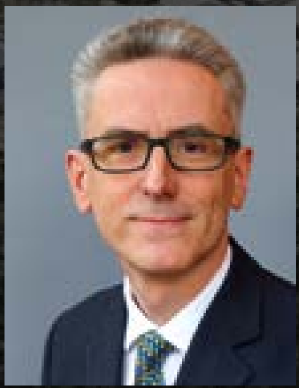
Appointed a director in 1989, chairman in 2010. Former executive chairman of Bertam Holdings PLC and Lendu Holdings PLC. Former chairman of The Association of the International Rubber Trade. Prior to joining the Group in 1988 he was a commodity broker with C Czarnikow Limited.



Tristan Price

CHIEF EXECUTIVE

Appointed a director in 2010, chief executive in June 2016. Previously worked as a senior UK diplomat, as an economist at the Organisation for Economic Co-operation and Development (OECD) and at the Treuhandanstalt (East German privatisation agency).



Matthew Coulson

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 the technical policy team.

Jock Green-Armytage

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Richard Robinow

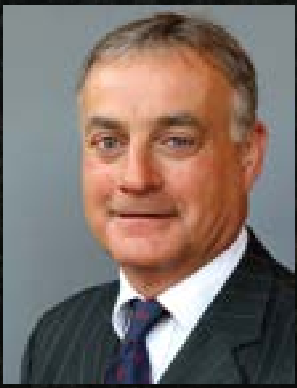
INDEPENDENT NON-EXECUTIVE DIRECTOR

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.

Philip Fletcher

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 an initial career in accountancy with KPMG in London and Sydney and in industry with the Rio Tinto plc group. Member of the audit committee.



Bruce Tozer

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

The directors present the audited consolidated and parent-Company financial statements of M.P. Evans Group PLC for the year ended 31 December 2017.

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 2 to 4) and in the strategic report (pages 12 to 29) 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 57.

A special dividend of 10.00p (2016 – 5.00p) per share was paid on 12 April 2017, and an interim dividend of 5.00p (2016 – 2.25p) per share in respect of 2017 was paid on 3 November 2017. The board recommends a final dividend of [12.75]p (2016 – 12.75p) per share. This dividend will be paid on or after 22 June 2018 to those shareholders on the register at the close of business on 20 April 2018. This final dividend is not provided for in the 2017 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 2017	55,739,719
Shares issued in respect of options exercised	95,000
Shares bought back and cancelled	(951,268)
Issued (fully-paid and voting) capital at 31 December 2017	**54,883,451**

During the year, the Company bought back and cancelled 951,268 10p shares for a total cost of US$9,188,000, representing 1.7% of the Company's issued share capital, as the board considered that the share price undervalued the Group's assets and purchases would be earnings-enhancing.

DIRECTORS AND DIRECTORS' INTERESTS

The present membership of the board is detailed on pages 36 and 37. The directors shown on pages 36 and 37 served throughout the year, with the exception of Matthew Coulson who was appointed on 1 February 2017. Derek Shaw retired from the board on 31 January 2017. Richard Robinow, Philip Fletcher and Peter Hadsley-Chaplin 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.

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 2017		
P E Hadsley-Chaplin	1,561,717	–
T R J Price	18,000	216,347
M H Coulson	1,500	8,333
P A Fletcher	1,048,171	–
J M Green-Armytage	–	–
R M Robinow	96,147	–
B C J Tozer	–	–
At 1 January 2017		
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	–	–

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 46 to 48.

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 2017, 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 Standard Investments	Indirect	8,703,501	15.88
KL-Kepong International Ltd	Direct	7,159,492	13.06
Alcatel Bell Pensioenfonds VZW	Direct	5,750,000	10.49
JP Morgan Asset Management (UK) Ltd	Direct	2,580,000	4.71
M M Hadsley-Chaplin	Direct	1,928,254	3.52
Montanaro Asset Management Limited	Direct	1,850,000	3.38

OUTSTANDING OPTIONS TO SUBSCRIBE

As at the date of this report, there were options to subscribe for 300,000 shares outstanding under the executive share-option schemes and options to subscribe for 160,070 shares outstanding under the 2017 long-term incentive scheme. If all of the options were exercised, the resulting number of shares would represent (a) 0.83% of the enlarged issued share capital at that date; and (b) 0.92% 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 2017 amounted to 39 days (2016 - 45 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 accounts on pages 82 and 83.

SUBSIDIARY COMPANIES

Details of the Group's subsidiary companies, including their country of operation, are given on page 90.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 statements 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;
- 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; and
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping 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.

REPORT OF THE DIRECTORS continued

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

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

Each of the directors whose names and functions are listed in the report of the directors confirms that, to the best of their knowledge:

- the parent-Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the report of the directors includes a fair review of the development and performance of the business and the position of the Group and parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the report of the directors is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and parent Company's auditors are unaware; and
- they have taken all the 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 Group and parent Company's auditors are aware of that information.

GOING CONCERN

The Group's operations are funded through a combination of cash resources, loan finance, and long-term equity. The board has undertaken a recent review of the Group's financial position, including forecasts, risks and sensitivities. The review has considered the Group's plans for further development in Indonesia, along with the required funding for that development. Based on that review, the board has concluded that the Group is expected to be able to continue in operational existence for the foreseeable future, being at least the next 12 months from the date of approval of these financial statements. As a result, the board has concluded that the going-concern basis continues to be appropriate in preparing the financial statements.

POST-BALANCE-SHEET EVENTS

On 4 January 2018, the Group paid the deferred consideration of US$49.2 million for the acquisition of Sunrich Plantations Pte Ltd (see note 13).

On 12 January 2018, the Group announced that the budget for the share buyback programme had been extended by £2.5 million to a total of £10 million, and that the programme would run up to 30 June 2018.

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
9 April 2018

Directors visiting the new mill at Bangka viewing the continuous settling tank, one stage in purifying CPO

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 currently 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.

OPERATION OF THE BOARD

Directors

Details of the Company's board, together with those of the audit and remuneration committees, are set out on pages 36 and 37. The board comprises an executive chairman, two further executive directors and four non-executive directors, one of whom chairs the audit and remuneration committees.

Whilst for the early part of 2017 the board comprised two executives and five non-executives, following the retirement of Derek Shaw on 31 January 2017 and the appointment of Matthew Coulson as finance director on 1 February 2017, 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 10 full board meetings held in 2017, with the exception of Jock Green-Armytage who was excused from the meetings held on 4 July 2017 and 14 September 2017, Bruce Tozer who was excused from the meeting held on 4 July 2017 and Richard Robinow who was excused from the meeting held on 19 June 2017. Matthew Coulson attended the meeting held on 12 January 2017 in his capacity as chief financial officer, prior to his appointment as finance director. 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. The board additionally receives advice from independent professionals on legal matters, corporate public relations, taxation, and 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 pages 36 and 37. More than half of the directors are non-executive, out of whom Richard Robinow has served for more than nine years. 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 acts 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 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, is not independent but takes the view that the Group is well served by Mr Fletcher in a non-executive role, due to his extensive knowledge of the Group and the sector.

Directors' remuneration and appointment

As set out in the report on pages 46 to 48, 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 2017 comprised Jock Green-Armytage, Richard Robinow and Derek Shaw until 31 January 2017, and Jock Green-Armytage, Richard Robinow and Bruce Tozer from 29 March 2017, met twice and all meetings were attended by all members of the committee serving at the time.

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 (www.mpevans.co.uk/investors) to make available details of the annual general meeting and the results of the votes cast at those meetings, and 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 39 and 40 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 reviewed by the audit committee. The committee considers the Group's principal risks, and a summary is presented to the board for discussion and approval. The review process considers the control environment and the major business risks faced by the Group. In summary this is reported on pages 26 to 29.

Important control procedures, in addition to the day-to-day supervision of parent-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. A board visit, including both executives and non-executives, to the Jakarta office and the Kota Bangun estates took place in October 2017.

Going concern

The board has assessed and concluded on the going-concern status of the Group, and further information is included in the directors' report on page 40.

Viability

The board considers the Group's 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

CORPORATE GOVERNANCE continued

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$81.4 million. Whilst the Group paid US$49.2 million of deferred consideration related to the acquisition of Sunrich Plantations Pte Ltd (see note 13) after the end of the year, the Group remains in a strongly positive net funds position. The Group's plans for further development of its Indonesian operations have been taken into consideration, as set out in the strategic report, including development of existing projects, investment in new hectarage, and appropriate financing where necessary.

Principal areas of risk, and their mitigation, are included in the section on risk management on pages 26 to 29. 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 has been demonstrated in previous years, the Group is able to continue delivering returns even during periods of lower crude palm oil ("CPO") prices.

The Group's prospects remain sound, in particular given the young average age of its palms, at seven years. An upward trend in crop is expected to last until the end of 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 current levels.

In light of the above, 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) and is chaired by Jock Green-Armytage. The other members are Richard Robinow, Bruce Tozer and Philip Fletcher. Jock Green-Armytage and Richard Robinow served throughout the year and Bruce Tozer and Philip Fletcher served since their appointments on 29 March 2017. The executive directors are not members of the committee but can be invited to attend its meetings. The auditors of the Group may also attend part or all of each meeting and they have direct access to the committee for independent discussions, without the presence of the executive directors. The committee met three times during 2017 and each meeting was attended by all of the members with the exception of the meeting held on 14 September 2017 which Jock Green-Armytage was unable to attend and which Bruce Tozer chaired in his place. 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, reviewing the Group's principal risks, 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 critical accounting judgements and key estimates made during the year, particularly in relation to the Group's acquisition of Bumi Mas in the year, and the recognition and carrying value of deferred tax;
- 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.

Auditors

The auditors were first appointed, following a tender exercise, in 2009. The audit partner changes at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity, with Darryl Phillips the audit partner for the 2017 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 2017 results. The external auditors have provided only audit services during the current year. 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 auditors' 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 acquisition of Bumi Mas made by the Group during the year. The committee considered the identifiable assets and liabilities acquired, and the fair values of those assets and liabilities. The committee concluded that it was appropriate to recognise a fair value adjustment to the plantation land acquired, and that no goodwill arose as part of the business combination; and
- the treatment of deferred tax in the consolidated balance sheet. The committee considered the judgement that deferred tax should not be provided on unremitted earnings of subsidiaries and associates and concluded that this approach remains appropriate. It has also reviewed the estimated carrying value of deferred tax assets relating to brought-forward tax losses and has concluded that the estimates are reasonable.

After reviewing presentations and reports from management and consulting with the auditors, the audit committee is satisfied that the financial statements properly present 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.

Board visit to Kota Bangun estates, East Kalimantan

DIRECTORS' REMUNERATION REPORT

The remuneration committee, which is formally constituted with written terms of reference (available on the Company's website), 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 PERFORMANCE EVALUATION

Whilst the board, in line with its approach for the previous financial year, 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

TOTAL DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2017

	SALARY AND FEES £	BONUS PAID £	BONUS DEFERRED £	BENEFITS IN KIND £	SALARY IN LIEU OF PENSION £	PENSION COSTS £	GAIN ON EXERCISE OF SHARE OPTIONS £	TOTAL REMUN-ERATION 2017 £	TOTAL REMUN-ERATION 2016 £
Executive directors									
P E Hadsley-Chaplin	170,500	56,833	—	27,092	18,728	—	—	273,153	301,634
T R J Price [1, 3]	284,000	94,667	94,667	37,465	22,408	10,000	268,125	811,332	546,227
M H Coulson [1, 2, 3]	183,333	59,950	59,950	25,046	9,885	11,667	—	349,831	—
P A Fletcher	—	—	—	—	—	—	—	—	212,253
	637,833	211,450	154,617	89,603	51,021	21,667	268,125	1,434,316	1,060,114
Non-executive directors									
R M Robinow	32,000	—	—	—	—	—	—	32,000	36,000
J M Green-Armytage	37,300	—	—	—	—	—	—	37,300	41,200
B C J Tozer	32,000	—	—	—	—	—	—	32,000	22,284
P A Fletcher	32,000	—	—	—	—	—	—	32,000	22,222
J D Shaw	2,667	—	—	—	—	—	—	2,667	59,500
	135,967	—	—	—	—	—	—	135,967	181,206
Total	**773,800**	**211,450**	**154,617**	**89,603**	**51,021**	**21,667**	**268,125**	**1,570,283**	**1,241,320**

1. The pension costs for Mr T R J Price and Mr M H Coulson are the contributions made by the Company to a Company-sponsored self-invested personal pension ("SIPP").
2. Mr M H Coulson's remuneration in the table above is for the period from his appointment on 1 February 2017.
3. In line with the Group remuneration policy, described below, half of the bonuses for the year to Mr T R J Price and Mr M H Coulson have been deferred into an award of fully-paid shares of equal value which vest after three years subject to continued employment by the Group.

disruption to the Group. 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.

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.

LONG-TERM INCENTIVE SCHEME

The long-term incentive scheme established in 2017 governs the grant of both deferred-bonus awards to executive directors and annual awards of fully-paid shares to senior staff other than directors. The award of fully-paid shares has the advantage of being substantially less dilutive than market-priced share options whilst continuing to provide an adequate level of incentive to the recipient.

The long-term incentive for executive directors is through the award of fully-paid share options under the deferred-bonus policy described above. No additional performance criteria attach to the deferred-bonus awards since the original bonus will have been performance-related. In respect of senior staff who are not directors, the Group now aims annually to give a limited number of fully-paid shares which vest after three years subject to continued employment by the Group. No performance criteria 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, such as 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). The bonus in respect of 2017 took into account the strong increase in profit and production of CPO and palm kernels, and the good progress made in planting new areas. The absolute value of these measures was assessed, as was their outturn against expected performance. In addition, the remuneration committee acknowledged, inter alia, furtherance of the Group's strategic objectives of controlling all its operations and the successful acquisition of the 10,000-hectare project Bumi Mas.

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. No further options can be granted under the scheme established in 2001 and the remuneration committee does not intend to grant any further share options under the scheme established in 2012.

DIRECTORS' REMUNERATION REPORT continued

Options which were previously granted under the 2001 and 2012 schemes give the chief executive 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. There will be no gain in exercise unless the share price on the exercise date exceeds the share price on the date the options were granted. On 31 December 2017, options over 200,000 (2016 – 275,000) shares granted to him under these schemes remained outstanding. During the year, 75,000 options were exercised (2015 none) shortly before they were due to lapse, and none (2016 none) lapsed.

The chief executive and finance director are members of the long-term incentive scheme established in 2017 described above, under which half of any discretionary bonus is deferred into fully-paid shares. Under this arrangement options over 24,680 fully-paid shares were awarded in 2017 (2016 none), representing half of the bonus awarded to these individuals in respect of 2016.

No options are held by the non-executive directors.

At 31 December 2017 the middle-market quotation for the Company's shares, as derived from the London Stock Exchange Daily Official List, was 783.25p, as compared with the high and low quotations for the year of 819.75p and 630.00p respectively.

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 forgoe 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 by its order

Katya Merrick
Company Secretary
9 April 2018

OPTIONS HELD OVER SHARES OF THE COMPANY BY THE EXECUTIVE DIRECTORS DURING THE YEAR ENDED 31 DECEMBER 2017

	BALANCE AT 1 JAN 2017	GRANTED IN THE YEAR	EXERCISED IN THE YEAR	BALANCE AT 31 DEC 2017	EXERCISE PRICE	DATE OF GRANT	DATE FROM WHICH NORMALLY EXERCISABLE	EXPIRY DATE
Executive share-option scheme								
T R J Price	*75,000	–	75,000	–	385.00	16 Nov 07	16 Nov 10	16 Nov 17
	*75,000	–	–	75,000	159.50	24 Nov 08	24 Nov 11	24 Nov 18
	50,000	–	–	50,000	483.21	19 Jun 12	19 Jun 15	19 Jun 22
	5,750	–	–	5,750	520.00	17 Jan 13	17 Jan 16	17 Jan 23
	44,250	–	–	44,250	510.00	17 Jan 13	17 Jan 16	17 Jan 23
	25,000	–	–	25,000	410.50	13 Jun 16	13 Jun 19	13 Jun 26
Total	**275,000**	**–**	**75,000**	**200,000**				
Long-term incentive scheme								
T R J Price	–	16,347	–	16,347	0.00	8 Jun 17	3 Apr 20	2 Apr 27
M H Coulson	–	8,333	–	8,333	0.00	8 Jun 17	3 Apr 20	2 Apr 27
Total	–	**24,680**	–	**24,680**				

* Held at appointment on 1 January 2010

INDEPENDENT AUDITORS' REPORT

To the members of M.P. Evans Group PLC

Report on the audit of the financial statements

OPINION

In our opinion:

- M.P. Evans PLC's Group financial statements and parent-Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent-Company's affairs as at 31 December 2017 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent-Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the annual report, which comprise: the consolidated and parent-Company balance sheets as at 31 December 2017; the consolidated income statement and statement of comprehensive income, the consolidated cash-flow statement, and the consolidated and parent-Company statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

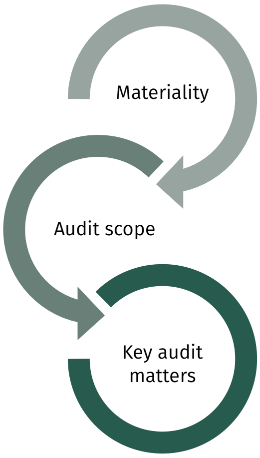
Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

INDEPENDENT AUDITORS' REPORT continued

OUR AUDIT APPROACH

Overview



- Overall Group materiality: US$1.7 million (2016: US$1.5 million), based on 5% of profit before tax (excluding profit from discontinued operations).
- Overall parent-Company materiality: US$1,300,000 (2016: US$650,000), based on 1% of total assets.

- We performed audit work over the complete financial information for reporting units which accounted for approximately 100% (2016: 100%) of the Group's revenue and 100% (2016: 100%) of the Group's profit before taxation, excluding the profit from discontinued operations and the share of profit from associates. These reporting units comprised certain operating businesses in Indonesia and centralised functions.
- Identified 29 reporting units, three of which were significant due to their size. These comprised certain operating businesses in Indonesia, associates and centralised functions which required an audit of their complete financial information.
- Conducted specific audit procedures on certain balances and transactions in respect of a number of other reporting units such as those relating to acquisition accounting in respect of Sunrich Plantations Pte Ltd and the disposal of the associated undertaking PT Agro Muko.

- Acquisition accounting and disclosures in respect of Sunrich Plantations Pte Ltd.
- Capitalisation of costs in relation to plantation assets.
- Assessment of the gain on disposal of PT Agro Muko ("PTAM").

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Acquisition accounting and disclosures in respect of Sunrich Plantations Pte Ltd. *Refer to page 44 (corporate governance), notes 3 and 13 for the related accounting policies, judgements and estimates for further information.* During the year the Group completed the purchase of 100% of the share capital of Sunrich Plantations Pte Ltd for a consideration of US$52.3 million. In accordance with IFRS3, management are required to separately identify and record the fair value of the acquired assets and liabilities, including plantation assets and land rights. Management identified US$45.4 million in relation to planting assets and US$53.6 million in respect of land rights. The accounting for a significant acquisition can be complex, in particular where there are a number of consideration payments, escrow arrangements and fair value assessments. Management prepared its assessment of the acquisition accounting and associated disclosure taking account of their experience of other acquisitions as well as already running a number of other similar plantations.	We assessed the completeness and accuracy of management's provisional purchase price allocation through the following procedures: • We obtained, read and understood the sale and purchase agreement ("SPA") and vouched the consideration paid to corroborating evidence including bank statements. We ensured that any consideration adjustments through amounts in escrow were properly reflected; • We performed audit work over the acquired balance sheet, which included the vouching of key balances to corroborating evidence such as contracts, bank confirmations and other accounting records and verifying liabilities for completeness by reviewing post-acquisition transactions. This work was carried out by our local PwC team with direction and oversight from the Group team; • We tested the fair value adjustments and purchase price allocation (specifically land and plantation assets), by assessing management's rationale and explanations against other recent market transactions as well as against historical records within the Group such as costs of planting per hectare. Further, we assessed if other intangible assets, such as customer relationships and contracts, should be recognised (which they were not) given the nature of the entity; and • We discussed the results of this analysis with management and the audit committee and ensured appropriate disclosure was included within the annual report which describes the nature of the acquisition and arising fair value adjustments. Based on the work performed in this area, we have determined that the accounting and disclosures are appropriate.

INDEPENDENT AUDITORS' REPORT continued

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Capitalisation of costs in relation to plantation assets The Group accounts for bearer plants (oil palms), in accordance with IAS16 Property, Plant and Equipment ("IAS 16"), under the historic accumulated cost model (before maturity) and subsequently records depreciation over the useful economic life of the asset as estimated by management once maturity is reached. As at 31 December 2017 the Group held a net book value of US$130.1 million (2016 US$90.6 million) in relation to "Planting", of which US$44.3 million (2016 US$21.8 million) related to immature planting and was not depreciated. As further disclosed in the strategic report, the Group's plantations covered 37,100 hectares. The main area of judgement required by management is to ensure that directly attributable costs are allocated appropriately between immature plantations (and therefore capitalised when incurred) and mature plantations (expensed when incurred). This allocation is done using internal records which identify areas and dates of planting activities. The allocation of costs is performed using systematic calculations on where time and costs are spent. Once capitalised, there are further considerations around the point at which palms become mature and the period over which they are depreciated. Management consider a number of factors including industry 'norms' in forming their policies which are that palms are declared mature once they produce economically viable fruit, typically around 30 months. Oil palms produce fruit over their whole lives, but become uneconomic to harvest after 20-25 years of harvesting because of their height. This pattern is common throughout the industry and informs the depreciation period of 20 years applied consistently by the Group.	We have audited the level of capitalised assets within "Planting" through a number of procedures, which included the following: • We agreed the split of hectares between mature (depreciating) and immature (non-depreciating) areas. This was done through site visits, our knowledge of the business, through prior year audits, and ensuring that the records were consistent with internal management information including the views of management's agro-economic team; • We recalculated management's allocation of costs between the categories by systematically applying costs incurred over mature and immature areas; • We tested a sample of additions to immature areas by verifying the nature of the costs capitalised against corroborating evidence and assessing whether the nature of the costs capitalised meet the required criteria defined in IAS 16; and • We audited management's assumptions used to estimate the period over which palms mature and the useful economic life used for depreciation, by comparing to scientific literature, industry standards and licencing agreements over land rights. Based on the evidence obtained we believe that the policies and estimates used in terms of capitalising and depreciating these costs are reasonable and the related disclosures are appropriate.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Assessment of the gain on disposal of PT Agro Muko ("Agro Muko") On 6 December 2016 the Group entered into a conditional contract to sell its interest in the share capital of PT Agro Muko ("Agro Muko"). In February 2017 the statutory approvals from the Indonesian authorities were obtained and, in line with the share purchase agreement and market announcements, the sale and purchase completed for a cash consideration of US$99.8 million on 17 March 2017. Management have classified the share of results from the Agro Muko operations up to 17 March 2017 as discontinued operations and a gain on disposal was calculated by deducting transaction-related costs and the Group's share of net assets at the completion date from the consideration received. Given the quantum of the transaction and complexities of disclosures as required by IFRS5, Discontinued Operations, we have considered this to be a key audit matter.	We audited the completeness and accuracy of management's calculation of the gain on disposal of Agro Muko. In doing so, we performed the following: • Obtained, read and understood the sale and purchase agreement ("SPA") and the accounting implications. We ensured that the terms of the SPA were consistent with our knowledge of the transaction and agreed to board minutes; • We vouched the consideration received to the SPA and bank accounts; • We verified whether the gain on disposal was calculated in accordance with the relevant clauses of the SPA; • We compared the net assets disposed to underlying accounting records and performed audit procedures over the completion balance sheet of Agro Muko; • We evaluated the adequacy of the related disclosure in the financial statements for compliance with the requirements of IFRS5. From the evidence obtained we found the calculation of the gain on disposal is appropriate and the disclosures made as discontinued operations are in accordance with IFRS5.

We determined that there were no key audit matters applicable to the parent Company to communicate in our report.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent Company, the accounting processes and controls, and the industry in which they operate.

M.P. Evans Group PLC ("MP Evans") is traded on the London Stock Exchange's Alternative Investment Market ("AIM"). The Group's assets consist of oil-palm plantations (both majority and minority held) in Indonesia and property development in Malaysia. The Group is structured to include UK-based holding entities and Indonesian-based operating subsidiaries. The Group also has associate interests in PT Kerasaan, an Indonesian palm-oil producer, and in Bertam Properties, a Malaysian property developer. The Group operates with a head office management and finance team in the UK, as well as a local management and finance team in Indonesia.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or by component Auditors of other PwC network firms and other firms operating under our instruction. As the majority of the Group's operations are in Indonesia, we have carried out full-scope audits over the principal trading subsidiaries in Indonesia, utilising our component audit team. Where the work was performed by component Auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

INDEPENDENT AUDITORS' REPORT continued

We identified 29 reporting units, three of which were significant due to their size. These comprised certain operating businesses and centralised functions which required an audit of their complete financial information. We also conducted specific audit procedures on certain balances and transactions in respect of a number of other reporting units. This gave us coverage of approximately 100% of the Group's profit before taxation, excluding the profit from discontinued operations and the share of profit from associates. This, together with the additional procedures performed at the Group level, including testing the consolidation process, the purchase of Sunrich Plantation Pte Ltd, and the sale of PT Agro Muko, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	PARENT-COMPANY FINANCIAL STATEMENTS
OVERALL MATERIALITY	US$1.7 million (2016: US$1.5 million).	US$1,300,000 (2016: US$650,000).
HOW WE DETERMINED IT	5% of profit before tax (excluding profit from discontinued operations).	1% of total assets.
RATIONALE FOR BENCHMARK APPLIED	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. Note, when applying the profit before tax benchmark, we have excluded profit from discontinued operations and the net gain on disposal of PT Agro Muko.	The parent Company does not generate income but incurs some expenses which include salaries (including directors), administrative expenses linked with the parent Company operation and interest expense for the bank loan. The entity itself is predominantly that of a holding company and as such total assets is deemed to be the most appropriate benchmark. Investors are interested in the investments held by the parent.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between US$6,000 and US$1,300,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the audit committee that we would report to them misstatements identified during our audit above US$85,000 (Group audit) (2016: US$50,000) and US$32,500 (parent-Company audit) (2016: US$32,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going-concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and parent-Company's ability to continue to adopt the going-concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent-Company's ability to continue as a going concern.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the strategic report and report of the directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

STRATEGIC REPORT AND REPORT OF THE DIRECTORS

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 year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the strategic report and report of the directors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT continued

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent-Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless the directors either intend to liquidate the Group or the parent-Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
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.

Other required reporting

COMPANIES ACT 2006 EXCEPTION REPORTING

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
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent-Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Darryl Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 April 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Continuing operations			
Revenue		116,536	83,864
Cost of sales		(80,290)	(59,480)
Gross profit		36,246	24,384
Gain on biological assets		47	683
Foreign-exchange gains/(losses)		365	(658)
Other administrative expenses		(3,068)	(4,931)
Other income		360	258
Operating profit		33,950	19,736
Finance income	6	2,147	868
Finance costs	7	(1,027)	(1,389)
Profit before tax	8	35,070	19,215
Tax on profit on ordinary activities	9	(11,244)	(7,547)
Profit after tax		23,826	11,668
Share of associated companies' profit after tax	16	2,590	4,763
Profit for the year from continuing operations		26,416	16,431
Profit for the year from discontinued operations	11	68,018	18,823
Profit for the year		**94,434**	**35,254**
Attributable to:			
Owners of M.P. Evans Group PLC		90,514	31,273
Non-controlling interests	29	3,920	3,981
		94,434	**35,254**

		US cents	US cents
Continuing operations			
Basic earnings per 10p share	12	40.7	22.3
Diluted earnings per 10p share	12	40.5	22.3
Continuing and discontinued operations			
Basic earnings per 10p share	12	163.8	56.1
Diluted earnings per 10p share	12	163.0	56.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Other comprehensive income			
Items that may be reclassified to the income statement			
Exchange gain/(loss) on translation of foreign operations		1,655	(221)
Release of deferred profit on sale of land		(135)	(291)
Items that will not be reclassified to the income statement			
Other comprehensive (expense)/income		(473)	12
Other comprehensive income/(expense) for the year		1,047	(500)
Profit for the year		94,434	35,254
Total comprehensive income		**95,481**	**34,754**
Attributable to:			
Owners of M.P. Evans Group PLC		91,499	30,771
Non-controlling interests	29	3,982	3,983
		95,481	**34,754**

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 US$'000	2016 US$'000
Non-current assets			
Goodwill	14	12,228	1,157
Property, plant and equipment	15	321,558	201,789
Investments in associates	16	20,467	18,392
Investments	17	53	66
Deferred-tax asset	24	12,280	15,386
Trade and other receivables	20	5,465	2,889
		372,051	239,679
Current assets			
Biological assets	18	1,843	1,576
Inventories	19	10,462	13,436
Trade and other receivables	20	34,368	19,026
Current-tax asset		4,614	3,440
Current-asset investments	21	6,913	14,262
Cash and cash equivalents	21	113,910	91,405
Assets classified as held for sale		—	31,751
		172,110	174,896
Total assets		**544,161**	**414,575**
Current liabilities			
Borrowings	23	9,159	9,519
Trade and other payables	22	65,194	19,232
Current-tax liability		5,317	14,590
		79,670	43,341
Net current assets		92,440	131,555
Non-current liabilities			
Borrowings	23	30,285	20,810
Deferred-tax liability	24	11,813	526
Retirement-benefit obligations	25	8,434	5,675
		50,532	27,011
Total liabilities		**130,202**	**70,352**
Net assets		**413,959**	**344,223**
Equity			
Share capital	26	9,255	9,366
Other reserves	28	51,346	49,669
Retained earnings	28	323,397	261,964
Equity attributable to the owners of M.P. Evans Group PLC		383,998	320,999
Non-controlling interests	29	29,961	23,224
Total equity		**413,959**	**344,223**

The financial statements on pages 57 to 83 were approved by the board of directors on 9 April 2018 and signed on its behalf by

Tristan Price
Chief executive

Matthew Coulson
Finance director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	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		–	2,590	87,924	90,514	3,920	94,434
Other comprehensive income for the year		–	535	450	985	62	1,047
Total comprehensive income for the year		**–**	**3,125**	**88,374**	**91,499**	**3,982**	**95,481**
Issue of share capital	26	13	493	–	506	–	506
Share buy-backs		(124)	124	(9,188)	(9,188)	–	(9,188)
Dividends paid	10	–	–	(19,995)	(19,995)	–	(19,995)
Dividends from associates	16	–	(2,240)	2,240	–	–	–
Credit to equity for equity-settled share-based payments	27	–	175	54	229	–	229
Group reconstruction		–	–	(52)	(52)	–	(52)
Minority interest arising on acquisition		–	–	–	–	2,755	2,755
Transactions with owners		**(111)**	**(1,448)**	**(26,941)**	**(28,500)**	**2,755**	**(25,745)**
At 1 January 2017		9,366	49,669	261,964	320,999	23,224	344,223
At 31 December 2017		**9,255**	**51,346**	**323,397**	**383,998**	**29,961**	**413,959**
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 income for the year		**–**	**(20,426)**	**51,197**	**30,771**	**3,983**	**34,754**
Issue of share capital	26	6	225	–	231	–	231
Dividends paid	10, 29	–	–	(10,033)	(10,033)	(2,375)	(12,408)
Dividends from associates	16	–	(6,377)	6,377	–	–	–
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**

CONSOLIDATED CASH-FLOW STATEMENT

For the year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Net cash generated by operating activities	30	**20,723**	**22,888**
Investing activities			
Purchase of property, plant and equipment	15	(29,533)	(26,847)
Interest received	6	2,147	868
Proceeds on disposal of property, plant and equipment		67	155
Purchase of subsidiary undertaking	13	(39,589)	—
Disposal of associated undertaking	11	99,769	79,720
Net cash generated by investing activities		**32,861**	**53,896**
Financing activities			
New borrowings		—	11,486
Repayment of borrowings		(9,552)	(14,073)
Decrease in bank deposits treated as current-asset investments		7,349	4,141
Dividends paid to Company shareholders		(19,995)	(9,802)
Dividends paid to non-controlling interests		—	(2,375)
Exercise of Company share options		506	—
Buy-back of Company shares		(9,188)	—
Net cash used by financing activities		**(30,880)**	**(10,623)**
Net increase in cash and cash equivalents		**22,704**	**66,161**
Net cash and cash equivalents at 1 January		91,405	25,811
Effect of foreign-exchange rates on cash and cash equivalents		(199)	(567)
Cash and cash equivalents at 31 December	21	**113,910**	**91,405**

NOTES TO THE CONSOLIDATED ACCOUNTS

For the year ended 31 December 2017

1 General information

M.P. Evans Group PLC is a public limited company incorporated in the United Kingdom under the Companies Act 2006 and listed on the London Stock Exchange's Alternative Investment Market ("AIM"). The Company is registered in England and Wales, and the address of its registered office is given on page 96. The nature of the Group's operations and its principal activities are set out in note 4 and in the strategic report on pages 12 to 29. 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, reflecting the primary economic environment in which the Group operates. The presentational currency for the Group accounts is also 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$1,426,000 for the financial year ended 31 December 2017 (2016 loss of US$6,979,000). The Company's separate financial statements are set out on pages 84 to 89.

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 90.

2 Adoption of new and revised accounting standards

(a) New and amended standards adopted by the Group

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 2017. 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.

IAS 12 (amendments) *Recognition of deferred-tax assets for unrealised losses*
IAS 7 (amendments) *Disclosure initiative*
Annual Improvements to IFRS Standards 2014-2016 Cycle

(b) New standards, amendments and interpretations issued but not effective for the year beginning 1 January 2017 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 16 *Leases*
IFRS 17 *Insurance contracts*
IFRS 2 (amendments) *Classification and measurement of share-based payment transactions*
IAS 28 (amendments) *Long-term interests in associates and joint ventures*
IAS 19 (amendments) *Plan amendment, curtailment or settlement*
Annual Improvements to IFRS Standards 2015-2017 Cycle
IFRIC 22 *Foreign currency transactions and advance consideration*
IFRIC 23 *Uncertainty over income tax treatments*

In addition to the above, the IASB has also issued two new standards which are not effective for the 2017 Group accounts and have not been adopted early, but will be adopted in 2018. At the date of authorisation of these financial statements, the directors have completed their review of these new standards, and have concluded as follows:

IFRS 9 *Financial instruments* – the standard replaces IAS 39 and introduces some new requirements in particular in relation to impairment based on an expected credit loss model, and a new hedge accounting model. Due to both the low level of credit loss experienced by the Group, and the lack of hedge accounting, no material change is expected.

IFRS 15 *Revenue from contracts with customers* – the standard sets out a five-step model for recognition and measurement of revenue. Due to the nature of the Group's main revenue streams, this is not expected to lead to a material change in the Group's own revenue accounting. The timing of revenue recognition by the Group's property associate is expected to change upon implementation of IFRS 15. If the consolidated accounts for 2017 had been prepared under the new standard, the Group's share of this associate's profit for the year would have increased by approximately US$0.8 million and its share of the net assets would have increased by approximately US$3.5 million.

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 report of the directors on page 40.

(c) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiaries, and equity account for its associated undertakings. The Group treats as subsidiaries those entities in which it has power over the investee, has the rights or exposure to variable returns, and has the ability to affect those returns. 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 gaining or losing either control or significant influence as appropriate.

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 required by IFRS 5, results (including comparative amounts) of the disposed-of subsidiary or associated undertaking are included within discontinued operations.

(d) Revenue

Revenue represents the fair value of crops and produce sold during the year, excluding sales taxes. Income is recognised at the point of delivery, which is deemed to be the point at which the risks and rewards are transferred to the buyer. Revenue in respect of construction contracts is recognised at the point the sale of the developed property is fully completed.

(e) 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 based on an annual actuarial review, and charged to the income statement on the basis of individuals' service at the balance-sheet date.

(f) 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 for market-priced options, and at the start of the vesting period for options issued under the long-term incentive scheme; 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.

(g) 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 identifiable net 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 net assets and liabilities acquired over their cost.

NOTES TO THE CONSOLIDATED ACCOUNTS continued

3 Accounting policies continued

(g) Goodwill (continued)

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.

(h) Biological assets

For internal reporting and decision-making, the Group's policy is to recognise fresh fruit bunches ("ffb") 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 fair value of ffb prior to harvest as a biological asset in the Group's financial statements (see note 18). The impact of initial valuations and subsequent changes in value are included in the Group's income statement. The valuation falls into the IFRS category 'Level 3', since sales of ffb prior to harvest are never transacted.

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.

(i) 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.

(j) Investments in associated companies

Undertakings over which the Group has the ability to exert significant influence, but not control 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 2017. 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.

(k) 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 carrying amount, and fair value less costs to sell.

(l) Inventories

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

(m) 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 it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred-tax assets is reviewed at each balance-sheet date.

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

3 Accounting policies continued

(n) Financial instruments

Financial assets and financial liabilities are initially 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 at the balance-sheet date.

Trade and other receivables – these represent both amounts due from customers in the normal course of business and financing made available to smallholder co-operatives. In both cases balances are not interest-bearing, and are initially stated at their fair value, and subsequently measured at amortised cost, using the effective interest-rate method, 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.

(o) 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, the Malaysian Ringgit. 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. In addition, exchange differences arising from translating the results of Group companies that do not have the US Dollar as their functional currency are also recognised in other comprehensive income.

(p) 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. The Group's reportable operating segments are included in note 4.

(q) 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 how its policies are applied and hence amounts are reported in the financial statements. Estimates and judgements are periodically evaluated. They 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 estimates.

The critical judgements and key estimates which have the most significant impact on the carrying amount of assets and liabilities are identified below and discussed further in the relevant notes to the accounts.

Critical judgements

- Deferred tax on unremitted earnings (note 24);
- Depreciation of leasehold land (note 15); and
- Identifiable intangible assets in acquisition of subsidiary (note 13).

Key estimates

- Fair values on acquisition of subsidiary (note 13);
- Carrying value of deferred-tax assets relating to losses (note 24); and
- Valuation of biological assets – growing produce (note 18).

NOTES TO THE CONSOLIDATED ACCOUNTS continued

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. The other category in the table relates principally to the Group's central functions.

	PLANTATION INDONESIA US$'000	PROPERTY MALAYSIA US$'000	OTHER US$'000	TOTAL US$'000
2017				
Continuing operations				
Revenue	116,393	–	143	*116,536
Gross profit/(loss)	36,256	–	(10)	36,246
Gain on biological assets	47	–	–	47
Foreign-exchange (loss)/gain	(766)	–	1,131	365
Other administrative expenses	(108)	–	(2,960)	(3,068)
Other income	360	–	–	360
Operating profit				**33,950**
Finance income	1,355	–	792	2,147
Finance costs	(552)	–	(475)	(1,027)
Profit before tax				**35,070**
Tax	(10,780)	–	(464)	(11,244)
Profit after tax				**23,826**
Share of associated companies' profit after tax	1,189	1,401	–	2,590
Profit for the year from continuing operations				26,416
Profit for the year from discontinued operations				68,018
Profit for the year				**94,434**
Consolidated total assets				
Assets	456,485	–	67,209	523,694
Investments in associates	3,105	17,362	–	20,467
	459,590	17,362	67,209	544,161
Consolidated total liabilities				
Liabilities	70,061	–	60,141	130,202
Other information				
Additions to property, plant and equipment	29,507	–	26	29,533
Depreciation	11,430	–	42	11,472

* US$37.2 million of revenue (31.9%) was from sales of CPO to two customers (16.7% and 15.2% respectively).

4 Segment information continued

	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)
Profit before tax				**19,215**
Tax	(6,959)	—	(588)	(7,547)
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

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

NOTES TO THE CONSOLIDATED ACCOUNTS continued

5 Employees

	2017 US$'000	2016 US$'000
Employee costs during the year		
Wages and salaries	13,499	12,402
Social security costs	1,925	1,641
Current service cost of retirement benefit (see note 25)	1,160	1,153
Other pension costs	137	135
Share-based payment charge	229	21
	16,950	**15,352**

	Number	Number
Average monthly number of persons employed (including executive directors)		
Estate manual	4,706	4,302
Local management	79	68
United Kingdom head office	7	7
	4,792	**4,377**

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 page 46 and form part of these audited financial statements.

6 Finance income

	2017 US$'000	2016 US$'000
Interest receivable on bank deposits	2,147	868

7 Finance costs

	2017 US$'000	2016 US$'000
Interest payable on bank loans and overdrafts	1,027	1,389

8 Profit before tax

	2017 US$'000	2016 US$'000
Profit before tax is stated after charging:		
Depreciation of property, plant and equipment	11,472	10,852
Costs associated with response to KLK offer	—	2,000
Auditors' remuneration	394	486
Employee costs (note 5)	16,950	15,352
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	23	20
Audit of consolidated financial statements	116	134
Audit of overseas subsidiaries	233	191
Total audit services	**372**	**345**
Taxation advisory services	—	110
Other services	—	2
Total non-audit services	**—**	**112**

* In addition to the above, fees of US$22,000 (2016 US$29,000) were payable to other firms for the audit of subsidiary companies.

9 Tax on profit on ordinary activities

	2017 US$'000	2016 US$'000
United Kingdom corporation tax charge for the year	432	121
Relief for overseas taxation	(432)	(121)
	—	—
Overseas taxation	6,436	5,159
Adjustments in respect of prior years	(5)	4
Total current tax	6,431	5,163
Deferred taxation – origination and reversal of temporary differences (see note 24)	4,813	2,384
	11,244	**7,547**

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax, was 19.25% (2016 – 20%). The standard rate of Indonesian tax was 25% for the current year (2016 – 25%). The actual tax charge is higher than the standard rate for the reasons set out in the following reconciliation:

	2017 US$'000	2016 US$'000
Profit on ordinary activities before tax	35,070	19,215
Tax on profit on ordinary activities at the standard rate	6,751	3,843
Factors affecting the charge for the year		
Profits taxed at higher standard tax rate	2,587	1,204
Losses no longer available	1,011	—
Unrealised Indonesian exchange differences not included in Group profit	(549)	1,179
Withholding tax on overseas dividends and interest	38	464
Adjustment relating to intercompany loan relationships	1,211	1,327
Utilisation of losses brought forward	(870)	(814)
Unrelieved losses	443	727
Other differences	622	(383)
Total tax charge	**11,244**	**7,547**

10 Dividends paid and proposed

	2017 US$'000	2016 US$'000
2017 interim dividend – 5.00p per 10p share (2016 interim dividend- 2.25p)	3,660	1,528
2017 special dividend – 10.00p per 10p share (2016 - 5.00p)	7,155	3,653
2016 final dividend – 12.75p per 10p share (2015 final dividend – 6.50p)	9,180	4,852
	19,995	**10,033**

Following the year end, the board has proposed a final dividend for 2017 of 12.75p per 10p share, amounting to US$9.8 million. The dividend will be paid on or after 22 June 2018 to those shareholders on the register at the close of business on 20 April 2018.

NOTES TO THE CONSOLIDATED ACCOUNTS continued

11 Discontinued operations

	2017 US$'000	2016 US$'000
Agro Muko		
Share of associated companies' profit	1,622	7,129
Profit on disposal of discontinued operations	66,396	—
NAPCo		
Share of associated companies' profit	—	4,312
Profit on disposal of discontinued operations	—	7,382
Net profit from discontinued operations	**68,018**	**18,823**

On 17 March 2017 the Group completed the sale of its 36.84% interest in PT Agro Muko, which had been included as an asset held for sale at the end of 2016. Total sale proceeds were US$99.8 million (being the Group's only cash inflow on discontinued operations) and the Group recorded a profit on disposal of US$66.4 million.

In the prior year, the Group disposed of its 34.37% interest in The North Australian Pastoral Company Pty Limited ("NAPCo").

12 Basic and diluted earnings per share

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

	2017 US$'000	2017 NUMBER OF SHARES	2016 US$'000	2016 NUMBER OF SHARES
Profit for the year attributable to the owners of M.P. Evans Group PLC	90,514		31,273	
Average number of shares in issue		55,255,776		55,721,155
Diluted average number of shares in issue*		55,545,708		55,799,844

* 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.

13 Acquisition of subsidiary

On 22 December 2017, the Group acquired 100% of Sunrich Plantations Pte Ltd ("Sunrich"), which in turn owns 95% of the issued share capital of PT Bumi Mas Agro ("Bumi Mas"), a company owning an oil-palm plantation in Indonesia. The acquisition was made in line with the Group's strategy of expanding its majority-owned planted oil-palm area in Indonesia.

The provisional fair value amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	2017 US$'000
Property, plant and equipment	102,353
Deferred-tax asset	1,333
Current assets	8,731
Current liabilities (excluding borrowings)	(5,336)
Bank borrowings	(18,667)
Shareholder loans	(32,658)
Deferred-tax liability	(11,071)
Retirement benefit obligations	(665)
Minority interest	(2,755)
Total identifiable assets	41,265
Goodwill	11,071
	52,336

13 Acquisition of subsidiary continued

	2017 US$'000
Satisfied by:	
Cash	7,442
Deferred consideration	44,894
	52,336
Net cash outflow arising on acquisition:	
Cash consideration	40,000
Stamp duty paid	100
Cash acquired with subsidiary	(511)
	39,589

On 22 December 2017, US$40 million was paid to the sellers of Sunrich. Of this amount, US$7.4 million was for the equity, with the remainder being used to repay shareholder loans to Bumi Mas. On 4 January 2018, deferred consideration of US$49.2 million was paid. Of the deferred consideration US$2.3 million has subsequently been repaid to the Group, and a further US$2.0 million is due to be repaid to the Group in accordance with the sales & purchase agreement and these amounts have been reflected in the total consideration in the table above.

Critical judgement
In accordance with the requirements of IFRS3, the directors considered whether there were any identifiable intangible assets as part of the acquisition. The directors concluded that there were no such assets and that a fair-value adjustment should be made to plantation land. The directors have considered the requirement for a deferred-tax liability regarding the fair-value adjustment to plantation land. They noted that under the IASB's Conceptual Framework a liability would normally only be recognised if 'settlement' were expected to result in an 'outflow of economic benefits'. There are no 'outflows' in this case since the value of land is not consumed through use and any sale is not expected to result in a taxable gain. However, the directors have relied on the advice of the auditor that, despite their assessment that there are no circumstances in which use or disposal of the land would lead to an economic outflow or tax charge, IAS12 nevertheless obliges them to make a provision for a deferred-tax liability.

Key estimate
The directors have made an estimate of the fair value of the assets and liabilities acquired (reflected in the table above). Accounting for the acquisition of Sunrich has been undertaken using provisional amounts at 31 December 2017.

Current assets at acquisition include receivables from smallholders with a fair value of US$5,911,000. This represents the full amount due from smallholders, which are all judged to be collectable.

The fair value of the non-controlling interest in Sunrich was estimated based on a proportionate share of the total fair value of the equity.

Sunrich (and its subsidiary Bumi Mas) did not contribute any revenue or profit to the Group's results between the date of acquisition and the balance-sheet date. If the acquisition had been completed on the first day of the financial year then Group revenue for the year would have been US$125,778,000 and Group profit for the year would have been US$94,648,000.

14 Goodwill

	2017 US$'000
At 1 January 2017	1,157
Acquisition (see note 13)	11,071
At 31 December 2017	**12,228**

Goodwill is carried at cost. The directors have tested goodwill for impairment, concluding that the carrying amounts are recoverable. Goodwill brought forward arose in respect of the Group's projects in Indonesia in Kota Bangun, East Kalimantan and on Bangka Island. The directors consider the fair value of those investments to exceed their carrying value by a significant margin. Given this, and the size of that goodwill balance, the directors do not consider it necessary to provide further detailed disclosures regarding impairment. Goodwill relating to the acquisition in the year has not been included within the scope of impairment testing due to the timing of the acquisition.

NOTES TO THE CONSOLIDATED ACCOUNTS continued

15 Property, plant and equipment

	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 2017	38,564	112,608	62,478	42,973	3,805	260,428
Additions	7,625	14,209	282	1,811	5,606	29,533
Acquisition	53,628	45,449	2,391	870	15	102,353
Re-classification	—	—	5,031	2,048	(7,079)	—
Exchange differences	20	—	18	5	—	43
Disposals	—	(631)	(82)	(832)	—	(1,545)
At 31 December 2017	**99,837**	**171,635**	**70,118**	**46,875**	**2,347**	**390,812**
Accumulated depreciation						
At 1 January 2017	250	21,991	15,687	20,711	—	58,639
Charge for the year	17	4,654	3,473	3,328	—	11,472
Exchange differences	—	—	16	5	—	21
Disposals	—	(317)	(43)	(518)	—	(878)
At 31 December 2017	**267**	**26,328**	**19,133**	**23,526**	**—**	**69,254**
Net book value at 31 December 2017	**99,570**	**145,307**	**50,985**	**23,349**	**2,347**	**321,558**
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**
Net book value at 1 January 2016	**33,520**	**83,558**	**40,442**	**14,669**	**13,713**	**185,902**

Included in planting is immature planting of US$44,270,000 (2016 US$21,823,000) which is not depreciated.

Critical judgement
Included in leasehold land is land in Indonesia which is not being depreciated. Land is held on 25- or 30-year leases, and as those leases can be renewed without significant cost and the Group has previous experience of successful lease renewals, the directors have concluded that the land should not be depreciated. The carrying value of the land at the end of the year is US$98,858,000 (2016 US$37,786,000).

As at 31 December 2017, the Group had entered into contractual commitments for the acquisition of property, plant and equipment of US$1,041,000 (2016 US$907,000).

Depreciation is charged to cost of sales, other than US$37,000 (2016 US$42,000) charged to other administrative expenses.

16 Investments in associates

Details of the Group's subsidiary and associated undertakings are given on page 90. The Group's associated companies are both unlisted.

	SHARE OF NET ASSETS 2017 US$'000	SHARE OF NET ASSETS 2016 US$'000
Share of net assets		
At 1 January	18,392	96,585
Exchange differences	1,725	366
Profit for the year	2,590	4,763
Profit from discontinued associates	–	11,441
Dividends received	(2,240)	(6,376)
Reclassified as held for sale	–	(31,016)
Disposals	–	(57,371)
At 31 December	**20,467**	**18,392**
Goodwill		
At 1 January	–	1,001
Reclassified as held for sale	–	(735)
Disposals	–	(266)
At 31 December	**–**	**–**
Carrying value		
At 31 December	**20,467**	**18,392**

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

			2017			2016
	KERASAAN US$'000	BERTAM PROPERTIES US$'000	TOTAL US$'000	KERASAAN US$'000	BERTAM PROPERTIES US$'000	TOTAL US$'000
Total						
Revenue	7,126	29,049		7,018	38,380	
Profit after tax	3,130	3,502		2,595	9,442	
Non-current assets	4,687	27,529		4,666	18,430	
Current assets	4,828	22,402		2,795	35,707	
Current liabilities	(826)	(2,322)		(966)	(9,957)	
Non-current liabilities	(517)	(4,206)		(463)	(3,930)	
Net assets	8,172	43,403		6,032	40,250	
Group share	**(38.00%)**	**(40.00%)**		**(38.00%)**	**(40.00%)**	
Revenue	2,708	11,620	14,328	2,667	15,352	18,019
Profit after tax	1,189	1,401	2,590	986	3,777	4,763
Non-current assets	1,781	11,012	12,793	1,773	7,372	9,145
Current assets	1,835	8,961	10,796	1,062	14,283	15,345
Current liabilities	(314)	(929)	(1,243)	(367)	(3,983)	(4,350)
Non-current liabilities	(197)	(1,682)	(1,879)	(176)	(1,572)	(1,748)
Carrying value at 31 December	3,105	17,362	20,467	2,292	16,100	18,392

NOTES TO THE CONSOLIDATED ACCOUNTS continued

17 Investments

	2017 US$'000	2016 US$'000
Other available-for-sale financial investments (unlisted)		
At 1 January	66	78
Revaluation loss	(20)	(9)
Exchange differences	7	(3)
At 31 December	**53**	**66**

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

18 Current biological assets

	2017 US$'000	2016 US$'000
Ffb prior to harvest	1,843	1,576

Oil palms are harvested continuously, many times throughout the year, and at any given time each palm will be at a different point in its production cycle. It is not possible to undertake a full census of all palms, and so it is necessary to measure the volume of growing ffb indirectly.

Key estimate
The estimation in respect of ffb prior to harvest is based on the market price of ffb 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 ffb. This weight derives from the assumption that value accrues exponentially to ffb 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 ffb prior to harvest. Changes to the assumed tonnage will have a directly equivalent proportional effect on the reported valuation. Different defensible valuation methods will give widely differing answers. Changes to both tonnage and methodology lead to a range of valuations between US$1.8 million and US$17.4 million. The Group has never included ffb prior to harvest in its internal reporting and decision-making.

The gain shown in the consolidated income statement represents the net movement in the fair value of ffb prior to harvest during the year.

19 Inventories

	2017 US$'000	2016 US$'000
Processed produce for sale	3,504	6,743
Estate stores	5,574	5,223
Nurseries	1,384	1,470
	10,462	**13,436**

20 Trade and other receivables

	2017 US$'000	2016 US$'000
Current assets		
Trade receivables	495	379
Receivable from smallholder co-operatives	23,807	15,499
Other receivables	9,148	2,431
Prepayments and accrued income	918	717
	34,368	**19,026**
Non-current assets		
Receivable from smallholder co-operatives	5,465	2,889
Trade and other receivables analysed by currency of receivable:		
Indonesian Rupiah	34,844	21,662
US Dollar	4,273	—
Sterling	711	252
Malaysian Ringgit	5	1
	39,833	**21,915**

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 2017 there was no provision for impairment of trade receivables (2016 US$nil). The directors consider that 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:

	2017 US$'000	2016 US$'000
Immature areas - allocated	15,022	6,967
Mature areas	8,785	8,532
Current asset	23,807	15,499
Non-current asset – immature areas – not allocated	5,465	2,889
	29,272	**18,388**

21 Cash and other liquid resources

	2017 US$'000	2016 US$'000
Cash and cash equivalents	113,910	91,405
Current-asset investments	6,913	14,262
	120,823	**105,667**

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. The carrying value of these assets approximates their fair value.

NOTES TO THE CONSOLIDATED ACCOUNTS continued

22 Trade and other payables

	2017 US$'000	2016 US$'000
Trade payables	8,131	9,328
Amounts owed to associated undertakings	18	16
Other payables	57,045	9,888
	65,194	**19,232**

The average credit period taken for trade purchases is 37 days (2016 – 45 days). The Group has processes in place to ensure payables are settled within the agreed terms. The amounts above also reflect the Group's anticipated cash outflows for these financial liabilities. Other payables include the deferred consideration for the purchase of Sunrich (see note 13).

23 Borrowings

	2017 US$'000	2016 US$'000
Secured borrowing at amortised cost		
Bank loans	39,444	30,329
Total borrowings		
Amount due for settlement within one year	9,159	9,519
Due for settlement in one to two years	8,573	11,402
Due for settlement in two to five years	20,157	9,408
Due for settlement after five years	1,555	–
Amount due for settlement after one year	30,285	20,810
	39,444	**30,329**
Analysis of borrowings by currency:		
US Dollar	35,495	26,347
Indonesian Rupiah	3,949	3,982
	39,444	**30,329**
Analysis of anticipated cash outflows:		
Within one year	11,301	9,836
Due within one to two years	10,252	11,802
Due within two to five years	22,108	9,712
Due after five years	1,758	–
	45,419	**31,350**

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. No new credit facilities were drawn in the year, and at 31 December 2017, the Group had an available revolving credit facility of US$5 million (2016 – US$5 million).

The weighted average interest rate paid on bank loans in the year was 6.2% (2016 – 4.1%).

The analysis of anticipated cash outflows above is based on interest and exchange rates in force at the balance-sheet date.

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 2017	(3,236)	1,418	16,678	14,860
(Charge)/credit to income statement	(896)	545	(4,462)	(4,813)
Acquisition of subsidiary	(590)	2	(9,150)	(9,738)
Exchange differences	44	(21)	135	158
At 31 December 2017	**(4,678)**	**1,944**	**3,201**	**467**
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**

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

	2017 US$'000	2016 US$'000
Deferred-tax assets	12,280	15,386
Deferred-tax liabilities	(11,813)	(526)
	467	**14,860**

Critical judgement

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$554,030,000 (2016 US$383,453,000). 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$14,361,000 (2016 US$40,766,000). No liability has been recognised in respect of these differences because the reversal would not give rise to an additional tax liability as the dividends would not be taxed on receipt.

Key estimate

At the balance-sheet date, the Group had unused tax losses of US$63,421,000 (2016 US$86,299,000) available for offset against future profits. The directors have reviewed estimates of future profits and a deferred-tax asset has been recognised in respect of US$49,399,000 (2016 US$66,708,000) of such losses. No deferred-tax asset has been recognised in respect of the remaining US$14,022,000 (2016 US$19,591,000) due to the unpredictability of future profit streams and due to the 5-year time limit on utilisation of tax losses in Indonesia.

The directors have considered the sensitivity of the deferred-tax asset recognised in respect of losses to changes in estimated future profits, particularly with regard to changes in the price of CPO. If CPO prices were to fall by 10% from those initially estimated, then the deferred-tax asset would be reduced by approximately US$3.5 million.

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$3,145,000 (2016 US$1,285,000). No asset has been recognised in respect of these differences due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED ACCOUNTS continued

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. Standard Indonesian mortality assumptions are used, and no allowance is made for internal promotion.

	2017 %	2016 %
The main assumptions used to assess the Group's liabilities are:		
Discount rate	7.25	8.00
Salary increase per annum	8.00	8.00

	2017 US$'000	2016 US$'000
Reconciliation of scheme liabilities:		
Current-service cost	1,160	1,153
Interest cost	444	389
Actuarial loss/(gain)	733	(21)
	2,337	1,521
Less: Benefits paid out	(195)	(179)
Movement in the year	2,142	1,342
At 1 January	5,675	4,233
Acquired on acquisition	665	—
Exchange differences	(48)	100
At 31 December	**8,434**	**5,675**

26 Share capital

	AUTHORISED NUMBER	ALLOTTED, FULLY PAID AND VOTING NUMBER	AUTHORISED £'000	ALLOTTED FULLY PAID AND VOTING US$'000
At 1 January 2017	87,000,000	55,739,719	8,700	9,366
Issued during the year	—	95,000	—	13
Redeemed during the year	—	(951,268)	—	(124)
At 31 December 2017	**87,000,000**	**54,883,451**	**8,700**	**9,255**
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**

During the year, as the result of the exercise of share options, the Company issued 95,000 10p shares for US$506,000 cash consideration. In addition, the Company bought back and cancelled 951,268 10p shares for a total cost of US$9,188,000 (an average of 746 pence per share). In the previous year, 39,275 10p shares were issued to shareholders who elected to take scrip in lieu of cash dividends.

27 Share-based payments

The Group has equity-settled share-option schemes in place for directors and selected employees of the Group. Under the schemes established in 2001 and 2012, options are exercisable at a price equal to the quoted market price of the Company's shares on the date of grant. Under the Group's long-term incentive scheme established in 2017, options are exercisable at nil cost. For all schemes, the vesting period is three years and if the options remain unexercised after a period of ten years from the date of grant, the options lapse. Options may be forfeited if the employee leaves the Group before the options vest. Details of the share options outstanding during the year are as follows:

	NUMBER OF SHARE OPTIONS	2017 WEIGHTED-AVERAGE EXERCISE PRICE (PENCE)	NUMBER OF SHARE OPTIONS	2016 WEIGHTED-AVERAGE EXERCISE PRICE (PENCE)
At 1 January	395,000	379.5	370,000	355.1
Granted during the year	139,680	0.0	25,000	410.5
Exercised during the year	(95,000)	405.0	—	—
At 31 December	439,680	253.4	395,000	379.5
Exercisable at the end of the year	255,000	364.4	350,000	375.4

The weighted average share price at the date of exercise for share options exercised during the year was 405p. The options outstanding at 31 December 2017 had a weighted-average remaining contractual life of 5.5 years and exercise prices in the range of nil to 520p. The Group recognised total expenses of US$229,000 related to equity-settled share-based payments (2016 US$21,000). Details of the directors' share options are set out in the report of the directors' remuneration report on pages 46 to 48.

NOTES TO THE CONSOLIDATED ACCOUNTS continued

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 2017	30,728	2,202	4,087	766	547	11,272	67	49,669	261,964
Exchange differences	—	14	—	—	—	1,144	(488)	670	984
Release of deferred profit on sale of land	—	(135)	—	—	—	—	—	(135)	—
Retirement-benefit obligations	—	—	—	—	—	—	—	—	(534)
Issue of shares	493	—	124	—	—	—	—	617	—
Share-based payments	—	—	—	—	175	—	—	175	54
Share buy-back	—	—	—	—	—	—	—	—	(9,188)
Group reconstruction	—	—	—	—	—	—	—	—	(52)
Dividends from associates	—	—	—	—	—	(2,240)	—	(2,240)	2,240
Profit for the financial year	—	—	—	—	—	2,590	—	2,590	87,924
Dividends paid	—	—	—	—	—	—	—	—	(19,995)
At 31 December 2017	**31,221**	**2,081**	**4,211**	**766**	**722**	**12,766**	**(421)**	**51,346**	**323,397**
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**

29 Non-controlling interests

	2017 US$'000	2016 US$'000
At 1 January	23,224	21,616
Share of profit in the year	3,920	3,981
Dividends paid	—	(2,375)
Share of retirement benefit credited to other comprehensive income	62	2
Acquisition	2,755	—
At 31 December	**29,961**	**23,224**

30 Note to the consolidated cash-flow statement

	2017 US$'000	2017 US$'000
Operating profit	**33,950**	**19,736**
Biological gain	(47)	(684)
Disposal of property, plant and equipment	600	(55)
Release of deferred profit	(135)	(291)
Depreciation of property, plant and equipment	11,472	10,852
Impairment of investment	20	9
Retirement-benefit obligations	1,865	1,352
Share-based payments	229	21
Dividends from associated companies	2,240	6,376
Operating cash flows before movements in working capital	**50,194**	**37,316**
Decrease/(increase) in inventories	4,586	(5,435)
Increase in receivables	(7,258)	(3,599)
(Decrease)/increase in payables	(6,369)	3,057
Cash generated by operating activities	**41,153**	**31,339**
Income tax paid	(19,403)	(7,062)
Interest paid	(1,027)	(1,389)
Net cash generated by operating activities	**20,723**	**22,888**

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 1 January 2017	91,405	14,262	(9,519)	(20,810)	75,338
Net increase in cash and cash equivalents	22,704	—	—	—	22,704
Acquisition of subsidiary	—	—	(2,667)	(16,000)	(18,667)
Repayment of borrowings	—	—	9,552	—	9,552
Change in deposits	—	(7,349)	—	—	(7,349)
Reclassification	—	—	(6,525)	6,525	—
Foreign-exchange movements	(199)	—	—	—	(199)
At 31 December 2017	**113,910**	**6,913**	**(9,159)**	**(30,285)**	**81,379**
At 1 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**

NOTES TO THE CONSOLIDATED ACCOUNTS continued

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 23), 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$81,379,000 (2016 US$75,338,000) and equity attributable to the owners of the parent Company of US$383,998,000 (2016 US$320,999,000). 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 20), are as follows:

	2017 US$'000	2016 US$'000
US Dollar	82,620	60,420
Indonesian Rupiah	36,278	21,090
Australian Dollar	201	15,223
Sterling	1,175	8,253
Malaysian Ringgit	549	681
	120,823	**105,667**

The currency profile of the Group's monetary liabilities, excluding trade and other payables, is shown in note 23.

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 and 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 Indonesian Rupiah. Management estimates that a 10% weakening of the US Dollar against the Indonesian Rupiah would result in a fall in profit for the year and net assets of US$6,555,000 (2016 US$3,948,000).

32 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 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 23. 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.

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 directors' remuneration report on page 46. The directors' participation in the executive share-option schemes and long-term incentive scheme is disclosed on page 48.

The Group received dividends from its associated companies during the year. These are set out in note 16.

34 Post-balance-sheet events

On 4 January 2018, the Group paid deferred consideration of US$49.2 million for the acquisition of Sunrich Plantations Pte Ltd (see note 13).

On 12 January 2018, the Group announced that the budget for the share buy-back programme had been extended by £2.5 million to a total of £10 million, and that the programme would run up to 30 June 2018.

PARENT-COMPANY BALANCE SHEET

As at 31 December 2017

	Note	2017 US$'000	2016 US$'000
Non-current assets			
Property, plant and equipment	iv	896	907
Investments in subsidiaries	v	31,494	31,494
		32,390	32,401
Current assets			
Trade and other receivables	vi	102,665	137,722
Cash and cash equivalents		1,336	964
		104,001	138,686
Total assets		**136,391**	**171,087**
Current liabilities			
Trade and other payables	vii	39,314	41,687
Net current assets		**64,687**	**96,999**
Non-current liabilities			
Borrowings		4,898	7,347
Total liabilities		**44,212**	**49,034**
Net assets		**92,179**	**122,053**
Equity			
Share capital	viii	9,255	9,366
Other reserves	ix	37,397	36,605
Retained earnings	ix	45,527	76,082
Total equity	x	**92,179**	**122,053**

The Company recorded a loss for the year of US$1,426,000 (2016 loss US$6,979,000).

The financial statements of pages 84 to 89 were approved by the board of directors on 9 April 2018 and signed on its behalf by

Tristan Price
Chief executive

Matthew Coulson
Finance director

PARENT-COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	SHARE CAPITAL US$'000	OTHER RESERVES US$'000	RETAINED EARNINGS US$'000	TOTAL US$'000
Loss for the year	—	—	(1,426)	(1,426)
Total comprehensive expense for the year	**—**	**—**	**(1,426)**	**(1,426)**
Issue of share capital	13	493	—	506
Dividends	—	—	(19,995)	(19,995)
Share buy-back	(124)	124	(9,188)	(9,188)
Credit to equity for equity-settled share-based payments	—	175	54	229
Transactions with owners	**(111)**	**792**	**(29,129)**	**(28,448)**
At 1 January 2017	9,366	36,605	76,082	122,053
At 31 December 2017	**9,255**	**37,397**	**45,527**	**92,179**
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**

NOTES TO THE PARENT-COMPANY ACCOUNTS

For the year ended 31 December 2017

i Significant accounting policies

Basis of accounting
M.P. Evans Group PLC is a public limited company incorporated in the United Kingdom and registered in England and Wales. 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, reflecting the primary economic environment in which the Company operates. The presentational currency for the Company accounts is also 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 Company'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-equivalents
These include cash in hand and deposits held with banks with original maturities of three months or less.

Trade and other payables
Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost. Borrowings are recorded at the proceeds received, net of direct issue costs.

ii Result 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 2017 of US$1,426,000 (2016 loss US$6,979,000).

The auditors' remuneration for audit services was US$23,000 (2016 US$20,000).

iii Employees

	2017 US$'000	2016 US$'000
Employee costs during the year		
Wages and salaries	1,762	1,795
Social security costs	299	267
Pension costs	52	65
Shared-based payments	65	21
	2,178	**2,148**

As recorded in the report of the directors' remuneration report on page 46, wages and salary costs include bonuses paid to the directors in respect of 2017 and 2016.

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

iv Property, plant and equipment

	LAND AND BUILDINGS US$'000	PLANT, EQUIPMENT & VEHICLES US$'000	TOTAL US$'000
Cost			
At 1 January 2017	834	236	1,070
Additions	—	26	26
At 31 December 2017	**834**	**262**	**1,096**
Accumulated depreciation			
At 1 January 2017	—	163	163
Charge for the year	—	37	37
At 31 December 2017	**—**	**200**	**200**
Net book value at 31 December 2017	**834**	**62**	**896**
Net book value at 31 December 2016	834	73	907

NOTES TO THE PARENT-COMPANY ACCOUNTS continued

v Investments in subsidiaries

	US$'000
Subsidiary undertakings	
At 1 January and 31 December 2017	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

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 90.

vi Trade and other receivables

	2017 US$'000	2016 US$'000
Amounts owed by subsidiary undertakings	101,790	137,471
Other debtors	783	121
Prepayments and accrued income	92	130
	102,665	**137,722**

vii Trade and other payables

	2017 US$'000	2016 US$'000
Amounts owed to subsidiary undertakings	35,684	36,273
Borrowings	2,449	2,449
Other creditors	1,181	2,965
	39,314	**41,687**

viii Called-up share capital

See note 26 to the consolidated financial statements.

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 2017	30,728	3,896	1,434	547	36,605	76,082
Issue of shares	493	—	—	—	493	—
Share buy-back	—	124	—	—	124	(9,188)
Share-based payments	—	—	—	175	175	54
Loss for the financial year	—	—	—	—	—	(1,426)
Dividends*	—	—	—	—	—	(19,995)
At 31 December 2017	**31,221**	**4,020**	**1,434**	**722**	**37,397**	**45,527**

* See note 10 to the consolidated financial statements.

x Reconciliation of movement in shareholders' funds

	2017 US$'000	2016 US$'000
Loss for the financial year	(1,426)	(6,979)
Dividends	(19,995)	(10,033)
	(21,421)	(17,012)
Issue of shares	506	231
Share buy-back	(9,188)	—
Share-based payments	229	21
Net decrease in shareholders' funds	(29,874)	(16,760)
At 1 January	122,053	138,813
At 31 December	**92,179**	**122,053**

xi Post-balance-sheet events

On 12 January 2018, the Company announced that the budget for the share buy-back programme had been extended by £2.5 million to a total of £10 million, and that the programme would run up to 30 June 2018.

SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

As at 31 December 2017

SUBSIDIARY UNDERTAKINGS

NAME OF SUBSIDIARY	% OF SHARES HELD	COUNTRY OF INCORPORATION	COUNTRY OF OPERATION	FIELD OF ACTIVITY
PT Prima Mitrajaya Mandiri	95	Indonesia	Indonesia	Production of CPO and PK
PT Teguh Jayaprima Abadi	95	Indonesia	Indonesia	Production of CPO and PK
PT Perkebunan Tenera Muarawis	51	Indonesia	Indonesia	Production of CPO and PK
PT Bumi Mas Agro	95	Indonesia	Indonesia	Production of CPO and PK
PT Gunung Pelawan Lestari	90	Indonesia	Indonesia	Production of CPO and PK
PT Evans Lestari	80	Indonesia	Indonesia	Production of CPO and PK
PT Pangkatan Indonesia	80	Indonesia	Indonesia	Production of CPO and PK
PT Bilah Plantindo	80	Indonesia	Indonesia	Production of CPO and PK
PT Sembada Sennah Maju	80	Indonesia	Indonesia	Production of CPO and PK
PT Simpang Kiri Plantation Indonesia	80	Indonesia	Indonesia	Production of CPO and PK
PT Evans Indonesia	100	Indonesia	Indonesia	Provision of agronomic and management-consultancy services
Bertam Consolidated Rubber Company Limited	100	England & Wales	Malaysia	Property development and production of oil-palm ffb
M.P. Evans & Co. Limited	100	England & Wales	United Kingdom	Holding company
Sunrich Plantations Pte Ltd	100	Singapore	Singapore	Holding company
Sungkai Holdings Limited	100	England & Wales	United Kingdom	Holding company
PT Surya Makmur	75	Indonesia	Indonesia	Holding company
PT Aceh Timor Indonesia	75	Indonesia	Indonesia	Holding company
Bertam (U.K.) Limited	100	England & Wales	United Kingdom and Australia	Dormant
Lendu Australia Pty. Ltd	100	Australia	Australia	Dormant
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.

KEY: CPO = crude palm oil, PK = palm kernels, ffb = fresh fruit bunches

ASSOCIATED UNDERTAKINGS

Details of the associated undertakings as at 31 December 2017 are as follows:

UNLISTED	ISSUED, FULLY-PAID SHARE CAPITAL	% HELD	COUNTRY OF INCORPORATION	COUNTRY OF OPERATION	FIELD OF ACTIVITY
PT Kerasaan Indonesia	Rp 138.07m	38.00	Indonesia	Indonesia	Production of oil-palm ffb
Bertam Properties Sdn. Berhad.	RM 60.00m	40.00	Malaysia	Malaysia	Property development

ANALYSIS OF INDONESIAN PLANTATION LAND AREAS

As at 31 December 2017

The information on pages 91 to 96 does not form part of the audited financial statements.

PLANTED HECTARAGE[1]

	GROUP				SMALLHOLDER CO-OPERATIVE SCHEMES		
	OWNERSHIP %	MATURE HA	IMMATURE HA	TOTAL HA	MATURE HA	IMMATURE HA	TOTAL HA
Subsidiaries – oil palm							
Kota Bangun, East Kalimantan	95.00	9,322	1,250	10,572	3,911	625	4,536
Bumi Mas	95.00	4,945	2,531	7,476	857	509	1,366
Bangka	90.00	4,088	1,959	6,047	1,977	1,867	3,844
Musi Rawas[2]	80.00	269	3,361	3,630	-	1,534	1,534
Pangkatan group	80.00	5,766	1,203	6,969			
Simpang Kiri	80.00	1,640	738	2,378			
Total		**26,030**	**11,042**	**37,072**	**6,745**	**4,535**	**11,280**
Group share of subsidiaries' land		**23,373**	**9,597**	**32,970**			
Associates – oil palm							
Kerasaan	38.00	2,077	240	2,317			
Group share of associates' land		**789**	**91**	**880**			
Memorandum:							
Group share of subsidiaries' land and share of associates' land		24,162	9,688	33,850			
Subsidiaries' land and Group share of associates' land		26,819	11,133	37,952			

Notes

1. All of the Group's areas in the Pangkatan Group, Simpang Kiri and Bumi Mas have a final land license ("HGU"), as does all of the associate's area at Kerasaan. The Group's projects at Kota Bangun and Bangka have HGUs covering 8,700 and 5,700 hectares respectively. The remaining areas on these projects and at Musi Rawas are in the process of obtaining HGUs, and have the necessary operating and development licences.
2. The board's current estimate is 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 smallholder co-operatives.

ANALYSIS OF GROUP EQUITY VALUE

As at 31 December 2017

The information in the following table provides a directors' estimate of the Group equity value at 31 December 2017 utilising, except where indicated, an independent valuation of the Group's properties performed at the end of 2017.

	OWNERSHIP %	PLANTED AREA HA	TOTAL MARKET VALUE US$'000	MARKET VALUE PER PLANTED HECTARE US$	MARKET VALUE ATTRIBUTABLE TO GROUP US$'000
INDONESIAN OIL PALM PLANTATIONS					
Group					
Kota Bangun, East Kalimantan[6]	95.00	10,572	226,610	21,400	215,280
Bumi Mas[1]	95.00	7,476	102,353	13,700	97,235
Bangka[6]	90.00	6,047	132,200	21,900	118,980
Musi Rawas	80.00	3,630	41,200	11,300	32,960
Pangkatan group[6]	80.00	6,969	118,704	17,000	94,963
Simpang Kiri	80.00	2,378	32,940	13,900	26,352
		37,072	**654,007**	**17,600**	**585,770**
Smallholders					
Kota Bangun, East Kalimantan	95.00	4,536	29,500	6,500	28,025
Bangka	90.00	3,844	19,760	5,100	17,784
Musi Rawas	80.00	1,534	10,170	6,600	8,136
		9,914	**59,430**	**6,000**	**53,945**
Associates					
Kerasaan[2]	38.00	2,317	34,200	14,800	12,996
Total Indonesia					**652,711**
MALAYSIAN PROPERTY					
Bertam Estate	100.00	n/a			36,170
Bertam Properties	40.00	n/a			54,612
Total Malaysia					**90,782**
Net cash[3]					**81,379**
Other assets and liabilities[4]					**(12,445)**
Total equity value					**812,427**
Equity value (£ per share[5])					**£10.96**

Notes:

1. Bumi Mas was not included in the independent valuation at 31 December 2017, as the Group's acquisition of this property was completed on 22 December 2017. The amount included in the table above represents the fair value of the property, plant and equipment of Bumi Mas taken from note 13. No amount has been included in the Group equity valuation at 31 December 2017 for the smallholder hectares at Bumi Mas.
2. The Group's only oil-palm associate, Kerasaan, was not included in the independent valuation at 31 December 2017. The value in the table above has been carried forward from the independent valuation performed at 31 December 2016.
3. Net cash is taken as cash and other liquid resources less borrowings from the 31 December 2017 balance sheet.
4. Other assets and liabilities taken as net assets minus plantation and property-related assets, minus net cash from the 31 December 2017 balance sheet.
5. Amount per share calculated using the year-end exchange rate and year-end shares in issue (see note 26).
6. Market value per planted hectare includes value of mills on the related estates.

FIVE-YEAR SUMMARY

		2017 Tonnes	2016 Tonnes	2015 Tonnes	2014 Tonnes	2013 Tonnes
Production*						
Crude palm oil		154,000	125,600	112,000	104,000	93,300
Palm kernels		33,500	26,200	22,700	20,400	18,600
Crops						
Oil-palm fresh fruit bunches ("ffb")						
Indonesian majority-owned estates		434,500	399,300	423,900	385,500	344,200
Indonesian associated-company estates		50,000	384,000	382,100	386,900	387,000

		US$	US$	US$	US$	US$
Average sale prices						
Crude palm oil – Rotterdam cif per tonne		714	700	622	821	856
Exchange rates						
US$1 = Indonesian Rupiah	– average	13,382	13,303	13,390	11,864	10,449
	– year end	13,568	13,473	13,785	12,440	12,189
US$1 = Malaysian Ringgit	– average	4.30	4.14	3.91	3.27	3.15
	– year end	4.05	4.49	4.29	3.50	3.28
£1 = US Dollar	– average	1.29	1.35	1.53	1.65	1.56
	– year end	1.35	1.24	1.47	1.56	1.66

	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	116,536	83,864	72,528	89,956	82,186
Gross profit	36,246	24,384	15,059	31,767	24,735
Profit before tax	35,070	19,215	6,769	24,062	6,530

	US cents	US cents	US cents	US cents	US cents
Basic earnings per share	163.8	56.1	43.4	45.4	26.3

	PENCE	PENCE	PENCE	PENCE	PENCE
Dividends per share:					
Normal	17.75	15.00	8.75	8.75	8.25
Special	10.00	5.00	—	—	—
Total	27.75	20.00	8.75	8.75	8.25

	US$'000	US$'000	US$'000	US$'000	US$'000
Equity attributable to the owners of M.P. Evans Group PLC	383,998	320,999	300,009	291,509	274,091
Net cash generated by operating activities	20,723	22,888	20,231	29,156	19,494

* Production figures have been restated to include CPO and palm kernel production from Simpang Kiri.

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 15 June 2018 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 2017.	No 1
2	To re-elect Richard Robinow as a director.	No 2
3	To re-elect Philip Fletcher as a director.	No 3
4	To re-elect Peter Hadsley-Chaplin as a director.	No 4
5	To declare a final dividend.	No 5
6	To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the directors to determine their remuneration.	No 6

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolution as a special resolution:

		RESOLUTION ON FORM OF PROXY
7	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 5,481,231; 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 2019 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 7

By order of the board

Katya Merrick
Company Secretary
9 April 2018

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 13 June 2018 (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 13 June 2018 (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 9 April 2018, the Company's issued share capital consisted of 54,812,312 shares carrying one vote each. Therefore the total number of voting rights in the Company as at that date was 54,812,312.
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

THE ANNUAL GENERAL MEETING WILL BE HELD ON FRIDAY 15 JUNE 2018 AT NOON

VENUE
Tallow Chandlers' Hall
4 Dowgate Hill, London EC4R 2SH

CLOSEST TRANSPORT LINKS
Mansion House (District and Circle Lines)
Cannon Street (District and Circle Lines, National Rail Services)
Bank (Central, Northern and Waterloo & City Lines)

OFFICERS, PROFESSIONAL ADVISERS & REPRESENTATIVES

EXECUTIVE DIRECTORS

Peter E Hadsley-Chaplin, MA MBA
Chairman

Tristan R J Price, MA MSc FCA
Chief executive

Matthew H Coulson, BA FCA
Finance director

NON-EXECUTIVE DIRECTORS

Richard M Robinow, MA *†
Senior independent

Jock M Green-Armytage, BA MBA *†
Independent, Chair of audit and remuneration committee

Philip A Fletcher, FCA *

Bruce C J Tozer, BSc MSc MBA *†
Independent

* Member of the audit committee
† Member of the remuneration committee

SECRETARY AND REGISTERED OFFICE

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MANAGING AGENT IN MALAYSIA

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INDEPENDENT AUDITORS

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

REGISTRARS

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NatWest
89 Mount Pleasant Road, Tunbridge Wells, Kent TN1 1QJ

NOMINATED ADVISER AND BROKER

Peel Hunt LLP
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SOLICITORS

Hogan Lovells International LLP
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