

ANNUAL REPORT

For the year ended 31 December 2019



2019

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 **Profit for the year US\$7.5 million**
(2018 US\$7.2 million)

 **Operating profit US\$16.1 million**
(2018 US\$19.5 million)

 **Continuing EPS 11.6 US cents**
(2018 – 9.9 US cents)

 **Proposed to maintain final dividend
at 12.75p per share**

“ More than one million tonnes of crop processed, and improved oil-extraction rates, did not translate into record profits in 2019 only on account of this year coinciding with a period of low crude palm-oil prices. However, towards the end of the year, the price of crude palm oil rose strongly. During the year, the Group was able effectively to acquire a further 2,200 planted hectares by purchasing additional shareholdings in its own operating subsidiaries from one of its minority partners. ”

Peter Hadsley-Chaplin

→ Read more in the Chairman's statement on pages 2 to 5

→ Read more on the Group's commitment to sustainability on pages 31 to 37



GROUP FINANCIAL HIGHLIGHTS



+10% REVENUE

2019
US\$ 119.3m
2018 US\$ 108.6m



-36% GROSS PROFIT

2019
US\$ 17.0m
2018 US\$ 26.5m



-17% OPERATING PROFIT

2019
US\$ 16.1m
2018 US\$ 19.5m



+4% PROFIT FOR THE YEAR

2019
US\$ 7.5m
2018 US\$ 7.2m



-8% TOTAL EQUITY

2019
US\$ 367.7m
2018 US\$ 398.3m




+38% OPERATING CASH GENERATED

2019
US\$ 41.8m
2018 US\$ 30.2m



+17% BASIC EARNINGS PER SHARE

2019
11.6 US cents
2018 9.9 US cents



-% NORMAL DIVIDEND PER SHARE

2019
17.75 pence
2018 17.75 pence

CHAIRMAN'S STATEMENT

In 2019, for the first time, the Group processed more than 1 million tonnes of fresh fruit bunches.



STRATEGIC DEVELOPMENTS

The Group has continued to implement its strategy to focus on developing and operating majority-held plantations to produce sustainable Indonesian palm oil. The Group's approach to making decisions for the long term is suited both to a long-lived plant such as the oil palm and to the thinking needed to make the right choices for a sustainable future.

In September 2019, the Group was able to take a further step in executing its strategy by acquiring additional shares in its Indonesian operating subsidiaries previously held by one of its minority partners. This had the effect of expanding the number of high-quality and environmentally-sound planted hectares owned by the Group. The acquisition was fully funded by taking on additional debt of US\$25.4 million. In this way, the Group successfully consolidated its ownership at a price of US\$9,500 per hectare that represented an attractive and low-risk return to shareholders. As part of this transaction, the Group's long-standing Indonesian partner, PT Austindo Nusantara Jaya ("ANJ"), sold all of its holdings in Group companies. The board is grateful to ANJ for their support over many years and wishes them well in the future. At the same time the Group

looks forward to a long and fruitful relationship with a new Indonesian partner, Mr Praba Madhavan, a like-minded individual with wide experience in the commodity sector.

Wherever possible, the Group mills its own crop of fresh fruit bunches ("ffb"). It already operates three of its own mills, at Pangkatan, Kota Bangun and Bangka. A second mill at Kota Bangun, needed to process the increasing crop from the maturing plantings on this project, is on track to be commissioned in the middle of 2020. Work is also already under way at Bumi Mas to construct a mill, which is expected to be operating in mid-2021. As it increases the amount of its own crop that it mills itself, the Group will be able to report a higher level of certified sustainable production. Furthermore, where it buys ffb from independent smallholders, the Group is committed to working with them to ensure their ffb can be certified as sustainable under the new RSPO Independent Smallholder Standard.

The Group's strategy of controlling all its operations means it is best able to draw on its excellent operational management team, with a proven track record of developing and improving estates in the most effective, productive and sustainable way. A strong balance sheet enables the Group to maintain its planned



programme of investment in the Group's plantations notwithstanding the cyclical rise and fall in the price of crude palm oil ("CPO"). The need to build roads, permanent housing and water-management infrastructure, quite apart from the construction of mills, represents a significant commitment for a number of years after the palms on its new projects are planted. A strong balance sheet also allows the Group to acquire incremental hectareage for planting around its existing projects.

RESULTS

A record year for production and revenue resulted in only a small increase in profit for the year. The weak CPO price in the second half of 2018 carried through into 2019 until near the end of the year, leading to lower profit margins. Operating profit was US\$16.1 million compared with US\$19.5 million in 2018 reflecting low CPO prices and a small increase in costs, but also a positive foreign-exchange movement compared with a loss in the previous year. Combined with higher interest costs, resulting from additional debt taken to finance the acquisition of shares from the Group's minority partner, and a lower tax charge, profit for the year rose by 4% to US\$7.5 million.

After nearly ten months of low CPO prices, in October 2019, prices increased strongly through to the end of the year. This welcome movement did not prevent the average price of CPO for Indonesian exporters being the lowest for 13 years. The average price in 2019 for CPO delivered in Rotterdam was US\$566 per tonne, 5% lower than the US\$598 per tonne seen in 2018. The price increase in the last two months of the year was the result of CPO

consumption consistently exceeding production through the year. At the beginning of the year, high stock balances and production growth were able to meet this increasing demand. However, as the year wore on, production growth fell and stocks unwound, so pressure for a price increase grew. By the end of 2019, the price of CPO was US\$860 per tonne. Demand for palm-kernel oil did not increase in the same way as that for CPO, so the price for palm kernels received by the Group fell by 34% compared with the previous year in the face of plentiful supplies of its competitor coconut oil.

PROJECTED GROWTH IN THE GROUP'S CROP PERSISTS

The Group's crops rose by 16% and those of its 'scheme' smallholders by 15%. The total crop processed increased by 21%.

DIVIDEND

An interim dividend of 5.00p per share (2018 – 5.00p per share) was paid on 1 November 2019, and the board is recommending a final dividend of 12.75p per share (2018 – 12.75p per share). This maintains dividends for the year in respect of normal operations at 17.75p per share.

The Group finds itself in the unusual position of proposing a dividend not covered by earnings for a second year in succession. The board's view is that it should maintain its long-standing policy of not reducing the dividend given the strong increase in crop and production projected

over the coming years combined with the knowledge that the sector has experienced an extended period of low CPO prices for a commodity whose price moves in cycles. The board will monitor the evolving situation in respect of the coronavirus Covid-19 carefully in reaching its proposals for future dividends. It continues to believe the anticipated increase in yield from its young plantations provides a basis for sustained future crop growth and, ultimately, enhanced dividends.

OPERATIONAL DEVELOPMENTS

Projected growth in the Group's crop persists. 2019 was the first year in which the Group processed more than 1 million tonnes of ffb. The total crop processed increased by 21%. The Group's crops rose by 16% and those of its 'scheme' smallholders (those attached to the Group's projects) by 15%. The rise in crop was particularly pronounced at Bumi Mas, where the operating standards introduced by the Group are visibly having a positive effect. At a lower volume, the crop at Musi Rawas is also growing at a good rate as this project's original plantings increasingly come into harvesting. Crop purchased from independent smallholders increased by 56% to 166,000 tonnes as the Group sought to make best use of the spare capacity at its three mills.

The Group prides itself on the extraction it achieves from its ffb. Overall, the Group's extraction rate rose to 23.7% in its own mills from 23.5% in 2018. This was the case even though the Group processed significantly more crop bought from independent smallholders, which is not the same quality as its own crop or that of its scheme smallholders. Following last year's dip to 23.9% in

CHAIRMAN'S STATEMENT continued

the oil-extraction rate in its Bumi Permai mill in Kota Bangun, caused by high-capacity utilisation leading to longer maintenance intervals, in 2019 the extraction rate at this mill climbed back to 24.6%. The Group's other mills maintained good rates of oil- and kernel-extraction. In total, the Group produced 230,000 tonnes of CPO, 20% more than in 2018.

At Bumi Mas, good progress was made in bringing the project up to the Group's standards. Roads were strengthened and improved, and housing for workers and staff built. Work to restore plantings which had been neglected was carried out, which contributed to the strong increase in crop from this project. At Musi Rawas, planting since development began reached 8,000 hectares, of which 5,700 were for the Group and 2,300 for its scheme smallholders. In addition, land compensation had been paid on 1,300 hectares and further hectares had been surveyed, which is a necessary precursor to the land being available for planting. However, during 2019 the Roundtable for Sustainable Palm Oil ("RSPO") adopted a change to its standards which affects new planting. Development at Musi Rawas was paused to allow the Group time to assess the new standards and ensure that it complied with them. In the Group's own areas and in those of its scheme smallholders, planting is carried out in rigorous compliance with RSPO standards to ensure the fruit will be certified as being produced sustainably. It is anticipated that planting at Musi Rawas can resume by mid-2020.

At the end of 2019, the Group managed 51,600 hectares of oil

palm on behalf of itself and its scheme smallholders, of which effective ownership by the Group's shareholders, taking account of minority-shareholder interests, amounted to 37,100 hectares.

BUMI MAS BEING IMPROVED TO THE GROUP'S STANDARDS

Roads were strengthened and improved, housing for workers and staff built and work was undertaken to restore plantings.

GROUP VALUATION

Acquisition of some shareholdings from the Group's minority partner, as well as continuing development, produced an increase in the total US Dollar value of the Group's plantations during the year. This was counterbalanced by an increase in debt used to purchase the minority holdings and a reduction in the value of Malaysian property, leaving the Group's equity valuation at the end of 2019 at £11.01, slightly lower than a year earlier.

PROSPECTS

The Group projects that crop from its existing areas will rise until 2029. With an average age of only 7 years, the palms on the Group's estates and those of its scheme smallholders will significantly increase their yield as they mature. Any additional areas that the Group acquires in line with its strategy would push further into the future the year of its peak oil production.

After successive years of strong growth in production of CPO as well as that of competing oilseeds,

increase in supply of vegetable oils is expected to be weaker in 2020 and significantly below the increase in demand. Stocks of the four main vegetable oils relative to consumption are all expected to fall, significantly so in the case of palm oil and sunflower oil. In the longer term, insufficient levels of replanting in Malaysia and a reduction in new Indonesian planting are likely to curb growth in production. The last year has seen a small but perceptible shift in consumer and media attitudes towards palm oil, with a greater appreciation of the important part that certified sustainable palm oil can play in the world achieving a sustainable future.

In the short term, the uncertainty surrounding the development of Covid-19 may affect both prices for CPO and production. However, the board remains of the view that palm oil is well placed to benefit from an underlying increase in global demand for vegetable oil and, therefore, that the outlook remains positive.

BOARD RETIREMENT AND APPOINTMENT

At the end of the year, Richard Robinow, a non-executive director, retired from the board. Over many years the board has been extremely grateful to Richard for the invaluable contribution he has made to the Group as a director and, for a period, as chairman. His expertise and knowledge about both the plantation world and corporate affairs generally will be greatly missed.

At the same time as Richard Robinow's retirement, the Group was pleased to welcome Dr Darian McBain as a non-executive director.



Darian has many years of experience working in sustainability roles, most recently as Global Director of Corporate Affairs and Sustainability at Thai Union Group PCL. At Thai Union, Darian has been responsible for introducing changes to embed sustainability throughout the global seafood industry. Prior to this, she was Managing Director at Blue Sky Green, a consultancy focusing on business strategy, supply chain analysis and sustainability. Darian also has experience in the palm-oil industry, working to advocate for sustainable global palm-oil supply chains for WWF-Australia. We look forward to benefiting from the skills and expertise she brings to the board.

ACKNOWLEDGEMENTS

The Group's managers, staff and workers in all our operations have been dedicated and worked hard during a challenging year in which they have continued to develop and manage our operations to deliver consistent growth. I should like to put on record the board's thanks for their efforts.

Peter Hadsley-Chaplin

Chairman

31 March 2020

OPERATIONAL HIGHLIGHTS



INDONESIAN PALM OIL

Total crop processed more than 1 million tonnes

Group crops increased 16% to 663,000 tonnes

Average extraction rate in Group mills increased to 23.7%

Crude-palm-oil production up to 232,000 tonnes

Increase of 3,200 mature Group and scheme smallholder hectares in year

65% of Group production certified sustainable; target 100% once Group processes all own crop

Group increasing milling capacity as crops increase



MALAYSIAN PROPERTY

37% increase in revenue from property sales at associated company Bertam Properties

Political uncertainty weighing down on property valuations



M.P. EVANS GROUP PLC

Net current assets of US\$35 million at 31 December 2019

Group equity value of £11.01 per share at 31 December 2019



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

Our values are an integral part of everything we do.

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.

1

1 SIMPANG KIRI

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.

2,600 hectares

Group planted area: 2,400 hectares

2

2 KERASAAN

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.

Planted area: 2,300 hectares

Group minority share: 38%

3 PANGKATAN GROUP

Grouping of three estates (Pangkalan, 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 (Pangkalan), and land acquired or planted over the last 30 years (Bilah and Sennah).

7,400 hectares

Group planted area: 7,000 hectares

3

4 MUSI RAWAS

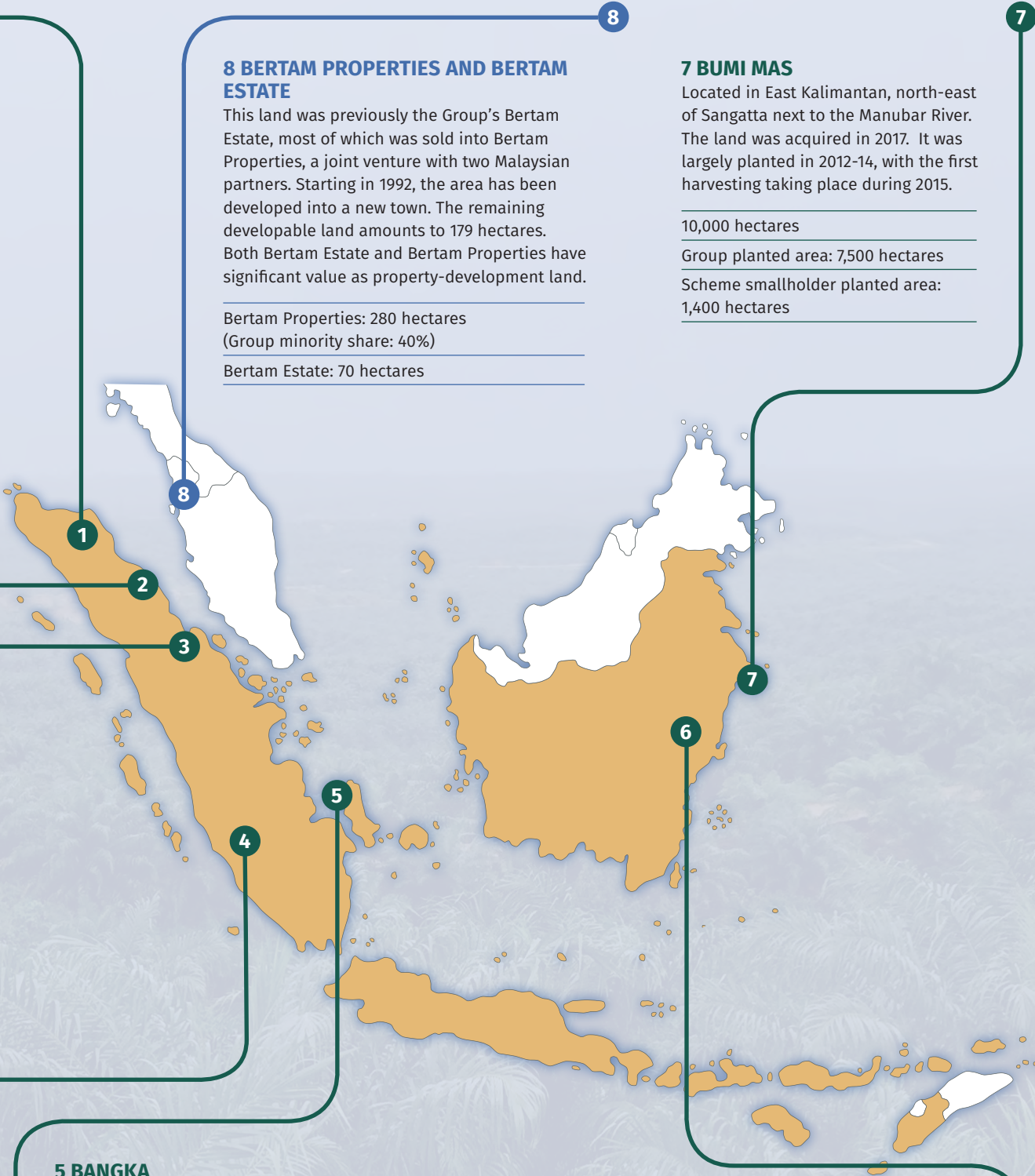
Located in South Sumatra province near the town of Lubuk Linggau, the project was started in 2012. Much had previously been planted with smallholders' rubber, which had been abandoned. The Group began planting oil palm at the end of 2014, and harvesting started in 2017.

10,000 hectares

Group planted area: 5,700 hectares

Scheme smallholder planted area: 2,300 hectares

4



8 BERTAM PROPERTIES AND BERTAM ESTATE

This land was previously the Group's Bertam Estate, most of which was sold into Bertam Properties, a joint venture with two Malaysian partners. Starting in 1992, the area has been developed into a new town. The remaining developable land amounts to 179 hectares. Both Bertam Estate and Bertam Properties have significant value as property-development land.

Bertam Properties: 280 hectares
(Group minority share: 40%)

Bertam Estate: 70 hectares

7 BUMI MAS

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.

10,000 hectares

Group planted area: 7,500 hectares

Scheme smallholder planted area: 1,400 hectares

5 BANGKA

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 biogas plant was commissioned in May 2016 and extended to 60 tonnes in 2019.

10,000 hectares

Group planted area: 6,100 hectares

Scheme smallholder planted area: 3,900 hectares

6 KOTA BANGUN ESTATES

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 2020.

16,000 hectares

Group planted area: 10,600 hectares

Scheme smallholder planted area: 4,600 hectares



THE GROUP'S BUSINESS MODEL

OUR MAIN RESOURCES



39,400 HECTARES OF GROUP OIL PALM

PLANTATION LAND

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



12,200 HECTARES OF SMALLHOLDER 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.



6,100 EMPLOYEES

PEOPLE

The Group has over 6,000 employees, including 200 agronomic staff, 85 engineers and more than 3,700 harvesters.



15% NET GEARING

STABLE FUNDING

The Group has a robust capital structure with market capitalisation of more than US\$520 million*, cash of US\$26 million and prudent levels of debt.

OUTCOMES



231,900

TONNES OF CRUDE PALM OIL

Growing production



65%

CERTIFIED SUSTAINABLE

Sustainable production



US\$345

PER TONNE OWN PALM PRODUCT

Low costs



17.75p

TOTAL DIVIDEND FOR 2019

Improving returns, rising dividends



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 an efficient producer of sustainable Indonesian palm oil to generate increasing crop, production and revenues.

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.

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.

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.

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



THE PALM-OIL MARKET

Against a backdrop of low prices, demand for palm oil grew strongly in 2019. Production too increased, to a record 76 million tonnes.

Rising production was not enough to satisfy burgeoning demand for palm oil as a food and as a constituent of biodiesel, notably in Indonesia itself where crude-palm-oil (“CPO”) consumption increased by 20%. As a result, stocks of CPO fell sharply during the year from the high levels they had reached at the end of 2018. Increasing demand and lower stock levels saw the volume of trade in CPO rebound during 2019: 60% of trade in vegetable oils was palm oil.

Indonesia and Malaysia remain the world’s largest palm-oil producers, accounting for 84% of global CPO production. In these countries production increased by 1 million

tonnes (some 2%), a more modest increase than in 2018. In both countries the average yield per hectare fell slightly. Production growth attenuated significantly in the second half of the year. Disease in Latin America and volcanic eruptions in Papua New Guinea lay behind near stagnant production in the rest of the world. This was attributable to a respite in palm productivity following high crop during 2018 and the early part of 2019, and also palms beginning to show the consequence of many producers opting to reduce costs by restricting the use of fertilizers in late 2018 and 2019 in response to low CPO prices. At the same time, there was a significant increase in the imports of CPO by China, India and the EU during 2019. This was especially marked in China. Here, imports of CPO rose from 5.4 million tonnes in 2018 to 7.7 million tonnes in 2019 as the Chinese soybean crush fell by 10% and less animal fat was available domestically

as a result of African swine fever reducing the Chinese pig herd. These developments took place at a time when global production of other vegetable oils barely increased. The total increase in world production of vegetable oils in 2019 was 2 million tonnes, half of which was from CPO.

Consumption of CPO exceeded production in each quarter of 2019. At the beginning of the year, high stock balances and production growth were able to meet increased demand. However, as the year wore on, production growth fell and stocks unwound. This became clear at the end of October, when the price of CPO increased dramatically until the end of the year. The price of CPO cif Rotterdam started the year at US\$520 per tonne and then moved in a corridor between US\$480 and US\$590 per tonne until the end of October. By the end of 2019, it stood at US\$860 per tonne. Notwithstanding the strong upward

CRUDE-PALM-OIL PRICE





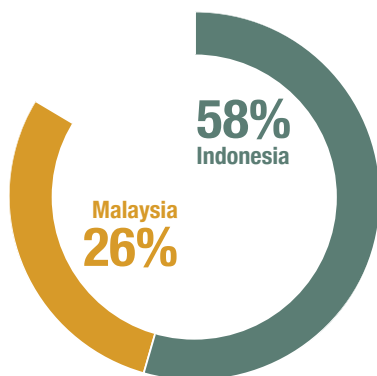
price movement in the last two months of the year, the average price for the year was US\$566, US\$32 (5%) lower than in 2018. Due to the operation of the export levy and tax in Indonesia, according to Oil World, exporters there experienced an average price of US\$525 for the year, a 13-year low.

PALM-KERNEL OIL

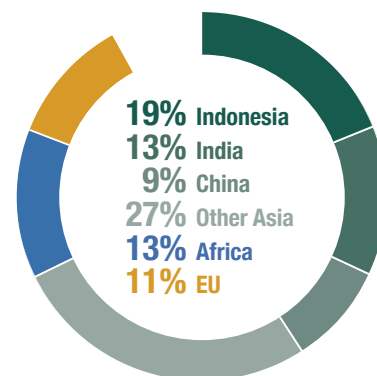
Unlike CPO, palm-kernel oil did not benefit from increased demand for the production of biodiesel. The year also saw ample supplies of coconut oil, the other lauric oil that is a competitor to palm-kernel oil, and rising stocks of palm-kernel oil. As a result, the average price for the year cif Rotterdam was US\$668 per tonne, some 28% below 2018. However, trade did increase significantly during the last quarter, leading to a reduction in stocks, which finished the year at 1.4 million tonnes compared with 1.3 million tonnes a year earlier.



MAIN PRODUCERS OF PALM OIL 2019



MAIN CONSUMERS OF PALM OIL 2019



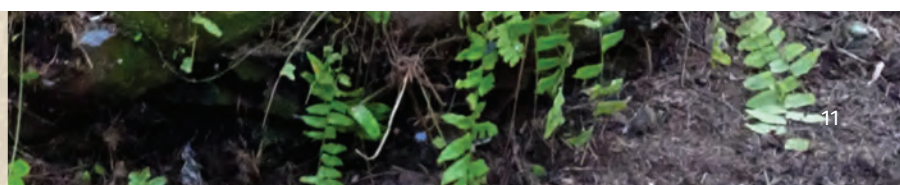
Main producers

Remaining 16% consists of Thailand (4%), Colombia (2%), Nigeria (1%), other countries (9%).

Main consumers

Remaining 8% consists of Americas (7%), other countries (1%).

Source: Oil World.





STRATEGIC REPORT 2019

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 'scheme smallholder' areas attached to those estates. The Group's strategic goal is to produce only certified sustainable palm oil, expanding its principal activity and to maintain a steady rate of growth in crops and in planted hectareage controlled by it. Majority 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 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.

The total planted area of the Group's majority-held Indonesian operations extends to 39,400 hectares. The scheme smallholder areas adjoining the new projects amount to 12,200 planted hectares. The current estimated unplanted land bank is some 1,300 hectares on the Group's land and some 700 hectares on the adjoining scheme smallholder areas managed by the Group, at Musi Rawas in South Sumatra. The intention is to plant these areas as rapidly as possible.

Furthermore, the Group aims to increase the area to the extent that the availability of environmentally-suitable land permits, meaning it would comply with enhanced RSPO standards aimed at preventing any deforestation. Hence, it is possible the Group may be able to plant more than the remaining 2,000 hectares referred to above. Before taking account of any such increase at Musi Rawas, or future acquisitions, the combined Group and scheme smallholder areas are expected to reach 53,600 hectares when fully planted. In addition, the Group owns a 38% share of the 2,300-hectare Kerasaan estate in North Sumatra which, in line with its strategy, could potentially be sold to finance the expansion of majority-held areas.

In addition to the expenditure on new planting, the Group is investing in three new mills: at Kota Bangun, Bumi Mas and Musi Rawas, to take maximum advantage of the rapidly-increasing crop in the areas planted since 2005. The mill at Kota Bangun, the second on this project, is expected to be in service by the middle of 2020; work is also already under way at Bumi Mas, where it is planned for the mill to become operational by the middle of 2021. A mill site has been acquired at Musi Rawas. In addition to building these mills and associated composting and biogas facilities, substantial further investment is being made into infrastructure in these areas, such as housing for staff and workers, estate-road networks, power and water distribution as well as workshops, stores and administrative offices. The Group seeks continually to maintain and improve agronomic standards and productivity on its estates,



including investment to manage both excessive rainfall and dry spells, with the objective of increasing crops of fresh fruit bunches (“ffb”) and production of crude palm oil (“CPO”). In addition, it has ambitions in the medium term to add to its portfolio of estates to maintain its ability to increase crop and future profits.

The Group is actively exploring the acquisition of new land. In Kota Bangun, East Kalimantan, the board is engaged in extending the Group’s areas from the currently-planted 15,300 hectares to bring the project towards the equivalent of two 10,000-hectare units. 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. Following the acquisition of a 51% share in 600 hectares of potentially plantable land close to one of its Kota Bangun divisions in 2018, further areas are being assessed for prospective acquisition. In North Sumatra, the Group is promoting the formation of independent smallholder co-operatives that will provide ffb to its Pangkatan mill as well as ensure the Group can demonstrate full compliance with Indonesian laws on smallholder development passed long after these estates were first planted.

In Malaysia, the Group owns a small area of oil-palm land with property-

development potential, as well as a significant minority share of a property-development company. These assets give the Group the opportunity to share in any ongoing increase in the value of property-development land in Malaysia. However, either of these assets could be sold to finance the Group’s strategic expansion of its Indonesian oil-palm hectareage. It is the Group’s long-term intention to dispose of its property-development assets in order to fund the acquisition or development of oil-palm estates in Indonesia, and so to exit from Malaysia.

‘SECTION 172’ STATEMENT: IMPLEMENTING THE STRATEGY

In implementing its strategy, the board meets its obligations under section 172(1) of the Companies Act 2006 (“section 172”) to promote the success of the company for the benefit of its members whilst having regard to wider stakeholders and the impact of decisions over the long term. Each member of the board is aware of his or her obligations under section 172 and due consideration is given to stakeholders’ interests when strategic decisions are taken.

Pages 8 and 9 of this report set out the Group’s business model and how it operates. The nature of oil-palm plantations is that they by necessity require decisions to be made for the long term. This encompasses the health and well-being of the environment in which the Group operates as well as that of the people living in and around its operations. Such considerations are intrinsic to the Group’s way of operating. Further details demonstrating how the principles

of section 172 are aligned with how the Group makes strategic decisions concerning its operations can be found in the “Sustainability” section of this report on pages 31 to 37.

The board reviews at least annually which organisations or individuals it considers to have a reasonable expectation of being significantly affected by the activities of the Group. The list, together with a summary of how the Group engages with its stakeholders, is published on the Group’s website (www.mpevans.co.uk). The executive directors are frequent visitors to the Group’s operations overseas, during which they receive regular briefings from local management on any significant engagement with local communities and workforce grievances. These are relayed to the board where appropriate.

In 2018, the board took a decision to produce the Group’s first sustainability report as part of a wider strategy on sustainability. Preparation of the report during 2019 provided an excellent opportunity for the Group to review its practices and to augment the detailed disclosures it already gave on the Group’s approach to sustainability. In compiling the report, the Group interviewed representatives from all the Group’s stakeholder groups. The outcome of this stakeholder engagement was to identify the six material topics presented in the report. A copy of the Group’s sustainability report published in 2020 can be downloaded from the website (www.mpevans.co.uk) or a printed version can be obtained by contacting the Group’s company secretary.





RESULTS & FINANCIAL POSITION

REVENUE AND GROSS PROFIT

The Group's revenue for 2019 was US\$119.3 million, 10% higher than the US\$108.6 million achieved in 2018. Production of CPO and palm kernels ("PK") increased by 20% and 22% respectively in the year, as shown on page 18. However, the increase in revenue did not match the production increases due to a fall in average sales prices for CPO and PK by 5% and 34%, as discussed in the section on mill-gate price on page 20.

The Group's cost of production per tonne of palm product (a combined measure for CPO and palm kernels) for its own mills increased by US\$25 per tonne in the year for the Group's own ffb, and by US\$20 per tonne when including ffb purchased from scheme and independent smallholders. Further details are in the costs section on page 19. As a result, the Group achieved a gross margin of US\$127 (2018 US\$164) per tonne on sales of CPO from its own mills during the year. Low PK prices experienced during the year led to a loss on sales of PK, but taken together, each tonne of palm product achieved a gross margin of US\$84 (2018 US\$141). In addition, the Group incurred expected losses during the early development phase of its projects at both Musi Rawas and Bumi Mas.

Allowing for all of the above, the Group's gross profit was US\$17.0 million, 36% lower than the US\$26.5 million for 2018.

BIOLOGICAL ASSETS

The Group continues to apply IAS 41 in estimating a value for unharvested growing ffb for the purposes of statutory reporting. The increase

in prices towards the end of 2019 caused the estimated value of unharvested growing ffb to increase to US\$2.1 million (2018 US\$1.1 million).

FOREIGN EXCHANGE GAINS

During 2019, the Indonesian Rupiah strengthened by approximately 3% against the US Dollar. The Group holds monetary assets denominated in Rupiah: operating cash, other receivables, and receivables from scheme smallholders, as described in note 19 to the financial statements. A foreign-exchange gain of US\$1.2 million (2018 loss of US\$4.1 million) arose during the year on the retranslation of these balances.

FINANCE COSTS

During 2019, the Group drew down US\$85.4 million of its US\$120 million credit facility. The facility was used for a combination of refinancing existing debt, supporting Group capital expenditure, and financing the acquisition from the Group's minority partner. As a result, financing costs increased to US\$3.7 million (2018 US\$1.4 million).

TAXATION

The Group tax charge for the year was US\$7.2 million (2018 US\$12.7 million). The Group's effective tax rate was higher than the standard UK tax rate mainly due to the higher standard rate applied in Indonesia, and tax arising in Indonesia on foreign exchange gains on US Dollar Group borrowings.

ASSOCIATED COMPANIES

The Group's Indonesian associate, PT Kerasaan Indonesia (38% owned), contributed US\$0.8 million (2018 US\$0.9 million) to Group profit in the year, and the Group received

dividends of US\$0.4 million (2018 US\$0.4 million) in the year.

The Group's Malaysian associate, Bertam Properties Sdn Berhad (40% owned), contributed US\$1.1 million (2018 US\$0.6 million) to Group profit in the year, and the Group received dividends of US\$0.6 million (2018 US\$1.2 million) in the year.

PROFIT FOR THE YEAR

As a result of the above, the Group's profit for the year was US\$7.5 million (2018 US\$7.2 million).

NET ASSETS AND BORROWING

At the end of the year, the Group's net assets were US\$367.7 million (2018 US\$398.3 million). The decrease in net assets mainly arose from applying the relevant accounting standards to the Group's purchase in the year of shares in its operating subsidiaries previously held by one of its minority partners (see note 12). Current assets exceeded current liabilities by US\$35.4 million (2018 US\$43.0 million).

At the end of the year, the Group had cash and liquid resources of US\$27.1 million (2018 US\$24.1 million). As a result of the funding draw down, referred to under finance costs above, net debt increased in the year to US\$67.4 million (2018 US\$5.9 million) resulting in net gearing of 15% (2018 – 1%); gross gearing was 20% (2018 – 7%).



-36% GROSS PROFIT

+10% REVENUE

+20% CRUDE PALM OIL PRODUCTION

+22% PALM KERNEL PRODUCTION



Ffb arriving at Bangka mill



OPERATIONS: INDONESIAN PALM OIL



CROPS

The strong upward trend in crop growth continued in 2019. The Group's own crops rose by 16%, those of its scheme smallholders (those attached to its projects) by 15%. The Group's palms have a young average age of only a little over seven years, meaning the Group is experiencing the benefits of increased yields that naturally occur as oil palms mature, reaching their maximum yields at about the age of ten years. In addition to this upward path in yield, some 3,200 immature hectares were declared mature during 2019 for the Group and its scheme smallholders. Harvesting on these areas commenced and they began contributing to total crop. Crop more than tripled both at Bumi Mas, acquired by the Group in 2017 and, at a lower total volume, on the newest project at Musi Rawas, in South Sumatra.

Compared with previous years, there was a significant increase in the purchases of ffb from independent smallholders. At its three existing mills, the Group seeks to maximise the use of

any spare capacity whilst its own plantings continue to mature, so currently yield less than the levels that will be attained in time.

The Group increased its efforts to make profitable use of this spare capacity by purchasing crop from outside suppliers. In 2019, 166,000 tonnes of ffb were purchased from independent smallholders. Taking into account purchases of outside ffb, total crop processed by the Group rose by 21% to 1,002,000 tonnes. This is the first annual report in which the Group can report it processed more than 1 million tonnes of ffb.

At Kota Bangun, the unusual crop peak during the first half of the year in 2018 was not repeated in 2019. Instead, the more normal mild crop peak occurred in the second half of the year. This meant that relatively poor crop performance in the first half compared with the previous year was nearly eliminated in the second half of the year. For the year as a whole, crops in Kota Bangun fell by 3% compared with 2018. Relatively dry weather since the middle of 2019 resulted

in slower crop growth in the final weeks of the year and is likely to affect crop during the first half of 2020. Although this has borne down on crop, the dry weather allowed the Group to complete construction of bunds, drains and pumps to manage water levels in the southern part of this project. The effect of this work on crop is not immediate, but it is expected to have a significant effect on the potential of this area over time. In the short term, it has allowed the Group to replenish vacant spaces where very young palms had died due to persistent flooding as well as plant 140 newly-protected hectares.

In Bangka, as at Kota Bangun, crop volumes were higher during the second half of the year than the first half. Here, as signalled in the previous annual report, the palms could not reasonably sustain the very high rates of crop growth experienced in 2017 and 2018. However, after a lower cropping phase during the first half of the year, crop growth resumed its upward trend and total crop for the year finished only just behind that



achieved in 2018. As noted previously, much of this estate has excellent sources of laterite for constructing high-quality roads, enabling the Group to maximise the crop it can collect and deliver to the mill.

During 2019, the Group successfully continued to embed its ways of working and operating standards at Bumi Mas. Local management focussed on improving field conditions alongside building new housing for the workers and staff on this project, and improving roads which had proved inadequate during heavy rains early in 2019. Roads are important for transporting workers and fertilizers to all parts of the area and evacuating harvested ffb. The result on total crop, which rose by 219%, was dramatic. During 2019, the Group built more than 260 units of accommodation and raised or stoned some 225km of roads. It also took delivery of a small boat that cut travel time to the project by some six hours.

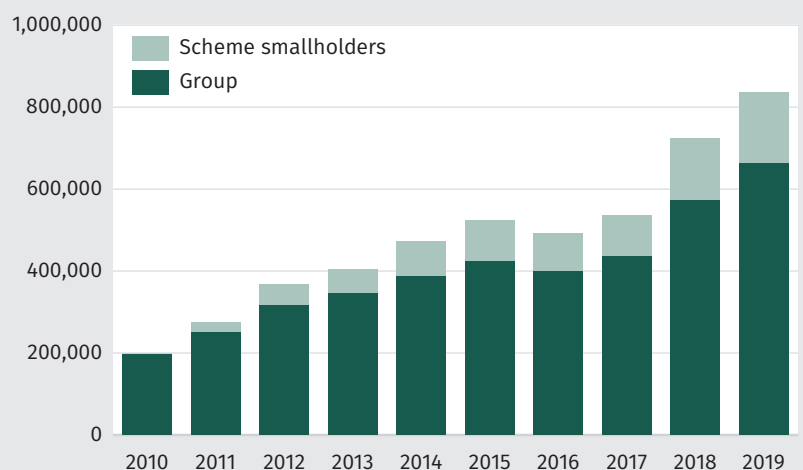
More than 1,500 hectares of young areas at Musi Rawas started to come into harvesting, a trend which will gather pace over the coming years.

CROP

	2019 TONNES	INCREASE/ (DECREASE) %	2018 TONNES
Own crops			
Kota Bangun	194,000	(3)	200,400
Bangka	128,900	(3)	133,500
Pangkalan group	164,300	2	161,100
Bumi Mas	122,000	215	38,700
Musi Rawas	15,400	228	4,700
Simpang Kiri	38,700	12	34,600
	663,300	16	573,000
Scheme smallholder crops			
Kota Bangun	87,300	3	84,600
Bangka	57,500	-	57,700
Bumi Mas	19,600	244	5,700
Musi Rawas	7,700	381	1,600
	172,100	15	149,600
Independent smallholder crop purchased			
Kota Bangun	39,600	193	13,500
Bangka	105,200	30	81,000
Pangkalan group	21,300	78	12,000
	166,100	56	106,500
TOTAL CROP	1,001,500	21	829,100

CROP HISTORY

tonnes



STRATEGIC REPORT continued
**PRODUCTION AND EXTRACTION RATES
GROUP AND THIRD-PARTY MILLS**

	2019	INCREASE/ (DECREASE)	2018
PRODUCTION	TONNES	%	TONNES
Crude palm oil			
Kota Bangun	79,000	11	71,400
Bangka	67,400	7	63,200
Pangkatan group	42,800	7	39,900
	189,200	8	174,500
Bumi Mas	29,500	224	9,100
Musi Rawas	4,800	300	1,200
Simpang Kiri	8,400	9	7,700
	42,700	137	18,000
	231,900	20	192,500
Palm kernels			
Kota Bangun	17,000	15	14,800
Bangka	16,200	7	15,100
Pangkatan group	10,100	5	9,600
	43,300	10	39,500
Bumi Mas	6,800	240	2,000
Musi Rawas	1,100	267	300
Simpang Kiri	1,800	6	1,700
	9,700	143	4,000
	53,000	22	43,500

	2019	INCREASE/ (DECREASE)	2018
EXTRACTION RATES	%	%	%
Crude palm oil			
Kota Bangun	24.6	3	23.9
Bangka	23.1	-	23.2
Pangkatan group	23.1	-	23.1
	23.7	1	23.5
Bumi Mas	20.9	2	20.4
Musi Rawas	20.6	7	19.2
Simpang Kiri	21.8	(2)	22.3
Palm kernels			
Kota Bangun	5.3	6	5.0
Bangka	5.6	2	5.5
Pangkatan group	5.4	(2)	5.5
	5.4	2	5.3
Bumi Mas	4.8	4	4.6
Musi Rawas	4.6	(4)	4.8
Simpang Kiri	4.8	(4)	5.0

Hence, crop grew strongly, albeit from a low base. One mark of the increasing maturity of this area is that the Group's staff are now all resident in the project. A small guest house is available for visiting Group staff to use, avoiding the need to stay at the nearest town, Lubuklinggau, and make the journey into and out of the estates every day.

The Group's older estates in North Sumatra supplying the Pangkatan mill, produced a small increase in crop. At Simpang Kiri, the replanting programme carried out in recent years, started to produce results, leading to a 12% increase in crop from this estate.

PRODUCTION

A record year for crops, combined with a significant increase in ffb purchased from independent smallholders, led to another record year for Group production. CPO production rose by 20% to 232,000 tonnes; that of palm kernels by 22% to 53,000 tonnes. The Group does not yet have its own mill at Bumi Mas or at Musi Rawas, nor at Simpang Kiri. Instead, it has contracts to sell ffb to local mills based on the commodity price for CPO and an assumed rate of extraction. To reflect the substance of this arrangement, oil produced from these estates' crops has been included in CPO production figures (see table).

Currently, 65% of total production is certified sustainable palm oil (see more in the Sustainability section on page 31). The Group has an objective to design and implement a scheme that will persuade independent smallholders who supply it with ffb to sign up to and adhere to



the RSPO's Independent Smallholder Standard ("RISS"). All the Group's ffb, and that of its scheme smallholders, are grown to the same high standards and in a sustainable way. However, where the Group doesn't have its own mill, it has no alternative other than to sell its ffb to neighbouring third-party mills that may not be RSPO certified. This results in some of the Group's CPO not being certified sustainable. The percentage of certified sustainable production will rise as the Group constructs its own mills and works with independent smallholders to comply with RISS.

Extraction rates in 2019 have increased from the good levels achieved in 2018. 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%, continues at a creditable level despite the high and increasing volume of fruit from independent smallholders being processed, which is not of the same standard as that produced by the Group and its scheme smallholders. Fruit from independent smallholders is predominantly from dura palms, which tend to have

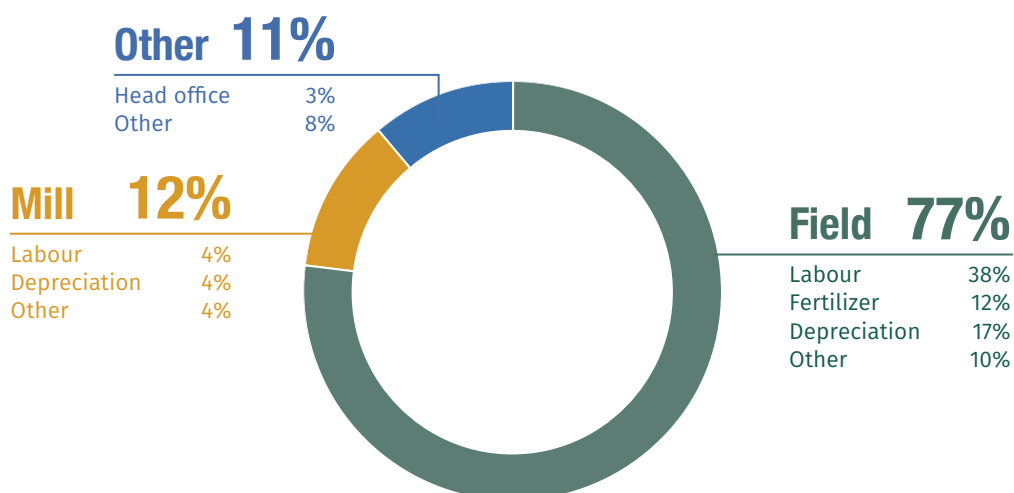
larger kernels and less flesh from which to squeeze CPO. This can be seen in the increase in the kernel-extraction rate and emphasises the good performance in CPO extraction.

The Group continues to buy fruit from independent smallholders to utilise spare capacity at all three of its mills. Whilst, as noted above, fruit from independent smallholders yields significantly less CPO than fruit from the Group's own areas or that of its scheme smallholders, this is reflected in the price the Group pays for it. Hence, purchases of fruit from independent smallholders

COSTS

The combined cost per tonne of palm product from the Group's mills in 2019 was US\$345 (2018 US\$320). The main sources of cost pressure was from taking on additional workers into newly-mature areas, in which the quantity and weight of ffb in the initial months of cropping are relatively low. In addition, during 2019 there was expenditure associated with diverting harvesters at Kota Bangun to carrying out field work in the face of lower crops, and enhanced levels of mill maintenance. The Group's policy is to include all depreciation, general charges, administrative costs and overheads, including those of its Jakarta office, in its calculation of cost per tonne. Excluding depreciation and regional overheads reduces the Group's cost to some US\$260 per tonne of palm product. As overall crop volume continues to grow, 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\$360, a little higher than the US\$340 achieved in 2018 on account of the increase in lower-yielding ffb purchased from independent smallholders.





STRATEGIC REPORT continued

make an acceptable profit margin notwithstanding the reduction in the mill's average rate of extraction their purchase entails. The proportion of ffb bought from independent smallholders increased at each of the Group's mills. The highest proportion, 36%, is at the Group's Bangka mill, which currently has the most spare capacity following its extension to a 60-tonne-per-hour mill during the second quarter of the year.

The composting and biogas facilities in Kota Bangun and Bangka are processing all of the empty ffb and most of the mill effluent at these locations. The compost is a valuable nutrient applied in a carefully controlled and supervised manner by the Group. The biogas plant at the Bumi Permai mill at Kota Bangun supplies all of these estates' electricity needs. An extension to the existing biogas facility at the Bumi Permai mill was completed towards the end of 2019 and will begin supplying the state electricity company, PLN, with surplus electricity in early 2020. This extension allows the Group to produce electricity from 100% of the mill effluent rather than the 30% processed in the original pilot facility, the Group's first. In Bangka, the biogas plant was designed to process all of the mill's effluent and the Group has been supplying PLN with its surplus electricity since January 2017. During 2019, faults developed in the 1.2MW Siemens-Guascor gas engine used by the Group to supply electricity to PLN that were eventually addressed by the manufacturer. This led to less electricity generation than anticipated and some increase in maintenance costs. At both sites, production of power will increase with the volume of crop processed by the mills.

Construction of a second mill, the Rahayu mill, at the Kota Bangun estates is on schedule to begin commissioning in mid-2020. Civil works have already begun at the site of the planned mill and bulking site at Bumi Mas. The mill here is expected to go into service in the middle of 2021.

MILL-GATE PRICE

The dominant feature of the period was the low CPO and palm-kernel prices described in the section 'The palm-oil market' above. The average cif Rotterdam price for the period was US\$566 per tonne, 5% lower than the US\$598 recorded in 2018. Consequently, during 2019, the Group actually received on average US\$471 per tonne of CPO at mill gate, US\$27 less than in 2018. At the same time, the average sustainability premium additionally received by the Group rose slightly from US\$6 to US\$9 per tonne.

For palm kernels, the Group received US\$245 per tonne, very significantly (34%) lower than the US\$374 in the previous year, following a sharp decline in the price of palm-kernel oil. The Group did on average receive US\$9 per tonne in the premium available for kernels sold with sustainability certificates, although this was US\$1 per tonne less than in 2018.

In total, the Group received some US\$1.9 million in sustainability premia during 2019, US\$0.5 million more than in 2018. This was due to persistent demand for oil certified by International Sustainability & Carbon Certification ("ISCC"), which attracts a higher premium than oil certified by the RSPO, as well as sales of certified oil and kernels from the Group's expanded Bangka mill.

PLANTING

Essentially, all of the Group's new planting is at Musi Rawas, where steady progress was maintained. However, during 2019 the RSPO adopted a change to its standards affecting any new planting. Currently, development at Musi Rawas has been paused to allow the Group time to assess the new standards and ensure that it complies with them. In the Group's own areas and in those of its scheme smallholders, planting is carried out in rigorous compliance with RSPO standards to ensure that the fruit will be certified as being produced sustainably. At the end of 2019, planting since development began at Musi Rawas reached 8,000 hectares, of which 5,700 were for the Group and 2,300 for the scheme smallholders. In addition, ten hectares were ready for planting, and land compensation had been paid on a further 1,300 hectares in anticipation of planting recommencing in the first half of 2020.

The Group newly planted 930 hectares for itself and its smallholders, of which 670 hectares were for itself. In North Sumatra, 470 hectares were replanted.

ASSOCIATED COMPANY: KERASAAN

Crops at Kerasaan were 54,200 tonnes (2018 – 51,700 tonnes). Ffb crops grew strongly in the second and third quarters of the year, before tailing off quite sharply in the last two months of 2019. Overall, crop finished the year 5% ahead of 2018. Some 30% of its planting dates from the second half of the 1990's, so a programme of replanting will begin in the coming years.



PERFORMANCE EVALUATION

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

2018: 50,600 hectares

51,600

HECTARES,
GROUP AND
SCHEME
SMALLHOLDERS

FFB YIELD PER HECTARE

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

2018: 19.3 tonnes per hectare

20.5

TONNES PER
HECTARE

FFB CROP

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

2018: 722,600 tonnes

835,400

TONNES

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.

2018: 23.5% oil-extraction rate

23.7%

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.

2018: US\$320 per tonne palm product

US\$345

PER TONNE
PALM PRODUCT

Plantation and mill operations

Management monitors and assesses the efficiency of operations with regard to crops and production using key 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 20.5 tonnes per hectare reflects the young average age of its palms. This yield is higher than in 2018, notwithstanding the addition of 3,200 newly mature hectares during the course of 2019. This figure 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, independent verification and advice is sought. Decisions, such as when and how to replant, are taken based on local conditions. Overall, the Group achieved total crop from its own areas and those of its scheme smallholders of 835,400 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 in the previous year to allow sufficient planting material to be purchased for the nursery. 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



Young palms at Bumi Mas

STRATEGIC REPORT continued

terrain. Ultimately, the total planted hectareage determines future crop. At the end of 2019, the Group had reached 51,600 hectares planted for itself and its scheme smallholders.

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 including the type and quality of planting material, the age profile of plantings and rainfall. 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 23.7% in 2019, compares favourably with industry norms and with mills operating in the same areas as the Group. Mill construction and associated infrastructure is undertaken by contractors. Management monitors carefully progress achieved against budget and agreed timetables.

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\$345 it currently costs the Group to produce one tonne of palm product.



CURRENT TRADING AND PROSPECTS

Crop in the first two months of 2020 is ahead of last year in all regions, very notably so at Bumi Mas and Musi Rawas, the Group's youngest areas. Compared with last year, the Group has also purchased significantly more ffb from independent smallholders. The Group changed its policy in the middle of 2019 to purchase more outside fruit, so the rate of growth of outside purchases will not be sustained for the year 2020 as a whole. At the end of February, total crop processed was 180,000 tonnes, 47% more than the 122,000 tonnes processed during the first two months of 2019. The details are set out in the following table:

	2 MONTHS ENDED 29 FEB 2020 TONNES	INCREASE %	2 MONTHS ENDED 28 FEB 2019 TONNES
Own crops	107,100	23	87,200
Smallholder crops	27,500	27	21,600
Outside crops purchased	45,600	240	13,400
	180,200	47	122,200

The Group's crop is rising due to the young age of its palms, an average of 7 years. This is a 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 decade. This would be further augmented by the acquisition or development of new project areas.

As reported in the section 'The palm-oil market' on pages 10 and 11, the price of CPO strengthened considerably in the last two months of 2019 to finish the year at US\$860 per tonne cif Rotterdam. The rise was prompted by expectations of modest

vegetable-oil supply increases during 2020 failing to match increased demand, combined with depleted stock levels compared with recent years. Projections by the respected publication, Oil World, show the level of palm-oil stocks to consumption reaching a multi-year low during the second half of the year. This development takes place against a background of tight supply of all the major vegetable oils. To some extent trade in palm oil, and hence demand, is likely to be affected by restrictions placed by India on imports of refined palm oil from Malaysia, although this is more likely to lead to a re-arrangement of trade flows rather than a net overall reduction

in demand for CPO. In the longer term, insufficient levels of replanting in Malaysia and a reduction in new Indonesian planting are likely to curb growth in production. Average yield per hectare for the industry in 2019 stagnated in Malaysia and declined slightly in Indonesia.

Whilst these benign forces remain in place, the near-term position has been clouded by the outbreak of Covid-19 in China that, at the date of this report, had spread across most of the globe. The impact of this outbreak remains uncertain, but it has already had a negative effect on global economic growth and the short-term demand for palm oil, which may persist. The CPO price declined during February to a low of US\$640 per tonne, falling a little further to US\$610 at the end of March. It is possible that widespread infection within Indonesia could reach the Group's workforce and bring with it the possibility that it could temporarily reduce the Group's capacity to harvest or mill ffb and so reduce the expected growth in its production. Notwithstanding the uncertainties surrounding Covid-19, the board is of the view that palm oil, because of its high yield and low cost of production, is well placed to benefit from increasing demand for vegetable oil and hence that the outlook remains encouraging.



OPERATIONS: MALAYSIAN PROPERTY



MAJORITY-OWNED: BERTAM ESTATE

The value of Bertam Estate, situated in a prime position not far from the slip road onto the highway heading to Penang Island, has risen over many years as development has progressed on the neighbouring Bertam Properties land. Political uncertainty over the composition of the government continues to affect prospects for the wider economy, and so the property and financial markets, in Malaysia. Nevertheless, the board sees advantage in selling Bertam Estate notwithstanding prevailing property market conditions in which current values have fallen significantly, in order to invest the proceeds into its Indonesian plantations.

In the meantime, the residual oil-palm operation on 65 hectares of cultivated land yielded a crop of 1,100 tonnes (2018 – 1,200 tonnes). The Group has 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

The development of residential housing and commercial properties was reduced in 2019 as Bertam Properties paused commencing new development and successfully undertook initiatives to reduce its stock of finished properties. At the end of 2019, Bertam Properties owned 179 hectares of development land, including 51 hectares already under development, and a 103-hectare golf course. During the year, work on the new 18-hole course was completed at the Penang Golf Resort. This was a combination of creating new holes and renovating existing holes from the 36 holes previously in play before 39 hectares of land was transferred to Bertam Properties for development.

During 2019, as a result of its initiative to clear its stock, Bertam Properties sold 461 properties, 70% more than in 2018. This led to a significant increase of MYR28 million, or 37%, in property revenue, but this was achieved at the cost of a lower gross-sales margin. The sales margin on property fell to 21% in 2019 from 28% in 2018. No land was sold for



development during 2019. There was little sign of recovery in the Malaysian property market, although mid-cost residential property, a strength of Bertam Properties, has held up better than commercial property and high-end residential property. The Penang region too has proved more resilient than other regions of Malaysia, but the housing market remains sensitive to lending conditions by banks.

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.

Whilst there may be some short-term downward pressure on the property market as a result of the political uncertainty referred to above, the board expects the value of this land to continue to appreciate in the longer term.



Bertam Properties show home



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 2019 review concluded that the principal risks reported in the 2018 annual report remain risks to the Group, and that no new principal risks have been identified other than in relation to the recent Covid-19 outbreak described below. 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

CORONAVIRUS COVID-19

Demand for the Group's products varies to some extent with the health of the global economy, and its ability to harvest and process its ffb fully and efficiently relies on having a healthy workforce.

The Group assesses that Covid-19 can affect it principally in two ways: indirectly through the demand for CPO and PK, and directly through affecting the health, and hence capacity, of its workforce. As set out in the general risk on commodity-price fluctuation below, notwithstanding shorter-term disruption arising from the spread of Covid-19, the Group believes there will be continuing strong demand from the fast-developing economies, such as India, China and Indonesia itself, as well as from more established markets in Europe, for vegetable oil for human consumption and demand for vegetable oils as a biofuel.

Whilst the future impact on human health of Covid-19 remains uncertain, the Group has put in place precautionary measures to prevent the spread of any infection. Monitoring of the workforce for symptoms of the virus has been established. Travel by the Group's staff has been reduced to essential travel only. Movement on the Group's estates has been restricted and,

as far as possible, access blocked to external visitors. The Group has prepared plans to isolate individual divisions or estates, including stopping all harvesting and production where this becomes warranted. Remote working arrangements are in place in both the Jakarta and UK offices.

→ Read more in the strategic report on page 23

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.

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, although there was no sign of this in the lead-up to the 2019 Presidential election that took place in April 2019. In any case, 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 law including a restriction of 30% on foreign ownership of plantations in Indonesia was tabled but not enacted. Rather, a 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 ("HGU's") 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 perusahaan*). The Group's experience



has been that renewal of HGUs has been straightforward, even where changes in applicable regulations have occurred since the HGUs were originally issued.

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 complete 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.

→ Read more in the strategic report on pages 12 to 23

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.

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 its 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 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, health and safety, modern slavery, anti bribery and social and environmental topics.

→ See the business model on pages 8 to 9

→ Read more in the KPIs on pages 21 to 22

RELATIONSHIP WITH LOCAL PARTNERS

As set out in the business model, the Group's strength is as a producer of sustainable Indonesian palm oil. The Group seeks to have a local partner in each subsidiary with at least 5% of the equity.

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. 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 any differences do arise, the Group seeks to negotiate a mutually acceptable settlement.

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

PROTECTION OF THE ENVIRONMENT

Sustainable production is a priority for the Group. Further information is included in the section on sustainability and in the business model

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

STRATEGIC REPORT continued

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.

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 cause disruption 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 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 schemes and to gain the support of the villages surrounding the Group's project areas. This is a time-consuming but effective process.

→ See the business model on pages 8 to 9

SCHEME SMALLHOLDERS BANGKA



In 2019, each scheme smallholder received a monthly dividend of IDR 8.2 million, 3 times the average wage.



On average the Group paid scheme smallholders IDR 14.7 million per hectare of land compensation before planting began.



90 scheme smallholders worked for the Group in 2019 at an average wage of IDR 3.0 million per month plus benefits such as housing and healthcare.

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 and were revised in 2019 to tighten the definition of 'forested areas'. 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 certified under the strict requirements of ISCC.

The Group has a clear policy that only heavily degraded land will be acquired and developed. As required under RSPO principles, high conservation value and high carbon stock assessments are 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.

The Group has a policy of 'zero waste'. It has installed composting systems at its mills 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 the effluent is used for composting; the methane is used in a biogas engine to generate electricity.

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

The Group began preparing its first self-standing Sustainability Report during 2019, which was published in January 2020 (available on the Group's website at www.mpevans.co.uk). The report set out the Group's actions to protect the environment, demonstrates the benefits of sustainable palm-oil production and how it seeks to achieve a positive economic and social impact on communities in and around its areas of operation. The report also contained detailed annexes of numerical information on the Group's activities that are relevant to sustainability.

→ **Read more about sustainability:**
pages 31 to 37

→ **See the business model on pages**
8 to 9

PESTS AND DISEASE

The Group projects a sustained increase in crop. Productivity would be affected if palms were impacted by pests or disease.

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.

→ **More detail about our strategy is on page 12**

GENERAL RISKS

COMMODITY-PRICE FLUCTUATION

Sales of CPO and PK 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.

The prices of CPO and PK 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 an approximately 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 a progressive Indonesian export tax increases the risk in such contracts given 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. The Group's ability to collect sustainability premiums helps to mitigate the effect of falling prices. 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 over supply and restored upward pressure on prices.

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

→ **Assessment of viability report is on pages 46**

WEATHER AND NATURAL DISASTERS

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

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. The Group acknowledges that climate change could lead to increasing disruption of existing patterns of rainfall and sunshine.

The board has taken the view that acceptance of weather risk, including that caused by climate change, is part of the business. It is mitigated by the geographical diversity of its operations.

→ **More details about our strategy is on page 12**

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 31 to the financial statements.

Palm oil is a US-Dollar-denominated commodity and a significant proportion of direct costs in Indonesia (such as fertiliser and fuel) and development costs (such as heavy machinery and fuel) are US-Dollar related. Hence, adverse movements in the Indonesian Rupiah against the US Dollar can have a negative effect both on other revenue costs in US-Dollar terms and when Rupiah-denominated assets are translated into US Dollars. Similarly, the movement of the

Malaysian Ringgit against the US Dollar has an effect in US-Dollar terms when Malaysian assets are translated into US Dollars.

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 is both difficult to achieve and would not be cost effective. Surplus cash balances are largely held in US Dollars.

→ **Note 31, containing further details, is on pages 82 to 83**

Approved by the board of directors and signed on its behalf

Tristan Price
Chief executive
31 March 2020



SUSTAINABILITY

APPROACH

The Group's operational and financial success in producing crude palm oil comes from taking the right decisions for the long term.

The Group makes long-term decisions investing in land, the environment, its workforce and the communities in and around its operations. This approach is well suited to a robust long-term asset such as oil palm and aligns completely with the thinking required to make decisions that will lead to a sustainable future for the economy, society and the environment.

The Group has three priority themes in guiding its operational approach to sustainability:

- protecting the environment;
- demonstrating the benefits of sustainable palm-oil production;
- having a positive economic and social impact on local communities.

Whilst the Group has for many years published a wide range of information showing its approach to sustainability, in January 2020 the Group published its first sustainability report. This annual report should be read in conjunction with the sustainability report, both of which are available to download from www.mpevans.co.uk. Information for the sustainability report was prepared based on standards published by the Global Reporting Initiative ("GRI") that are widely used in this sphere. The report sets out the Group's strategy, policies and practices, as well as its performance over 24 months to

establish a benchmark for future reporting and to set expectations with regard to the future. The Group will work to provide disclosures to GRI Standards in the future.

The cornerstone of the Group's commitment to sustainability is its membership of the Roundtable on Sustainable Palm Oil ("RSPO"). Palm oil is a global commodity and the Group believes the way to make meaningful progress is for the industry to commit to a system of transparent global rules against which performance is rigorously and independently verified. All three of the Group's existing mills have been certified and Group policy is for any new mills to achieve RSPO certification as soon as practically possible after commencing operation. In the meantime, all the estates that will in due course supply Group mills once they are built already comply with RSPO standards.

PROTECTING THE ENVIRONMENT

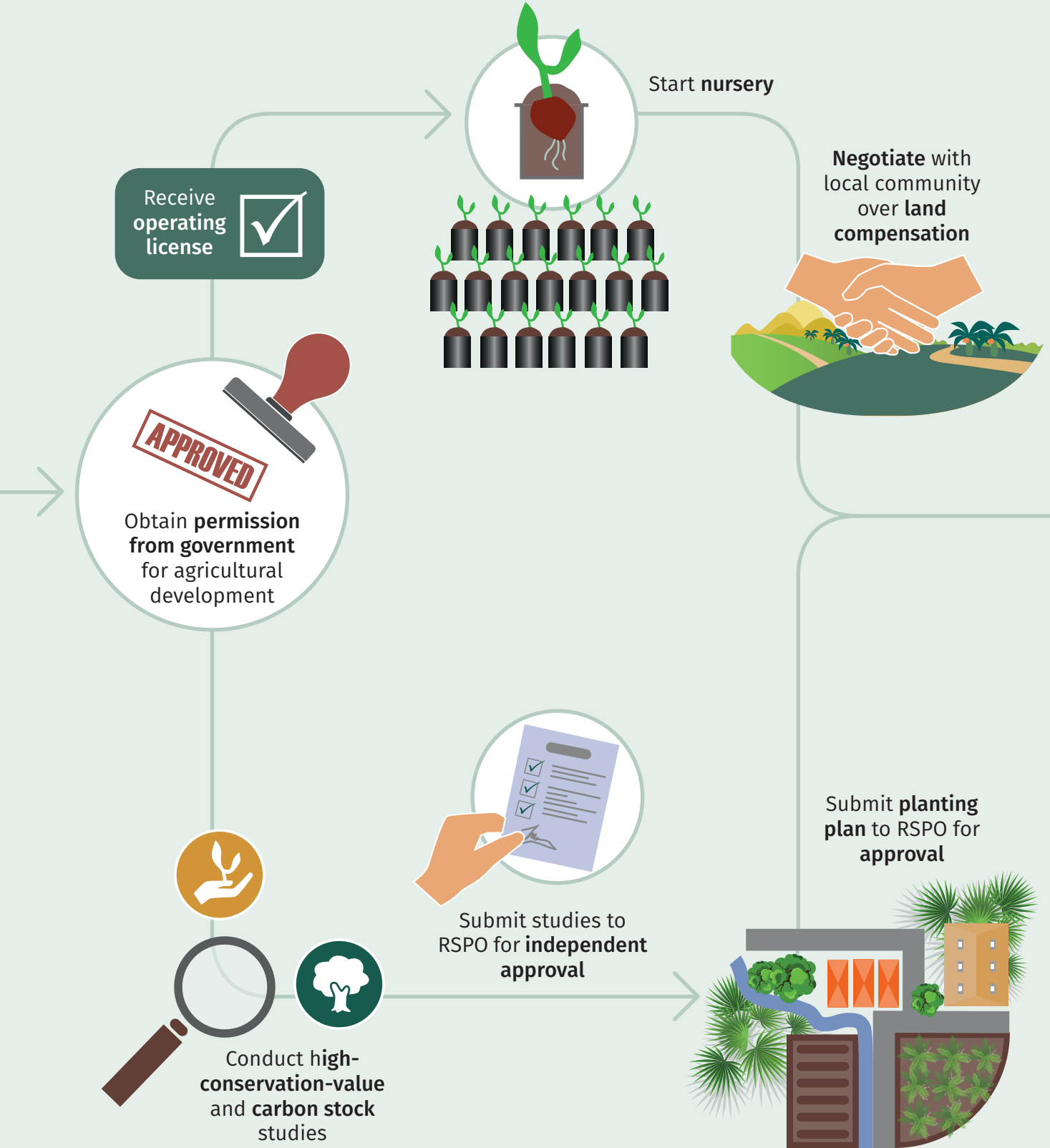
Concerns about global warming and particularly the destruction of the tropical rainforest have rightly received, and continue to receive, close scrutiny. The palm-oil industry is one of those associated with cutting down tropical rainforest and destroying the habitat of endangered species. Oil-palm plantations do not require land that was previously forest. The Group believes there is plentiful land available to grow sustainable palm oil that does not require rainforest destruction and that sustainable palm oil can be an important contributor to building global sustainable agriculture.

In order to protect the environment, the Group minimises the emission of greenhouse gases and has strict policies to prevent it from being responsible for any deforestation. The sustainability report sets out the Group's activity in capturing methane and generating biogas, preventing any burning of land for subsequent cultivation, the identification and protection of conservation and high-carbon-stock areas, and promoting biodiversity. The Group has a 'zero waste' approach in which all of the waste from our mills is converted into either biogas or compost which we use to reduce application of inorganic fertilizers. Not only is this good for the environment; it also reduces the Group's costs.



APPROACH continued

HOW TO PRODUCE CERTIFIED SUSTAINABLE PALM OIL





SUSTAINABLE PALM-OIL PRODUCTION

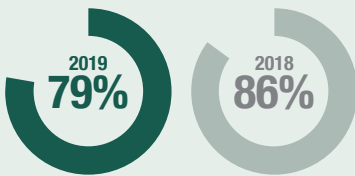
Just 19% of all palm oil is currently RSPO certified. The Group believes this should increase across the industry until most, if not all, palm oil produced is certified as sustainable. For this to happen the industry needs to ensure that ffb are traceable. The biggest challenge is persuading independent smallholders, who account for 40% of all ffb supply, to adopt sustainability standards. If this can be done, the amount of certified sustainable palm oil produced will increase significantly. The Group is working to persuade independent smallholders from which it buys ffb to commit to producing their crop in line with the RSPO Independent Smallholders Standard, which includes mapping where the fruit is harvested. Already all the ffb produced in our own estates and those of the Group's scheme smallholders are fully traceable.

Work is already under way to establish a system for knowing where all the ffb the Group processes originate. It has long-standing policies and operating procedures to manage water carefully and prevent pollution of air, land or water. The sustainability report sets out how the Group certifies its production and how it plans to achieve full traceability of all the ffb it processes, as well as how it manages water and agricultural chemicals.

APPROACH continued



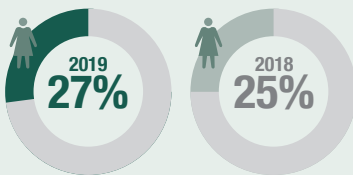
SUSTAINABLY CERTIFIED CPO OUTPUT
FROM GROUP MILLS



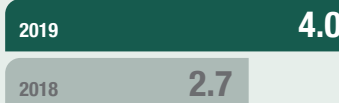
TOTAL ELECTRICITY GENERATED
(MWH)



WOMEN IN THE PERMANENT WORKFORCE



INJURIES PER YEAR
PER 100 WORKERS



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.

Palm-oil estates are often in remote rural locations and are likely to be the largest source of income in the area, supporting both families and the entire community. The estate and the local communities are to an extent mutually dependent. The Group believes it is in its interests to act both responsibly and ethically. It works hard to engender goodwill with communities to secure a committed and skilled workforce and to maintain efficient operations. Palm-oil estates can act as beacons demonstrating the value of good governance and responsible development by setting high standards in how they treat staff and workers and in how they work in partnership with local communities.

Yields from independent smallholder areas are commonly very significantly less than those achieved by commercial operators. If those commercial operations can share information and techniques with smallholders in co-operative schemes and those in the wider community, they can help them to improve their yields. Improving the productivity of their land can help improve living standards and relieve pressure for further deforestation.

The sustainability report sets out how the Group runs award-winning smallholder co-operative schemes alongside its estates, promotes gender equality, works to improve the education and health of its workforce and the communities where it operates and how it is vigilant for any sign of modern slavery amongst the firms from which it buys goods and services.

CASE STUDY

CHILD CARE

Children do not belong in the workplace and should have free access to education.

The Group has provided nursery schooling in our estates for many years, allowing parents to go to work.

At the next stage of children’s education, where there are government schools the Group provides transport to get students to and from school each day. In places where there are no government schools, the Group builds primary schools. In 2019, it began construction of its first secondary school, at Kota Bangun.

The Group currently has 13 crèches in which children of any age up to 6 years are properly looked after. The crèches are equipped with play areas, kitchens, toys, baby cradles and beds. Older children can take part in supervised games or activities such as reading, singing, and learning about common animals and plants. The carers are often women from the local community. These crèches are free to use for the Group’s workforce.



2020 SUSTAINABILTY REPORT

Setting out the Group’s strategy, policies and practices

In January 2020, the Group published its first sustainability report covering our activities for the two years up to June 2019.

**To read online please visit www.mpevans.co.uk
Or ring 01892 516 333 to obtain a copy**





COMMUNITIES continued

VEGETABLE GARDENS

The Group has always been conscious that its responsibility to workers extends beyond paying them properly.

The Group supports workers and their families by providing a good standard of housing.

In its estates the Group establishes good co-operative shops where workers and their families can buy basic foodstuffs and the necessities of everyday life at a reasonable price. In many places the Group also provides a weekly bus service to a nearby market, so that families have the chance to buy a wider variety of goods and foodstuffs.

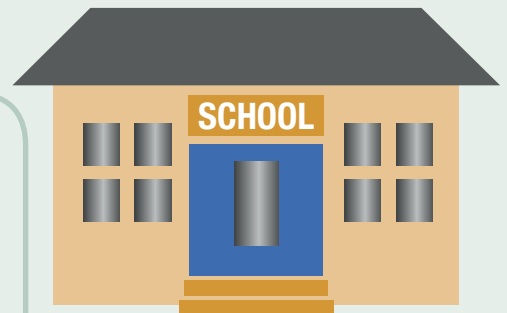
Since 2018, all of the Group's housing has a small allotment attached to them so that every household can grow fresh vegetables. Free of any charge to the workers, the Group provides seeds, advice and encouragement as one way to improve their food security.



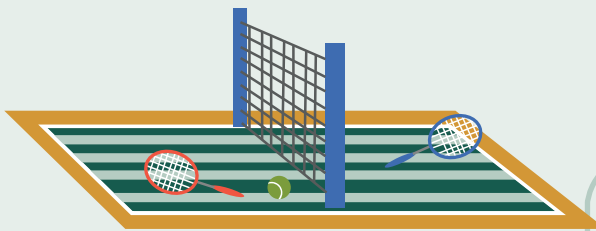
SUPPORTING OUR COMMUNITIES



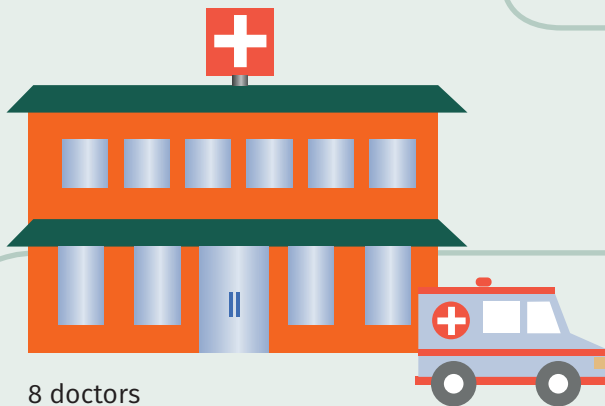
21 co-operative stores



5 nursery schools
2 primary schools
550 pupils
35 teachers



22 football pitches
22 volleyball courts
10 tennis courts
1 swimming pool



8 doctors
20 nurses and midwives
11 clinics
41,000 patient treatments



45 mosques
40 imams
4 churches
3 preachers



13 community halls



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.



Philip Fletcher

NON-EXECUTIVE
DIRECTOR

Retired as managing director in June 2016, having been appointed director in 1987 and managing director in 1991. He was 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 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.



Dr Darian McBain

INDEPENDENT
NON-EXECUTIVE DIRECTOR

Appointed a director in 2020. Global Director of Corporate Affairs and Sustainability at Thai Union. A leading academic in the field of integrated sustainability analysis. She has won awards for furthering sustainability and ethics in business. Board member of not-for-profit organisation Be Slavery Free. She has previously worked with WWF, focusing on the palm-oil industry. 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 2019.

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 5) and in the strategic report (pages 12 to 30) 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 56.

An interim dividend of 5.00p (2018 – 5.00p) per share in respect of 2019 was paid on 1 November 2019. The board recommends a final dividend of 12.75p (2018 - 12.75p) per share. This dividend will be paid on or after 19 June 2020 to those shareholders on the register at the close of business on 24 April 2020. This final dividend is not provided for in the 2019 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) at 1 January 2019	54,677,872
Issued in respect of options exercised	50,000
Bought back and cancelled	266,652
Issued (fully-paid and voting) at 31 December 2019	54,461,220

During the year, the Company bought back and cancelled 266,652 (2018 – 280,579) 10p shares for a total cost of US\$2,286,000 (2018-US\$2,733,000), representing 0.5% (2018 - 0.5%) of the Company's issued share capital, as the board considered that the share price undervalued the Group's assets and that purchases would enhance earnings.

DIRECTORS AND DIRECTORS' INTERESTS

The present membership of the board is detailed on pages 38 and 39. All of these directors, other than Dr Darian McBain, served throughout the year and up to the date of signing of these financial statements. In addition,

Richard Robinow served on the board throughout the year, retiring on 31 December 2019. Dr Darian McBain joined the board on 1 January 2020 and will present herself for election as a non-executive director at the forthcoming annual general meeting. Philip Fletcher, Bruce Tozer, Matthew Coulson and Jock Green-Armytage 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 and end of the year in the shares of 10p each in the Company were as follows:

	BENEFICIAL	OPTIONS
At 31 December 2019		
P E Hadsley-Chaplin	1,561,717	—
T R J Price	50,000	161,678
M H Coulson	1,500	22,490
J M Green-Armytage	—	—
R M Robinow	96,147	—
P A Fletcher	1,048,171	—
B C J Tozer	—	—
At 1 January 2019		
P E Hadsley-Chaplin	1,561,717	—
T R J Price	50,000	153,406
M H Coulson	1,500	16,664
J M Green-Armytage	—	—
R M Robinow	96,147	—
P A Fletcher	1,048,171	—
B C J Tozer	—	—

Further details of the directors' interests in share options are disclosed in the directors' remuneration report, on pages 48 to 50.

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 2019, and is at the date of this report, a qualifying third-party indemnity provision, as defined in section 234 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	%
KL-Kepong International Ltd	Direct	11,127,286	20.45
Standard Life Aberdeen plc	Indirect	6,443,787	11.84
Nokia Bell Pensioenfonds ofp	Direct	5,862,422	10.78
MM Hadsley-Chaplin	Direct	1,928,254	3.54

OUTSTANDING OPTIONS TO SUBSCRIBE

As at the date of this report, there were options to subscribe for 175,000 shares outstanding under the executive share-option schemes, and options to subscribe for 241,915 shares outstanding under the 2017 long-term incentive scheme. If all of the options were exercised, the resulting number of shares would represent (a) 0.76% of the enlarged issued share capital at that date; and (b) 0.84% 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 2019 amounted to 50 days (2018 - 39 days). The increase was due to the timing of payments to suppliers around the year end. However, the Group continues to ensure that payables are settled within agreed terms.

FINANCIAL INSTRUMENTS

Details of the Group's financial instruments, and the board's policy with regard to their use, are given in note 31 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 and Company 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 Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to



REPORT OF THE DIRECTORS continued

ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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 (including an assessment of the impact of Covid-19). 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.

INDEPENDENT AUDITORS

BDO LLP were appointed as the Group's auditors in 2019 following a formal tendering process at the end of PricewaterhouseCoopers LLP's term in office. A resolution to appoint them will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed
by its order

Katya Merrick
Company secretary

31 March 2020



CORPORATE GOVERNANCE

The board has formally adopted the Quoted Companies Alliance Corporate Governance Code (“QCA Code”) published in 2018 as its recognised corporate governance code. The board is committed to following the principles set out in the QCA Code, to disclose and report on the corporate-governance structures and processes operated by the Group and to develop these further to continue to meet the appropriate standards. An explanation of how the Group has applied the principles, including an index of corporate governance disclosures, is included on the Group’s website (www.mpevans.co.uk).

The chairman’s statement on corporate governance is set out below.

The board recognises the importance of a sound system of corporate governance and internal control. In some respects, the Group’s corporate governance is more developed than required under the QCA Code, the Group’s recognised corporate governance code.

The board is made up of three executive directors and four non-executives. This structure is designed to ensure that there is a clear balance of responsibilities between the executive and the non-executive functions. As chairman I am primarily responsible for setting the Group’s strategy in conjunction with the board, and for ensuring the effective operation of the board. This includes making sure the board continues to develop its corporate governance in response to changes in official standards and public expectations through full and timely discussion at board meetings. Board evaluation and a review of corporate governance will take place at least every two years, although the corporate governance information on our website is reviewed annually.

A good system of corporate governance is of no use without a board whose members continue to develop their skills and capabilities. Our board members have extensive experience and remain professionally active and motivated to broaden their knowledge. All directors have the opportunity to attend seminars and formal training courses; they keep in touch with relevant developments through discussion amongst their business and professional contacts; and they read relevant trade and other professional publications. This activity is recorded by the Group’s company secretary, who recommends appropriate seminars and training opportunities to directors.

The board conducted the first formal evaluation of itself during the first quarter of 2019. This was conducted internally, led by me and supported by the company secretary. Its design drew on an independent framework and recommended questions assessing the nature and performance of the board and its committees.

Each board member invested a significant amount of time in answering a series of structured questions. A consolidated report of these assessments was considered by the board and actions in response to it were agreed. The retirement of Richard Robinow from the board at the end of 2019 after many years of valuable service, meant that further consideration was given to what skills and attributes would enhance the composition of the board. Given the Group’s focus on producing sustainable palm-oil the directors were delighted that Dr Darian McBain, both an experienced independent corporate director and senior academic specialising in sustainability and ESG, accepted an appointment to the board as a non-executive director. She will be able to provide valuable perspective in these increasingly significant areas. The next board evaluation is scheduled to take place in the first quarter of 2021.

Effective risk management, and acknowledging the role that stakeholders play in our Group’s operations, are central to our success. We believe compliance with the QCA Code provides a valuable support in strengthening our ability to grow and so deliver returns to our shareholders that also benefits our wider stakeholders. The Group sees ethical behaviour as a competitive advantage to building trust with suppliers and attracting and retaining high-performing staff. This too is emphasised in the QCA Code. Finally, the Group operates in a sector where timelines are long and hence where there is a premium on boards in which shareholders can place their long-term trust.

There have been no significant changes to the Group’s corporate governance framework during the year other than widening the scope of the remuneration committee to include the remuneration of senior management as well as that of executive directors.

Peter Hadsley-Chaplin, Chairman

31 March 2020



CORPORATE GOVERNANCE continued

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 38 and 39. The board comprises an executive chairman, working on a part-time basis, two further full-time executive directors and four non-executive directors, one of whom chairs the audit and remuneration committees. 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. Non-executive directors are expected to contribute two to three days' service per month to the Company, including attendance at board meetings and the AGM. The board meets at least quarterly and is provided with information at least monthly. It receives operating summaries, executive operating reports, management accounts and budgets. All of the executive directors and non-executive directors attended each of the nine full board meetings held in 2019, with the exception of Matthew Coulson who was excused from the meeting held on 26 June 2019 and Jock Green-Armytage who was unable to attend the meeting held on 10 December 2019.

The board as a whole is collectively responsible for the success of the Company. The personal attributes of each of the directors facilitates rigorous but constructive debate, informed and considered decision making and effective monitoring of progress in achieving the Group's strategic objectives. It promotes a culture founded on its values of integrity, teamwork and excellence. Members of the board lead by example during their frequent visits to operations and interactions with staff. Remuneration of all staff rewards those who display these behaviours; access to the Group's long-term incentive scheme is likewise offered to senior staff who qualify on grounds of length of service and promote the Group's values. The Group dismisses staff found to have breached the value of integrity.

The board reserves to itself a range of key decisions (which can be found at www.mpevans.co.uk) 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 discuss progress against budgets and other business issues, both during board meetings and at other times.

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. The company secretary provides support on matters of corporate governance.

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 38 and 39. More than half of the directors are non-executive and, in accordance with the QCA Code, two of the non-executives serving during 2019, Jock Green-Armytage and Bruce Tozer, were independent. The appointment of Darian McBain at the beginning of 2020 increases the number of independent non-executive directors to three.

The board considers that Richard Robinow, who served throughout 2019, contributed valuable technical and operational experience in the palm-oil industry, having been in senior roles in a number of related businesses. Jock Green-Armytage also brings significant industry knowledge as well as experience in both corporate finance and corporate governance, as well as chairing FTSE-listed companies. Bruce Tozer's background is in commodity finance, environmental markets, and agri-business project finance, including palm oil, contributing insight from the finance sector. Philip Fletcher, as former managing director and finance director of the Group, has extensive specific knowledge of both the sector, operations in Indonesia and the finances of the Group. As well as general corporate experience through her directorships in a South-East-Asian-based global seafood producer, Darian McBain has a special interest in sustainable food production and ESG issues and the board will benefit from her recognised knowledge and experience in these fields.



The board has an executive chairman, Peter Hadsley-Chaplin. Given the time that he has served the Company both as a director and chairman, as well as the size of his shareholding in the Company, he is not considered independent.

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.

Directors' remuneration and appointment

As set out in the report on pages 48 to 50, 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 2019 comprised Jock Green-Armitage, Richard Robinow and Bruce Tozer, met twice and all meetings were attended by all members of the committee.

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

Succession planning

The chairman maintains a strong individual relationship with all the directors and any changes to the board are managed collaboratively and with minimal cost and disruption to the Group. 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. Any recruitment of new members to the board takes into account the board's assessment of its composition and the skills and experience required in the board successfully to formulate and execute Group strategy.

Board performance evaluation

The board undertook a performance evaluation during the first quarter of 2019. This was an internal evaluation drawing on material purchased from a professional adviser. Each director was asked to complete the

questionnaires for the Group bodies of which they were a member. Separate questionnaires were distributed and completed by the:

- whole board;
- audit committee;
- remuneration committee;
- non-executive directors.

The results of these questionnaires were analysed by the company secretary. Whilst no category covered in the questionnaires returned a low score, the board assessed its best performing area to be its work on strategy. The full board discussed the outcome of the evaluation and agreed some actions in response to it. During the year the board has reviewed how items qualify for inclusion on the board agenda; reviewed and changed delegation from the board to its committees; reviewed stakeholder identification; and disclosed more about the board's mix of skills and experience. It continues to work on formal recording of risk appetite; how to intensify monitoring anti-bribery and corruption efforts; and will set the frequency of external reviews of internal audit.

Relations with shareholders

The board attaches great importance to communications with both institutional and private shareholders. The executive directors regularly meet shareholders to update them on the progress of the Group and discuss any areas of concern that they may have. At other times the executive directors respond to questions they receive from shareholders. Any issues raised by major shareholders are discussed by the board as a whole. Whilst this is not always possible with smaller shareholders, the chairman personally responds to communications received from individuals, and the annual general meeting provides an opportunity for smaller shareholders to meet executive and non-executive members of the board, to raise any issues and discuss the development of the business with them. Many of the Group's smaller shareholders have become personally known to the directors through their many years of regular attendance at the Company's AGMs.

The board uses the Group's website (www.mpevans.co.uk) to make available details of the AGMs, the results of the votes cast at those meetings, and reports and presentations given at meetings with investors.



CORPORATE GOVERNANCE continued

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 41 and 42 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 30.

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. Internal audit is subject to periodic external review. A board visit, including both executives and non executives, to the Jakarta office and the Bangka estates took place in October 2019.

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 42.

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 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 cash and other liquid funds of US\$27.1 million. Furthermore, as disclosed in note 22, at the year end the Group had available undrawn finance facilities of up to US\$34.6 million. 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 hectareage, and appropriate financing where necessary.

Principal areas of risk, and their mitigation, are included in the section on risk management on pages 26 to 30. 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, the Group is able to continue delivering returns even during periods of lower crude-palm-oil prices.

The Group's prospects remain sound, in particular given the young average age of its palms, at a little over seven years. An upward trend in crop is expected to last until towards the end of the next decade. Given these prospects and the resources available to the Group, the board intends, where possible, to maintain or 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 REPORT

The audit committee is formally constituted with written terms of reference (which are available on the Company's website www.mpevans.co.uk) and is chaired by Jock Green-Armytage. The other members are Bruce Tozer and Philip Fletcher, who served throughout the year, and Darian McBain who was appointed to the committee on 9 January 2020. Richard Robinow served on the audit committee throughout 2019 until his retirement from the board on 31 December 2019. 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 six times during 2019 and each meeting was attended by all of the members. 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;
- assessed critical accounting judgements and key estimates made during the year;
- considered and approved the Group's risk analysis;
- reviewed the quality and effectiveness of the external audit; and
- conducted and concluded a formal tender process for the Group external audit appointment.

Auditors

Current policy is to tender the external audit at least every ten years. Accordingly, during 2019 the board appointed BDO LLP as the Group's external auditors. It adopted the recommendations of the audit committee following a formal tender process which considered the 2017 FRC recommendation on audit tenders. The audit partner changes at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity, with Anna Draper the audit partner for the 2019 audit.

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 2019 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 will review 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:

- accounting treatment for the acquisition of shares in the Group's Indonesian subsidiaries;
- ongoing validity of deferred-tax assets held by the Group in relation to losses, particularly in light of Indonesian tax rules;
- impact of new and revised accounting standards on the Group's financial reporting;
- Group's equity valuation, as disclosed in the annual report; and
- ongoing validity of key judgements in the financial statements. The committee considered the judgements that deferred tax should not be provided on unremitted earnings of subsidiaries and associates, and the judgement that depreciation should not be provided on leasehold land, and concluded that both remained appropriate.

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.



DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE

The remuneration committee, which is formally constituted with written terms of reference (available on the Company's website at www.mpevans.co.uk), keeps under review the remuneration and terms of employment of the executive directors and recommends such remuneration and terms to the board. The committee comprised Jock Green-Armytage, Richard Robinow and Bruce Tozer throughout 2019, and is chaired by Jock Green-Armytage. Darian McBain was appointed to the remuneration committee on 9 January 2020.

SERVICE CONTRACTS

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

REMUNERATION POLICY

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 numerical 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 aims annually to give a limited number of fully-paid shares which vest after three years subject to continued employment by the Group. This is designed to retain valued individuals in a growing and competitive sector. No performance criteria attach to these 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 2019 took into account the processing, for the first time of over 1 million tonnes of ffb. The remuneration committee noted achievements by the executive directors such as the purchase of shares from a minority partner in the Group's operating subsidiaries at an attractive price, the



TOTAL DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2019

	SALARY AND FEES £	BONUS PAID £	¹ BONUS DEFERRED £	OTHER BENEFITS £	SALARY IN LIEU OF PENSION £	² PENSION COSTS £	TOTAL REMUNERATION 2019 £	TOTAL REMUNERATION 2018 £
Executive directors								
P E Hadsley-Chaplin	180,900	33,919	—	29,527	27,819	—	272,165	263,193
T R J Price	301,300	56,494	56,494	42,333	24,308	10,000	490,929	919,116
M H Coulson	212,200	39,788	39,788	29,414	14,521	10,000	345,711	336,004
	694,400	130,201	96,282	101,274	66,648	20,000	1,108,805	1,518,313
Non-executive directors								
J M Green-Armytage	39,700	—	—	—	—	—	39,700	38,500
R M Robinow	34,000	—	—	—	—	—	34,000	33,000
P A Fletcher	34,000	—	—	—	—	—	34,000	33,000
B C J Tozer	34,000	—	—	—	—	—	34,000	33,000
	141,700	—	—	—	—	—	141,700	137,500
Total	836,100	130,201	96,282	101,274	66,648	20,000	1,250,505	1,655,813

1. In line with Group remuneration policy, half of the bonuses for the year to Mr T R J Price and Mr M H Coulson (being 4.5 months' salary) have been deferred into an award of options over fully-paid shares of equal value which vest after three years subject to continued employment by the Group.
2. The pension costs for Mr T R J Price and Mr M H Coulson are the contributions made by the Company to Company-sponsored self-invested personal pensions.

The annual ratio for total compensation of the chief executive in relation to the median of Group's UK payroll excluding this individual was 3.9 in 2019. The equivalent ratio for the percentage increase in annual total compensation was 0.2.

introduction of a new Indonesian partner, completion of the first four phases of the Kota Bangun bunding project, and management of a thorough tender for the Group's external audit. The absolute value of these measures was assessed, as was their outturn against expected performance.

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

During 2019, the chief executive was a member of the executive share-option scheme which was established in 2012. The remuneration committee does not intend to grant any further share options under that scheme.

Options which were previously granted under the 2012 scheme 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 on exercise unless the share price on the exercise date exceeds the share price on the date the options were granted. On 31 December 2019, options over 125,000 (2018 – 125,000) shares granted to him under this scheme remained outstanding. During the year, no options were exercised (2018 – 75,000) and none (2018 – 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 options over fully-paid shares. Under this arrangement options on 14,098 fully-paid shares were awarded in 2019 (2018 – 20,390), representing



DIRECTORS' REMUNERATION REPORT continued

half of the bonus awarded to these individuals in respect of 2018.

No options are held by either the chairman or non-executive directors.

At 31 December 2019 the middle-market quotation for the Company's shares, as derived from the London Stock Exchange Daily Official List, was 726p, as compared with the high and low quotations for the year of 750p and 612p 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 forgo 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
31 March 2020

OPTIONS HELD OVER SHARES OF THE COMPANY BY THE EXECUTIVE DIRECTORS DURING THE YEAR ENDED 31 DECEMBER 2019

	BALANCE AT 1 JAN 2019	GRANTED IN THE YEAR	EXERCISED IN THE YEAR	BALANCE AT 31 DEC 2019	EXERCISE PRICE PENCE	DATE OF GRANT	DATE FROM WHICH NORMALLY EXERCISABLE	EXPIRY DATE
Executive share-option scheme								
T R J Price	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	125,000	—	—	125,000				
Long-term incentive scheme								
T R J Price	16,347	—	—	16,347	0.00	8 Jun 17	3 Apr 20	2 Apr 27
	12,059	—	—	12,059	0.00	12 Jan 18	12 Jan 21	11 Jan 28
	—	8,272	—	8,272	0.00	11 Jan 19	11 Jan 22	10 Jan 29
	28,406	8,272	—	36,678				
M H Coulson	8,333	—	—	8,333	0.00	8 Jun 17	3 Apr 20	2 Apr 27
	8,331	—	—	8,331	0.00	12 Jan 18	12 Jan 21	11 Jan 28
	—	5,826	—	5,826	0.00	11 Jan 19	11 Jan 22	10 Jan 29
	16,664	5,826	—	22,490				
Total	45,070	14,098	—	59,168				

INDEPENDENT AUDITORS' REPORT

To the members of M.P. Evans Group PLC

Report on the audit of the financial statements

OPINION

We have audited the financial statements of M.P. Evans Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Parent-Company Balance Sheets, Consolidated and Parent-Company Statements of Changes in Equity, Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent-Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- 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 2019 and of the Group's profit 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

- 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 or the 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.



INDEPENDENT AUDITORS' REPORT continued

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) we identified, 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 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.

KEY AUDIT MATTER

HOW WE ADDRESSED THE KEY AUDIT MATTER IN THE AUDIT

Valuation of biological assets (note 3 and 17)

The Group's accounting policy in relation to biological assets is included within note 3 and further explained in note 17.

The unharvested fresh fruit bunches ('FFB') on the bearer plants at the year end fall within the scope of IAS 41 Biological Assets and are therefore held at fair value less costs to sell determined on the basis of the net present value of expected future cash flows arising in the production of FFB. Management exercise significant judgement in determining the method to be applied in determining fair value as well as in the underlying assumptions used in the calculation. These assumptions include the estimation of the weight of unharvested FFB at the balance sheet date (being the actual production for the first month subsequent to the balance sheet date multiplied by 32%, based on the average growth rate of FFB), selling price and costs to sell. We identified this as a significant risk due to the inherent uncertainty around the future estimates.

Our audit work included, but was not restricted to, the following:

We assessed the key inputs and assumptions in the calculation being:

- production data – agreed to internal production reports for January 2020 over which we performed analytical review procedures, considering the reasonableness of current year production against prior year production for the same period
- average growth rate – agreed to externally published research papers
- selling price – agreed to sales price achieved in December 2019, independently verified by the component audit team.
- costs to sell – agreed to internal cost data for December 2019 independently verified by the component audit team.

We considered the valuation model applied and determined it to be appropriate for the purpose of this valuation in accordance with IAS 41.

Key observations: Based on the procedures we performed, we identified no changes to key assumptions that would result in material changes to the valuation.

Identification of prior period errors

Our audit identified four material accounting and disclosure errors in the prior period financial information, requiring correction via prior period adjustment and therefore restatement of the comparative information. Of these, one required a significant proportion of the engagement team's resources and efforts in the auditing of the correction of this error. This was therefore treated as a Key Audit Matter.

There was a reclassification from revaluation reserve to investments in associates resulting from a historic deferral of profit from a land sale between the Group and its associate (note 15).

For each of the errors identified we performed the following:

- We considered the correct accounting treatment with reference to the relevant accounting standards, supporting documentation where relevant and, through discussion with management.
- We checked that the appropriate disclosures were made in accordance with relevant accounting standards.

Key observations: Based on the procedures performed we are satisfied that the identified errors were appropriately corrected and disclosed.



OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at US\$639,000. This was determined on the basis of 5% of profit before tax. In 2018, materiality was set by the previous auditors at US\$1,000,000 based on 5.5% of profit before tax (excluding profit from discontinued operations).

Performance materiality was set at US\$447,000 being 70% of the above materiality level taking into account various factors including the expected total value of known and likely misstatements, brought forward misstatements, the number of material estimates and the expected use of sample testing.

Where financial information from components was audited separately, component materiality levels, excluding the parent company, were set for this purpose at lower levels up to a maximum of 83% of Group materiality and ranged between US\$28,000 and US\$531,000, being 4% and 83% of Group materiality respectively.

We agreed with the audit committee that we would report to them all individual audit differences in excess of US\$13,000 being 2% of materiality. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

The materiality for the Parent Company financial statements, as a holding company, was based on 2% of total assets but restricted to 90% of Group materiality,

being US\$575,000. Performance materiality was set at 75% of materiality (taking into account various factors including the expected total value of known and likely misstatements, brought forward misstatements and the number of material estimates).

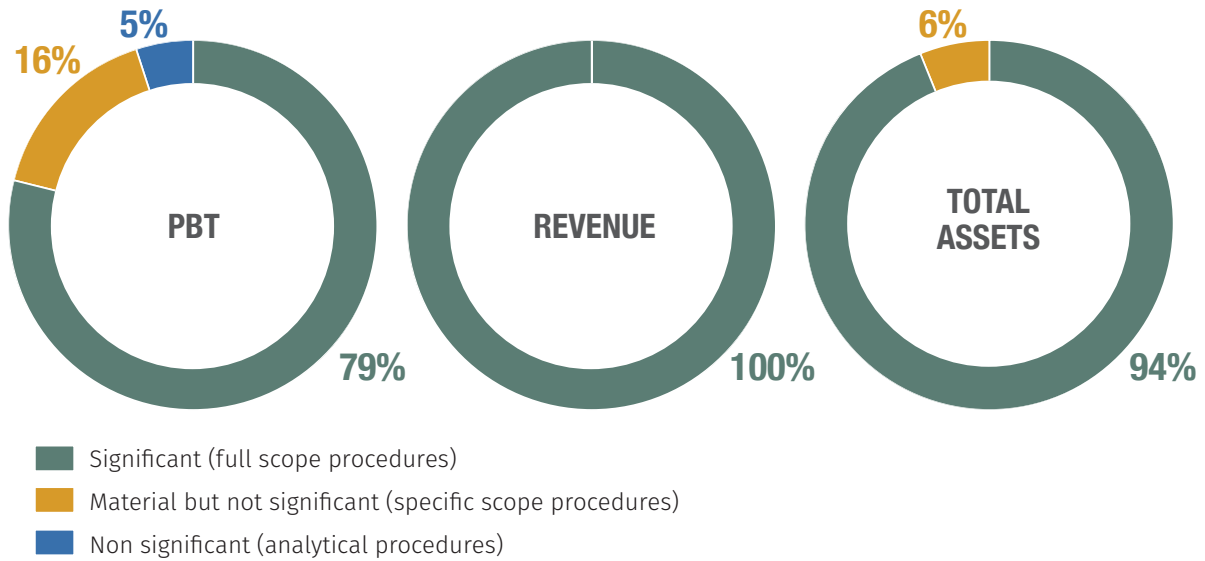
AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Group financial statements are a consolidation of twenty one companies consisting of the parent company (audited by BDO UK), three management companies (audited by Creaseys UK), thirteen palm-oil plantation trading companies (audited by BDO Indonesia), one other trading company (audited by RSM Singapore) and three associate entities (one audited by Deloitte Indonesia and two audited by BDO Penang). The majority of the Group's operations are located in Indonesia with the head office and main group accounting function being located in the United Kingdom.

Our audit of the Group and Parent Company financial statements was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, the performance and financial position of each component as a proportion of the total for the Group and assessing the risks of material misstatement at the Group level. Based on our assessment, we identified nine operating plantation companies which, in our view, required an audit of their complete financial information due to their financial significance to the Group ("significant components"). The audit procedures for these components were performed by the component auditors. It was considered appropriate to perform audit procedures on specific audit areas where their balance was material to the Group for a further five companies and one associate entity ("material but not significant components"). Where these components were located overseas, the audit procedures were performed by the component auditors whilst the audit procedures for components located in the UK were performed by the Group audit team. For the other components that were not identified as being significant to the Group, we performed analytical review procedures at a Group level.

Components that were subject to full scope audit procedures accounted for 100% of the Group's revenue, 79% of the Group's profit before tax and 94% of the Group's total assets.

INDEPENDENT AUDITORS' REPORT continued



As part of our audit planning, the Senior Statutory Auditor and other senior members of the Group audit team visited the Indonesian component audit team to review the planning documentation on the audit file and met with local management, as these are the most significant components to the Group. We discussed the group and local risks identified and agreed the testing approach and audit timelines.

As part of the audit strategy for this year's audit, the Senior Statutory Auditor and other senior members of the Group audit team also visited three of the Group's Indonesian plantations, accompanied by Group management. The three estates visited were Pangkatan, Bilah and Sennah.

Senior members of the Group audit team visited Indonesia again to meet with the component auditors and perform a review of the complete audit files for the Indonesian operating units and requested the component auditors to perform any further procedures required.

At the completion stage senior members of the Group audit team attended meetings with local audit and local management teams and reviewed component audit teams' reporting, addressing risks and specific procedures raised. We held discussions with component and group management to discuss the findings from our audit, including local adjustments raised.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:



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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities within the Report of the Directors, set out on pages 41 and 42 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

AUDITOR'S 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 auditor's 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 Financial Reporting Council's website : www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Anna Draper (Senior Statutory Auditor)
for and on behalf of BDO LLP, Statutory Auditor**

Gatwick
United Kingdom

31 March 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)



CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 US\$'000	2018 US\$'000
Continuing operations			
Revenue		119,341	108,553
Cost of sales		(102,297)	(82,028)
Gross profit		17,044	26,525
Gain/(loss) on biological assets		927	(703)
Foreign-exchange gains/(losses)		1,161	(4,056)
Other administrative expenses		(3,466)	(2,940)
Other income		458	652
Operating profit		16,124	19,478
Finance income	6	403	300
Finance costs	7	(3,747)	(1,430)
Profit before tax	8	12,780	18,348
Tax on profit on ordinary activities	9	(7,183)	(12,657)
Profit after tax		5,597	5,691
Share of associated companies' profit after tax		1,873	1,470
Profit for the year		7,470	7,161
Attributable to:			
Owners of M.P. Evans Group PLC		6,333	5,405
Non-controlling interests	28	1,137	1,756
		7,470	7,161
Continuing operations			
Basic earnings per 10p share	11	11.6	9.9
Diluted earnings per 10p share	11	11.5	9.8
Basic earnings per 10p share			
Continuing operations		9.0	7.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 US\$'000	2018* US\$'000
Other comprehensive income (net of tax)		
<i>Items that may be reclassified to the income statement</i>		
Exchange gain/(loss) on translation of foreign operations	390	(393)
<i>Items that will not be reclassified to the income statement</i>		
Remeasurement of retirement-benefit obligations	696	711
Other comprehensive income for the year	1,086	318
Profit for the year	7,470	7,161
Total comprehensive income	8,556	7,479
Attributable to:		
Owners of M.P. Evans Group PLC	7,370	5,633
Non-controlling interests	1,186	1,846
	8,556	7,479

* Restated, see note 27



CONSOLIDATED BALANCE SHEET

COMPANY NUMBER: 1555042

As at 31 December 2019

	Note	2019 US\$'000	2018* US\$'000	2017* US\$'000
Non-current assets				
Goodwill	13	11,767	11,767	12,228
Other intangible assets	13	1,433	—	—
Property, plant and equipment	14	368,744	338,225	321,558
Investments in associates	15	21,553	20,312	20,631
Investments	16	66	62	53
Deferred-tax asset		5,284	5,192	12,280
Trade and other receivables	19	11,555	8,740	5,465
		420,402	384,298	372,215
Current assets				
Biological assets	17	2,067	1,140	1,843
Inventories	18	11,072	12,883	10,462
Trade and other receivables	19	45,117	39,681	34,368
Current-tax asset		4,245	3,470	4,614
Current-asset investments	20	1,160	2,502	6,913
Cash and cash equivalents	20	25,947	21,626	113,910
		89,608	81,302	172,110
Total assets		510,010	465,600	544,325
Current liabilities				
Borrowings	22	28,337	20,883	9,159
Trade and other payables	21	22,215	15,029	65,194
Current-tax liability		3,657	2,423	5,317
		54,209	38,335	79,670
Net current assets		35,399	42,967	92,440
Non-current liabilities				
Borrowings	22	66,137	9,173	30,285
Trade and other payables	21	265	—	—
Deferred-tax liability	23	12,312	11,505	11,813
Retirement-benefit obligations	24	9,401	8,251	8,434
		88,115	28,929	50,532
Total liabilities		142,324	67,264	130,202
Net assets		367,686	398,336	414,123
Equity				
Share capital	25	9,200	9,228	9,255
Other reserves	27	55,385	53,582	52,852
Retained earnings	27	294,139	314,223	322,055
Equity attributable to the owners of M.P. Evans Group PLC		358,724	377,033	384,162
Non-controlling interests	28	8,962	21,303	29,961
Total equity		367,686	398,336	414,123

* Restated, see notes 15 and 27

The financial statements on pages 56 to 83 were approved by the board of directors on 31 March 2020 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 2019

	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		—	1,873	4,460	6,333	1,137	7,470
Other comprehensive income for the year		—	128	909	1,037	49	1,086
Total comprehensive income for the year		—	2,001	5,369	7,370	1,186	8,556
Issue of share capital	25	6	212	—	218	—	218
Share buy-backs		(34)	34	(2,286)	(2,286)	—	(2,286)
Dividends paid	10	—	—	(12,364)	(12,364)	—	(12,364)
Dividends from associates	15	—	(1,036)	1,036	—	—	—
Credit to equity for equity-settled share-based payments	26	—	592	51	643	—	643
Reclassification	28	—	—	(2,056)	(2,056)	2,056	—
Acquisition	12	—	—	(9,834)	(9,834)	(15,583)	(25,417)
Transactions with owners		(28)	(198)	(25,453)	(25,679)	(13,527)	(39,206)
At 1 January 2019		9,228	53,582	314,223	377,033	21,303	398,336
At 31 December 2019		9,200	55,385	294,139	358,724	8,962	367,686
Profit for the year		—	1,470	3,935	5,405	1,756	7,161
Other comprehensive income for the year*		—	176	52	228	90	318
Total comprehensive income for the year*		—	1,646	3,987	5,633	1,846	7,479
Issue of share capital	25	10	149	—	159	—	159
Share buy-backs		(37)	37	(2,733)	(2,733)	—	(2,733)
Dividends paid	10	—	—	(12,725)	(12,725)	(8,105)	(20,830)
Dividends from associates	15	—	(1,568)	1,568	—	—	—
Credit to equity for equity-settled share-based payments	26	—	466	24	490	—	490
Group reconstruction		—	—	(9)	(9)	—	(9)
Reclassification	28	—	—	2,056	2,056	(2,056)	—
Acquisition	28	—	—	—	—	(343)	(343)
Transactions with owners		(27)	(916)	(11,819)	(12,762)	(10,504)	(23,266)
At 1 January 2018 – as previously stated		9,255	54,382	323,397	387,034	29,961	416,995
Restatement*		—	(1,530)	(1,342)	(2,872)	—	(2,872)
At 1 January 2018 – as restated		9,255	52,852	322,055	384,162	29,961	414,123
At 31 December 2018		9,228	53,582	314,223	377,033	21,303	398,336

* Restated, see notes 15 and 27



CONSOLIDATED CASH-FLOW STATEMENT

For the year ended 31 December 2019

	Note	2019 US\$'000	2018 US\$'000
Net cash generated by operating activities	29	32,002	21,297
Investing activities			
Purchase of property, plant and equipment	14	(46,531)	(31,879)
Purchase of intangible assets	13	(721)	—
Interest received	6	210	300
Decrease in bank deposits treated as current-asset investments*	30	1,342	4,411
Decrease/(increase) in receivables from smallholder co-operatives*		4,690	(4,668)
Proceeds on disposal of property, plant and equipment		489	727
Purchase of subsidiary undertaking		—	(49,167)
Loan to related party		(11,747)	—
Net cash used by investing activities		(52,268)	(80,276)
Financing activities			
New borrowings	30	110,419	—
Repayment of borrowings	30	(46,134)	(9,159)
Lease liability payments		(167)	—
Dividends paid to Company shareholders		(12,364)	(12,725)
Dividends paid to non-controlling interest		—	(8,105)
Purchase of non-controlling interests		(25,417)	—
Exercise of Company share options		218	159
Buy-back of Company shares		(2,286)	(2,733)
Net cash generated/(used) by financing activities		24,269	(32,563)
Net increase/(decrease) in cash and cash equivalents		4,003	(91,542)
Net cash and cash equivalents at 1 January		21,626	113,910
Effect of foreign-exchange rates on cash and cash equivalents		318	(742)
Cash and cash equivalents at 31 December	20	25,947	21,626

* Following a review of cash flows in the current year, both movements in receivables from smallholder co-operatives and changes in bank deposits treated as current asset-investments have been included in investing activities. Comparative amounts have been shown consistently, having previously been included in operating and financing activities respectively.





NOTES TO THE CONSOLIDATED ACCOUNTS

For the year ended 31 December 2019

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 30. 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\$3,485,000 for the financial year ended 31 December 2019 (2018 profit of US\$115,929,000). 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 Company's subsidiary Bertam Consolidated Rubber Company Limited is exempt from the requirement to have an audit and prepare individual accounts. 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 new and amended standards issued by the International Accounting Standards Board ("IASB") that became effective for the first time during the year ended 31 December 2019. The Group has assessed each of them, and concluded that the following standards and amendments have not had a material impact on the Group's results or financial position.

IFRS 16 *Leases*

IFRIC 23 *Uncertainty over income tax treatments*

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

(b) New standards, amendments and interpretations issued but not effective for the year beginning 1 January 2019 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 17 *Insurance contracts*

Amendments to references in the conceptual framework in IFRS Standards

IFRS 3 (amendments) *Definition of a business*

IAS 1 and IAS 8 (amendments) *Definition of material*

IFRS 9, IAS 39 and IFRS 7 (amendments) *Interest rate benchmark reform*

IAS 1 (amendments) *Classification of liabilities as current or non-current*

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 (including an assessment of the impact of Covid-19), 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 42.



3 Accounting policies continued

(c) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiaries, and equity accounts for its associated undertakings. The Group treats as subsidiaries those entities in which it has 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 performance obligation is satisfied.

(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 using the projected unit credit method, and charged to the income statement on the basis of individuals' service at the balance-sheet date. Remeasurement by the actuary is included in equity, whilst all other movements in the liability, other than benefits paid, are recognised in profit or loss.

(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 exercise period for market-priced options and at the start of the exercise 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.

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. Inputs to the fair value measurement of goodwill fall into 'Levels 2 and 3' in the IFRS categories.

(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, 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 17). 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.



NOTES TO THE CONSOLIDATED ACCOUNTS continued

3 Accounting policies continued

(i) Intangible assets

Intangible assets (other than goodwill) are stated at historical cost less amortisation. Software is written off over its estimated useful life on a straight line basis at 10% per annum. Estimated useful lives are reviewed at each balance-sheet date.

(j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes all expenditure incurred in acquiring the asset, including directly-attributable borrowing costs. Leasehold land in Indonesia is held on 25- or 30-year leases and initial costs are 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 on a straight line basis 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, as in the case of the UK office, no provision is made for depreciation.

Construction in progress is measured at cost and is not depreciated. Depreciation commences once assets are complete and available for use.

(k) Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less. Lease liabilities are measured at the present value of lease payments over the term of the lease, and the right-of-use asset is measured at a corresponding amount. The asset is depreciated on a straight line basis over the lease term, and the lease payments are allocated to the lease liability and the interest implicit in the lease.

(l) 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 2019. 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.

(m) 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. Young seedlings are included within nurseries as part of inventory, and their cost is transferred to immature planting within property, plant and equipment when they are planted out in the field.

(n) Taxation

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

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

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

(o) 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, and other than the Group's investments in unlisted shares are carried at amortised cost.

Financial assets at fair value through profit or loss – the Group's investments in unlisted shares (other than associated undertakings) are classified as fair value through profit or loss and stated at fair value, with gains and losses recognised directly in the income statement. 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 related parties and smallholder co-operatives. Balances 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 expected credit losses, which are charged to the income statement.

Cash and cash equivalents – these include cash at hand, and bank deposits with original maturities of three months or less.

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

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

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

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

(p) Foreign currencies

As set out in note 1, the functional currency of the parent Company and of subsidiaries operating in the palm-oil sector is the US Dollar. The functional currency of Group companies operating in the property-development sector is the local currency, 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.

(q) Segmental reporting

Operating segments are consistent with the internal reporting provided to the chief operating-decision maker. The chief operating-decision maker, which is responsible for allocating resources and assessing performance of the operating segments, is the board of directors. The Group's reportable operating segments are included in note 4.

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

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect 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 23); and
- Depreciation of leasehold land (note 14).

Key estimates

- Carrying value of deferred-tax assets relating to losses (note 23);
- Valuation of biological assets – growing produce (note 17);
- Carrying value of goodwill (note 13); and
- Determination of retirement benefit obligations (note 24).



NOTES TO THE CONSOLIDATED ACCOUNTS continued

4 Segment information

The Group's reportable segments are distinguished by location and activity: palm-oil plantations in Indonesia and property development in Malaysia.

	PLANTATION INDONESIA US\$'000	PROPERTY MALAYSIA US\$'000	OTHER US\$'000	TOTAL US\$'000
2019				
Continuing operations				
Revenue	119,250	—	91	*119,341
Gross profit/(loss)	17,100	—	(56)	17,044
Gain on biological assets	927	—	—	927
Foreign-exchange gain	1,121	—	40	1,161
Other administrative expenses	(44)	—	(3,422)	(3,466)
Other income	458	—	—	458
Operating profit				16,124
Finance income	201	—	202	403
Finance costs	(589)	—	(3,158)	(3,747)
Profit before tax				12,780
Tax	(6,471)	—	(712)	(7,183)
Profit after tax				5,597
Share of associated companies' profit after tax	799	1,074	—	1,873
Profit for the year				7,470
Consolidated total assets				
Assets	461,851	—	26,606	488,457
Investments in associates	3,933	17,620	—	21,553
	465,784	17,620	26,606	510,010
Consolidated total liabilities				
Liabilities	53,334	—	88,990	142,324
Other information				
Additions to property, plant and equipment	47,155	—	8	47,163
Additions to intangible assets	721	—	—	721
Depreciation	15,318	—	22	15,340
Amortisation	112	—	—	112

* US\$85.5 million of revenue (71.7%) was from sales to 4 customers (27.0%,17.8%,14.0% and 12.9% respectively).



4 Segment information continued

	PLANTATION INDONESIA US\$'000	PROPERTY MALAYSIA US\$'000	OTHER US\$'000	TOTAL US\$'000
2018				
Continuing operations				
Revenue	108,445	—	108	*108,553
Gross profit/(loss)	26,583	—	(58)	26,525
Loss on biological assets	(703)	—	—	(703)
Foreign-exchange loss	(3,448)	—	(608)	(4,056)
Other administrative expenses	(181)	—	(2,759)	(2,940)
Other income	646	—	6	652
Operating profit				19,478
Finance income	291	—	9	300
Finance costs	(1,026)	—	(404)	(1,430)
Profit before tax				18,348
Tax	(12,167)	—	(490)	(12,657)
Profit after tax				5,691
Share of associated companies' profit after tax	864	606	—	1,470
Profit for the year				7,161
Consolidated total assets				
Assets	402,855	—	42,433	445,288
Investments in associates**	3,587	16,725	—	20,312
	406,442	16,725	42,433	465,600
Consolidated total liabilities				
Liabilities	61,489	—	5,775	67,264
Other information				
Additions to property, plant and equipment	31,875	—	4	31,879
Depreciation	14,441	—	33	14,474

* US\$69.5 million of revenue (64.0%) was from sales to four customers (18.0%, 16.8%, 14.9% and 14.3% respectively).

** Restated, see notes 15 and 27.

5 Employees

	2019 US\$'000	2018 US\$'000
Employee costs during the year		
Wages and salaries	19,133	16,204
Social security costs	1,801	1,630
Current service cost of retirement benefit (see note 24)	1,457	1,576
Other pension costs	114	105
Share-based payment charge	643	490
	23,148	20,005



NOTES TO THE CONSOLIDATED ACCOUNTS continued

5 Employees continued

	2019 Number	2018 Number
Average monthly number of persons employed (including executive directors)		
Estate manual	6,010	5,211
Local management	91	99
United Kingdom head office	7	7
	6,108	5,317

Details of directors' remuneration required by the Companies Act 2006 are shown within the directors' remuneration report on page 49 and form part of these audited financial statements.

6 Finance income

	2019 US\$'000	2018 US\$'000
Interest receivable on bank deposits	210	300
Interest receivable on related party loans	193	—
	403	300

7 Finance costs

	2019 US\$'000	2018 US\$'000
Interest payable on bank loans and overdrafts	3,747	1,430

8 Profit before tax

	2019 US\$'000	2018 US\$'000
Profit before tax is stated after charging:		
Depreciation of property, plant and equipment	15,340	14,474
Amortisation of intangible assets	112	—
Auditors' remuneration	341	416
Employee costs (note 5)	23,148	20,005
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	25	23
Audit of consolidated financial statements	132	119
Audit of overseas subsidiaries	158	229
Total audit services	315	371
Taxation advisory services	—	7
Total non-audit services	—	7

* In addition to the above, US\$26,000 (2018 US\$38,000) were payable to other firms for the audit of subsidiary companies.



9 Tax on profit on ordinary activities

	2019 US\$'000	2018 US\$'000
United Kingdom corporation tax charge for the year	637	448
Relief for overseas taxation	(637)	(448)
	—	—
Overseas taxation	6,548	5,799
Adjustments in respect of prior years	—	3
Total current tax	6,548	5,802
Deferred taxation – origination and reversal of temporary differences (see note 23)	635	6,855
	7,183	12,657

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax, was 19% (2018 – 19%). The standard rate of Indonesian tax was 25% (2018 – 25%). The actual tax charge is higher than the standard rate for the reasons set out in the reconciliation below.

	2019 US\$'000	2018 US\$'000
Profit on ordinary activities before tax	12,780	18,348
Tax on profit on ordinary activities at the standard rate	2,428	3,486
Factors affecting the charge for the year		
Profits taxed at higher standard tax rate	1,553	3,038
Losses no longer available	—	5,331
Unrealised Indonesian exchange differences not included in Group profit	2,467	(341)
Withholding tax on overseas dividends and interest	74	38
Adjustment relating to intercompany loan relationships	223	—
Utilisation of losses brought forward	(27)	(663)
Unrelieved losses	296	1,367
Other differences	169	401
Total tax charge	7,183	12,657

In addition to the above, the Group recognised tax of US\$0.2 million (2018 US\$0.1 million) on retirement benefit obligation remeasurement gains recorded in other comprehensive income.

10 Dividends paid and proposed

	2019 US\$'000	2018 US\$'000
2019 interim dividend – 5.00p per 10p share (2018 interim dividend 5.00p)	3,519	3,504
2018 final dividend – 12.75p per 10p share (2017 final dividend 12.75p)	8,845	9,221
	12,364	12,725

Following the year end, the board has proposed a final dividend for 2019 of 12.75p per 10p share, amounting to US\$9.0 million. The dividend will be paid on or after 19 June 2020 to shareholders on the register at the close of business on 24 April 2020.



NOTES TO THE CONSOLIDATED ACCOUNTS continued

11 Basic and diluted earnings per share

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

	2019 US\$'000	2019 NUMBER OF SHARES	2018 US\$'000	2018 NUMBER OF SHARES
Profit for the year attributable to the owners of M.P. Evans Group PLC	6,333		5,405	
Average number of shares in issue		54,599,417		54,787,105
Diluted average number of shares in issue*		54,875,441		55,058,331

* 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.

12 Acquisition

On 4 September 2019, the Group effectively acquired a further 2,200 planted hectares by purchasing additional shareholdings in its own operating subsidiaries from one of its minority partners. The acquisition cost was US\$25.4 million, funded by taking on additional debt.

The Group acquired an additional 15% interest in both PT Pangkatan Indonesia and PT Evans Lestari, and acquired an additional 20% interest in both PT Surya Makmur and PT Aceh Timor Indonesia.

As the Group had already been consolidating the results of the companies in which further interests were acquired, a reduction to non-controlling interests has been recognised, with the excess of consideration allocated to reserves.

	2019 US\$'000
Acquisition cost	25,417
Reduction in non-controlling interests (note 28)	(15,583)
Reserves	9,834

13 Intangible assets

	GOODWILL US\$'000	SOFTWARE US\$'000	TOTAL US\$'000
Cost			
At 1 January 2019	11,767	—	11,767
Transfer from property, plant and equipment	—	831	831
Additions	—	721	721
At 31 December 2019	11,767	1,552	13,319
Accumulated amortisation			
At 1 January 2019	—	—	—
Transfer from property, plant and equipment	—	7	7
Charge for the year	—	112	112
At 31 December 2019	—	119	119
Net book value at 31 December 2019	11,767	1,433	13,200
Cost and net book value			
At 31 December 2018	11,767	—	11,767

During the year, software with a net book value of US\$0.8 million, which had previously been recorded within property, plant and equipment, was transferred to intangible assets.

Goodwill is carried at cost. Of the balance above, a significant amount (US\$10.6 million) relates to the Group's project at Bumi Mas, with the remainder relating to the Group's projects at Kota Bangun, Bangka, and at Sennah Estate (part of the Pangkatan group).



13 Intangible assets continued

Key estimate

A review for goodwill impairment has been undertaken by comparing the carrying value of the relevant cash generating units with fair value less cost of disposal. Fair value less cost of disposal has been obtained by reference to independent valuations of the Group's property assets conducted at the end of 2019 (see page 92). It used a 30-year forecast period, to reflect the long-term nature of the asset, pre-tax discount rates of 16-19%, and a mill-gate price for CPO rising over three years from US\$560 to a long-term average of US\$610 per tonne. A decrease in the CPO price assumption of 5-10% would result in a range between no and full impairment of the goodwill relating to Bumi Mas.

14 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 2019	101,339	189,227	73,068	48,621	7,495	419,750
Transfer to intangible assets	—	—	—	(831)	—	(831)
Additions	4,742	15,246	632	3,920	22,623	47,163
Re-classification	—	—	10,262	1,056	(11,318)	—
Exchange differences	2	—	2	—	—	4
Disposals	—	(261)	(869)	(1,564)	—	(2,694)
At 31 December 2019	106,083	204,212	83,095	51,202	18,800	463,392
Accumulated depreciation						
At 1 January 2019	112	32,231	23,452	25,730	—	81,525
Transfer to intangible assets	—	—	—	(7)	—	(7)
Charge for the year	17	7,234	4,601	3,488	—	15,340
Exchange differences	—	—	2	—	—	2
Disposals	—	(259)	(703)	(1,250)	—	(2,212)
At 31 December 2019	129	39,206	27,352	27,961	—	94,648
Net book value at 31 December 2019	105,954	165,006	55,743	23,241	18,800	368,744
Cost or valuation						
At 1 January 2018	99,837	171,635	70,118	46,875	2,347	390,812
Additions	1,724	18,319	387	3,277	8,172	31,879
Acquisition	5	—	—	—	—	5
Re-classification	—	—	2,673	194	(2,867)	—
Exchange differences	(3)	—	(4)	(1)	—	(8)
Disposals	(224)	(727)	(106)	(1,724)	(157)	(2,938)
At 31 December 2018	101,339	189,227	73,068	48,621	7,495	419,750
Accumulated depreciation						
At 1 January 2018	267	26,328	19,133	23,526	—	69,254
Charge for the year	32	6,334	4,555	3,553	—	14,474
Exchange differences	—	—	(4)	(1)	—	(5)
Disposals	(187)	(431)	(232)	(1,348)	—	(2,198)
At 31 December 2018	112	32,231	23,452	25,730	—	81,525
Net book value at 31 December 2018	101,227	156,996	49,616	22,891	7,495	338,225

Included in planting is immature planting of US\$36,349,000 (2018 US\$45,860,000) which is not depreciated

NOTES TO THE CONSOLIDATED ACCOUNTS continued

14 Property, plant and equipment continued

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\$105,428,000 (2018 US\$100,716,000).

As at 31 December 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment of US\$8,135,000 (2018 US\$7,552,000).

Depreciation is charged to cost of sales, other than US\$20,000 (2018 US\$29,000) charged to other administrative expenses.

At 31 December 2019, the Group accounted for one right-of-use asset (2018 – no assets) as a lease under IFRS 16. The net book value of the asset was US\$0.5 million. The lease has a three-year term with fixed payments, and the lease liability is included in note 21.

15 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.

	2019 US\$'000	2018* US\$'000
Share of net assets		
At 1 January	23,020	23,503
Exchange differences	200	(385)
Profit for the year	1,873	1,470
Dividends received	(1,036)	(1,568)
At 31 December	24,057	23,020
Unrealised profit - deferral on land sales to associate	(2,504)	(2,708)
	21,553	20,312

* During the year US\$0.2 million (2018 US\$0.2 million) was released relating to profit on land previously sold to one of the Group's associated undertakings. Previously, the deferred amount was recorded within the Group's revaluation reserve, and a prior year adjustment has been recorded to reclassify it as a reduction from investment in associates. The impact of the adjustment is to reduce net assets and total equity at 31 December 2018 by the US\$2.7 million shown above, and there is no impact on the consolidated income statement or cash flows. At the beginning of 2018, the impact of the adjustment on the balance sheet is to reduce the Group's investment in associated undertakings by US\$2.9 million, with a corresponding change in reserves, as disclosed in the consolidated balance sheet on page 58.



15 Investments in associates continued

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

	2019			2018		
	KERASAAN US\$'000	BERTAM PROPERTIES US\$'000	TOTAL US\$'000	KERASAAN US\$'000	BERTAM PROPERTIES US\$'000	TOTAL US\$'000
Total						
Revenue	5,659	26,201		6,129	19,929	
Profit after tax	2,102	2,687		2,275	1,514	
Non-current assets	4,371	28,422		4,534	26,293	
Current assets	8,071	30,073		6,078	35,802	
Current liabilities	(1,503)	(3,946)		(656)	(9,314)	
Non-current liabilities	(589)	(4,240)		(516)	(4,199)	
Net assets	10,350	50,309		9,440	48,582	
Group share	(38%)	(40%)		(38%)	(40%)	
Revenue	2,150	10,480	12,630	2,329	7,972	10,301
Profit after tax	799	1,074	1,873	864	606	1,470
Non-current assets	1,661	11,369	13,030	1,723	10,518	12,241
Current assets	3,067	12,029	15,096	2,309	14,321	16,630
Current liabilities	(571)	(1,578)	(2,149)	(249)	(3,726)	(3,975)
Non-current liabilities	(224)	(1,696)	(1,920)	(196)	(1,680)	(1,876)
Carrying value at 31 December	3,933	20,124	24,057	3,587	19,433	23,020

16 Investments

	2019 US\$'000	2018 US\$'000
Financial assets at fair value through profit or loss (unlisted)		
At 1 January	62	53
Revaluation gain	1	10
Exchange differences	3	(1)
At 31 December	66	62

17 Current biological assets

	2019 US\$'000	2018 US\$'000
Ffb prior to harvest	2,067	1,140

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



NOTES TO THE CONSOLIDATED ACCOUNTS continued

17 Current biological assets continued

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\$17.6 million. The Group has never included ffb prior to harvest in its internal reporting and decision-making.

18 Inventories

	2019 US\$'000	2018 US\$'000
Processed produce for sale	6,760	5,048
Estate stores	2,925	6,497
Nurseries	1,387	1,338
	11,072	12,883

19 Trade and other receivables

	2019 US\$'000	2018 US\$'000
Current assets		
Trade receivables	3,032	893
Receivable from smallholder co-operatives	29,250	25,200
Loans to related parties	385	—
Other receivables	10,117	12,205
Prepayments and accrued income	2,333	1,383
	45,117	39,681
Non-current assets		
Costs to be allocated to smallholder co-operatives	—	8,740
Loans to related parties	11,555	—
	11,555	8,740
<i>Trade and other receivables analysed by currency of receivable:</i>		
Indonesian Rupiah	44,061	44,933
US Dollar	12,207	3,299
Sterling	400	181
Malaysian Ringgit	4	8
	56,672	48,421

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 2019 there was no provision for impairment of trade receivables (2018 US\$nil). The directors consider the carrying amount of trade and other receivables approximates their fair value.



19 Trade and other receivables continued

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. It also provides financial guarantees for some bank loans provided to its associated smallholders. 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.

The Group's expected credit loss on its trade and other receivables and financial guarantees is not material. The Group applies the simplified approach in IFRS 9 to determining expected credit losses on trade receivables, taking account of their similar risk characteristics and the Group's experience. In assessing expected credit losses on non-trade receivables and financial guarantees under IFRS 9, the Group considers the long-standing relationship with its stakeholders, the ongoing trading of its associated smallholders, and its ability to continue to recover balances in a planned and controlled manner.

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:

	2019 US\$'000	2018 US\$'000
Immature areas - allocated	9,679	7,304
Mature areas	19,571	17,896
Current asset	29,250	25,200
Non-current asset – immature areas – not allocated	—	8,740
	29,250	33,940

During the year, the Group made finance available to enable its new minority partner to acquire a 5% interest in a number of the Group's Indonesian subsidiary companies. The balance is repayable on demand. However, the Group, at its discretion, anticipates recovering the balance over a longer period based on profit distribution from the subsidiary companies, and has classified the majority of the balance as non-current accordingly. At the end of the year, the balance outstanding on the related party loans was US\$11,940,000 (2018 US\$nil).

20 Cash and other liquid resources

	2019 US\$'000	2018 US\$'000
Cash and cash equivalents	25,947	21,626
Current-asset investments	1,160	2,502
	27,107	24,128

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

21 Trade and other payables

	2019 US\$'000	2018 US\$'000
Current liabilities		
Trade payables	14,024	7,243
Amounts owed to associated undertakings	18	20
Lease liabilities	200	—
Other payables	7,973	7,766
	22,215	15,029
Non-current liabilities		
Lease liabilities (due in 1-2 years)	265	—
	265	—

The average credit period taken for trade purchases is 50 days (2018 – 39 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.

22 Borrowings

	2019 US\$'000	2018 US\$'000
Secured borrowing at amortised cost		
Bank loans	94,474	30,056
Total borrowings		
Amount due for settlement within one year	28,337	20,883
Due for settlement in one to two years	11,006	5,327
Due for settlement in two to five years	49,159	3,009
Due for settlement after five years	5,972	837
Amount due for settlement after one year	66,137	9,173
	94,474	30,056
<i>Analysis of borrowings by currency:</i>		
US Dollar	91,005	26,336
Indonesian Rupiah	3,469	3,720
	94,474	30,056
<i>Analysis of anticipated cash outflows:</i>		
Within one year	32,083	21,863
Due within one to two years	13,985	5,844
Due within two to five years	53,765	3,631
Due after five years	6,007	898
	105,840	32,236

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 share certificates, land titles and fixed assets. The net book value of property, plant and equipment used as security for bank loans is US\$145.2 million (2018 US\$107.1 million). At the year end the Group had undrawn available credit facilities of US\$34.6 million (2018 US\$125.0 million).

The weighted-average interest rate paid on bank loans in the year was 5.0% (2018 – 6.5%).

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



23 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 2019	(5,786)	2,061	(2,588)	(6,313)
(Charge)/credit to income statement	(796)	(32)	193	(635)
Exchange differences	(222)	73	69	(80)
At 31 December 2019	(6,804)	2,102	(2,326)	(7,028)
At 1 January 2018	(4,678)	1,944	3,201	467
(Charge)/credit to income statement	(1,386)	229	(5,698)	(6,855)
Acquisition of subsidiary	—	—	113	113
Exchange differences	278	(112)	(204)	(38)
At 31 December 2018	(5,786)	2,061	(2,588)	(6,313)

Other timing differences relate to losses, with the exception of the deferred tax liability of US\$10.6 million that arose in 2017 on the acquisition of PT Bumi Mas Agro. Certain deferred-tax assets and liabilities have been offset. The following is the analysis of deferred-tax balances (after offset) for financial reporting purposes:

	2019 US\$'000	2018 US\$'000
Deferred-tax assets	5,284	5,192
Deferred-tax liabilities	(12,312)	(11,505)
	(7,028)	(6,313)

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\$494,289,000 (2018 US\$461,369,000). 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\$18,009,000 (2018 US\$17,029,000). 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\$57,939,000 (2018 US\$61,168,000) 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\$31,590,000 (2018 US\$33,795,000) of such losses. No deferred-tax asset has been recognised in respect of the remaining US\$26,349,000 (2018 US\$27,372,000) due to the unpredictability of future profit streams and due to the 5-year time limit on utilisation of tax losses in Indonesia. In the normal course of business, both in the UK and Indonesia, the Group has a number of matters under discussion with local tax authorities. The Group is satisfied, based on external tax advice, that appropriate tax treatments have been applied. The likely impact of any change in treatment would be to restrict the availability of the Group's unused tax losses.

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\$0.2 million.



NOTES TO THE CONSOLIDATED ACCOUNTS continued

23 Deferred tax continued

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\$2,730,000 (2018 US\$2,249,000). No asset has been recognised in respect of these differences due to the unpredictability of future profit streams.

24 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.

	2019 %	2018 %
The main assumptions used to assess the Group's liabilities are:		
Discount rate	7.55	8.25
Salary increase per annum	8.00	8.00
	2019 US\$'000	2018 US\$'000
Reconciliation of scheme liabilities:		
Current-service cost	1,457	1,576
Interest cost	676	568
Past service cost	—	103
Effect of settlement	—	(750)
Actuarial gain	(928)	(836)
	1,205	661
Less: Benefits paid out	(384)	(344)
Movement in the year	821	317
At 1 January	8,251	8,434
Exchange differences	329	(500)
At 31 December	9,401	8,251

Key estimate

The main assumptions used to assess the Group's liabilities are shown in the table above. Changing one of them by 1% in either direction would have the effect of increasing or decreasing the Group's liabilities by between US\$0.9 million and US\$1.1 million.



25 Share capital

	AUTHORISED NUMBER	ALLOTTED, FULLY PAID AND VOTING NUMBER	AUTHORISED £'000	ALLOTTED FULLY PAID AND VOTING US\$'000
At 1 January 2019	87,000,000	54,677,872	8,700	9,228
Issued during the year	—	50,000	—	6
Redeemed during the year	—	(266,652)	—	(34)
At 31 December 2019	87,000,000	54,461,220	8,700	9,200
At 1 January 2018	87,000,000	54,883,451	8,700	9,255
Issued during the year	—	75,000	—	10
Redeemed during the year	—	(280,579)	—	(37)
At 31 December 2018	87,000,000	54,677,872	8,700	9,228

During the year, as the result of the exercise of share options, the Company issued 50,000 10p shares for US\$218,000 cash consideration. In addition, the Company bought back and cancelled 266,652 10p shares for a total cost of US\$2,286,000 (an average of 670 pence per share).

26 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	2019 WEIGHTED- AVERAGE EXERCISE PRICE (PENNY)	NUMBER OF SHARE OPTIONS	2018 WEIGHTED- AVERAGE EXERCISE PRICE (PENNY)
At 1 January	407,320	244.2	439,680	253.5
Granted during the year	41,548	0.0	42,640	0.0
Exercised during the year	(50,000)	335.0	(75,000)	159.5
At 31 December	398,868	207.4	407,320	244.2
Exercisable at the end of the year	175,000	472.7	200,000	446.0

The weighted-average share price at the date of exercise for share options exercised during the year was 335p. The options outstanding at 31 December 2019 had a weighted-average remaining contractual life of 5.1 years and exercise prices in the range of nil to 520p. The Group recognised total expenses of US\$643,000 related to equity-settled share based payments (2018 US\$490,000). Details of the directors' share options are set out in the directors' remuneration report on pages 48 to 50.



NOTES TO THE CONSOLIDATED ACCOUNTS continued

27 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 2019	31,370	549	4,248	766	1,188	15,434	27	53,582	314,223
Profit for the financial year	—	—	—	—	—	1,873	—	1,873	4,460
Exchange differences	—	1	—	—	—	143	(16)	128	262
Retirement-benefit obligations	—	—	—	—	—	—	—	—	647
Issue of shares	212	—	—	—	—	—	—	212	—
Share buy-back	—	—	34	—	—	—	—	34	(2,286)
Dividends paid	—	—	—	—	—	—	—	—	(12,364)
Dividends from associates	—	—	—	—	—	(1,036)	—	(1,036)	1,036
Share-based payments	—	—	—	—	592	—	—	592	51
Acquired from minority	—	—	—	—	—	—	—	—	(9,834)
Reclassification (note 28)	—	—	—	—	—	—	—	—	(2,056)
At 31 December 2019	31,582	550	4,282	766	1,780	16,414	11	55,385	294,139
At 1 January 2018*	31,221	551	4,211	766	722	15,802	(421)	52,852	322,055
Exchange differences	—	(2)	—	—	—	(270)	448	176	(569)
Retirement-benefit obligations	—	—	—	—	—	—	—	—	621
Issue of shares	149	—	—	—	—	—	—	149	—
Share-based payments	—	—	—	—	466	—	—	466	24
Share buy-back	—	—	37	—	—	—	—	37	(2,733)
Group reconstruction	—	—	—	—	—	—	—	—	(9)
Reclassification (note 28)	—	—	—	—	—	—	—	—	2,056
Dividends from associates	—	—	—	—	—	(1,568)	—	(1,568)	1,568
Profit for the financial year	—	—	—	—	—	1,470	—	1,470	3,935
Dividends paid	—	—	—	—	—	—	—	—	(12,725)
At 31 December 2018*	31,370	549	4,248	766	1,188	15,434	27	53,582	314,223

* The revaluation reserve has been restated for the treatment of deferred profit on land sales (see note 15). The previous treatment resulted in a reserve release (and a corresponding debit to other comprehensive income) each year, but these amounts are no longer required under the revised treatment. In addition, a historic deficit on the revaluation reserve of US\$1.3 million has been transferred to retained earnings. The nature and purpose of each reserve is indicated by its name.

28 Non-controlling interests

	2019 US\$'000	2018 US\$'000
At 1 January	21,303	29,961
Share of profit in the year	1,137	1,756
Dividends paid	—	(8,105)
Reclassification*	2,056	(2,056)
Share of retirement benefit credited to other comprehensive income	49	90
Minority acquisition (note 12)	(15,583)	—
Acquisition	—	(343)
At 31 December	8,962	21,303

* At 31 December 2018 US\$2,056,000 was reclassified from non-controlling interests to retained earnings to reflect the Group's effective interest in its operating subsidiaries at that point. It was subsequently reclassified back to non-controlling interests during 2019 when ownership was transferred to the Group's new minority partner (see note 12).



28 Non-controlling interests continued

In accordance with Indonesian law, the Group is required to have a minority partner in each of its plantation operations. The minority share of profit for the year and Group equity, allocated by operation, is shown in the following table:

	PROFIT US\$'000	2019 EQUITY US\$'000	PROFIT US\$'000	2018 EQUITY US\$'000
Kota Bangun	78	1,747	(108)	1,674
Bangka	512	2,473	935	1,931
Pangkatan Group	885	2,777	1,198	14,148
Bumi Mas	(128)	1,935	(356)	—
Musi Rawas	(288)	(24)	(75)	319
Simpang Kiri	78	54	162	3,231
	1,137	8,962	1,756	21,303

29 Note to the consolidated cash-flow statement

	2019 US\$'000	2018 US\$'000
Operating profit	16,124	19,478
Biological (gain)/loss	(927)	703
Disposal of property, plant and equipment	(7)	13
Release of deferred profit	(204)	(164)
Depreciation of property, plant and equipment	15,340	14,474
Amortisation of intangible assets	112	—
Remeasurement of investment	(1)	(10)
Retirement-benefit obligations	1,846	2,122
Share-based payments	643	490
Dividends from associated companies	580	1,568
Operating cash flows before movements in working capital	33,506	38,674
(Decrease)/increase in inventories	1,811	(2,421)
Increase in receivables	(545)	(3,920)
Increase/(decrease) in payables	6,986	(2,092)
Cash generated by operating activities	41,758	30,241
Income tax paid	(6,009)	(7,514)
Interest paid	(3,747)	(1,430)
Net cash generated by operating activities	32,002	21,297



NOTES TO THE CONSOLIDATED ACCOUNTS continued

30 Analysis of movements in net (debt)/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 2019	21,626	2,502	(20,883)	(9,173)	(5,928)
Net increase in cash and cash equivalents	4,003	—	—	—	4,003
New borrowings	—	—	(35,000)	(75,419)	(110,419)
Repayment of borrowings	—	—	46,134	—	46,134
Change in deposits	—	(1,342)	—	—	(1,342)
Reclassification	—	—	(18,455)	18,455	—
Foreign-exchange movements	318	—	(133)	—	185
At 31 December 2019	25,947	1,160	(28,337)	(66,137)	(67,367)
At 1 January 2018	113,910	6,913	(9,159)	(30,285)	81,379
Net decrease in cash and cash equivalents	(91,542)	—	—	—	(91,542)
Repayment of borrowings	—	—	9,159	—	9,159
Change in deposits	—	(4,411)	—	—	(4,411)
Reclassification	—	—	(21,112)	21,112	—
Foreign-exchange movements	(742)	—	229	—	(513)
At 31 December 2018	21,626	2,502	(20,883)	(9,173)	(5,928)

31 Financial instruments

Capital-risk management

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

The Group's board continues to monitor the capital structure based on the funding requirements of the Group. At the balance-sheet date the Group had net debt of US\$67,367,000 (2018 US\$5,928,000) and equity attributable to the owners of the parent Company of US\$358,724,000 (2018 US\$377,033,000). The board intends to fund its continuing Indonesian expansion by a combination of the Group's cash and other liquid resources, 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 held at amortised cost, with the exception of its other investments shown in note 16, which are classified as financial assets at fair value through profit or loss. 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 significant 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.



31 Financial instruments continued

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

	2019 US\$'00	2018 US\$'000
US Dollar	13,304	10,606
Indonesian Rupiah	13,493	10,913
Sterling	152	1,933
Malaysian Ringgit	158	496
Australian Dollar	—	180
	27,107	24,128

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

The Group is exposed to changes in foreign-currency exchange rates. This is in relation to the impact of movements on its non-US Dollar monetary assets 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\$5.4 million (2018 US\$5.2 million).

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 22. Group borrowings are at variable rates of interest linked to LIBOR, and so is exposed to changes in underlying interest rates. Based on current borrowing, management estimates that for every 1% increase or decrease in interest rates, Group profit for the year and net assets would decrease or increase by US\$0.8 million (2018 US\$0.3 million).

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 22.

32 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 49. The directors' participation in the executive share-option schemes and long-term incentive scheme is disclosed on page 50.

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

The Group made finance available to its new minority partner during the year. This is set out in note 19.



PARENT-COMPANY BALANCE SHEET

COMPANY NUMBER: 1555042

As at 31 December 2019

	Note	2019 US\$'000	2018 US\$'000
Non-current assets			
Property, plant and equipment	iv	858	871
Investments in subsidiaries	v	15,799	15,799
		16,657	16,670
Current assets			
Trade and other receivables	vi	162,225	180,202
Cash and cash equivalents		5,375	2,091
		167,600	182,293
Total assets		184,257	198,963
Current liabilities			
Trade and other payables	vii	8,232	3,215
Net current assets		159,368	179,078
Non-current liabilities			
Borrowings		—	2,449
Total liabilities		8,232	5,664
Net assets		176,025	193,299
Equity			
Share capital	viii	9,200	9,228
Other reserves	ix	38,887	38,049
Retained earnings	ix	127,938	146,022
Total equity		176,025	193,299

The Company recorded a loss for the year of US\$3,485,000 (2018 profit US\$115,929,000).

The financial statements on pages 84 to 89 were approved by the board of directors on 31 March 2020 and signed on its behalf by

Tristan Price
Chief executive

Matthew Coulson
Finance director

Company number: 1555042



PARENT-COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	SHARE CAPITAL US\$'000	OTHER RESERVES US\$'000	RETAINED EARNINGS US\$'000	TOTAL US\$'000
Loss for the year	—	—	(3,485)	(3,485)
Total comprehensive expense for the year	—	—	(3,485)	(3,485)
Issue of share capital	6	212	—	218
Dividends	—	—	(12,364)	(12,364)
Share buy-back	(34)	34	(2,286)	(2,286)
Credit to equity for equity-settled share-based payments	—	592	51	643
Transactions with owners	(28)	838	(14,599)	(13,789)
At 1 January 2019	9,228	38,049	146,022	193,299
At 31 December 2019	9,200	38,887	127,938	176,025
Profit for the year	—	—	115,929	115,929
Total comprehensive expense for the year	—	—	115,929	115,929
Issue of share capital	10	149	—	159
Dividends	—	—	(12,725)	(12,725)
Share buy-back	(37)	37	(2,733)	(2,733)
Credit to equity for equity-settled share-based payments	—	466	24	490
Transactions with owners	(27)	652	(15,434)	(14,809)
At 1 January 2018	9,255	37,397	45,527	92,179
At 31 December 2018	9,228	38,049	146,022	193,299



NOTES TO THE PARENT-COMPANY ACCOUNTS

For the year ended 31 December 2019

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, and the address of its registered office is given on page 96. The Group's principal activities are shown in the strategic report on page 12. 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 Company is domiciled in the UK.

The principal accounting policies have been consistently applied and 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, 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.

Going concern

The financial statements have been prepared on a going-concern basis. The directors have conducted a review of projected cash flows, concluding that the Company has sufficient projected funds to continue its business in the medium term. Further details are given in the report of the directors on page 42.

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, reduced by appropriate allowances for expected credit losses.

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.

Critical accounting judgements and key sources of estimation uncertainty

The critical judgements and accounting estimates relevant to the consolidated financial statements are shown in note 3 to the consolidated financial statements on page 65. The directors have concluded that there are no critical judgements and accounting estimates in the preparation of the parent-Company accounts.



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 2019 of US\$3,485,000 (2018 profit US\$115,929,000). The Company's main source of income is dividends from subsidiary companies.

The auditors' remuneration for audit services was US\$25,000 (2018 US\$23,000).

iii Employees

	2019 US\$'000	2018 US\$'000
Employee costs during the year		
Wages and salaries	1,608	1,562
Social security costs	208	344
Pension costs	55	58
Shared-based payments	219	152
	2,090	2,116

As recorded in the directors' remuneration report on page 49, wages and salary costs include bonuses paid to the directors in respect of 2019 and 2018.

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

iv Property, plant and equipment

	LAND AND BUILDINGS US\$'000	PLANT, EQUIPMENT & VEHICLES US\$'000	TOTAL US\$'000
Cost			
At 1 January 2019	834	226	1,060
Additions	—	9	9
Disposals	—	(59)	(59)
At 31 December 2019	834	176	1,010
Accumulated depreciation			
At 1 January 2019	—	189	189
Charge for the year	—	20	20
Disposals	—	(57)	(57)
At 31 December 2019	—	152	152
Net book value at 31 December 2019	834	24	858
Net book value at 31 December 2018	834	37	871



NOTES TO THE PARENT-COMPANY ACCOUNTS continued

v Investments in subsidiaries

	US\$'000
Subsidiary undertakings	
At 1 January and 31 December 2019	15,799

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

	2019 US\$'000	2018 US\$'000
Amounts owed by subsidiary undertakings	161,681	179,519
Other debtors	445	588
Prepayments and accrued income	99	95
	162,225	180,202

vii Trade and other payables

	2019 US\$'000	2018 US\$'000
Borrowings	7,449	2,449
Other creditors	783	766
	8,232	3,215

viii Called-up share capital

See note 25 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 2019	31,370	4,057	1,434	1,188	38,049	146,022
Issue of shares	212	—	—	—	212	—
Share buy-back	—	34	—	—	34	(2,286)
Share-based payments	—	—	—	592	592	51
Profit for the year	—	—	—	—	—	(3,485)
Dividends*	—	—	—	—	—	(12,364)
At 31 December 2019	31,582	4,091	1,434	1,780	38,887	127,938
At 1 January 2018	31,221	4,020	1,434	722	37,397	45,527
Issue of shares	149	—	—	—	149	—
Share buy-back	—	37	—	—	37	(2,733)
Share-based payments	—	—	—	466	466	24
Loss for the year	—	—	—	—	—	115,929
Dividends*	—	—	—	—	—	(12,725)
At 31 December 2018	31,370	4,057	1,434	1,188	38,049	146,022

* See note 10 to the consolidated financial statements.



SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

As at 31 December 2019

SUBSIDIARY UNDERTAKINGS

Details of the subsidiary undertakings as at 31 December 2019 are as follows:

NAME OF SUBSIDIARY	% OF SHARES HELD 2019	% OF SHARES HELD 2018	COUNTRY OF INCORPORATION	COUNTRY OF OPERATION	FIELD OF ACTIVITY
PT Prima Mitrajaya Mandiri	95	95	Indonesia	Indonesia	Production of CPO and PK
PT Teguh Jayaprima Abadi	95	95	Indonesia	Indonesia	Production of CPO and PK
PT Perkebunan Tenera Muarawis	51	51	Indonesia	Indonesia	Production of CPO and PK
PT Bumi Mas Agro	95	95	Indonesia	Indonesia	Production of CPO and PK
PT Gunung Pelawan Lestari	90	90	Indonesia	Indonesia	Production of CPO and PK
PT Evans Lestari	95	80	Indonesia	Indonesia	Production of CPO and PK
PT Pangkatan Indonesia	95	80	Indonesia	Indonesia	Production of CPO and PK
PT Bilah Plantindo	95	80	Indonesia	Indonesia	Production of CPO and PK
PT Sembada Sennah Maju	95	80	Indonesia	Indonesia	Production of CPO and PK
PT Simpang Kiri Plantation Indonesia	95	80	Indonesia	Indonesia	Production of CPO and PK
PT Evans Indonesia	100	100	Indonesia	Indonesia	Provision of agronomic and management-consultancy services
Bertam Consolidated Rubber Company Limited	100	100	England and Wales	Malaysia	Production of oil-palm ffb and property development
M.P. Evans & Co. Limited*	100	100	England and Wales	United Kingdom	Holding company
Sungkai Holdings Limited*	100	100	England and Wales	United Kingdom	Holding company
Sunrich Plantations Pte Ltd	100	100	Singapore	Singapore	Holding company
PT Surya Makmur	95	75	Indonesia	Indonesia	Holding company
PT Aceh Timor Indonesia	95	75	Indonesia	Indonesia	Holding company

The shareholdings in the above companies represent ordinary shares. Other than the companies marked *, all shareholdings are held indirectly.

The registered offices for all Indonesian companies is Graha Aktiva, Suite 1001, Jl HR Rasuna Said Blok X-1 Kav 03, Jakarta 12950 Indonesia, for Sunrich Plantations Pte Ltd is 50 Raffles Place #06-00, Singapore Land Tower, Singapore 048623, and for all UK companies is the Group's registered office as shown on page 96.

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

ASSOCIATED UNDERTAKINGS

Details of the associated undertakings as at 31 December 2019 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	Indonesia	Indonesia	Production of oil-palm ffb
Bertam Properties Sdn. Berhad.	RM 60.00m	40	Malaysia	Malaysia	Property development

The registered office of PT Kerasaan Indonesia is Forum Nine Building, 10th Floor, Suite 1-11 Jl. Imam Bonjol No.9, Medan-20112, North Sumatra, Indonesia and the registered office of Bertam Properties Sdn. Berhad is 1st Floor, Standard Chartered Bank Chambers, Lebuhr Pantai, 10300 Pulau Pinang, Malaysia.

ANALYSIS OF INDONESIAN PLANTATION LAND AREAS

As at 31 December 2019

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

PLANTED HECTARAGE¹

	GROUP				SCHEME SMALLHOLDERS		
	OWNERSHIP %	MATURE HA	IMMATURE HA	TOTAL HA	MATURE HA	IMMATURE HA	TOTAL HA
Subsidiaries – oil palm							
Kota Bangun	95	9,546	1,092	10,638	4,299	335	4,634
Bumi Mas	95	6,443	1,049	7,492	1,175	191	1,366
Bangka	90	5,604	531	6,135	2,849	1,032	3,881
Musi Rawas ²	95	1,763	3,966	5,729	886	1,460	2,346
Pangkatan group	95	6,404	565	6,969			
Simpang Kiri	95	1,703	746	2,449			
Total		31,463	7,949	39,412	9,209	3,018	12,227
Group share of subsidiaries' land		29,610	7,526	37,136			
Associates – oil palm							
Kerasaan		2,317	-	2,317			
Group share of associates' land		880	-	880			
Memorandum:							
Group share of subsidiaries' land and share of associates' land		30,490	7,526	38,016			
Subsidiaries' land and Group share of associates' land		32,343	7,949	40,292			

Notes

1. All of the Group's areas in Bangka, the Pangkatan group, Simpang Kiri and Bumi Mas have a final land license ("HGU"), as does all of the associate's area at Kerasaan. At Kota Bangun the Group has HGUs covering 10,800 hectares; the remaining areas here 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 2019

The information in the following table provides a directors' estimate of the Group equity value at 31 December 2019 utilising, except where indicated, an independent valuation of the Group's properties performed at the end of 2019.

	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 ¹	95	10,638	220,500	20,700	209,475
Bumi Mas	95	7,492	128,000	17,100	121,600
Bangka ¹	90	6,135	121,800	19,900	109,620
Musi Rawas	95	5,729	109,800	19,200	104,310
Pangkalan group ¹	95	6,969	112,600	16,200	106,970
Simpang Kiri	95	2,449	27,900	11,400	26,505
		39,412	720,600	18,300	678,480
Smallholders					
Kota Bangun	95	4,634	26,100	5,600	24,795
Bumi Mas	95	1,366	5,900	4,300	5,605
Bangka	90	3,881	14,100	3,600	12,690
Musi Rawas	95	2,346	15,500	6,600	14,725
		12,227	61,600	5,000	57,815
Associates					
Kerasaan	38	2,317	33,100	14,300	12,578
Total Indonesia					748,873
MALAYSIAN PROPERTY					
Bertam Estate ³	100	n/a			21,990
Bertam Properties	40	n/a			50,000
Total Malaysia					71,990
Net debt²					(67,686)
Other assets and liabilities⁴					38,498
Total equity value					791,675
Equity value (£ per share⁵)					11.01

Notes:

- Market value per planted hectare includes value of mills on the related estates.
- Net debt is taken as cash and other liquid resources less borrowings from the 31 December 2019 balance sheet, attributable to the owners of M.P. Evans Group PLC.
- Bertam Estate has been included at a directors' estimate of its value taking into account prevailing property market conditions.
- Other assets and liabilities are taken as net assets minus plantation and property-related assets, minus net cash from the 31 December 2019 balance sheet, attributable to the owners of M.P. Evans Group PLC.
- Amount per share is calculated using the year-end exchange rate and year-end shares in issue (see note 25).



FIVE-YEAR SUMMARY

	2019 Tonnes	2018 Tonnes	2017 Tonnes	2016 Tonnes	2015 Tonnes
Production					
Crude palm oil	231,900	192,500	154,000	125,600	112,000
Palm kernels	53,000	43,500	33,500	26,200	22,700
Crops					
Oil-palm fresh fruit bunches					
Own crops	663,300	573,000	434,500	399,300	423,900
Scheme smallholder crops	172,100	149,600	101,300	92,400	100,700
Independent smallholder crop purchased	166,100	106,500	118,300	52,000	37,700
	1,001,500	829,100	654,100	543,700	562,300
Indonesian associated-company estates	54,200	51,700	50,000	384,000	382,100
	US\$	US\$	US\$	US\$	US\$
Average sale prices					
Crude palm oil – Rotterdam cif per tonne	566	598	714	700	622
Exchange rates					
US\$1 = Indonesian Rupiah – average	14,142	14,234	13,382	13,303	13,390
– year end	13,883	14,380	13,568	13,473	13,785
US\$1 = Malaysian Ringgit – average	4.14	4.04	4.30	4.14	3.91
– year end	4.09	4.13	4.05	4.49	4.29
£1 = US Dollar – average	1.28	1.34	1.29	1.35	1.53
– year end	1.32	1.27	1.35	1.24	1.47
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	119,341	108,553	116,536	83,864	72,528
Gross profit	17,044	26,525	36,246	24,384	15,059
Profit before tax	12,780	18,348	35,070	19,215	6,769
	US cents	US cents	US cents	US cents	US cents
Basic earnings per share	11.6	9.9	164.9	56.1	43.4
	PENCE	PENCE	PENCE	PENCE	PENCE
Dividends per share:					
Normal	17.75	17.75	17.75	15.00	8.75
Special	—	—	10.00	5.00	—
Total	17.75	17.75	27.75	20.00	8.75
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Equity attributable to the owners of M.P. Evans Group PLC	358,724	377,033	387,034	323,400	300,009
Net cash generated by operating activities	32,002	21,297	20,723	22,888	20,231



NOTICE OF MEETING

The board is monitoring closely the evolving Covid-19 situation and the related guidelines from governmental authorities, including with regard to the potential impact on attendance at the AGM. In the light of the recent government prohibition of gatherings of more than two persons we are proposing that two directors should be the sole persons attending the meeting and that no admission of any other person will be permitted. The government has stated that it will review the prohibition in mid-April and we shall notify shareholders of any resulting change to these plans on our website www.mpevans.co.uk. Given the current prohibition on attendance at the AGM, we would strongly urge shareholders to submit proxy votes as described below. Delivery of a proxy vote will not preclude shareholders from attending and voting in person at the AGM should the government withdraw the prohibition so that we are able to allow admission by the time of the meeting.

NOTICE IS HEREBY GIVEN that the annual general meeting of M.P. Evans Group PLC will be held at 3 Clanricarde Gardens, Tunbridge Wells, TN1 1HQ on Friday 5 June 2020 at 10am 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 2019.	No 1
2 To receive and consider the directors' remuneration report as set out in the annual report and accounts for the financial year ended 31 December 2019.	No 2
3 To elect Darian McBain as a director.	No 3
4 To re-elect Philip Fletcher as a director.	No 4
5 To re-elect Jock Green-Armytage as a director.	No 5
6 To re-elect Bruce Tozer as a director.	No 6
7 To re-elect Matthew Coulson as a director.	No 7
8 To declare a final dividend.	No 8
9 To appoint BDO LLP as auditors and to authorise the directors to determine their remuneration.	No 9

AS SPECIAL BUSINESS

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

	RESOLUTION ON FORM OF PROXY
10 That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 693 of the Companies Act 2006) of shares of 10p each in the capital of the Company provided that: <ul style="list-style-type: none"> a) the maximum number of shares hereby authorised to be purchased is 5,440,381; 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 2021 whichever shall be the earlier save that the Company may, before the expiry of this authority, make a contract of purchase which will or may be executed wholly or partly after such expiry and may make a purchase of shares pursuant to any such contract. 	No 10

By order of the board

Katya Merrick
Company Secretary
31 March 2020



NOTES

Please note that, as stated above, pursuant to the current government ban of public gatherings two directors will attend the meeting to form a quorum thereat and that no admission of any other person will be permitted. The government has stated that it will review the prohibition in mid-April and we shall notify shareholders of any resulting change to these plans on our website www.mpevans.co.uk. The notes below are to be construed as subject to this restriction.

- 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 (but subject to the restrictions stated above). A proxy need not be a member of the Company. Appointment of a proxy will not subsequently preclude a member from attending and voting at the meeting in person if he or she so wishes. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares held by the member. The form of proxy contains instructions on how to appoint more than one proxy.
- 2) A form of proxy for use at the meeting is enclosed. Please return the form of proxy as soon as possible. To be valid, it must be received by post or (during normal business hours only) by hand at the office of the registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ no later than 12 noon on 3 June 2020 (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). Alternatively, you may appoint a proxy electronically.

If you wish to submit your form of proxy via the internet, you will need your Control Number, Shareholder Reference Number ('SRN') and Personal Identification Number ('PIN') which are printed on the Form of Proxy. To appoint a proxy via the internet, you should log on to the Computershare website at www.investorcentre.co.uk/eproxy. You will be asked to agree to the terms and conditions for electronic proxy appointment. It is important that you read these terms and conditions as they set out the basis on which proxy appointment via the internet shall take place. This electronic address is provided only for the purpose of communications relating to electronic appointment of proxies.

- 3) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
- 4) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered on the register of members of the Company at 11.00 p.m. on 3 June 2020 (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 31 March 2020, the Company's issued share capital consisted of 54,403,818 shares carrying one vote each. Therefore the total number of voting rights in the Company as at that date was 54,403,818.
- 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 (but please note that this will not apply whilst the prohibition on persons travelling to the Company's registered office remain in force).
- 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.
- 9) Members have the right to require notice of a resolution to be moved or a matter to be included in the business of the meeting.
- 10) Given the restrictions on attendance at the meeting as stated above, members are invited to send any questions which they may have on matters concerning the business of the meeting by post to the Company's registered office (marked for the attention of the Company Secretary) or by email to katya.merrick@mpevans.co.uk. The Company will endeavour to respond to such requests but no answer need be given if: (i) to do so would involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company that the question be answered.

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.



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

Jock M Green-Armytage, BA MBA *†
Senior independent, chair of audit and remuneration committee

Philip A Fletcher, FCA *

Bruce C J Tozer, BSc MSc MBA *†
Independent

Darian McBain, BE MSc PhD *†
Independent

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

SECRETARY AND REGISTERED OFFICE

Katya Merrick

3 Clanricarde Gardens, Tunbridge Wells, Kent TN1 1HQ

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PT Evans Indonesia

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MANAGING AGENT IN MALAYSIA

Straits Estates Sdn. Berhad

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INDEPENDENT AUDITORS

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

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Moor House, 120 London Wall, London EC2Y 5ET

JOINT BROKER

finnCap

60 New Broad Street, London EC2M 1JJ

SOLICITORS

Hogan Lovells International LLP

Atlantic House, 50 Holborn Viaduct, London EC1A 2FG

PUBLIC RELATIONS ADVISERS

Hudson Sandler LLP

25 Charterhouse Square, London EC1M 6AE





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