

ANNUAL REPORT

For the year ended 31 December 2020




2020




A WORD FROM THE CHAIRMAN


“ 2020 was another record year for production and revenue resulting in a sharp rise in profit, which nearly trebled to US\$22.2 million, and an increase in sustainability premia. Given this performance the board is recommending a final dividend of 17.00p per share, an increase of 4.25p, bringing total dividends for the year to 22.00p per share. In view of the strong increase in crop and production projected for the immediate future and the prospects for the palm-oil market, the board intends to recommend a dividend of 30p per share in respect of 2021. ”

Peter Hadsley-Chaplin

 **Profit for the year US\$22.2 million**
(2019 US\$7.5 million)

 **Operating profit US\$31.3 million**
(2019 US\$16.1 million)

 **Continuing EPS 37.4 US cents**
(2019 – 11.6 US cents)

 **Proposed to increase final dividend to 17.00p per share**

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GROUP FINANCIAL HIGHLIGHTS

+46%

REVENUE

2020
US\$ 174.5m
2019 US\$ 119.3m

+104%

GROSS PROFIT

2020
US\$ 34.8m
2019 US\$ 17.0m

+94%

OPERATING
PROFIT

2020
US\$ 31.3m
2019 US\$ 16.1m

+197%

PROFIT FOR
THE YEAR

2020
US\$ 22.2m
2019 US\$ 7.5m

+2%

TOTAL EQUITY

2020
US\$ 374.1m
2019 US\$ 367.7m

+19%

OPERATING CASH
GENERATED

2020
US\$ 49.6m
2019 US\$ 41.8m

+222%

BASIC EARNINGS
PER SHARE

2020
37.4 US cents
2019 – 11.6 US cents

+24%

NORMAL DIVIDEND
PER SHARE

2020
22.00 pence
2019 – 17.75 pence



CHAIRMAN'S STATEMENT

Another record year for production and revenue resulted in a sharp increase in profit for the year.

A rising CPO price and continuing control of costs saw profit margins jump in comparison to 2019.



COVID-19

I could not begin a review of 2020 without addressing the effect that Covid-19 has had on the Group.

I am able to report that the pandemic has had little effect on the Group's operations. Once the widespread nature of the virus became known, preventative measures were quickly introduced to protect the Group's employees and these measures remain under review and in place as required. Staff travel has been restricted, the Group has controlled access to its plantations and the majority of staff in our Jakarta office have been put on remote working. All estates and mills operated without interruption during the year. During the second quarter of the year, Covid-19 did have a marked effect on the price of CPO, described in the section "The palm-oil market" below, but the price recovered strongly in the second half of the year.

RESULTS

Another record year for production and revenue resulted in a sharp increase in profit for the year. A rising CPO price and continuing control of costs saw profit margins jump in comparison to 2019. Operating profit was US\$31.3 million compared with US\$16.1 million in 2019 despite an adverse foreign-exchange movement during 2020. The Group benefitted from an increase in the sustainability premia it receives for its CPO and

palm kernels as well as sales of electricity generated from the methane it captures. Profit for the year nearly trebled to US\$22.2 million.

An important element in the Group's results was the rising CPO price. The CPO price at the end of December 2020 stood at US\$1,035 per tonne, a level last seen in July 2012. Having started the year promisingly, the CPO price fell as the Covid-19 pandemic struck. Whilst the pandemic resulted in a fall in world palm-oil consumption, world production of palm oil fell even further as labour shortages, dry weather and an increasing industry-average palm age took their toll. During the initial months of the year, stocks of palm oil acted as a buffer. Stocks then rebounded but quickly began to fall as a result of the production deficit. Whilst initially the CPO price fell sharply, it recovered strongly from the middle of May 2020, continuing its rise to the end of the year. The average cif Rotterdam price for the year was US\$716 per tonne, US\$150 higher than in 2019. Regrettably, the Group has not benefitted fully from this rise as the Indonesian government imposed an increased export levy in December 2020, designed to subsidise Indonesian producers of biodiesel while crude-oil prices have been languishing. This was widely anticipated and reflected in prices received by the Group



from October. The structure of the levy means the Group receives very nearly the same ex-mill-gate price at US\$1,000 per tonne as for US\$800 per tonne. This nonetheless represents a very healthy profit margin.

DIVIDEND

An interim dividend of 5.00p per share (2019 – 5.00p per share) was paid on 6 November 2020, and the board is recommending a final dividend of 17.00p per share (2019 – 12.75p per share). This represents an increase of 24% in the dividend in respect of normal operations for the year, bringing it to 22.00p per share.

The board intends to continue its long-standing policy of maintaining or increasing the dividend where possible. It believes the projected increase in yield from its young plantations provides a basis for sustained future crop growth and enhanced dividends. Furthermore, the Group expects capital expenditure to fall substantially from 2023 as it completes the series of investments begun in 2005 and its debt to have reached a peak in 2020. In light of the Group's strong balance sheet, the marked increase in crop and production projected for the immediate future, and the prospects for the palm-oil market, the board intends to recommend a dividend of 30p per share in respect of 2021.

OPERATIONAL DEVELOPMENTS

The strong projected growth of the Group's crop is being realised. In 2020, the total crop processed grew by 21%, having grown at the same rate in 2019. The Group's crops rose by 9% and those of 'scheme smallholders' (those attached to the Group's projects) by 12%. The rise in crop was

particularly pronounced at Musi Rawas, where the mature hectareage nearly doubled compared with 2019. High growth at Bumi Mas continued as the Group's investments in that area had an increasing impact. The crop at Kota Bangun declined slightly after it was not able to match the robust growth seen in the second half of 2019. In addition, the Group was able to increase its purchases of ffb from independent smallholders by more than 70% to reach 290,000 tonnes.

RISING CROP AND PRODUCTION UNDERPIN 24% DIVIDEND INCREASE

The Group continues to pride itself on the level of extraction it achieves from its ffb. Overall, the Group's extraction rate in its own mills fell to 23.1% from 23.7% in 2019. This reflected the dramatic increase in crop bought from independent smallholders, which is not of the same quality as its own crop or that of scheme smallholders. The oil-extraction rate in its Bumi Permai mill at Kota Bangun was particularly affected by this since it not only processed significantly more independent-smallholder crop than in 2019, but also worked at very high levels of capacity utilisation in the period prior to commissioning the Rahayu mill. This led to longer maintenance intervals and some unplanned stoppages. The Group's other mills maintained good rates of oil- and kernel-extraction. For the time being, the Group's new Rahayu mill is processing exclusively crop bought from independent smallholders. In total, the Group produced 270,000 tonnes of CPO, 17% more than in 2019.

At Bumi Mas, the Group continues its planned investment in strengthening roads, managing tidal water flows and building housing for workers.

At Musi Rawas, planting since development began has not changed from the 8,000 hectares reached in the middle of 2019. This is a result of pausing development to ensure the Group complies with enhanced revised standards affecting new planting adopted by the RSPO in 2019. In both the Group's own areas and 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 should resume in mid-2021.

At the end of 2020, the Group managed 51,600 hectares of oil palm on behalf of itself and its scheme smallholders. The effective ownership of planted oil palm hectareage by the Group's shareholders, taking account of minority-shareholder interests, amounted to 37,700 hectares.

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. Wherever possible, the Group mills its own crop of ffb since this allows it to report a higher level of certified sustainable production. The Group makes long-term decisions, 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.

During 2020, the Group commissioned its second mill at Kota Bangun,





CHAIRMAN'S STATEMENT continued

needed to process the increasing crop from the maturing plantings on this project. This brings the Group's mills to four in total, with two at Kota Bangun, one at Bangka and one at Pangkatan. Construction of the Group's fifth mill, at Bumi Mas, is well advanced with commissioning expected in the middle of 2021, and design work has started on the sixth mill, at Musi Rawas, planned for completion at the end of 2022. Where the Group has spare capacity in its mills, it buys ffb from independent smallholders. The Group is committed to working with these smallholders to ensure their ffb can be certified as fully traceable and so 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. This has resulted in construction of roads, permanent housing, methane capture facilities and water-management infrastructure, in addition to its mills. However, the Group's investment programme to develop its existing projects is coming to an end. A strong balance sheet allows the Group to plan for increasing returns to shareholders as well as to acquire incremental hectareage for planting around its existing projects.

In Malaysia, the Group reached an agreement to sell its last wholly-owned Malaysian asset, the remaining 70 hectares of its old Bertam Estate. The buyer was Bertam Properties Sdn Bhd, the joint venture in which the Group has a 40% shareholding. Bertam Properties will be able to

add substantial value to this land by developing it, and the Group will reap its share of this benefit. The sale proceeds will contribute to funding the Group's investment in expansion of both its hectareage and production facilities in Indonesia.

THE GROUP PROJECTS THAT CROP FROM ITS EXISTING AREAS WILL RISE UNTIL 2027

GROUP VALUATION

Continuing development of the Group's estates produced an increase in the total US Dollar value of the Group's plantations during the year. At the same time, there was a reduction in the value of Malaysian property in line with a general fall in the sector. There was also a decline in the value of the US Dollar against Sterling. Overall, the Group's value per share, based on an independent valuation at the end of 2020 was £10.99, similar to that a year earlier.

PROSPECTS

The Group projects that crop from its existing areas will rise until 2027 before plateauing. With an average age of only eight 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 an unusual fall in world production of CPO during 2020, modest growth is expected in 2021. However, to some extent, this depends on how quickly the flow of migrant workers picks up once travel restrictions to limit the spread

of Covid-19 are lifted, notably in Malaysia. Overall, the anticipated recovery in production of the world's major vegetable oils in 2021 is not expected to lead to an increase of stock levels relative to consumption despite these being at the lowest level for five years. In the longer term, insufficient levels of replanting in Malaysia and a reduction in new Indonesian planting are likely to curb growth in palm-oil production. There is a continuing sense that consumer and media attitudes may be shifting to understand and acknowledge the part that certified sustainable palm oil can play in the world achieving a sustainable future.

In the short term, the uncertainty surrounding the Covid-19 pandemic 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.

ACKNOWLEDGEMENTS

The year 2020 will be remembered as the year of the Covid-19 pandemic. The Group's managers, staff and workers in all our operations have risen magnificently to the challenges that ensued, delivering continued growth and development in our operations and embracing the need to adapt to changed circumstances. On behalf of the whole board, I should like to thank them all for their productive efforts and personal commitment during these challenging times.

Peter Hadsley-Chaplin
Chairman

23 March 2021

OPERATIONAL HIGHLIGHTS



INDONESIAN PALM OIL

Total crop processed up 21% to 1.2 million tonnes

Group crops up to 724,000 tonnes, a 9% increase

Crops at youngest operation, Musi Rawas, nearly trebled

100% of Group and scheme-smallholder crop grown to sustainability standards

Crude-palm-oil production up 17% to 272,000 tonnes

New Group 40-tonne mill began production in September 2020

53% of Group CPO production certified sustainable; target 100% once Group processes all its own crop



MALAYSIAN PROPERTY

Conditional sale agreement of Bertam Estate for US\$24.9 million announced

Margin increase and profit for the year at Bertam Properties despite property-market headwinds



M.P. EVANS GROUP PLC

Net current assets of US\$22.9 million at 31 December 2020

Group equity value of £10.99 per share at 31 December 2020

Young palms at Simpang Kiri



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. Ffb 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. Ffb 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).

7,500 hectares

Group planted area: 7,000 hectares

3

4 MUSI RAWAS

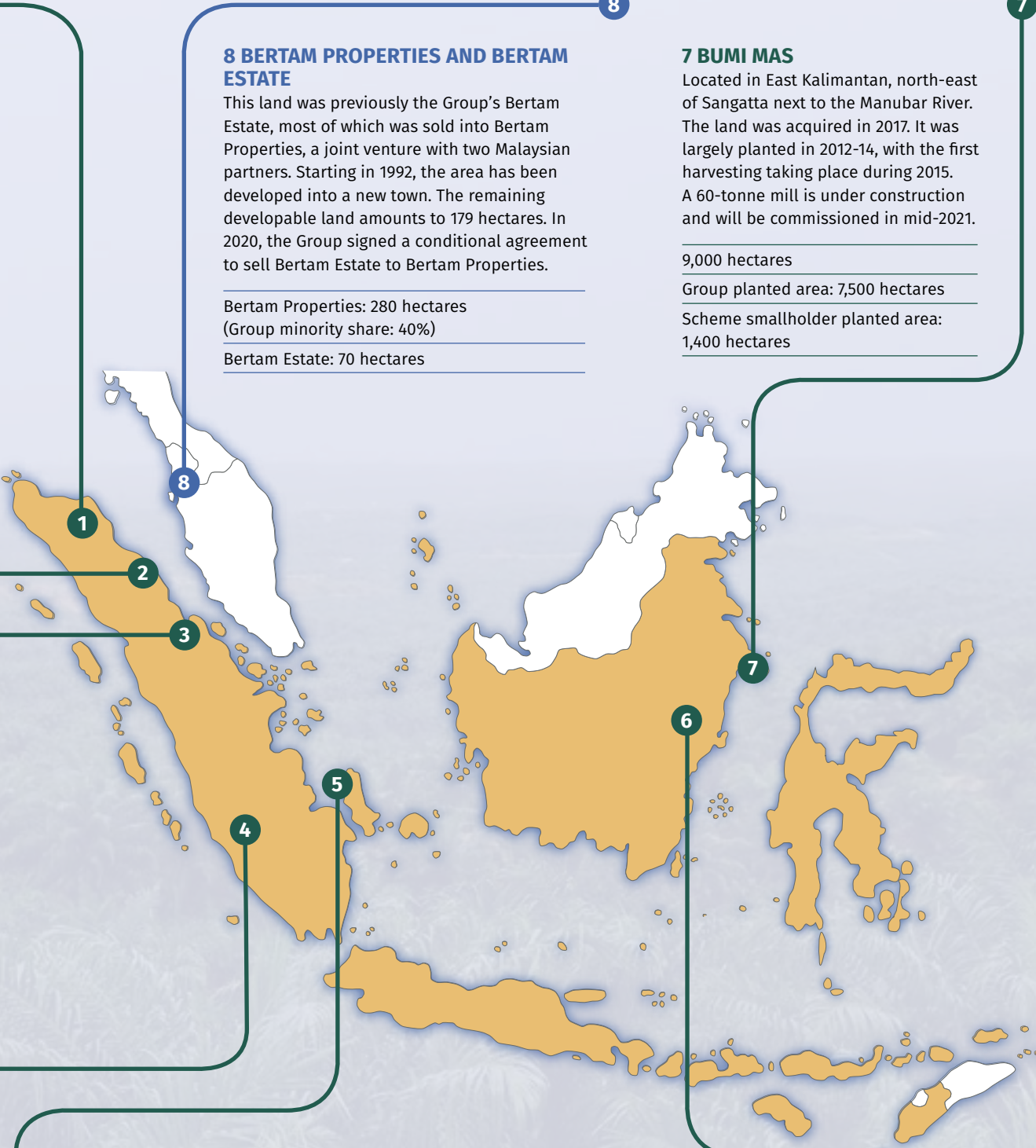
Located in South Sumatra province near the town of Lubuk Linggau, the project was started in 2012. Much had previously been planted with smallholders' rubber, which had been abandoned. The Group began planting oil palm at the end of 2014, and harvesting started in 2017.

10,000 hectares

Group planted area: 5,500 hectares

Scheme smallholder planted area: 2,500 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. In 2020, the Group signed a conditional agreement to sell Bertam Estate to Bertam Properties.

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. A 60-tonne mill is under construction and will be commissioned in mid-2021.

9,000 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.

12,000 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 40-tonne mill was commissioned in September 2020.

16,000 hectares

Group planted area: 10,500 hectares

Scheme smallholder planted area: 4,600 hectares



THE GROUP'S BUSINESS MODEL

OUR MAIN RESOURCES



39,100 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.



12,500 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.



7,200 EMPLOYEES

PEOPLE

The Group has more than 7,000 employees, including 200 agronomic staff, 95 engineers and more than 3,700 harvesters.



17% NET GEARING

STABLE FUNDING

The Group has a robust capital structure with market capitalisation of more than US\$493 million*, cash of US\$27 million and prudent levels of debt.

OUTCOMES



271,700
TONNES OF
CRUDE PALM OIL

Growing production



53%
CERTIFIED
SUSTAINABLE

Sustainable production



US\$340
PER TONNE
OWN PALM PRODUCT

Low costs



22.00p
TOTAL DIVIDEND
FOR 2020

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

The year 2020 began well for the palm-oil market. This resulted from expectations of modest vegetable-oil supply increases during the year ahead failing to match rising demand.

CPO prices had already risen strongly at the end of 2019 as vegetable-oil stocks were depleted compared with previous years. However, the Covid-19 pandemic then took hold and bore down on demand and trade, leading the price of CPO to fall sharply from the middle of February. Whilst global consumption did fall during the pandemic, production of palm oil fell even further. Against a background of low stock levels, this led to a recovery in the palm-oil price starting in May 2020, which continued strongly through the rest of the year to finish at US\$1,035 cif Rotterdam. At the end of 2020, world stocks of palm oil stood at less than two months' consumption: historically a low level. World production of palm oil in 2020 was 73.8 million tonnes, unusually less than the 78.8 million tonnes recorded in 2019. The combined share of Indonesia and Malaysia in world palm-oil production stood at 83.3%, marginally lower than in 2019. Crop in Malaysia has been increasingly affected by its ageing stock of palms, but in 2020 this

was overshadowed by controls on labour migration introduced to combat Covid-19, which deprived plantations of workers to maintain fields and harvest crop. This did not affect Indonesia in the same way, although its crop dipped in the latter part of 2020 in response to drier weather and the likely growing impact of reduced fertilising and investment during the period of low CPO prices in 2018 and 2019. Demand for palm oil in Indonesia nevertheless rose, mainly as a fuel. Whilst total production of palm biodiesel stagnated, a collapse in palm biofuel exports was taken up by a strong increase in domestic demand funded by the Indonesian government from an export levy introduced at the end of 2019 and then increased in December 2020 in response to escalating CPO prices. Unsurprisingly, given the backdrop of the Covid-19 pandemic, world trade in palm oil fell by some 5.2 million tonnes, or 8%, in 2020 compared with 2019. China and India between them accounted for more

Main producers

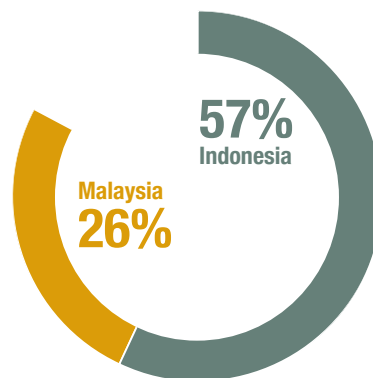
Remaining 17% consists of Thailand (4%), Colombia (2%), Nigeria (2%), other countries (9%).

Main consumers

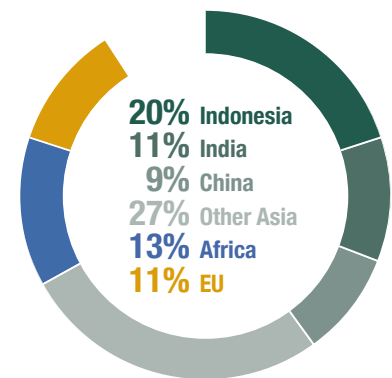
Remaining 9% consists of Americas (7%), other countries (2%).

Source: Oil World.

MAIN PRODUCERS OF PALM OIL 2020



MAIN CONSUMERS OF PALM OIL 2020



PALM-KERNEL OIL

The production pattern of PKO followed that of CPO. However, in contrast to CPO, PKO had started 2020 with good levels of global stocks and plentiful supplies of its main competitor, coconut oil. The price of PKO fell with the onset of the Covid-19 pandemic and, having started the year at US\$668 per tonne cif Rotterdam, reached a low point of US\$553 per tonne towards the end of April 2020. High stock levels persisted into the third quarter, holding back a recovery in the price of PKO. During the last quarter, however, deep discounts of PKO to coconut oil, in addition to shortages of coconut oil, prompted a rally which carried the price to US\$1,322 per tonne at the end of 2020. The average PKO price for the year was US\$796 per tonne, compared with US\$668 in 2019, an increase lagging that of coconut oil by some margin.

than two-thirds of this reduction. In India, tariff barriers to palm oil were increased and demand in the hospitality sector evaporated. As a result, palm oil's share of vegetable-oil imports to India reduced by 5%. After a strong increase in 2019, palm-oil consumption in China fell back both as the country imported more sunflower oil and as the supply of domestic soybean oil increased in step with greater production of soybean meal to feed its pig herd, recovering after an outbreak of swine fever. Overall, the world consumed 3.6 million fewer tonnes of palm oil in 2020 than in 2019 but, according

to Oil World, consumption still outstripped production by 1.4 million tonnes.

A sharp reduction in import demand for palm oil was concentrated in the first quarter of 2020. From the second quarter onwards, trade grew to the point where world palm-oil imports in the last quarter of 2020 were only 4% lower than in the last quarter of 2019. At the beginning of 2020, the abrupt fall in trade had been absorbed by a reduction in stocks. Whilst there was some rebuilding of stocks in the second quarter, weak global production led to stocks falling

to the end of the year, ending even lower than in 2016, when the sector had suffered from an unusually harsh El Niño weather pattern, and barely higher than they had been in March 2020. The effect on the price of CPO was pronounced. After starting the year at US\$860 per tonne it fell to a low of US\$510 in the middle of May, and then recovered strongly to the end of the year. The average price in 2020 for CPO cif Rotterdam was US\$716 per tonne, an increase of US\$150 over the average in 2019.

CRUDE-PALM-OIL PRICE





STRATEGIC REPORT 2020

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, expand 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.

The Group 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 39,100 hectares. The scheme smallholder areas adjoining the new projects amount to 12,500 planted hectares. The current estimated unplanted land bank is some 1,500 hectares on the Group's land and 500 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, ensuring compliance 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.

The Group's strategy is to mill all of the ffb it grows. The Group currently has four palm-oil mills: at Pangkatan in North Sumatra; in Bangka; and two at Kota Bangun in East Kalimantan, including the Rahayu mill which began operation in September 2020. The Group is constructing a further two new mills, at Bumi Mas and Musi Rawas, to take maximum advantage of the rapidly-increasing crop in both of these areas. Construction work is already advanced at Bumi Mas, where the mill is expected to become operational in the middle of 2021. A mill site has been acquired at Musi Rawas and design work on the mill at that location has begun. 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. At Bangka, a bulking site has been acquired, and the facility will be built during 2021. 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 ffb and production of 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. At Kota Bangun, East Kalimantan, the board is engaged in extending the Group's area from the currently-planted 15,200 hectares to bring the project size closer to the equivalent of two 10,000-hectare units. In Aceh, the Group is investigating the area surrounding its Simpang Kiri estate to assess whether enough suitable land could be acquired to justify building a mill at prices that represent an attractive return to shareholders. The Group's experience is that 10,000 hectares of oil palm with a mill able to process 60 tonnes of ffb per hour provides a unit that is both big enough to deliver economies of scale in production and administration, and small enough to allow the careful scrutiny by field management needed to maintain high standards. The Group's projects in Bangka, Bumi Mas and Musi Rawas, including smallholder areas, are of this size. In 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, in July 2020 the Group signed a conditional agreement to sell Bertam Estate, a small area of oil-palm land with property-development potential to Bertam Properties, a property-development company in which it has a significant share. This joint-venture share will therefore become its last remaining Malaysian asset. The proceeds of this sale will be used to help finance the Group's investments in its Indonesian plantations and it will, in addition, continue to reap its share of the value added to the land through development. In the long term, it is the Group's intention to dispose of its share in Bertam Properties in order to help fund further 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 2016 ("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 her or his obligations under section 172 and due consideration is given to stakeholders' interests when strategic decisions are taken.

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).

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 31-37.

Prior to the travel restrictions imposed to manage the spread of Covid-19, the executive directors were frequent visitors to the Group's operations overseas, during which they received regular briefings from local management on engagement with local communities and workforce grievances. During 2020 the executive directors have undertaken regular 'virtual visits' in which they discussed these and other operational issues with field staff and reviewed photographs, video and drone footage from its operations. As previously, matters of concern are relayed to the board where appropriate.

During the year the board approved a revised policy on whistleblowing.





The policy was disseminated to the Group's employees in their local language and the details of an independent whistleblowing hotline were widely publicised. Reports can be made anonymously using telephone, email, WhatsApp or a website. In its first seven months of operation this resulted in five reports which have all been investigated and the whistleblower informed, through the independent reporting service, of the outcome. None was found to be serious. The policy underlined that the Group will protect any whistleblower raising genuine concerns from subsequent negative treatment.

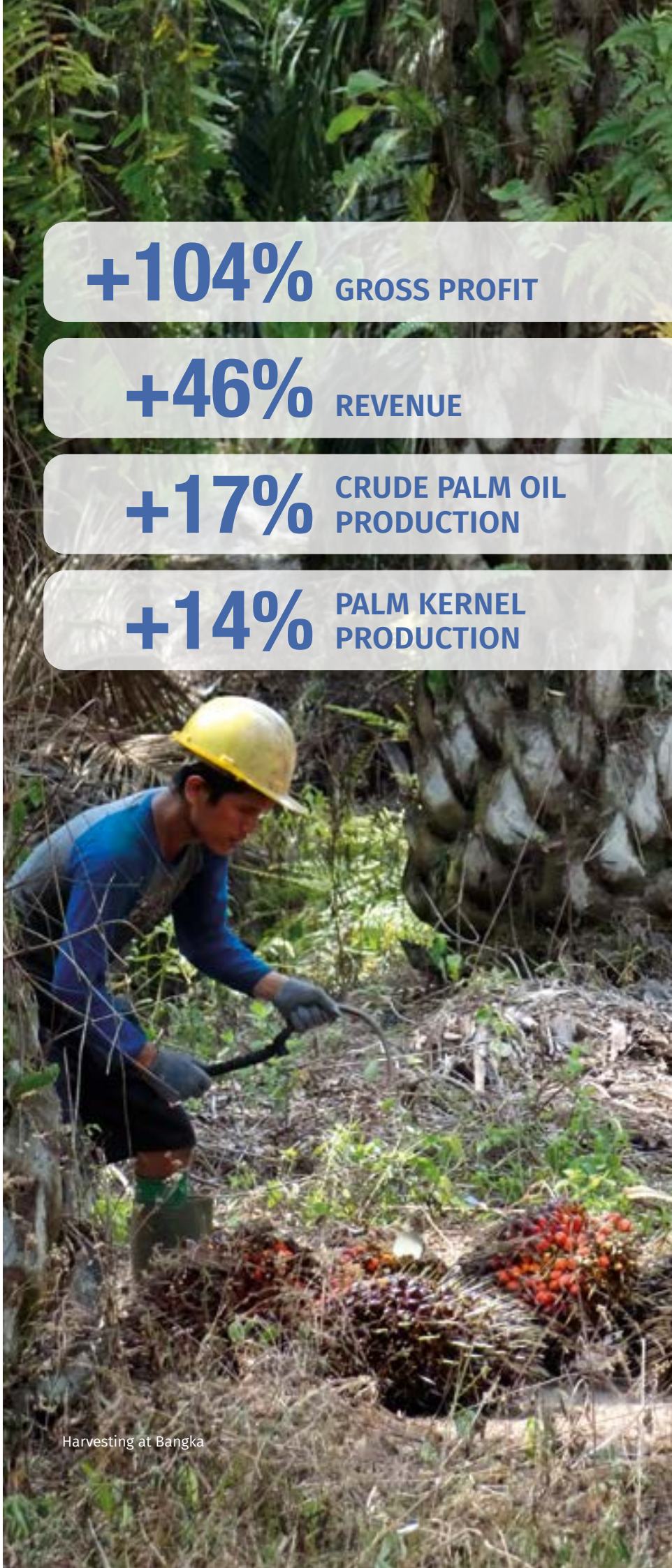
In 2020, the board also reviewed the Group's policy on Modern Slavery and its Anti-bribery and Corruption Code of Conduct to ensure the Group's practices reflected its values. These policies are intended to benefit the company and its members, taking into account issues such as the Group's employment practices, relationships with suppliers and customers, and its reputation for high standards.

+104% GROSS PROFIT

+46% REVENUE

+17% CRUDE PALM OIL PRODUCTION

+14% PALM KERNEL PRODUCTION



Harvesting at Bangka



RESULTS & FINANCIAL POSITION

REVENUE AND GROSS PROFIT

The Group's revenue for 2020 was US\$174.5 million, 46% higher than the US\$119.3 million achieved in 2019. Production of CPO and PK increased by 17% and 14% respectively in the year, as shown on page 18. In addition, average prices for CPO at mill gate rose by US\$110 per tonne, or 23%, in the year (see page 20), which taken together with the production increase resulted in the higher revenue for the year.

The Group's cost of production per tonne of palm product (a combined measure for CPO and palm kernels) for its own mills decreased by US\$5 per tonne in the year for the Group's own ffb, whilst the cost per tonne when including ffb purchased from scheme and independent smallholders increased by US\$40 as a result of higher CPO prices pushing up the cost of purchased ffb. Further details are in the costs section on page 19. As a result, the Group achieved a gross margin of US\$187 (2019 US\$127) per tonne on sales of CPO from its own mills during the year, and each tonne of palm product achieved a gross margin of US\$137 (2019 US\$84). In addition, the Group incurred a small gross loss of US\$0.8 million (2019 US\$3.7 million) at those locations which do not yet have their own mills.

Finally, in 2020 the Group wrote off costs of US\$1.0 million relating to land and plantings at Kota Bangun and Tenera Mas which are no longer expected to be either developed or productive. Allowing for all of the above, the Group's gross profit was US\$34.8 million, more than double the US\$17.0 million in 2019.

FOREIGN EXCHANGE LOSSES

During 2020, the Indonesian Rupiah weakened by a little over 1% 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. Hence, a foreign-exchange loss of US\$1.1 million (2019 gain of US\$1.2 million) arose during the year on the retranslation of these balances.

ADMINISTRATIVE EXPENSES AND OTHER INCOME

The Group's administrative expenses were US\$4.6 million in the year (2019 US\$3.5 million). However, in 2019 sundry income of US\$0.7 million, predominantly relating to sales of kernel shell, had been offset against administrative expenses, without which they would have been US\$4.2 million. Similarly, whilst the rise in the Group's other income from US\$0.5 million to US\$1.5 million in the year was partly due to increased electricity sales from the Group's biogas plants, the increase was also partly due to the inclusion of sales of kernel shell.

FINANCE COSTS

During 2020, the Group drew down a further US\$24.6 million from its US\$120 million credit facility. This borrowing was used to support the Group's ongoing capital expenditure programme. Whilst there was a modest increase in total debt in the year, financing costs fell by US\$0.3 million to US\$3.4 million, reflecting the Group's low borrowing costs.

TAXATION

The Group tax charge for the year was US\$7.7 million (2019 US\$7.2

million). The Group's effective tax rate was higher than the standard UK tax rate, due in part to the higher standard rate applied in Indonesia, but also as a result of the tax cost associated with the Group's financing structure.

ASSOCIATED COMPANIES

The Group's Indonesian associate, PT Kerasaan Indonesia (38% owned), contributed US\$1.1 million (2019 US\$0.8 million) to Group profit in the year, and the Group received no dividends (2019 US\$0.4 million) in the year. The Group's Malaysian associate, Bertam Properties Sdn Berhad (40% owned), contributed US\$0.4 million (2019 US\$1.1 million) to Group profit in the year, and the Group received dividends of US\$1.2 million (2019 US\$0.6 million) in the year.

PROFIT FOR THE YEAR

As a result of the above, the Group's profit for the year was US\$22.2 million (2019 US\$7.5 million).

NET ASSETS AND BORROWING

At the end of the year, the Group's net assets were US\$374.1 million (2019 US\$367.7 million). Current assets exceeded current liabilities by US\$22.9 million (2019 US\$35.4 million).

At the end of the year, the Group had cash and liquid resources of US\$27.6 million (2019 US\$27.1 million). As a result of the additional borrowing referred to under finance costs above, net debt increased in the year to US\$78.1 million (2019 US\$67.4 million). At the end of the year net gearing was 17% (2019 – 15%); gross gearing was 22% (2019 – 20%).

OPERATIONS: INDONESIAN PALM OIL



CROPS

The Group's progressive upward trend in crops continued during 2020. The Group's own crops rose by 9%, those of its scheme smallholders (those attached to its projects) by 12%. The Group's palms have a young average age of only 8 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 5,300 immature hectares were declared mature during 2020 for the Group and its scheme smallholders. Harvesting on these areas commenced and they began contributing to total crop. Crop nearly tripled at Musi Rawas, having experienced a similar rate of increase in 2019. At Bumi Mas, acquired by the Group in 2017, crops grew by 26% having started from a higher level.

There was again a significant increase in the purchases of ffb from independent smallholders. The Group seeks to maximise the use of any spare capacity in its mills whilst its own plantings continue to mature and so currently yield less crop than

the levels that will be attained in time. Due to the commissioning of its fourth mill in September 2020, the Group had additional surplus capacity during the year. In total, 290,000 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 1,207,000 tonnes, coincidentally matching the rate of increase in 2019.

In Kota Bangun, the relatively dry weather in the middle of 2019 did, as expected, adversely affect crops for much of 2020. By the final quarter of the year, however, crops began to grow strongly and this momentum was carried into the early months of 2021. The crop for 2020 followed the usual pattern of second-half crop being greater than crops during the first half of the year. For the year as a whole, crop fell by 4% compared with 2019 as the whole region suffered from dry weather that led to the trend in long-term rainfall reaching a low point in April. Since that point, the trend has reversed, resulting in burgeoning crop in the latter part of 2020 and this augurs well for crop in 2021. The investment that the Group has made in bunds, drains and

pumps has allowed it to manage this increase in rainfall and is expected to benefit crops in 2021 and future years. Following the completion of planned investment into water-management infrastructure, as described in 'Results and financial position' above, the Group took the decision to write off 106 hectares of planting that now fall outside the areas protected by these investments. It remains possible that some further small areas, now inside the protected zone, may become plantable over the next 24 months.

A pronounced dry spell between February and November 2019 in Bangka took its toll on crop during the first part of the year. Crop accelerated noticeably from September, meaning that overall the Group's crop was only 1% less than in 2019. Taking into account both the Group's own and scheme-smallholder areas, Bangka's crop rose during 2020. This was also partly due to the increase in mature hectareage as most of the remaining immature area, some 1,300 hectares, was brought into harvesting during the year. For the time being, the Group has spare capacity at its mill, and in 2020 was able to increase

the purchases of independent-smallholder ffb beyond the high levels recorded in 2019.

At Bumi Mas, improving field conditions and rising standards led to further increases in crop, which was 26% higher than 2019 in the Group's areas, and 37% higher in the scheme smallholder areas. This is an area of high rainfall, which has led to some delays in completing the road-building programme in two of the project's four estates. Nevertheless, a further 63 km of roads were raised and 116 km strengthened during 2020 and the Group continued its construction programme of houses and estate buildings: 65 workers' houses were built during the year. The Group also completed construction of a new medical centre, at which the project has a resident doctor, as well as a primary school and a crèche. Following intensive efforts by local management, it was possible to negotiate more favourable contracts with third-party mills for the Group's crop.

More than 2,500 hectares of young areas at Musi Rawas started to come into harvesting, a trend which will continue over the coming years. This contributed to crop rising strongly. Whilst there was no new planting at Musi Rawas, the Group has used the pause in development to improve the field conditions of the 8,000 hectares that are planted.

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, continues to produce results, leading to a 7% increase in crop from this estate.

CROP

	2020 TONNES	INCREASE/ (DECREASE) %	2019 TONNES
Own crops			
Kota Bangun	186,400	(4)	194,000
Bangka	127,500	(1)	128,900
Pangkalan group	170,300	4	164,300
Bumi Mas	154,300	26	122,000
Musi Rawas	44,500	189	15,400
Simpang Kiri	41,300	7	38,700
	724,300	9	663,300
Scheme-smallholder crops			
Kota Bangun	81,500	(7)	87,300
Bangka	64,400	12	57,500
Bumi Mas	26,900	37	19,600
Musi Rawas	20,200	162	7,700
	193,000	12	172,100
Independent-smallholder crop purchased			
Kota Bangun	142,500	260	39,600
Bangka	112,800	7	105,200
Pangkalan group	34,400	62	21,300
	289,700	74	166,100
TOTAL CROP	1,207,000	21	1,001,500

CROP HISTORY

tonnes





STRATEGIC REPORT continued

PRODUCTION AND EXTRACTION RATES
GROUP AND THIRD-PARTY MILLS

	2020	INCREASE/ (DECREASE)	2019
PRODUCTION	TONNES	%	TONNES
Crude palm oil			
Kota Bangun	96,500	22	79,000
Bangka	69,600	3	67,400
Pangkatan group	46,100	8	42,800
	212,200	12	189,200
Bumi Mas	37,400	27	29,500
Musi Rawas	13,200	175	4,800
Simpang Kiri	8,900	6	8,400
	59,500	39	42,700
	271,700	17	231,900
Palm kernels			
Kota Bangun	19,300	14	17,000
Bangka	16,900	4	16,200
Pangkatan group	10,800	7	10,100
	47,000	9	43,300
Bumi Mas	8,600	26	6,800
Musi Rawas	2,900	164	1,100
Simpang Kiri	1,900	6	1,800
	13,400	38	9,700
	60,400	14	53,000
	2020	INCREASE/ (DECREASE)	2019
EXTRACTION RATES	%	%	%
Crude palm oil			
Kota Bangun – Bumi Permai	23.8	(3)	24.6
Kota Bangun – Rahayu	21.6	—	—
Bangka	22.9	(1)	23.1
Pangkatan group	22.5	(3)	23.1
	23.1	(3)	23.7
Bumi Mas	20.7	(1)	20.9
Musi Rawas	20.4	(1)	20.6
Simpang Kiri	21.5	(1)	21.8
Palm kernels			
Kota Bangun – Bumi Permai	4.9	(8)	5.3
Kota Bangun – Rahayu	4.0	—	—
Bangka	5.5	(2)	5.6
Pangkatan group	5.3	(2)	5.4
	5.1	(6)	5.4
Bumi Mas	4.7	(2)	4.8
Musi Rawas	4.6	-	4.6
Simpang Kiri	4.5	(6)	4.8

PRODUCTION

A record year for crops, combined with a further increase in ffb purchased from independent smallholders, led to another record year for Group production. CPO production rose by 17% to 272,000 tonnes; that of palm kernels by 14% to 60,000 tonnes. The Group does not yet have its own mill at either Bumi Mas, Musi Rawas, or 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, 53% 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 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.

An increase in the volume of independent-smallholder ffb purchased by the Group led to a small reduction in the extraction rates it achieved in the year.

Ffb purchased from independent smallholders is not of the same standard as that produced by the Group and its scheme smallholders since it is predominantly from *dura* palms, which tend to have larger kernels and less flesh from which to squeeze CPO. Average oil extraction in the Group's mills decreased to 23.1% compared with 23.7% in 2019. 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 Group continues to buy fruit from independent smallholders to utilise spare capacity at its mills, including the new Rahayu mill, the second mill at Kota Bangun. Indeed, after commissioning, this mill exclusively processed ffb from independent smallholders, whilst the first Kota

Bangun mill, Bumi Permai, processed ffb from the Group's and scheme-smallholder areas. 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, although this is reflected in the price the Group pays for it. Hence, purchases of fruit from independent smallholders make an acceptable profit margin notwithstanding the reduction in

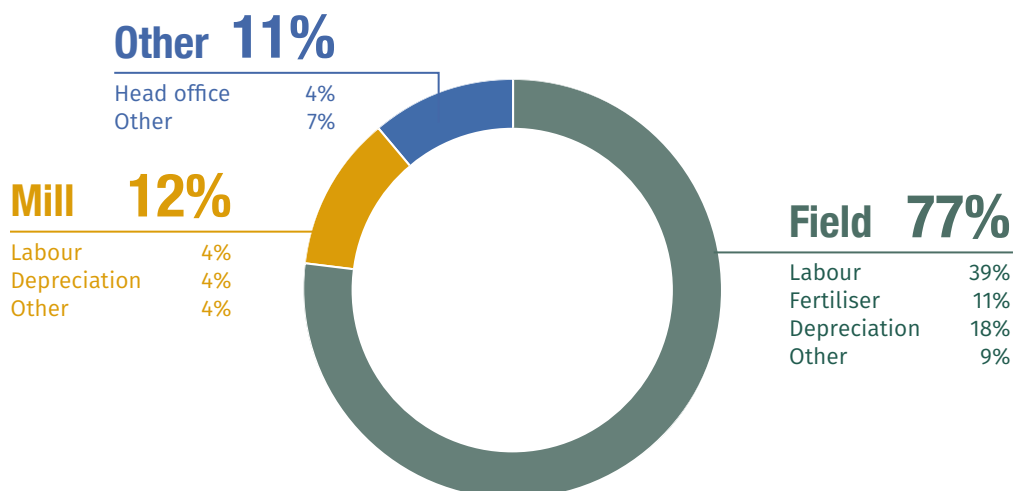
COSTS

Careful management and higher volumes exerted downward pressure on unit costs. The combined cost per tonne of palm product from the Group's mills in 2020 was US\$340 (2019 US\$345). The main source of cost pressure was from the addition of newly-mature areas, in which the quantity and weight of ffb in the initial months of cropping are relatively low. In addition, during the first half of 2020 there was expenditure associated with diverting harvesters at Kota Bangun to carry out field work in the face of lower crops in this area, and enhanced levels of mill expenditure on repairs due to running the Bumi Permai mill at very high levels of capacity utilisation in the run up to commissioning the Rahayu mill.

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\$250 per tonne of palm product.

The Group projects increasing crop volumes in future, but is reaching a point in its development where the benefit of this increased volume on unit costs will largely be absorbed by cost inflation in production.

Unlike the cost of production from processing 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\$400, rather higher than the US\$360 recorded in 2019. This stemmed from both the increase in proportion of lower-yielding ffb purchased from independent smallholders and the commodity price of CPO, which rose strongly from May 2020 to finish the year at the highest level for nearly a decade.





STRATEGIC REPORT continued

average rates of oil extraction their purchase entails. The proportion of ffb bought from independent smallholders increased at each of the Group's mills, significantly so in Kota Bangun and Pangkatan. The highest proportion, 37%, is still at the Group's Bangka mill, now similar to the proportion of 35% at Kota Bangun.

The composting and biogas facilities at both mills in Kota Bangun and in Bangka are processing all of the empty ffb and 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, including running the 14 pumps that form an essential part of the Group's approach to water management at this location. An extension to the existing biogas facility at the Bumi Permai mill began supplying the state electricity company, PLN, with surplus electricity in July 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. The Rahayu mill will initially capture methane and produce compost, whilst the Group establishes whether PLN is willing to purchase the additional power that could be generated from this resource. 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. At both sites, production of power will increase with the volume of crop processed by the mills.

Construction of the Benuang mill at Bumi Mas is under way, and on schedule to begin commissioning in mid-2021. Design work has begun on the planned mill at Musi Rawas, which is expected to go into service at the end of 2022.

MILL-GATE PRICE

CPO prices started the year at good levels, fell with the onset of the Covid-19 pandemic in February but

then rose strongly from May 2020 to finish the year with the highest prices since 2012, as described in the section 'The palm-oil market' above. The average cif Rotterdam price for the period was US\$716 per tonne, 27% higher than the US\$566 recorded in 2019. However, towards the end of the year the Indonesian government introduced a new export levy in addition to the existing export tax. The combined effect of this was for the government to take most of the benefit of commodity price increases between a level of about US\$800 per tonne cif Rotterdam and US\$1,000 per tonne. As a result, the Group's ex-mill-gate price did not benefit fully from the increases in the cif Rotterdam price. During 2020, the Group actually received on average US\$581 per tonne of CPO at mill gate, US\$110 per tonne more than in 2019. In addition, the average sustainability premium received by the Group rose slightly from US\$9 to US\$10 per tonne.

For PK, the Group received US\$300 per tonne, significantly higher than the unusually low level of US\$245

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.

51,600

HECTARES, GROUP AND SCHEME SMALLHOLDERS

2019: 51,600 hectares

PLANTED HECTARAGE

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

20.0

TONNES PER HECTARE

2019: 20.5 tonnes per hectare

FFB YIELD PER HECTARE

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



in the previous year, following a very significant increase in the price of PK in the last quarter of the year. The Group also on average received US\$16 per tonne in the premium available for PK sold with sustainability certificates, a noticeable increase of US\$7 per tonne on 2019.

In total, the Group received some US\$2.6 million in sustainability premia during 2020, a 34% increase on the US\$1.9 million achieved in 2019. This was due to consistent demand for oil certified by ISCC, which attracts a higher premium than oil certified by the RSPO, as well as sales of certified oil and PK from the Group's expanded Bangka mill.

PLANTING

Essentially all of the Group's new planting is at Musi Rawas. Development here remains paused whilst the Group provides the RSPO with the material it needs to permit the Group to continue its new planting programme. This is necessary for the ffb from these

areas to be certified as being produced sustainably. At the end of 2020, planting since development began reached 8,000 hectares, of which 5,500 were for the Group and 2,500 for the scheme smallholders. In addition, land compensation had been paid on a further 800 hectares in anticipation of planting recommencing in the middle of 2021. During 2020, the Group received its HGU from the Indonesian government for all of its planting on Musi Rawas.

As a result of the pause in planting at Musi Rawas, the Group planted only 30 new hectares, in Kota Bangun. In North Sumatra, no replanting was carried out in 2020.

ASSOCIATED COMPANY:

KERASAAN

Crops at Kerasaan were 54,800 tonnes (2019 – 54,200 tonnes). Ffb crops grew strongly in the first half of the year before falling month on month for the remainder of the year. This resulted in the unusual pattern of crop in the first half exceeding

crop in the second half of the year. This weakness in crop during the second half of the year was mirrored in many other Indonesian estates, leading to the palm-oil supply shortages described in 'The palm-oil market' above. Overall, crops finished 2020 at a very similar level to 2019. Some 30% of Kerasaan's planting dates from the second half of the 1990's, so a programme of replanting will begin in the coming years.

PERFORMANCE EVALUATION

Whilst there was only limited new planting in 2020, the Group still had significant areas of immature palms from plantings that took place in 2017-19. Management monitors areas to be planted, new planting, and the cost per hectare of development. The Group ensures that it has sufficient planting material to fulfil its planned programme of new planting. A high proportion of planting work is undertaken by contractors, and management monitors the progress achieved on the contracted areas.

917,300

TONNES

2019: 835,400 tonnes

FFB CROP

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

23.1%

OIL-EXTRACTION RATE

2019: 23.7%

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.

US\$340

PER TONNE PALM PRODUCT

2019: US\$345 per tonne palm product

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.

STRATEGIC REPORT continued

Planting costs are monitored by management for each individual estate. The cost per hectare of a particular planting is influenced by factors such as the weather pattern, the soil type and terrain. Ultimately, total planted hectareage determines future crop. At the end of 2020, the Group stood at **51,600 hectares** planted for itself and its scheme smallholders.

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 **20.0 tonnes per hectare** reflects the young average age of its palms. This yield is a little lower than in 2019, reflecting the addition of 5,300 newly-mature hectares during the course of 2020. Monitoring of performance takes into account the conditions on each year's planting on each estate. Local management is responsible for field standards, fertiliser application, harvester numbers and productivity, and the quality of infrastructure (estate roads and drains, for example). These are monitored by senior 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 **917,300 tonnes**.

The key indicators of mill performance are: the extraction rate of palm oil and palm kernels;

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 23.1%** in 2020, whilst lower than 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.

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 bears down on the **US\$340 per tonne** it currently costs the Group to produce palm product, but the Group is reaching a point where this benefit will largely be absorbed by normal inflation of production costs.





CURRENT TRADING AND PROSPECTS

Crop in the first two months of 2021 is ahead of 2020 in all regions except North Sumatra, which lagged the good levels seen last year. The increase was particularly pronounced at Musi Rawas in South Sumatra, where yield on the young palms is improving and new areas are being brought into first harvesting. Compared with last year, the Group has also purchased significantly more ffb from independent smallholders. At the end of February, total crop processed was 217,000 tonnes, 20% more than the 180,000 tonnes processed during the first two months of 2020. The details are set out in the following table:

	2 MONTHS ENDED 28 FEB 2021 TONNES	INCREASE %	2 MONTHS ENDED 29 FEB 2020 TONNES
Own crops	124,200	16	107,100
Smallholder crops	38,300	39	27,500
Outside crops purchased	54,400	19	45,600
	216,900	20	180,200

Crop is rising due to the young average age of its palms across the Group, an average of 8 years. This is a consequence of the development of its projects in Bangka and East Kalimantan over the last ten years, the acquisition of Bumi Mas and the development of Musi Rawas. The upward trend in crop is expected to last until 2027 before plateauing. This would be further augmented by the acquisition or development of new project areas.

As reported in the section 'The palm-oil market' on page 10, the price of CPO climbed in the second half of 2020, ending the year at a price of US\$1,035 cif Rotterdam. This strong level carried over into 2021. In the first two months of the year it has mainly stood above US\$1,000 per tonne, and indeed from the beginning of February 2021 climbed further to reach US\$1,100 per tonne. The price was influenced by higher export levies introduced in Indonesia, as described in the section 'Mill-gate price' above. It is also likely that exports from Indonesia in December

2020 may have been boosted by trade brought forward from January in order to avoid potentially higher levies on exports in 2021. Nevertheless, stocks of palm oil were at low levels at the end of 2020. A recovery in palm-oil production is expected in 2021, although the extent of this may be limited by continuing labour shortages arising from travel restrictions imposed to control the spread of Covid-19. The path of consumption will be affected by the speed of recovery of the hospitality sector, notably in India, which is a significant consumer of palm 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.

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

In July 2020, the Group announced a conditional agreement to sell its 70-hectare Bertam Estate to Bertam Properties, its associated property-development company, for 99.9 million Malaysian Ringgit (US\$24.9 million at the year-end exchange rate). The sale consideration is being paid in cash over a three-year period ending in July 2023. Of the total, 60% (US\$14.9 million) is receivable in cash once all sale conditions are satisfied, including approval by the Malaysian Estate Land Board. The Group expects this to be before the end of the third quarter of 2021. The sale proceeds will contribute to funding the Group's investment in expansion of both its hectarage and production facilities in Indonesia. Bertam Properties will be able to add substantial value to this land by developing it, and the Group will reap its share of this benefit.

In the meantime, residual oil-palm operations on 65 hectares of cultivated land yielded a crop in 2020 of 900 tonnes (2019 – 1,100 tonnes). The Group has three junior employees on Bertam Estate. It has no other

physical presence in Malaysia, with administrative and agricultural advice and work being carried out by its agent, Straits Estates Sdn Berhad, and other external service providers.

ASSOCIATED COMPANY: BERTAM PROPERTIES

During 2020, Bertam Properties continued to focus on reducing its stock of unsold properties, including through the use of innovative digital marketing, and took a very disciplined approach to commencing new development. This tactic successfully generated a cash inflow to the operation at a time of uncertainty in the Malaysian property market, where transactions fell by some 30% compared with 2019 despite a government Home Ownership Campaign, which gave exemptions for stamp duty, future capital gains tax and removed loan-to-value limits for lending.

As a result of the continuing initiative to clear its stock, Bertam Properties sold 237 properties in 2020. This was significantly fewer than the 461 sold in 2019, but Bertam Properties was able to increase the number of terraced properties sold whilst

there was a reduction in the high-end properties that had accounted for the majority of sales in 2019. Bank finance remained available for this mid-cost category of property. Notwithstanding the change in mix of property sold, the gross sales margin increased from 21% to 23%. There was overall, however, a sharp decrease in property-development turnover from 104 million Malaysian Ringgit in 2019 to 60 million Malaysian Ringgit in 2020 resulting in a modest profit for the year.

At the end of 2020, Bertam Properties owned 152 hectares of development land, including 24 hectares already under development, and a 103-hectare golf course. The newly redesigned 18-hole course at the Penang Golf Resort had opened at the end of 2019, but from mid-March to mid-May 2020 the playing of golf was stopped with the introduction of measures to combat the spread of Covid-19. Playing resumed in mid-May 2020, but the capacity of the course was reduced through the requirement for buggies to be single occupancy until mid-June from when twin sharing was allowed for the rest of the year. The



Bertam Properties residential development

new course has been well received by members and, despite being closed for nearly two months, playing numbers compared well with 2020.

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. Not taking account of the land occupied by the Penang Golf Resort, at the end of 2020 Bertam Properties had 128 hectares remaining on which development had not been started. Acquisition of the 70 hectares of Bertam Estate land (described in the preceding section) will therefore significantly increase Bertam Properties' landbank and its ability to exploit the value generated by its completed development.

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



Bertam Properties show home



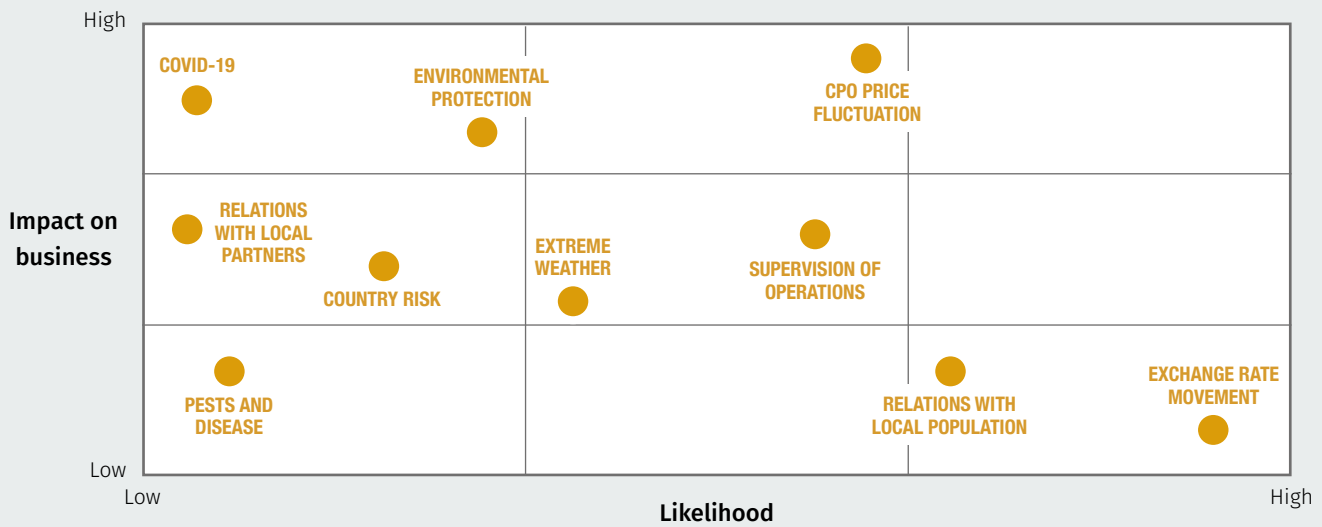
Abdullah Fahim mosque, and part of the new town, at Bertam Properties

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 2020 review concluded that the principal risks reported in the 2019 annual report remain risks to the Group, and that no new principal risks have been identified. Set out below is the board’s evaluation of the principal areas of potential risk. Risks have been classified as being either specific to the Group or of a general nature. The risk to the Group is described, along with the steps taken to mitigate that risk. The board regards the principal risk to the Group to be a reduction in the commodity price for CPO.

PRINCIPAL RISKS



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, including any emerging variants, 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 established precautionary measures to prevent the spread of any infection, which remain under review and in place as required.

Monitoring of the workforce for symptoms of the virus has been established. Travel by the Group’s staff has been restricted. Movement on the Group’s estates has been restricted and, as far as possible, access reduced to external visitors. The Group has plans to isolate individual divisions or estates, including stopping all harvesting and production should this become warranted or is imposed by the Indonesian authorities. Remote working arrangements are in place in both the Jakarta and UK offices.

→ Read more in the chairman’s statement on page 2



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 benefitted 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. 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.

A 2014 law mandated the Indonesian 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. No further action has ensued. 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 leases (HGU) which are legally renewable, and which have to

date been renewed without difficulty when falling due. The Group has already obtained the HGU for nearly all 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 and staff 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 communication and, prior to 2020, frequent visits by the executive directors to all areas of the Group's operations, including the operations of associated companies. Since the onset of the Covid-19 pandemic, the Group has undertaken a series of 'virtual visits' in which discussion takes place by video conference, including a review of written reports, photographs and video and drone footage. During this time local senior management have continued regular visits to the Group's operations. In order to strengthen its controls, the Group has put in place an integrated operations and accounting software system which staff can access from the UK as well as Indonesia and Malaysia. The Group has seats on the board of its large Malaysian associated company, Bertam Properties, 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,



STRATEGIC REPORT continued

health and safety 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 20 to 21

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

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 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 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, the Bumi Permai mill in East Kalimantan and mill in Bangka 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. These studies cover 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 published its first self-standing sustainability report 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. It 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 agriculture 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. CPO and PK are sold weekly, or at least fortnightly, by open tender. 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 'spot' the Group obtains the average commodity price for CPO. 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 risk in such contracts given the tax is determined and levied at the time of delivery, not at the time at which the contract is agreed.

The price of palm oil fluctuates, determined both by disposable income around the world generated by economic activity and by the supply, pricing and demand for competing vegetable oils. The Group's ability to collect



STRATEGIC REPORT continued

sustainability premia 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 page 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, and that of natural disasters, is part of the business. It is mitigated by the geographical diversity of its operations.

→ More detail 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 84 to 85

Approved by the board of directors and signed on its behalf

Tristan Price
Chief executive
23 March 2021



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.

The Group publishes a wide range of information showing its approach to sustainability, including a separate 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"). 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

is working to provide disclosures in full compliance with GRI Standards in future sustainability reports.

The cornerstone of the Group's commitment to sustainability is its membership of the Roundtable on Sustainable Palm Oil. 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. Three of the Group's four existing mills have been certified. Group policy is for any new mills, including the Rahayu mill commissioned in September 2020, 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.

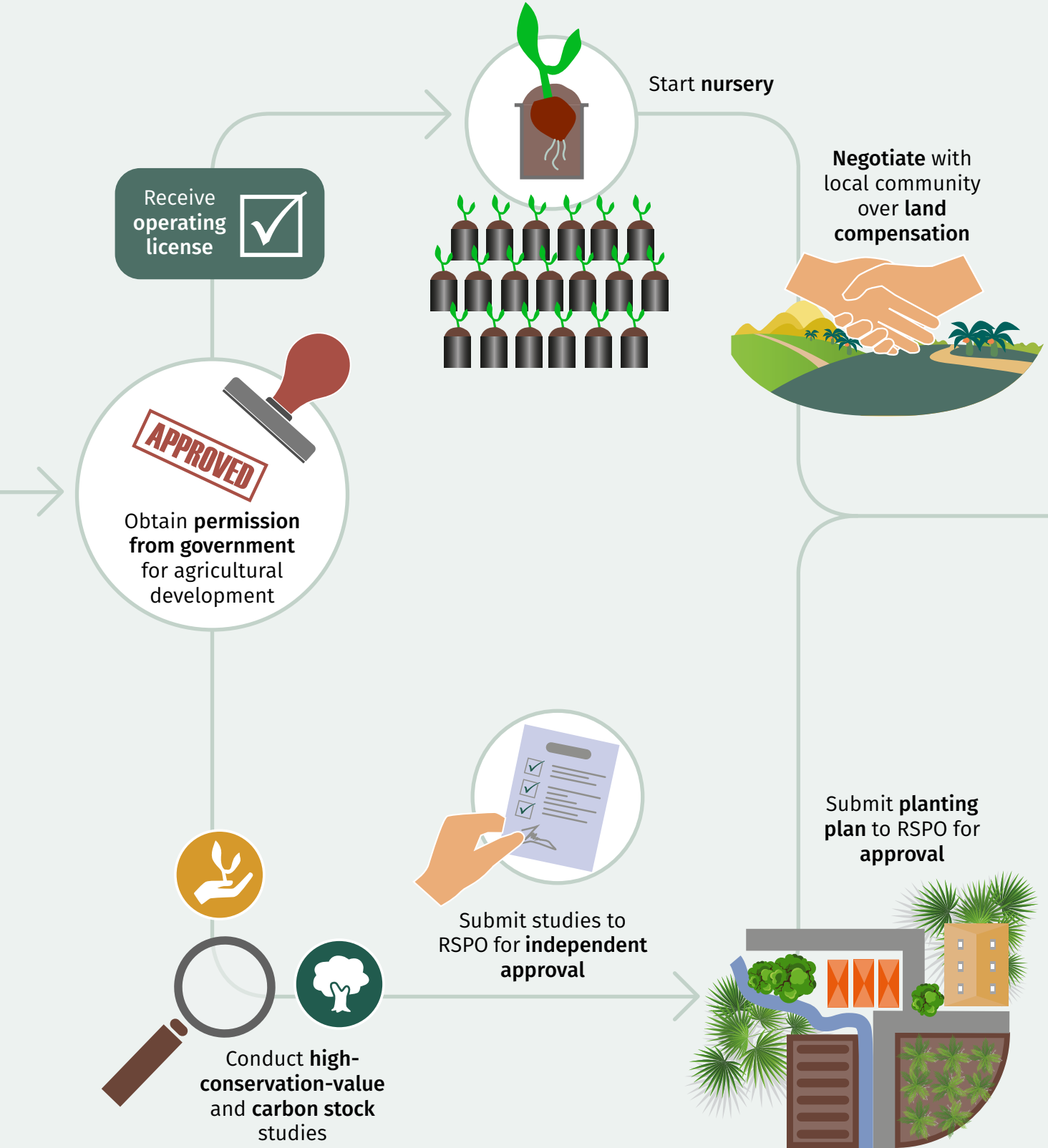
SUSTAINABLE PALM-OIL PRODUCTION

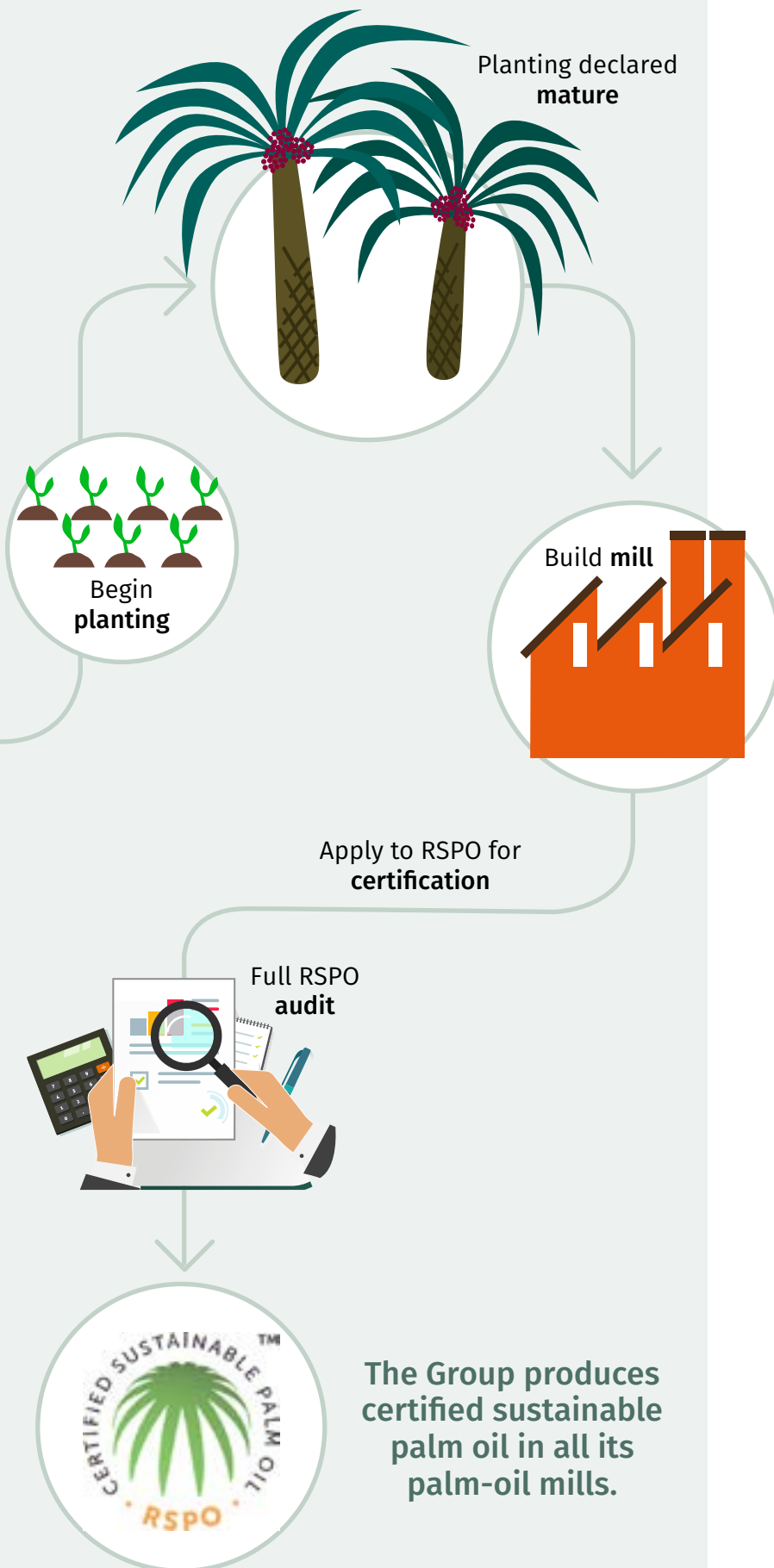
Concerns about global warming and particularly the destruction of the tropical rainforest have rightly received, and continue to receive, close scrutiny. The palm-oil industry is one of those associated with cutting down tropical rainforest and destroying the habitat of endangered species. Oil-palm plantations 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 fertilisers. Not only is this good for the environment; it also reduces the Group's costs.

APPROACH continued

HOW TO PRODUCE CERTIFIED SUSTAINABLE PALM OIL





DEMONSTRATING THE BENEFITS OF 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 (see case study on page 36), 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.

The Group has long-standing policies and operating procedures to manage and monitor water carefully and prevent pollution of air, land and 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.

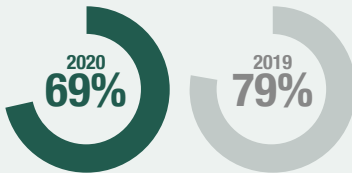
APPROACH continued

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.



SUSTAINABLY CERTIFIED CPO OUTPUT FROM GROUP MILLS



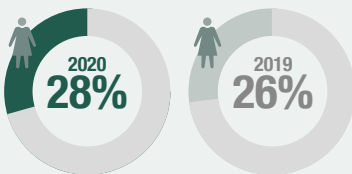
TOTAL ELECTRICITY GENERATED (MWH)



CO₂ EMISSIONS (TONNES CO₂ EQUIVALENT PER TONNE CPO)



WOMEN IN THE PERMANENT WORKFORCE



INJURIES PER YEAR PER 100 WORKERS



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

SAFE WORKING INITIATIVE

In order to improve the health and safety of its workforce, the Group has been conducting a pilot project in Kota Bangun.

This project aims to measure workplace injuries more accurately to help direct effective prevention. It has therefore focussed on the most severe workplace injuries. The Group monitors the number of the days since the last fatality in its operations: there were no fatalities in 2020.

As the project progressed, it became clear that nearly 80% of field injuries were related to harvesting, the majority of these being individuals either struck by a falling palm frond or a work tool. The Group immediately responded by running additional training for harvesters to draw attention to these risks and emphasising how to work safely. This training was then repeated as part of an ongoing programme.

It also emerged that some workers were delaying treatment for minor injuries, worsening their impact. The Group is considering what measures are needed to resolve this, and ensure that all employees receive appropriate medical attention as soon as required.

By the second half of 2020, the pilot programme was having a measurably positive effect. The lessons learned will be extended to all of the Group's operations.



Additional training for harvesters is drawing attention to risks and emphasising how to work safely.

COMMUNITIES continued

CASE STUDY

TRACING PURCHASES FROM INDEPENDENT SMALLHOLDERS

The RSPO introduced a new standard for independent smallholders in November 2019, the RISS, which the Group contributed to writing.



The Group is now running a pilot project in its Bangka estates to establish how best to generate enthusiasm amongst independent smallholders to register under RISS and then achieve qualification.



At the end of 2020, 208 smallholders collectively operating more than 1,200 hectares of land had committed to the scheme. An application had been lodged with the RSPO for a co-operative to register under RISS and the Group had started to deliver training in agronomy to the independent smallholders to help them increase the yield from their palms. In order to support this objective, the Group has begun to deliver training on agronomy, which will be supplemented by in-field visits and advice starting in the middle of 2021.

The Group aims to encourage independent smallholders with at least 3,500 hectares of oil palm to become members of the scheme, and so help it achieve full traceability of all the crop processed at the Bangka mill.

Given its experience and progress to date, it aims to achieve this by 2025.



2020 SUSTAINABILITY 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.

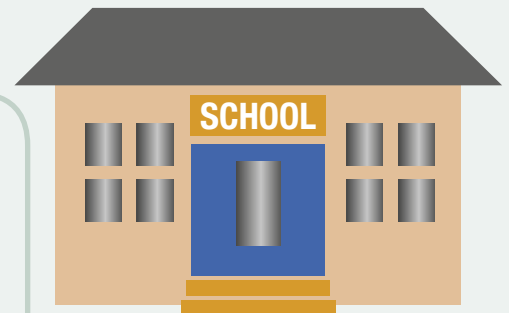
To read online please visit www.mpevans.co.uk
Or ring 01892 516 333 to obtain a copy



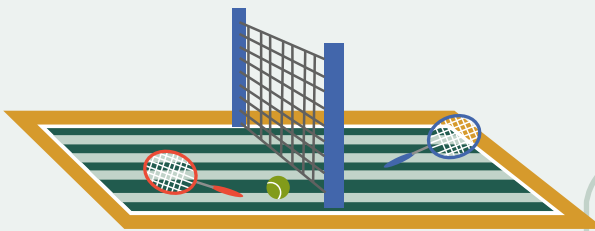
SUPPORTING OUR COMMUNITIES



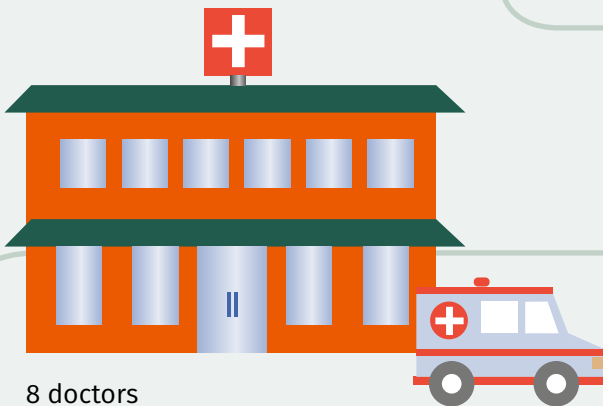
32 co-operative stores



5 nursery schools
3 primary schools
684 pupils
51 teachers



22 football pitches
22 volleyball courts
11 tennis courts
2 swimming pools



8 doctors
18 nurses and midwives
11 clinics
36,000 patient treatments in 2020



50 mosques
47 imams
5 churches
4 preachers



14 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. Member of 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 2020.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A review of the year and future prospects (including the principal risks and uncertainties facing the Company) is included in the chairman’s statement (pages 2 to 4) and in the strategic report (pages 12 to 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 58.

An interim dividend of 5.00p (2019 – 5.00p) per share in respect of 2020 was paid on 6 November 2020. The board recommends a final dividend of 17.00p (2019 – 12.75p) per share. This dividend will be paid on or after 18 June 2021 to those shareholders on the register at the close of business on 23 April 2021. This final dividend is not provided for in the 2020 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 2020	54,461,220
Issued in respect of options	182,320
Bought back and cancelled	153,287
Issued (fully-paid and voting) at 31 December 2020	54,490,253

During the year, the Company bought back and cancelled 153,287 (2019 – 266,652) 10p shares for a total cost of US\$1,155,000 (2019 US\$2,286,000), representing 0.3% (2019 – 0.5%) of the Company’s issued share capital.

DIRECTORS AND DIRECTORS’ INTERESTS

The present membership of the board is detailed on pages 38 and 39. All of these directors served throughout the year and up to the date of signing of these financial statements. Peter Hadsley-Chaplin and Philip Fletcher will retire from the board at the forthcoming annual general

meeting in accordance with the articles of association and, being eligible, 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 2020		
P E Hadsley-Chaplin	1,561,717	—
T R J Price	58,500	167,489
M H Coulson	5,900	29,763
J M Green-Armytage	—	—
P A Fletcher	1,048,171	—
B C J Tozer	—	—
D M McBain	—	—
At 1 January 2020		
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	—	—
P A Fletcher	1,048,171	—
B C J Tozer	—	—
D M McBain	—	—

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 2020, 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.



SIGNIFICANT INTERESTS

As far as the Company is aware, the significant interests in the Company as at the date of this report are:

	NATURE	SHARES	%
KL-Kepong International Ltd	Direct	12,084,565	22.18
Nokia Bell Pensioenfonds ofp	Direct	5,750,000	10.55
Standard Life Aberdeen Plc	Indirect	3,803,494	6.98
MM Hadsley-Chaplin	Direct	1,928,254	3.54
Canaccord Genuity Wealth Management	Indirect	1,700,000	3.12
Chelverton Asset Management	Indirect	1,700,000	3.12

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 scheme, and options to subscribe for 135,912 shares outstanding under the 2017 long-term incentive scheme. If all of the options were exercised, the resulting number of shares would represent 0.57% of the enlarged issued share capital at that date.

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 2020 amounted to 49 days (2019 – 50 days).

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 84 and 85.

SUBSIDIARY COMPANIES

Details of the Group's subsidiary companies, including their country of operation, are given on page 92.

ENERGY USE

During the year, the company used 86MWh of electricity and gas in its Tunbridge Wells head office, giving rise to 20 tonnes of CO₂ equivalent emissions calculated in accordance with government published conversion

factors, or 3 tonnes per full-time equivalent employee. The Company intends to replace its gas boiler with a more energy efficient model when appropriate.

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's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them



REPORT OF THE DIRECTORS continued

to 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

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

Approved by the board of directors and signed
by its order

Katya Merrick
Company secretary

23 March 2021



CORPORATE GOVERNANCE

The Group's recognised corporate governance code is the Quoted Companies Alliance's 2018 Corporate Governance Code ("QCA Code"). The board is committed to following the principles set out in the QCA Code, to review, 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 takes place at least every two years, although the corporate governance information on our website is reviewed annually and was last updated on 15 May 2020 following a review.

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 advises directors of appropriate seminars and training opportunities.

The board first conducted a 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. The board conducted a second evaluation of itself at the end of 2020 using the same framework to enable a comparison of the findings. A consolidated report of these assessments was considered by the board and actions in response to it were agreed, as referred to in more detail in the corporate governance report.

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.

In October 2020, the board reviewed and strengthened the processes the Group has in place to identify and record operational and regional risk. There have been no other significant changes to the Group's corporate governance framework during the year other than formally designating certain risk functions to the audit committee to reflect work which it had already been carrying out, as well as to give the audit committee oversight over the Group's updated whistleblowing policy.

Peter Hadsley-Chaplin
Chairman

23 March 2021



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 eight full board meetings held in 2020, with the exception of Peter Hadsley-Chaplin who was unable to attend the meeting held on 26 March 2020 owing to illness and Bruce Tozer who recused himself from a meeting held on 4 June 2020.

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. The board as a whole actively engages in reviewing and developing Group policies. It promotes a culture founded on its values of integrity, teamwork and excellence. Members of the board lead by example during their frequent 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. The board's objectives are

subject to periodic review, most recently in December 2020. 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 were non-executive and, in accordance with the QCA Code, at least two of the non-executives serving during 2020 were independent.

The board is satisfied that its composition covers a broad range of relevant skills and experience to enable effective formulation and execution of the Group's strategy. Jock Green-Armytage, who has chaired FTSE-listed companies, brings significant industry knowledge as well as experience in both corporate finance and corporate governance. 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 evolution of the Group. As well as general corporate experience through her directorships and in a major South-East-Asian-based global seafood producer, Darian McBain has a special interest and experience in sustainable food production and environmental, social and governance issues.

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 director 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 2020 comprised Jock Green-Armytage, Bruce Tozer and Darian McBain, met three times 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. The board is due to review its approach to succession planning in 2021.

Board performance evaluation

The board undertook its second performance evaluation during the last quarter of 2020. As previously, 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. As the questionnaires replicated the first evaluation, progress against focus areas previously identified could be assessed. Whilst no category covered in the questionnaires returned a low score, the board assessed its best performing area to be the conduct of its board meetings and its work on strategy, whereas feedback indicated a case for reviewing the role and responsibilities of the remuneration committee. The full board discussed the outcome of the evaluation and agreed some actions in response to it, including: recommending more detailed work on risk by the board as a whole; a review of the terms of reference of the remuneration committee; and succession planning.

Relations with shareholders

The board attaches great importance to communications with both institutional and private shareholders. The executive directors regularly engage with shareholders, doing so through digital technology whilst Covid-19 restrictions persist, to update them on the progress of the Group and discuss any areas of concern that they may have. Any significant 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.

Due to the global Covid-19 pandemic and with public health considerations paramount, it was not possible for shareholders to attend the AGM in person in 2020. Instead the AGM was held with the minimum number of members (in this case the chairman and chief executive) and legally permissible persons present in the room required to convene a valid meeting. All other directors joined the meeting by video-link. The proceedings were broadcast via a live webcast which was available for shareholders to watch for a month following the meeting. Whilst shareholders were not able to vote at the meeting, the members present voted to reflect the proxy votes cast ahead of the meeting. Shareholders were encouraged to, and did, raise questions before the AGM and where appropriate these were addressed at the meeting by members of the board. In this way the board sought to create an environment in which shareholders were able to express their voting preferences and engage with the board to the fullest extent possible under the circumstances.

During 2020 the executive directors took part in a number



CORPORATE GOVERNANCE continued

of online presentations, including an event hosted through the Investor Meet Company platform. This was a live webinar available to existing and prospective shareholders, providing an opportunity for questions to be posed to the directors after the presentation. The board acknowledges the important role that technology is able to play in facilitating shareholder engagement and intends to host additional online events in future, including those specifically providing a forum for engaging with greater numbers of shareholders. Such events would be in addition to its AGM, as and when permitted, which the board continues to value highly as an opportunity to meet and get to know shareholders in person.

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.

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 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. During 2020, as a result of Covid-19 travel restrictions, physical visits by the executive team were not possible. Instead, supervision of operations has been maintained through a series of 'virtual visits' using digital technology. Executive directors have engaged in discussion with field managers, reviewing detailed operational reports, photographs and video and drone footage of the operations. Under normal circumstances, non-executive board members take part in a visit to the Group's operations every two years.

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\$27.6 million. Furthermore, as disclosed in note 22, at the year end the Group had available undrawn finance facilities of up to US\$10.0 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 8 years. An upward trend in crop is expected to last until towards



the end of the 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 Philip Fletcher, Bruce Tozer and Darian McBain. 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 four times during 2020 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;
- reviewed a report on management's response to Covid-19;
- reviewed and strengthened the Group's process for risk identification; and
- considered and approved the method and timing of

the accounting for the conditional sale of land by a Group company.

Auditors

The auditors were appointed, following a tender exercise, in 2019. 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 2020 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 2020 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 sale of land by a Group company;
- Group's equity valuation, as disclosed in the annual report; and
- ongoing validity of key judgements in the financial statements.

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.



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, Bruce Tozer and Darian McBain throughout 2020, and is chaired by Jock Green-Armytage.

SERVICE CONTRACTS

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

REMUNERATION POLICY

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 options on 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.

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 grant options in 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 bonuses for 2020 took into account the record level of crop and production in 2020; the Group's response to the Covid-19 pandemic, with low levels of confirmed cases and minimal disruption to operations; successful commissioning of the Rahayu mill in Kota Bangun in September 2020; publication of the Group's first sustainability report and emphasis on sustainability work; and signing a contract for the sale of the Group's remaining land assets in Malaysia in furtherance of the board's strategy. The absolute value of these measures was assessed, as was their outturn against budget.



TOTAL DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2020

	SALARY AND FEES £	BONUS PAID £	'BONUS DEFERRED £	OTHER BENEFITS £	SALARY IN LIEU OF PENSION £	² PENSION COSTS £	³ GAIN ON EXERCISE OF SHARE OPTIONS £	TOTAL REMUNERATION 2020 £	TOTAL REMUNERATION 2019 £
Executive directors									
P E Hadsley-Chaplin	187,250	54,615	—	28,082	28,795	—	—	298,742	272,165
T R J Price	311,850	90,956	90,956	46,791	29,421	5,500	106,256	681,730	490,929
M H Coulson	219,650	64,065	64,065	30,065	19,294	5,500	54,165	456,804	345,711
	718,750	209,636	155,021	104,938	77,510	11,000	160,421	1,437,276	1,108,805
Non-executive directors									
J M Green-Armytage	41,100	—	—	—	—	—	—	41,100	39,700
R M Robinow	—	—	—	—	—	—	—	—	34,000
P A Fletcher	35,200	—	—	—	—	—	—	35,200	34,000
B C Tozer	35,200	—	—	—	—	—	—	35,200	34,000
D M McBain	35,200	—	—	—	—	—	—	35,200	—
	146,700	—	—	—	—	—	—	146,700	141,700
Total	865,450	209,636	155,021	104,938	77,510	11,000	160,421	1,583,976	1,250,505

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 7 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.
3. The gain on share options includes amounts already reported in previous years as remuneration under 'Bonus deferred'. The difference between the amount previously reported and that included in 2020 was £(17,344) in respect of Mr T R J Price, a negative figure since the Group's share price when the options were exercised was lower than when the bonus was awarded."

The annual ratio for total remuneration of the chief executive in relation to the median of the Group's UK payroll excluding this individual was 5.9 in 2020 (2019 – 3.9). The equivalent ratio for the percentage increase in annual total remuneration was 4.9 (2019 – 0.2).

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 SCHEME

During 2020, the chief executive was a member of the executive share-option scheme which was established in 2012. Options granted under this 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 2020, options over 125,000 (2019 – 125,000) shares granted to him under this scheme remained outstanding. During the year, no options were exercised (2019 - none) and none (2019 - 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 37,764 fully-paid shares were awarded in 2020 (2019 – 14,098), representing half of the bonus awarded to these individuals.

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



DIRECTORS' REMUNERATION REPORT continued

OPTIONS HELD OVER SHARES OF THE COMPANY BY THE EXECUTIVE DIRECTORS
DURING THE YEAR ENDED 31 DECEMBER 2020

	BALANCE AT 1 JAN 2020	GRANTED IN THE YEAR	EXERCISED IN THE YEAR	BALANCE AT 31 DEC 2020	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
	—	7,890	—	7,890	0.00	9 Jan 20	9 Jan 23	9 Jan 30
	—	14,268	—	14,268	0.00	22 Dec 20	22 Dec 23	21 Dec 30
	36,678	22,158	16,347	42,489				
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
	—	5,557	—	5,557	0.00	9 Jan 20	9 Jan 23	9 Jan 30
	—	10,049	—	10,049	0.00	22 Dec 20	22 Dec 23	21 Dec 30
	22,490	15,606	8,333	29,763				
Total	59,168	37,764	24,680	72,252				

At 31 December 2020 the middle-market quotation for the Company's shares, as derived from the London Stock Exchange Daily Official List, was 660p, as compared with the high and low quotations for the year of 724p and 400p 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
23 March 2021



INDEPENDENT AUDITORS' REPORT

To the members of M.P. Evans Group PLC

OPINION

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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

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 2020 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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).

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 Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and the parent Company's ability to continue to adopt the going concern basis of accounting included:

- a review of management's assessment of going concern and consideration of the key assumptions used in the forecasts.
- an assessment of the appropriateness and accuracy of cash flow forecasts used by management by reference to current cash reserves, available finance and related covenants, forecast production and CPO price estimates.
- a review of disclosures on going concern in the Group financial statements with reference to regulator publications and examples of best practice.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



INDEPENDENT AUDITORS' REPORT continued

OVERVIEW

COVERAGE	KEY AUDIT MATTERS		MATERIALITY
90% (2019 – 79%) of Group profit before tax	2020	2019	Group financial statements as a whole
86% (2019 – 100%) of Group revenue	✓	✓	
72% (2019 – 94%) of Group total assets	Identification of prior period errors is no longer considered to be a key audit matter because the impact was correctly recorded by management in the prior year and no such instances have been discovered during this year's audit process.		US\$1,400,000 (2019 US\$639,000) based on 5% (2019 – 5%) of profit before tax

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Group financial statements are a consolidation of twenty one companies consisting of the parent Company, three UK-incorporated subsidiary companies, thirteen Indonesian subsidiary companies, one Singapore-incorporated company and three associate entities. The majority of the Group's operations are located in Indonesia with the head office and main group accounting function located in the United Kingdom.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control and assessing the risks of material misstatement at the Group level. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

Based on our assessment, we identified seven (2019 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 who were members of the BDO International network. It was considered appropriate to perform audit procedures on specific audit areas where their balance was material to the Group for a further nine (2019 five and one associate entity) companies ("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.

As part of the audit strategy, senior members of the Group audit team attended a sample of the board's remote quarterly review meetings with estate management.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. In light of the travel restrictions caused by the Covid-19 pandemic, the group team was unable to travel to Indonesia, but were able to communicate effectively with component auditors and local management remotely, in order to direct the component auditor's work and review and evaluate the results of their work as necessary. Our involvement with component auditors included the following:

- As part of our audit planning, the senior statutory auditor and other senior members of the Group audit team held remote planning meetings via video conference with the Indonesian component team where we discussed the Group and local risks identified and agreed the testing approach.
- Senior members of the Group audit team performed a remote review of the component team audit files for the Indonesian operating units using our global audit tool and requested the component auditors to perform any further procedures required.
- At the completion stage senior members of the Group audit team attended the clearance meeting 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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) that 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 THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Valuation of biological assets (note 3 and 17)

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 (based on post-year-end production figures and average growth rates), 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 post-year-end internal production reports. A test of control was performed over the preparation and approval of the daily production report along with performing analytical reviews and investigating any variances against prior year production trends;
- average growth rate – agreed to externally published research papers;
- selling price – agreed to sales price achieved in December 2020 by agreeing a sample of December sales to supporting documents;
- costs to sell – agreed to internal cost data for December 2020 and verified by the component audit team by agreeing a sample of costs to supporting documents.

We checked the mathematical accuracy of the model.

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: we consider the judgements and estimates made by management when assessing the valuation of biological assets to be reasonable.



INDEPENDENT AUDITORS' REPORT continued

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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.

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

	Group financial statements		Parent-Company financial statements	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Materiality	1,400,000	639,000	1,330,000	575,000
Basis for determining materiality	5% of profit before tax	5% of profit before tax	2% of total assets restricted to 95% of Group materiality	2% of total assets restricted to 90% of Group materiality
Performance materiality	980,000	447,000	931,000	431,250
Basis for determining performance materiality	70%	70%	70%	75%

Parent-Company materiality was increased to 95% of Group materiality (2019 - 90%) due to this being our second year audit with performance in this entity considered to be highly predictable. Performance materiality was revised to 70% of materiality (2019 - 75%) to bring this in line with Group performance materiality.

Component materiality

We set materiality for each component of the Group based on a percentage of between 57% (2019 - 83%) and 15% (2019 - 4%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from US\$800,000 to US\$216,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the audit committee that we would report to them all individual audit differences in excess of US\$28,000 (2019 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.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.



OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and directors' report

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.

In the light of the knowledge and understanding of the Group and 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.

Matters on which we are required to report by exception

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 by the parent Company, 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' responsibility, 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.



INDEPENDENT AUDITORS' REPORT continued

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud.
- We considered the Group's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law, UK tax legislation, AIM Rules, Indonesian tax law, Indonesian Sustainable Palm Oil (ISPO) standard and Indonesian land laws and we considered the extent to which non-compliance might have a material effect on the Group financial statements.
- We designed audit procedures at both the Group and significant component levels to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We reviewed internal audit reports throughout the year and subsequent to the year-end and we reviewed minutes of all board and committee meetings held during and subsequent to the year for any indicators of non-compliance and made enquiries of management and of the directors as to the risks of non-compliance and any instances thereof.
- We addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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

23 March 2021

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



Visit to Bumi Permai mill



CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
Continuing operations			
Revenue		174,510	119,341
Cost of sales		(139,755)	(102,297)
Gross profit		34,755	17,044
Gain on biological assets		682	927
Foreign-exchange (losses)/gains		(1,068)	1,161
Other administrative expenses		(4,587)	(3,466)
Other income		1,539	458
Operating profit		31,321	16,124
Finance income	6	527	403
Finance costs	7	(3,408)	(3,747)
Profit before tax	8	28,440	12,780
Tax on profit on ordinary activities	9	(7,692)	(7,183)
Profit after tax		20,748	5,597
Share of associated companies' profit after tax		1,421	1,873
Profit for the year		22,169	7,470
Attributable to:			
Owners of M.P. Evans Group PLC		20,371	6,333
Non-controlling interests	28	1,798	1,137
		22,169	7,470
Continuing operations			
Basic earnings per 10p share	11	37.4	11.6
Diluted earnings per 10p share	11	37.3	11.5
Basic earnings per 10p share			
Continuing operations		29.2	9.0



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 US\$'000	2019 US\$'000
Other comprehensive income (net of tax)		
<i>Items that may be reclassified to the income statement</i>		
Exchange gain on translation of foreign operations	313	390
<i>Items that will not be reclassified to the income statement</i>		
Remeasurement of retirement-benefit obligations	(2,502)	696
Other comprehensive (expense)/income for the year	(2,189)	1,086
Profit for the year	22,169	7,470
Total comprehensive income	19,980	8,556
Attributable to:		
Owners of M.P. Evans Group PLC	18,337	7,370
Non-controlling interests	1,643	1,186
	19,980	8,556



CONSOLIDATED BALANCE SHEET

COMPANY NUMBER: 1555042

As at 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
Non-current assets			
Goodwill	13	11,767	11,767
Other intangible assets	13	1,381	1,433
Property, plant and equipment	14	390,642	368,744
Investments in associates	15	22,154	21,553
Investments	16	67	66
Deferred-tax asset		5,046	5,284
Trade and other receivables	19	10,917	11,555
		441,974	420,402
Current assets			
Biological assets	17	2,749	2,067
Inventories	18	11,617	11,072
Trade and other receivables	19	48,620	45,117
Current-tax asset		3,968	4,245
Current-asset investments	20	334	1,160
Cash and cash equivalents	20	27,222	25,947
		94,510	89,608
Total assets		536,484	510,010
Current liabilities			
Borrowings	22	39,605	28,337
Trade and other payables	21	26,039	22,215
Current-tax liability		6,003	3,657
		71,647	54,209
Net current assets		22,863	35,399
Non-current liabilities			
Borrowings	22	66,079	66,137
Trade and other payables	21	38	265
Deferred-tax liability	23	10,529	12,312
Retirement-benefit obligations	24	14,051	9,401
		90,697	88,115
Total liabilities		162,344	142,324
Net assets		374,140	367,686
Equity			
Share capital	25	9,204	9,200
Other reserves	27	55,090	55,385
Retained earnings	27	300,117	294,139
Equity attributable to the owners of M.P. Evans Group PLC		364,411	358,724
Non-controlling interests	28	9,729	8,962
Total equity		374,140	367,686

The financial statements on pages 58 to 85 were approved by the board of directors on 23 March 2021 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 2020

	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		—	1,421	18,950	20,371	1,798	22,169
Other comprehensive income/(expense) for the year		—	168	(2,201)	(2,033)	(156)	(2,189)
Total comprehensive income for the year		—	1,589	16,749	18,338	1,642	19,980
Issue of share capital	25	23	(23)	—	—	—	—
Share buy-backs		(19)	19	(1,155)	(1,155)	—	(1,155)
Dividends paid	10	—	—	(12,105)	(12,105)	(875)	(12,980)
Dividends from associates	15	—	(1,190)	1,190	—	—	—
Credit to equity for equity-settled share-based payments	26	—	(690)	1,299	609	—	609
Transactions with owners		4	(1,884)	(10,771)	(12,651)	(875)	(13,526)
At 1 January 2020		9,200	55,385	294,139	358,724	8,962	367,686
At 31 December 2020		9,204	55,090	300,117	364,411	9,729	374,140
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		—	—	(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



CONSOLIDATED CASH-FLOW STATEMENT

For the year ended 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
Net cash generated by operating activities	29	39,598	32,002
Investing activities			
Purchase of property, plant and equipment	14	(41,409)	(46,531)
Purchase of intangible assets	13	(113)	(721)
Interest received	6	108	210
Decrease in bank deposits treated as current-asset investments	30	826	1,342
Decrease in receivables from smallholder co-operatives		3,886	4,690
Proceeds on disposal of property, plant and equipment		732	489
Loan to related party		—	(11,747)
Net cash used by investing activities		(35,970)	(52,268)
Financing activities			
New borrowings	30	24,581	110,419
Repayment of borrowings		(13,307)	(46,134)
Lease liability payments		(209)	(167)
Dividends paid to Company shareholders		(12,105)	(12,364)
Dividends paid to non-controlling interest		(89)	—
Purchase of non-controlling interests		—	(25,417)
Exercise of Company share options		—	218
Buy-back of Company shares		(1,155)	(2,286)
Net cash (used)/generated by financing activities		(2,284)	24,269
Net increase in cash and cash equivalents		1,344	4,003
Net cash and cash equivalents at 1 January		25,947	21,626
Effect of foreign-exchange rates on cash and cash equivalents		(69)	318
Cash and cash equivalents at 31 December	20	27,222	25,947

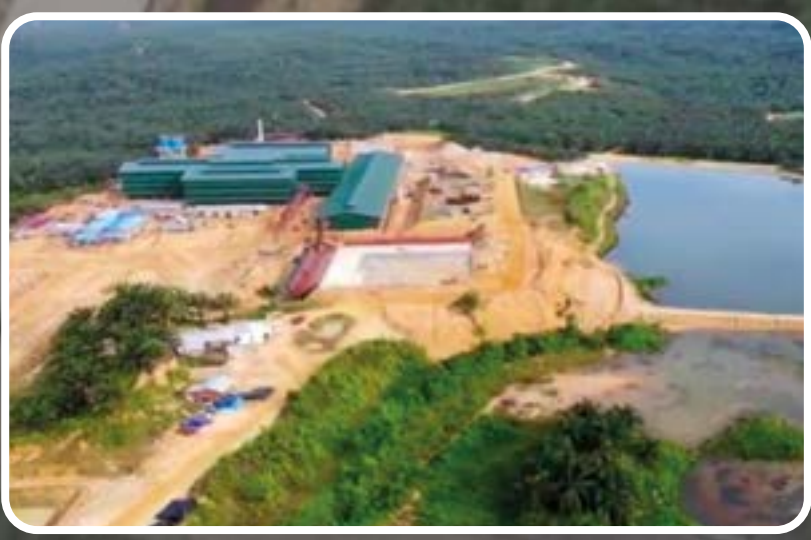
CONSTRUCTION WORK UPDATE

The Group's strategy is to mill all of the ffb it grows, and its construction programme is timed to take maximum advantage of the Group's increasing crop.

The Rahayu mill at Kota Bangun, which was opened in 2020



CPO storage tanks at new Rahayu mill



Construction work is already advanced on the Group's fifth mill at Bumi Mas, and this mill is expected to become operational in the middle of 2021.



NOTES TO THE CONSOLIDATED ACCOUNTS

For the year ended 31 December 2020

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 98. 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 for the year of US\$4,518,000 (2019 US\$3,485,000). The Company's separate financial statements are set out on pages 86 to 91.

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 92.

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 2020. 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.

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*

(b) New standards, amendments and interpretations issued but not effective for the year beginning 1 January 2020 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*
IAS 1 (amendments) *Classification of liabilities as current or non-current*
IFRS 3 (amendments) *Reference to the conceptual framework*
IAS 16 (amendments) *Proceeds before intended use*
IAS 37 (amendments) *Cost of fulfilling a contract*
Annual improvements to IFRS Standards 2018-2020

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 in conformity with the requirements of 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 risks and sensitivities (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

In the UK, 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

In the UK, 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.



NOTES TO THE CONSOLIDATED ACCOUNTS continued

3 Accounting policies continued

Biological assets continued

Deferred tax is recognised at the relevant local rate on the difference between the estimated cost of biological assets and their carrying value determined under IAS 41.

(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 2020. 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.

(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 for 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, recoverable VAT, 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 the amounts 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);
- Determination of retirement-benefit obligations (note 24);
- Carrying value of goodwill (note 13); and
- Valuation of biological assets – growing produce (note 17).



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. The 'other' segment relates in the main to the Group's UK head office.

	PLANTATION INDONESIA US\$'000	PROPERTY MALAYSIA US\$'000	OTHER US\$'000	TOTAL US\$'000
2020				
Continuing operations				
Revenue	174,458	—	52	174,510*
Gross profit/(loss)	34,851	—	(96)	34,755
Gain on biological assets	682	—	—	682
Foreign-exchange loss	(761)	—	(307)	(1,068)
Other administrative expenses	(554)	—	(4,033)	(4,587)
Other income	1,518	—	21	1,539
Operating profit				31,321
Finance income	89	—	438	527
Finance costs	(316)	—	(3,092)	(3,408)
Profit before tax				28,440
Tax	(6,377)	—	(1,315)	(7,692)
Profit after tax				20,748
Share of associated companies' profit after tax	1,070	351	—	1,421
Profit for the year				22,169
Consolidated total assets				
Non-current assets	407,763	—	12,057	419,820
Current assets	84,481	—	10,029	94,510
Investments in associates	5,003	17,151	—	22,154
				536,484
Consolidated total liabilities				
Liabilities	58,592	—	103,752	162,344
Other information				
Additions to property, plant and equipment	41,392	—	17	41,409
Additions to intangible assets	113	—	—	113
Depreciation	17,755	—	21	17,776
Amortisation	165	—	—	165

* US\$66.5 million of revenue (38.1%) was from sales to 2 customers (20.9% and 17.2% respectively).



4 Segment information continued

	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				
Non-current assets	386,154	—	12,057	398,211
Current assets	75,697	—	14,549	90,246
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).

5 Employees

	2020 US\$'000	2019 US\$'000
Employee costs during the year		
Wages and salaries	20,465	19,133
Social security costs	2,086	1,801
Current service cost of retirement benefit (see note 24)	1,392	1,457
Other pension costs	182	114
Share-based payment charge	591	643
	24,716	23,148



NOTES TO THE CONSOLIDATED ACCOUNTS continued

5 Employees continued

	2020 Number	2019 Number
Average monthly number of persons employed (including executive directors)		
Estate manual	7,078	6,010
Local management	98	91
United Kingdom head office	7	7
	7,183	6,108

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

	2020 US\$'000	2019 US\$'000
Interest receivable on bank deposits	108	210
Interest receivable on related party loans	419	193
	527	403

7 Finance costs

	2020 US\$'000	2019 US\$'000
Interest payable on bank loans and overdrafts	3,408	3,747

8 Profit before tax

	2020 US\$'000	2019 US\$'000
Profit before tax is stated after charging:		
Depreciation of property, plant and equipment	17,776	15,340
Amortisation of intangible assets	165	112
Auditors' remuneration	318	341
Employee costs (note 5)	24,716	23,148
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	25
Audit of consolidated financial statements	146	132
Audit of overseas subsidiaries	121	158
Total audit services	292	315
Taxation advisory services	—	—
Total non-audit services	—	—

* In addition to the above, US\$26,000 (2019 US\$26,000) were payable to other firms for the audit of subsidiary companies.



9 Tax on profit on ordinary activities

	2020 US\$'000	2019 US\$'000
United Kingdom corporation tax charge for the year	862	637
Relief for overseas taxation	(862)	(637)
	–	–
Overseas taxation	8,533	6,548
Adjustments in respect of prior years	–	–
Total current tax	8,533	6,548
Deferred taxation – origination and reversal of temporary differences (see note 23)	(841)	635
	7,692	7,183

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax, was 19% (2019 – 19%). The standard rate of Indonesian tax was 22% (2019 – 25%). The actual tax charge is higher than the standard rate for the reasons set out in the reconciliation below.

	2020 US\$'000	2019 US\$'000
Profit on ordinary activities before tax	28,440	12,780
Tax on profit on ordinary activities at the standard rate	5,404	2,428
Factors affecting the charge for the year		
Profits taxed at higher standard tax rate	1,132	1,553
Expenses not deductible	1,342	–
Losses no longer available	696	–
Adjustment to deferred tax on fair value recognition	(2,122)	–
Unrealised Indonesian exchange differences not included in Group profit	–	2,467
Withholding tax on overseas dividends and interest	454	74
Adjustment relating to intercompany loan relationships	335	223
Utilisation of losses brought forward	(24)	(27)
Unrelieved losses	239	296
Other differences	236	169
Total tax charge	7,692	7,183

In addition to the above, the Group recognised a tax credit of US\$0.7 million (2019 US\$0.2 million cost) on retirement benefit obligation remeasurement losses (2019 gains), recorded in other comprehensive income.

10 Dividends paid and proposed

	2020 US\$'000	2019 US\$'000
2020 interim dividend – 5.00p per 10p share (2019 interim dividend 5.00p)	3,511	3,519
2019 final dividend – 12.75p per 10p share (2018 final dividend 12.75p)	8,594	8,845
	12,105	12,364

Following the year end, the board has proposed a final dividend for 2020 of 17.00p per 10p share, amounting to US\$13.0 million. The dividend will be paid on or after 18 June 2021 to shareholders on the register at the close of business on 23 April 2021.

NOTES TO THE CONSOLIDATED ACCOUNTS continued

11 Basic and diluted earnings per share

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

	2020 US\$'000	2020 NUMBER OF SHARES	2019 US\$'000	2019 NUMBER OF SHARES
Profit for the year attributable to the owners of M.P. Evans Group PLC	20,371		6,333	
Average number of shares in issue		54,478,518		54,599,417
Diluted average number of shares in issue*		54,667,409		54,875,441

* 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

In 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. Further details are in the 2019 annual report.

13 Intangible assets

	GOODWILL US\$'000	SOFTWARE US\$'000	TOTAL US\$'000
Cost			
At 1 January 2020	11,767	1,552	13,319
Additions	—	113	113
At 31 December 2020	11,767	1,665	13,432
Accumulated amortisation			
At 1 January 2020	—	119	119
Charge for the year	—	165	165
At 31 December 2020	—	284	284
Net book value at 31 December 2020	11,767	1,381	13,148
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

Goodwill is carried at cost. Of the balance above, 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).

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 2020 (see page 94). These valuations used a 30-year forecast period, to reflect the long-term nature and growth profile of the asset, pre-tax discount rates of 16-19% (2019 – 16-19%), and a mill-gate price for CPO of US\$620 (2019 US\$560 rising over three years to US\$610). A decrease in any of the CPO price, yield or extraction assumptions of 5-10% would result in a range between no impairment and an impairment charge of US\$4.6 million against 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 2020	106,083	204,212	83,095	51,202	18,800	463,392
Additions	4,248	6,417	—	4,037	26,707	41,409
Re-classification	—	—	16,919	8,901	(25,820)	—
Exchange differences	4	—	3	1	—	8
Disposals	(202)	(860)	(881)	(1,444)	—	(3,387)
At 31 December 2020	110,133	209,769	99,136	62,697	19,687	501,422
Accumulated depreciation						
At 1 January 2020	129	39,206	27,352	27,961	—	94,648
Charge for the year	17	8,301	5,478	3,980	—	17,776
Exchange differences	—	—	3	—	—	3
Disposals	—	—	(498)	(1,149)	—	(1,647)
At 31 December 2020	146	47,507	32,335	30,792	—	110,780
Net book value at 31 December 2020	109,987	162,262	66,801	31,905	19,687	390,642
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

Included in planting is immature planting with a cost of US\$21,540,000 (2019 US\$36,349,000) which is not depreciated.

Critical judgement

Included in leasehold land is land in Indonesia which is not being depreciated. Land is held on 25- or 30-year leases, and as those leases can be renewed without significant cost and the Group has previous experience of successful lease renewals, the directors have concluded that the land should not be depreciated. The carrying value of the land at the end of the year is US\$109,608,000 (2019 US\$105,428,000).

As at 31 December 2020, the Group had entered into contractual commitments for the acquisition of property, plant and equipment of US\$ 13,299,000 (2019 US\$8,135,000).

Depreciation is charged to cost of sales, other than US\$18,000 (2019 US\$20,000) charged to other administrative expenses.

At 31 December 2020, the Group accounted for one right-of-use asset (2019 – one asset) as a lease under IFRS 16. The net book value of the asset was US\$0.3 million (2019 US\$0.5 million). The lease has a three-year term with fixed payments and the lease liability is included in note 21.



NOTES TO THE CONSOLIDATED ACCOUNTS continued

15 Investments in associates

Details of the Group's subsidiary and associated undertakings are given on page 92. The Group's associated companies are both unlisted.

	2020 US\$'000	2019 US\$'000
Share of net assets		
At 1 January	24,057	23,020
Exchange differences	312	200
Profit for the year	1,421	1,873
Dividends received	(1,190)	(1,036)
At 31 December	24,600	24,057
Unrealised profit - deferral on land sales to associate	(2,446)	(2,504)
	22,154	21,553

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

	2020			2019		
	KERASAAN US\$'000	BERTAM PROPERTIES US\$'000	TOTAL US\$'000	KERASAAN US\$'000	BERTAM PROPERTIES US\$'000	TOTAL US\$'000
Total						
Revenue	6,693	15,234		5,659	26,201	
Profit after tax	2,815	878		2,102	2,687	
Non-current assets	4,232	26,511		4,371	28,422	
Current assets	10,409	29,127		8,071	30,073	
Current liabilities	(874)	(2,422)		(1,503)	(3,946)	
Non-current liabilities	(602)	(4,223)		(589)	(4,240)	
Net assets	13,165	48,993		10,350	50,309	
Group share	(38%)	(40%)		(38%)	(40%)	
Revenue	2,543	6,093	8,636	2,150	10,480	12,630
Profit after tax	1,070	351	1,421	799	1,074	1,873
Non-current assets	1,608	10,604	12,212	1,661	11,369	13,030
Current assets	3,955	11,651	15,606	3,067	12,029	15,096
Current liabilities	(332)	(969)	(1,301)	(571)	(1,578)	(2,149)
Non-current liabilities	(228)	(1,689)	(1,917)	(224)	(1,696)	(1,920)
Carrying value at 31 December	5,003	19,597	24,600	3,933	20,124	24,057

16 Investments

	2020 US\$'000	2019 US\$'000
Financial assets at fair value through profit or loss (unlisted)		
At 1 January	66	62
Revaluation gain	—	1
Exchange differences	1	3
At 31 December	67	66



17 Current biological assets

	2020 US\$'000	2019 US\$'000
Ffb prior to harvest	2,749	2,067

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.

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\$2.4 million and US\$23.1 million. The Group has never included ffb prior to harvest in its internal reporting and decision-making.

18 Inventories

	2020 US\$'000	2019 US\$'000
Processed produce for sale	5,356	6,760
Estate stores	4,665	2,925
Nurseries	1,596	1,387
	11,617	11,072



NOTES TO THE CONSOLIDATED ACCOUNTS continued

19 Trade and other receivables

	2020 US\$'000	2019 US\$'000
Current assets		
Trade receivables	3,283	3,032
Receivable from smallholder co-operatives	25,364	29,250
Loans to related parties	656	385
Other receivables	17,284	10,117
Prepayments and accrued income	2,033	2,333
	48,620	45,117
Non-current assets		
Costs to be allocated to smallholder co-operatives	—	—
Loans to related parties	10,917	11,555
	10,917	11,555
<i>Trade and other receivables analysed by currency of receivable:</i>		
Indonesian Rupiah	47,700	44,061
US Dollar	11,727	12,207
Sterling	94	400
Malaysian Ringgit	16	4
	59,537	56,672

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 2020 there was no provision for impairment of trade receivables (2019 US\$nil). The directors consider that the carrying amount of trade and other receivables approximates their fair value.

The Group makes finance available to its associated smallholder co-operatives, both during the immature stage of initial plantings, and as working capital facilities for mature areas. 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 in 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 co-operative which are expected to take greater than 12 months to recover. An analysis of the balance is as follows:

	2020 US\$'000	2019 US\$'000
Immature areas - allocated	6,232	9,679
Mature areas	19,132	19,571
Current asset	25,364	29,250
Non-current asset – immature areas – not allocated	—	—
	25,364	29,250

During the previous 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\$11,573,000 (2019 US\$11,940,000).



20 Cash and other liquid resources

	2020 US\$'000	2019 US\$'000
Cash and cash equivalents	27,222	25,947
Current-asset investments	334	1,160
	27,556	27,107

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.

21 Trade and other payables

	2020 US\$'000	2019 US\$'000
Current liabilities		
Trade payables	15,302	14,024
Amounts owed to associated undertakings	—	18
Lease liabilities	218	200
Other payables	10,519	7,973
	26,039	22,215
Non-current liabilities		
Lease liabilities (due in 1-2 years)	38	265
	38	265

The average credit period taken for trade purchases is 49 days (2019 – 50 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.



NOTES TO THE CONSOLIDATED ACCOUNTS continued

22 Borrowings

	2020 US\$'000	2019 US\$'000
Secured borrowing at amortised cost		
Bank loans	105,684	94,474
Total borrowings		
Amount due for settlement within one year	39,605	28,337
Due for settlement in one to two years	15,541	11,006
Due for settlement in two to five years	50,538	49,159
Due for settlement after five years	—	5,972
Amount due for settlement after one year	66,079	66,137
	105,684	94,474
<i>Analysis of borrowings by currency:</i>		
US Dollar	102,809	91,005
Indonesian Rupiah	2,875	3,469
	105,684	94,474
<i>Analysis of anticipated cash outflows:</i>		
Within one year	42,000	32,083
Due within one to two years	17,372	13,985
Due within two to five years	52,538	53,765
Due after five years	—	6,007
	111,910	105,840

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\$137.5 million (2019 US\$145.2 million). At the year end, the Group had undrawn available credit facilities of US\$10 million (2019 US\$34.6 million).

The weighted-average interest rate paid on bank loans in the year was 3.0% (2019 – 5.0%).

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 2020	(6,804)	2,102	(2,326)	(7,028)
(Charge)/credit to income statement	(1,289)	284	1,846	841
Credit to other comprehensive income	—	704	—	704
At 31 December 2020	(8,093)	3,090	(480)	(5,483)
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)



23 Deferred tax continued

Other timing differences relate to losses, with the exception of the deferred tax liability of US\$8.5 million (2019 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:

	2020 US\$'000	2019 US\$'000
Deferred-tax assets	5,046	5,284
Deferred-tax liabilities	(10,529)	(12,312)
	(5,483)	(7,028)

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\$359,651,000 (2019 US\$336,152,000). 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\$25,511,000 (2019 US\$18,009,000). 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\$49,160,000 (2019 US\$57,939,000) 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\$36,395,000 (2019 US\$31,590,000) of such losses. No deferred-tax asset has been recognised in respect of the remaining US\$12,764,000 (2019 US\$26,349,000) 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.

At the balance-sheet date, the aggregate amount of temporary differences associated with outstanding executive share options for which deferred-tax assets have not been recognised was US\$1,818,000 (2019 US\$2,730,000). No asset has been recognised in respect of these differences due to the unpredictability of future profit streams.



NOTES TO THE CONSOLIDATED ACCOUNTS continued

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. A range of different discount rates are used for each of the Indonesian subsidiary companies, based on actuarial advice.

	2020 %	2019 %
The main assumptions used to assess the Group's liabilities are:		
Discount rate	6.00-8.00	7.55
Salary increase per annum	7.00	8.00
	2020 US\$'000	2019 US\$'000
Reconciliation of scheme liabilities:		
Current-service cost	1,392	1,457
Interest cost	661	676
Actuarial loss/(gain)	3,247	(928)
	5,300	1,205
Less: Benefits paid out	(594)	(384)
Movement in the year	4,706	821
At 1 January	9,401	8,251
Exchange differences	(56)	329
At 31 December	14,051	9,401

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\$1.5 million and US\$1.8 million.



25 Share capital

	AUTHORISED NUMBER	ALLOTTED, FULLY PAID AND VOTING NUMBER	AUTHORISED £'000	ALLOTTED, FULLY PAID AND VOTING US\$'000
At 1 January 2020	87,000,000	54,461,220	8,700	9,200
Issued	—	182,320	—	23
Redeemed	—	(153,287)	—	(19)
At 31 December 2020	87,000,000	54,490,253	8,700	9,204
At 1 January 2019	87,000,000	54,677,872	8,700	9,228
Issued	—	50,000	—	6
Redeemed	—	(266,652)	—	(34)
At 31 December 2019	87,000,000	54,461,220	8,700	9,200

During the year, in anticipation of the exercise of share options, the Company issued 182,320 10p shares for US\$23,000 cash consideration. In addition, the Company bought back and cancelled 153,287 10p shares for a total cost of US\$1,155,000 (an average of 589 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 scheme established in 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 both 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:

	2020 NUMBER OF SHARE OPTIONS	2020 WEIGHTED- AVERAGE EXERCISE PRICE (PENNY)	2019 NUMBER OF SHARE OPTIONS	2019 WEIGHTED- AVERAGE EXERCISE PRICE (PENNY)
At 1 January	398,868	207.4	407,320	244.2
Granted during the year	71,714	0.0	41,548	0.0
Exercised during the year	(144,180)	0.0	(50,000)	335.0
At 31 December	326,402	253.5	398,868	207.4
Exercisable at the end of the year	175,000	472.7	175,000	472.7

The weighted-average share price at the date of exercise for share options exercised during the year was 0p. The options outstanding at 31 December 2020 had a weighted-average remaining contractual life of 5.3 years and exercise prices in the range of nil to 520p. The Group recognised total expenses of US\$609,000 related to equity-settled share-based payments (2019 US\$643,000). 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	TREASURY SHARES 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 2020	31,582	550	4,282	766	—	1,780	16,414	11	55,385	294,139
Profit for the financial year	—	—	—	—	—	—	1,421	—	1,421	18,950
Exchange differences	—	3	—	—	—	—	211	(46)	168	145
Retirement- benefit obligations	—	—	—	—	—	—	—	—	—	(2,346)
Issue of shares	—	—	—	—	(23)	—	—	—	(23)	—
Share buy-back	—	—	19	—	—	—	—	—	19	(1,155)
Dividends paid	—	—	—	—	—	—	—	—	—	(12,105)
Dividends from associates	—	—	—	—	—	—	(1,190)	—	(1,190)	1,190
Share-based payments	—	—	—	—	18	(708)	—	—	(690)	1,299
At 31 December 2020	31,582	553	4,301	766	(5)	1,072	16,856	(35)	55,090	300,117
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	—	—	—	—	—	—	—	—	—	(2,056)
At 31 December 2019	31,582	550	4,282	766	—	1,780	16,414	11	55,385	294,139



28 Non-controlling interests

	2020 US\$'000	2019 US\$'000
At 1 January	8,962	21,303
Share of profit in the year	1,798	1,137
Dividends paid	(875)	—
Reclassification	—	2,056
Share of retirement benefit (debited)/credited to other comprehensive income	(156)	49
Minority acquisition	—	(15,583)
At 31 December	9,729	8,962

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	2020 EQUITY US\$'000	PROFIT US\$'000	2019 EQUITY US\$'000
Kota Bangun	259	1,784	78	1,747
Bangka	1,085	3,488	512	2,473
Pangkatan group	514	2,918	885	2,777
Bumi Mas	8	1,853	(128)	1,935
Musi Rawas	(130)	(247)	(288)	(24)
Simpang Kiri	62	(67)	78	54
	1,798	9,729	1,137	8,962

29 Note to the consolidated cash-flow statement

	2020 US\$'000	2019 US\$'000
Operating profit	31,321	16,124
Biological gain	(682)	(927)
Disposal of property, plant and equipment	1,008	(7)
Release of deferred profit	(58)	(204)
Depreciation of property, plant and equipment	17,776	15,340
Amortisation of intangible assets	165	112
Remeasurement of investment	—	(1)
Retirement-benefit obligations	2,148	1,846
Share-based payments	609	643
Dividends from associated companies	1,646	580
Operating cash flows before movements in working capital	53,933	33,506
(Increase)/decrease in inventories	(545)	1,811
Increase in receivables	(7,574)	(545)
Increase in payables	3,806	6,986
Cash generated by operating activities	49,620	41,758
Income tax paid	(6,614)	(6,009)
Interest paid	(3,408)	(3,747)
Net cash generated by operating activities	39,598	32,002



NOTES TO THE CONSOLIDATED ACCOUNTS continued

30 Analysis of movements in net debt

	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 2020	25,947	1,160	(28,337)	(66,137)	(67,367)
Net increase in cash and cash equivalents	1,344	—	—	—	1,344
New borrowings	—	—	(10,000)	(14,581)	(24,581)
Repayment of borrowings	—	—	13,307	—	13,307
Change in deposits	—	(826)	—	—	(826)
Reclassification	—	—	(14,639)	14,639	—
Foreign-exchange movements	(69)	—	64	—	(5)
At 31 December 2020	27,222	334	(39,605)	(66,079)	(78,128)
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)

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\$78,128,000 (2019 US\$67,367,000) and equity attributable to the owners of the parent Company of US\$364,111,000 (2019 US\$358,724,000). 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 makes limited use of forward-currency contracts; there were no contracts open at 31 December 2020.



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:

	2020 US\$'00	2019 US\$'000
US Dollar	14,575	13,304
Indonesian Rupiah	12,086	13,493
Sterling	178	152
Malaysian Ringgit	717	158
	27,556	27,107

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\$5.7 million (2019 US\$5.4 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% decrease or increase in interest rates, Group profit for the year and net assets would increase or decrease by US\$0.9 million (2019 US\$0.8 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.

On 20 July 2020, the Group announced the disposal of 70 hectares of land owned by its wholly-owned subsidiary Bertam Consolidated Rubber Company Limited to Bertam Properties Sdn Berhad, its 40%-owned associated company. The agreed sales price was RM99.9 million (US\$24.9 million). The transaction was subject to certain sale conditions being met, and these are expected to be completed during 2021, at which point the Group will record the transaction.

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

The Group continued to make finance available to one of its minority partners during the year. This is set out in note 19.



PARENT-COMPANY BALANCE SHEET

COMPANY NUMBER: 1555042

As at 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
Non-current assets			
Property, plant and equipment	iv	857	858
Investments in subsidiaries	v	15,799	15,799
		16,656	16,657
Current assets			
Trade and other receivables	vi	147,684	162,225
Cash and cash equivalents		389	5,375
		148,073	167,600
Total assets		164,729	184,257
Current liabilities			
Trade and other payables	vii	5,873	8,232
Net current assets		142,200	159,368
Non-current liabilities			
Borrowings		—	—
Total liabilities		5,873	8,232
Net assets		158,856	176,025
Equity			
Share capital	viii	9,204	9,200
Other reserves	ix	38,193	38,887
Retained earnings	ix	111,459	127,938
Total equity		158,856	176,025

The Company recorded a loss for the year of US\$4,518,000 (2019 loss US\$3,485,000).

The financial statements on pages 86 to 91 were approved by the board of directors on 23 March 2021 and signed on its behalf by

Tristan Price
Chief executive

Matthew Coulson
Finance director



PARENT-COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	SHARE CAPITAL US\$'000	OTHER RESERVES US\$'000	RETAINED EARNINGS US\$'000	TOTAL US\$'000
Loss for the year	—	—	(4,518)	(4,518)
Total comprehensive expense for the year	—	—	(4,518)	(4,518)
Issue of share capital	23	(23)	—	—
Dividends	—	—	(12,105)	(12,105)
Share buy-back	(19)	19	(1,155)	(1,155)
Credit to equity for equity-settled share-based payments	—	(690)	1,299	609
Transactions with owners	4	(694)	(11,961)	(12,651)
At 1 January 2020	9,200	38,887	127,938	176,025
At 31 December 2020	9,204	38,193	111,459	158,856
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



NOTES TO THE PARENT-COMPANY ACCOUNTS

For the year ended 31 December 2020

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 98. 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 46.

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 67. 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 2020 of US\$4,518,000 (2019 loss US\$3,485,000). The Company's main source of income is dividends from subsidiary companies.

The auditors' remuneration for audit services was US\$25,000 (2019 US\$25,000).

iii Employees

	2020 US\$'000	2019 US\$'000
Employee costs during the year		
Wages and salaries	1,868	1,608
Social security costs	229	208
Pension costs	48	55
Share-based payments	245	219
	2,390	2,090

As recorded in the directors' remuneration report on page 49, wages and salary costs include bonuses paid to the directors in respect of 2020 and 2019.

	2020 NUMBER	2019 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 2020	834	176	1,010
Additions	—	17	17
Disposals	—	(69)	(69)
At 31 December 2020	834	124	958
Accumulated depreciation			
At 1 January 2020	—	152	152
Charge for the year	—	18	18
Disposals	—	(69)	(69)
At 31 December 2020	—	101	101
Net book value at 31 December 2020	834	23	857
Net book value at 31 December 2019	834	24	858



NOTES TO THE PARENT-COMPANY ACCOUNTS continued

v Investments in subsidiaries

	US\$'000
Subsidiary undertakings	
At 1 January and 31 December 2020	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 92.

vi Trade and other receivables

	2020 US\$'000	2019 US\$'000
Amounts owed by subsidiary undertakings	147,598	161,681
Other debtors	40	445
Prepayments and accrued income	46	99
	147,684	162,225

vii Trade and other payables

	2020 US\$'000	2019 US\$'000
Borrowings	5,000	7,449
Other creditors	873	783
	5,873	8,232

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	TREASURY SHARES US\$'000	OTHER RESERVES US\$'000	TOTAL US\$'000	RETAINED EARNINGS US\$'000
At 1 January 2020	31,582	4,091	1,434	—	1,780	38,887	127,938
Issue of shares	—	—	—	(23)	—	(23)	—
Share buy-back	—	19	—	—	—	19	(1,155)
Share-based payments	—	—	—	18	(708)	(690)	1,299
Loss for the year	—	—	—	—	—	—	(4,518)
Dividends*	—	—	—	—	—	—	(12,105)
At 31 December 2020	31,582	4,110	1,434	(5)	1,072	38,193	111,459
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
Loss for the year	—	—	—	—	—	—	(3,485)
Dividends*	—	—	—	—	—	—	(12,364)
At 31 December 2019	31,582	4,091	1,434	—	1,780	38,887	127,938

* See note 10 to the consolidated financial statements.



SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

As at 31 December 2020

SUBSIDIARY UNDERTAKINGS

Details of the Group's subsidiary undertakings as at 31 December 2020 are as follows:

NAME OF SUBSIDIARY	% OF SHARES HELD	COUNTRY OF INCORPORATION	COUNTRY OF OPERATION	FIELD OF ACTIVITY
PT Prima Mitrajaya Mandiri	95	Indonesia	Indonesia	Production of CPO and PK
PT Teguh Jayaprima Abadi	95	Indonesia	Indonesia	Production of CPO and PK
PT Perkebunan Tenera Muarawis	51	Indonesia	Indonesia	Production of CPO and PK
PT Bumi Mas Agro	95	Indonesia	Indonesia	Production of CPO and PK
PT Gunung Pelawan Lestari	90	Indonesia	Indonesia	Production of CPO and PK
PT Evans Lestari	95	Indonesia	Indonesia	Production of CPO and PK
PT Pangkatan Indonesia	95	Indonesia	Indonesia	Production of CPO and PK
PT Bilah Plantindo	95	Indonesia	Indonesia	Production of CPO and PK
PT Sembada Sennah Maju	95	Indonesia	Indonesia	Production of CPO and PK
PT Simpang Kiri Plantation Indonesia	95	Indonesia	Indonesia	Production of CPO and PK
PT Evans Indonesia	100	Indonesia	Indonesia	Provision of agronomic and management-consultancy services
Bertam Consolidated Rubber Company Limited	100	England and Wales	Malaysia	Production of oil-palm ffb and property development
M.P. Evans & Co. Limited*	100	England and Wales	United Kingdom	Holding company
Sungkai Holdings Limited*	100	England and Wales	United Kingdom	Holding company
Sunrich Plantations Pte Ltd	100	Singapore	Singapore	Holding company
PT Surya Makmur	95	Indonesia	Indonesia	Holding company
PT Aceh Timor Indonesia	95	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 98.

ASSOCIATED UNDERTAKINGS

Details of the associated undertakings as at 31 December 2020 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 CPO and PK
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, Lebuh Pantai, 10300 Pulau Pinang, Malaysia.

ANALYSIS OF INDONESIAN PLANTATION LAND AREAS

As at 31 December 2020

The information on pages 93 to 98 does not form part of the audited financial statements.

PLANTED HECTARAGE

	OWNERSHIP %	GROUP			SCHEME SMALLHOLDERS		
		MATURE HA	IMMATURE HA	TOTAL ¹ HA	MATURE HA	IMMATURE HA	TOTAL ² HA
Subsidiaries – oil palm							
Kota Bangun	95	10,106	442	10,548	4,421	227	4,648
Bumi Mas	95	6,938	555	7,493	1,247	191	1,438
Bangka	90	5,929	206	6,135	3,808	73	3,881
Musi Rawas ³	95	3,569	1,968	5,537	1,595	942	2,537
Pangkatan group	95	6,404	565	6,969			
Simpang Kiri	95	1,930	518	2,448			
Total		34,876	4,254	39,130	11,071	1,433	12,504
Group share of subsidiaries' land		32,836	4,031	36,867			
Associates – oil palm							
Kerasaan		2,215	102	2,317			
Group share of associates' land		842	39	881			
Memorandum:							
Group share of subsidiaries' land and share of associates' land		33,678	4,070	37,748			
Subsidiaries' land and Group share of associates' land		35,718	4,293	40,011			

Notes

1. All of the Group's areas other than at Kota Bangun have a final land license, as does all of the associate's area at Kerasaan. At Kota Bangun the Group has HGUs covering 10,800 hectares; the Group is in the process of obtaining an HGU for the remaining 1,300 hectares and for the time being holds the necessary operating and development licences.
2. All the scheme smallholder areas at Bangka and Musi Rawas have an HGU. At Kota Bangun and Bumi Mas, the Group is assisting the co-operatives to obtain HGUs, for which the necessary operating and development licences are held.
3. 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 2020

The information in the following table provides a directors' estimate of the Group equity value at 31 December 2020 utilising, except where indicated, an independent valuation of the Group's properties performed at the end of 2020.

	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	10,548	236,400	22,400	224,580
Bumi Mas	95	7,493	131,000	17,500	124,450
Bangka ¹	90	6,135	127,600	20,800	114,840
Musi Rawas	95	5,537	103,600	18,700	98,420
Pangkalan group ¹	95	6,969	119,800	17,200	113,810
Simpang Kiri	95	2,448	29,900	12,200	28,405
		39,130	748,300	19,100	704,505
Smallholders					
Kota Bangun	95	4,648	30,000	6,500	28,500
Bumi Mas	95	1,438	7,400	5,100	7,030
Bangka	90	3,881	17,400	4,500	15,660
Musi Rawas	95	2,537	16,600	6,500	15,770
		12,504	71,400	5,700	66,960
Associates					
Kerasaan ²	38	2,317	33,100	14,300	12,578
Total Indonesia					784,043
MALAYSIAN PROPERTY					
Bertam Estate ³	100	n/a			22,370
Bertam Properties	40	n/a			41,972
Total Malaysia					64,342
Net debt⁴					(79,056)
Other assets and liabilities⁵					50,805
Total equity value					820,134
Equity value (£ per share⁶)					10.99

Notes

- Market value per planted hectare includes value of mills on the related estates.
- The Group's only oil-palm associate, Kerasaan, was not included in the independent valuation at 31 December 2020. The value in the table above has been carried forward from the independent valuation performed at 31 December 2019.
- Bertam Estate has been included based on the estimated post-tax proceeds from the agreed sale to Bertam Properties.
- Net debt is taken as cash and other liquid resources less borrowings from the 31 December 2020 balance sheet, attributable to the owners of M.P. Evans Group PLC.
- Other assets and liabilities are taken as net assets minus plantation and property-related assets, minus net cash from the 31 December 2020 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

	2020 Tonnes	2019 Tonnes	2018 Tonnes	2017 Tonnes	2016 Tonnes
Production					
Crude palm oil	271,700	231,900	192,500	154,000	125,600
Palm kernels	60,400	53,000	43,500	33,500	26,200
Crops					
Oil-palm fresh fruit bunches					
Own crops	724,300	663,300	573,000	434,500	399,300
Scheme-smallholder crops	193,000	172,100	149,600	101,300	92,400
Independent-smallholder crop purchased	289,700	166,100	106,500	118,300	52,000
	1,207,000	1,001,500	829,100	654,100	543,700
Indonesian associated-company estates	54,800	54,200	51,700	50,000	384,000
	US\$	US\$	US\$	US\$	US\$
Average sale prices					
Crude palm oil – cif Rotterdam per tonne	716	566	598	714	700
Exchange rates					
US\$1 = Indonesian Rupiah – average	14,541	14,142	14,234	13,382	13,303
– year end	14,050	13,883	14,380	13,568	13,473
US\$1 = Malaysian Ringgit – average	4.20	4.14	4.04	4.30	4.14
– year end	4.02	4.09	4.13	4.05	4.49
£1 = US Dollar – average	1.28	1.28	1.34	1.29	1.35
– year end	1.37	1.32	1.27	1.35	1.24
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	174,510	119,341	108,553	116,536	83,864
Gross profit	34,755	17,044	26,525	36,246	24,384
Profit before tax	28,440	12,780	18,348	35,070	19,215
	US cents	US cents	US cents	US cents	US cents
Basic earnings per share	37.4	11.6	9.9	164.9	56.1
	PENCE	PENCE	PENCE	PENCE	PENCE
Dividends per share:					
Normal	22.00	17.75	17.75	17.75	15.00
Special	—	—	—	10.00	5.00
Total	22.00	17.75	17.75	27.75	20.00
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Equity attributable to the owners of M.P. Evans Group PLC	364,111	358,724	377,033	387,034	323,400
Net cash generated by operating activities	39,598	32,002	21,297	20,723	22,888



NOTICE OF MEETING

In view of the ongoing Covid-19 situation and the uncertainty regarding restrictions on travel and public gatherings, the directors have decided that the AGM will again be held at our head office in Tunbridge Wells this year, with a live webcast of proceedings available to shareholders via the internet. With the health and safety of our shareholders and staff of paramount concern and given the limited scope for social distancing at the venue, it is with regret that the directors are asking shareholders to consider refraining from attending the meeting in person. Instead, the directors strongly urge shareholders to submit proxy votes appointing the chairman as their proxy as described below. The chairman of the meeting has determined that this year voting on all resolutions will be by way of poll. Shareholders are also encouraged to submit questions in advance of the meeting so that the directors may respond to them during the meeting. Shareholders are advised to check the AGM page of our website www.mpevans.co.uk for any updates concerning AGM arrangements.

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 Thursday 10 June 2021 at 12:00 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 2020.	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 2020.	No 2
3 To re-elect Philip Fletcher as a director.	No 3
4 To re-elect Peter Hadsley-Chaplin as a director.	No 4
5 To declare a final dividend.	No 5
6 To appoint BDO LLP as auditors and to authorise the directors to determine their remuneration.	No 6

By order of the board

Katya Merrick
Company secretary
23 March 2021



NOTES

Please note that due to the on-going Covid-19 pandemic the notes below are to be construed as subject to any government restriction or regulation that may be in force at the time the AGM is held. The directors may refuse entry to the meeting on health and safety or other grounds, including if attendance would result in an inability to practice social distancing in compliance with any government restrictions that may then be in force:

- 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 8 June 2021 (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. When appointing a proxy consideration should be given to the possibility of restrictions on travel and public gatherings. You are strongly encouraged to appoint the chairman of the meeting as your proxy to ensure that your votes can be cast in a poll.

- 3) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
- 4) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered on the register of members of the Company at 11.00 p.m. on 8 June 2021 (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 23 March 2021, the Company's issued share capital consisted of 54,490,253 shares carrying one vote each. Therefore the total number of voting rights in the Company as at that date was 54,490,253.
- 6) Copies of the directors' service contracts and terms and conditions of appointment will be available for inspection at the registered office of the Company during normal business hours and at the place of the meeting from 15 minutes prior to the meeting until its conclusion.
- 7) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, but powers purported to be exercised by more than one authorised representative in respect of the same shares will be treated as not exercised.
- 8) Save as provided below, 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 limited room for physical 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. Questions should be received by the company secretary by 09:30 on 10 June 2021. 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.



PROFESSIONAL ADVISERS & REPRESENTATIVES

SECRETARY AND REGISTERED OFFICE

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PT Evans Indonesia

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PUBLIC RELATIONS ADVISERS

Hudson Sandler LLP

25 Charterhouse Square, London EC1M 6AE

GLOSSARY

CPO	Crude palm oil
PKO	Palm-kernel oil
RSPO	Round Table for Sustainable Palm Oil
Ffb	Fresh fruit bunches
PK	Palm kernels
RISS	RSPO's Independent Smallholder Standard
ISCC	International Sustainability & Carbon Certification
HGU	<i>Hak guna usaha</i> : land lease granted by Indonesian government





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