Annual Report & Financial Statements

2022

ANNUAL REPORT

For the year ended 31 December 2022

CELEBRATING
150 years
M.P. EVANS GROUP PLC

M.P. Evans
GROUP PLC

M.P. Evans GROUP PLC

CONTENTS

FROM THE CHAIRMAN

"As we celebrate our 150-year history, the Group has produced another set of excellent operational and financial results. Crop and production have increased once again, and we have reached the milestone of processing 1.5 million tonnes of fresh fruit bunches. The Group remains focused on long-term and sustainable growth, and has both acquired further planted hectarage and started production at another Group palm-oil mill since the end of the year. Profit and cash generation have remained strong, the Group has eliminated net debt, and now has net funds in place to support continued investment and shareholder returns. The board is recommending a final dividend of 30p per share, bringing total dividends for the year to 42.5p per share, up more than 20% from the 35p normal dividends paid in respect of the previous year, and a further step forward in the Group's long-standing progressive dividend policy."

Peter Hadsley-Chaplin

CELEBRATING 150 years M.P. EVANS GROUP PLC

Front cover image: Mature palms on Bangka estate

GROUP FINANCIAL HIGHLIGHTS

18%
INCREASE
IN REVENUE
2022 US$ 326.9m
2021 US$ 276.6m

5%
INCREASE
IN GROSS PROFIT
2022 US$ 109.2m
2021 US$ 103.6m

10%
INCREASE
IN TOTAL EQUITY
2022 US$ 488.8m
2021 US$ 445.0m

21%
INCREASE
IN OPERATING CASH GENERATED
2022 US$ 132.2m
2021 US$ 109.2m

11%*
DECREASE
IN OPERATING PROFIT
2022 US$ 101.6m
2021 US$ 114.6m

15%*
DECREASE
IN PROFIT FOR THE YEAR
2022 US$ 78.4m
2021 US$ 91.8m

7%*
DECREASE
IN BASIC EARNINGS PER SHARE
2022 108.0 pence
2021 115.6 pence

21%
INCREASE
IN NORMAL DIVIDEND PER SHARE
2022 42.5 pence
2021 35.0 pence

NET CASH SURPLUS
2022 NET CASH
US$ 33.5 million
2021 NET DEBT
US$ 5.4 million

*Note on prior-year figures

Included in the 2021 results was a one-off gain arising on land disposal, increasing operating profit by US$13.9 million, profit for the year by US$12.6 million, and earnings per share by 9.2p.

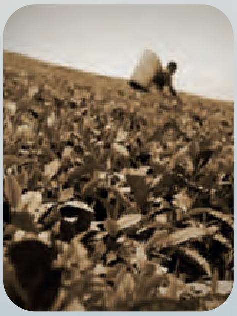
CELEBRATING 150 YEARS OF M.P. EVANS

KEY MILESTONES AND DEVELOPMENTS IN THE HISTORY OF OUR GROUP

EARLY 1870's

Commencement of business, in tea

Matthew Pennefather Evans, founding partner, starts business as UK merchant, importing tea from Ceylon



LATE 1880's – 1900

Expansion of business

Partnership helps pioneers raise capital on London market for new tea plantations and acts as company secretary and UK selling agent for their produce

Matthew Pennefather Evans divides time between UK and Asia

EARLY 1900's

Introduction of rubber

1902: Matthew Pennefather Evans dies

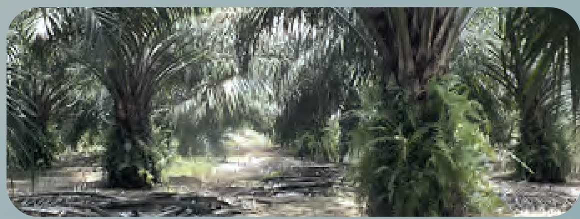
1905: New partnership formed, bearing M.P. Evans name

New rubber companies operating in Malaya and The Dutch East Indies added to client portfolio

1970's

A shift to oil palm

Exit from Sri Lankan tea following change in Sri Lankan government policy: Start of shift from rubber to oil palm in SE Asia as the superior financial rewards from oil palm become increasingly clear



1960's

Indonesian developments

1963: Indonesian government nationalises all foreign owned plantation land

1968: Indonesian government grants ownership back – no longer on a freehold, but on a (30-year) leasehold basis

Appointment of SIPEF as managing agents for grouping's Indonesian plantations

1950's

Share acquisitions

M.P. Evans & Co Limited begins acquiring shares in its client companies which in turn own shares in M.P. Evans & Co Limited; early beginnings of 'crossholding' structure, which later becomes known as the 'M.P. Evans grouping'

1940's

From Partnership to Company

1941–1943: Partnership dissolved. M.P. Evans & Co Limited formed

Initial shareholders are twelve of its client companies and its first five directors

Edwin Hadsley-Chaplin

1947: Edwin Hadsley-Chaplin joins company, retiring over 50 years later. He plays a seminal role in developing the Group and protecting it from takeover

The Hadsley-Chaplin/Fletcher family remains actively involved today

1980's

UK, Malaysian and Australian developments

1981: Rowe Evans Investments PLC ("REI") formed following merger with companies under the Rowe White tea agency, which had previously merged with M.P. Evans & Co Limited. REI is listed on the London Stock Exchange

M.P. Evans (Malaysia) Sdn. Berhad formed to manage grouping's Malaysian estates

Expansion into Australian agriculture to create geographical and commodity diversity within the Group; first sheep, wool and arable, then irrigated cotton and finally beef cattle

1990's

Malaysian property development

Start of Malaysian property development after 2,000 hectares of the grouping's Bertam Estate is sold into a joint venture with two Malaysian partners

A new town is developed over the ensuing 30 years, with approximately 200 hectares still to be developed today

2005 – 2016

Strategic initiative launched

2005: Grouping structure rationalised into single company: M.P. Evans Group PLC

Strategic initiative to exit Malaysia by selling its small valuable estates for property development, using the proceeds to fund a major expansion of its sustainable plantation areas in Indonesia. Group joins Roundtable on Sustainable Palm Oil ("RSPO") shortly after its formation

P.T. Evans (Indonesia) formed
K Chandra Sekaran joins Group
P.T. Evans (Indonesia) takes over management of all its Indonesian estates

M.P. Evans GROUP PLC

2016 – 2023

One country; one commodity

Disposal of investments in Australian beef cattle and share of oil-palm joint venture in Indonesia to move the Group towards its strategic objective of having operations in one country, in one commodity, in operations it controls; sustainable Indonesian palm oil

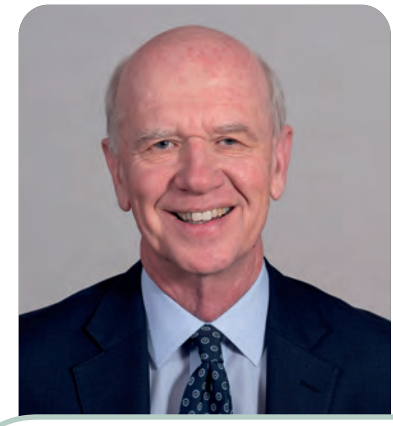
Our Group today

Our Group today now owns 42,000 hectares of sustainable oil palm in Indonesia and manages 14,000 hectares on behalf of its scheme smallholders. It owns six palm-oil mills and employs over 11,500 staff

We aim to continue to grow, responsibly, sustainably and profitably

CELEBRATING 150 years M.P. EVANS GROUP PLC

CHAIRMAN'S STATEMENT



As we celebrate our 150-year anniversary, we also celebrate the milestone of processing over 1.5 million tonnes of fresh fruit bunches ("ffb"). This is a significant achievement and demonstrates the benefits of the long-term investment made by the Group in its Indonesian operations, both in the development of high-quality planted areas and, more recently, in our own milling capacity.

Peter Hadsley-Chaplin, Chairman

RESULTS

The Group achieved a gross profit of US$109.2 million, higher than the US$103.6 million recorded in 2021, representing an all-time record. Average palm-oil prices were particularly strong once again in 2022 and these, combined with an increase in production, offset some inflationary cost pressures, most notable in the fertiliser inputs required to maintain healthy and productive palms across our estates.

With five palm-oil mills operational throughout the year, the Group was able to increase its own production and reduce its reliance on outside mills to process its crop. Since the year end, this reliance has reduced even further with the opening, in February 2023, of the Group's sixth mill, located at the Musi Rawas estate. The Group also increased the volume of its output sold as sustainable palm oil or sustainable palm kernels during the course of 2022, and sustainability premia for the Group's palm kernels increased markedly during the year as demand for related products increased. Overall, the Group received US$7.5 million in sustainability income during the year, a 74% increase on the US$4.3 million in 2021. The Group remains committed to acting responsibly and focusing on its environmental obligations. For the first time in 2022, and in advance of a requirement to do so, the Group is providing summarised disclosures based on the Taskforce for Climate-related Financial Disclosures ("TCFD") in this annual report, as shown on pages 34 to 37.

THE GROUP HAS ACHIEVED A GROSS PROFIT OF US$109.2 MILLION, HIGHER THAN THE US$103.6 MILLION RECORDED IN 2021, REPRESENTING AN ALL-TIME RECORD.

Palm-oil prices were strong throughout 2022, albeit with the cif Rotterdam price in a wide band between US$895 and US$1,990 per tonne. Prices spiked in the early part of the year at the outbreak of war between Russia and Ukraine, and softened somewhat in the second half of the year, particularly following a short-term export ban imposed by the Indonesian government. The average cif Rotterdam price during 2022 was US$1,345, and despite several changes to the Indonesian export taxes and levies that were applied during the year, the Group still achieved an average mill-gate price of US$854 per tonne, US$44 higher than in 2021.

Earnings per share were 108.0p, only a little lower than the 115.6p recorded in 2021. The previous year's earnings were enhanced by the one-off profit recorded on the disposal of land in Malaysia to the Group's joint-venture company, Bertam Properties Sdn Bhd, which accounted for 9.2p of earnings. In 2022, earnings expressed in sterling benefited from a comparatively weak pound during the year, offsetting, at least in part, the non-recurring land sale. The Group has continued to be significantly cash generative, with net operating cash generated of US$102.3 million in the year. This has enabled the Group to maintain capital investment, eliminate net debt, and continue to prioritise progressive shareholder returns.

DIVIDEND

An interim dividend of 12.5p per share (2021 – 10p per share) was paid on 4 November 2022, and the board is recommending a final dividend of 30p per share (2021 – 25p per share). This represents another year of increasing normal dividends, up by 7.5p from 2021, and a substantial increase of 93% from the amount paid two years ago.

Dividends have accelerated in recent years as the Group's operational cash flows have strengthened due to the increasing maturity of the Group's operations. The Group has an unbroken track record, spanning more than thirty years, of maintaining or increasing dividends, and the anticipated trend of increasing crop and production forms a sound basis for further dividend increases.

150-YEAR ANNIVERSARY

During 2023 the Group is proud to be marking its 150-year anniversary, having traced its origins back to the early 1870s. An overview of the Group's history, development and growth is included in this report on pages 2 and 3. The Group is holding several celebratory events, both in Indonesia and in the UK during the year, including an AGM at Mansion House in London followed by a celebratory lunch, to which shareholders are invited. Places for the lunch are limited and registration is required. Further information is included in the notice of meeting on page 102.

OPERATIONAL DEVELOPMENTS

The total crop processed by the Group increased by 11% in the year to just over 1.5 million tonnes. All of the Group's own estates continued to be more productive, with crop increasing to 905,400 tonnes in the year (2021 – 809,700 tonnes). Once again, in proportionate terms, the largest increase was achieved at Musi Rawas in South Sumatra, where the Group's own crop exceeded 100,000 tonnes in 2022 for the first time. This was an encouraging result in anticipation of the start of processing at the Group's own mill in early 2023. Crop from the Group's associated scheme small-holders went up to 265,700 tonnes, an increase of 16%. Despite a short-term scaling back of crop purchases from outside suppliers in the first half of the year caused by the palm-oil export ban, the overall level of purchases in the year increased by 4% to 340,600 tonnes, as the Group was able to purchase outside crop for the Bumi Mas mill that was in operation for its first whole year in 2022.

87% OF THE GROUP'S 341,700 TONNES OF CRUDE-PALM-OIL ("CPO") PRODUCTION CAME FROM THE GROUP'S OWN MILLS.

With the Bumi Mas mill running throughout the year, the Group enjoyed the benefit of having five of its own mills in operation in 2022, and as a result 87% of the Group's 341,700 tonnes of crude-palm-oil ("CPO") production came from the Group's own mills, the highest proportion that the Group has achieved to date. Work continued throughout the year on the construction of the mill at Musi Rawas, and this was commissioned in February 2023, meaning that the proportion of production in Group mills will increase once again in 2023.

The average oil-extraction rate in Group mills decreased a small amount in 2022, from 23.3% to 22.9%. There were several reasons for this, but most notable were some particularly wet conditions experienced during the course of 2022. These can naturally result in slight reductions in extraction rates, but can also give rise to some harvesting and transportation challenges, and oil-extraction rates are sensitive to both optimum ripeness standards and to processing delay.

The Group continues to develop its project at Musi Rawas, including building new housing, roads and other infrastructure, as well as continuing to plant further hectares of oil palm, all of which are developed in accordance with RSPO guidelines and with the agreement of the local community. As the Group's planted area increases and operations become more established, securing further hectares for planting can become more expensive and more time consuming. However, during 2022, the Group was able to plant a further 585 hectares at Musi Rawas and remains on target to achieve a minimum total planted hectarage of 10,000 hectares.

At the end of 2022, the Group managed 54,100 hectares of planted oil palm from its own and associated scheme-smallholder areas, 93% of which were mature and in harvest, and the average yield per mature planted hectare had increased to 23 tonnes.

STRATEGIC DEVELOPMENTS

The Group's four strategic pillars of **responsibility**, **excellence**, **growth** and **yield** remain central to its day-to-day operations and its ongoing development. Further details are set out on page 17 of this report. The Group is committed to its sustainable oil-palm estates in Indonesia and to their maintenance and expansion. By investing for the long term, the Group has demonstrated that it is possible to develop projects in rural Indonesia which are run sustainably, provide well-paid employment for a large workforce, and offer high-quality estate facilities including housing, medical, educational and other services. Those estates are designed to be part of their local communities, particularly through the development and planting of valuable scheme-smallholder areas. Both these and

Group areas are managed to high standards, delivering increasing yields and therefore attractive returns for all stakeholders.

All the Group's estates are developed and managed sustainably, but independent certification enabling the sale of the Group's production as sustainable palm oil is awarded to the Group's mills. Certified sustainable sales rose significantly in 2022 to almost two thirds of the total, an increase of approximately 50,000 tonnes from the previous year. As the Group continues to grow, by adding milling capacity, maximising the yield from its existing areas and seeking additional sustainably managed areas to provide further Group crop for those mills, its ambition is to continue elevating its sustainable output towards 100%.

THE GROUP INCREASED THE VOLUME OF ITS OUTPUT SOLD AS SUSTAINABLE PALM OIL IN THE YEAR.

GROUP VALUATION

An independent valuation of the Group's plantations and other property assets is performed at the end of each year, the details of which are included on page 100 of this report. The independent valuation acknowledges that the Group's estates are highly productive and maintained to a high standard, ascribing an average valuation to majority-owned areas of US$20,700 per planted hectare. After allowing for the Group's other assets and liabilities, notably including the Group's share of year-end net funds, being US$31.7 million, this equity value per share had increased during the year to £14.98 per share. The Group did benefit, in sterling terms, from a weaker year-end exchange rate when compared to the position at the end of 2021, accounting for £1.58 of the increase.

PROSPECTS

The Group has made a positive start to 2023, and total crop processed in the first two months of the year was 213,000 tonnes, 8% higher than in the first two months of 2022. The benefits of the significant investment made by the Group in its Indonesian estates continue to be felt, and, barring any unforeseen circumstances, the long-term trend of increasing crop is expected to continue as the Group moves further into 2023. The new mill at Musi Rawas began processing Group crop in February 2023, and after a short period of stabilisation, will soon start to take in crop from outside suppliers, only adding further to the Group's ability to process crop and increase production.

CPO pricing remained stable in the early part of 2023, and the Group enjoyed mill-gate prices in a relatively narrow band around US$750 per tonne, similar to those achieved in the latter part of 2022, although sales prices have increased above US$800 per tonne for recent contracts. Whilst these are lower than the unusually high prices seen in the early part of 2022, the Group remains confident that, at these price levels, it will be able to deliver further significant profits and cash generation.

Since the year end, the Group has announced the acquisition of 2,100 planted hectares close to its Simpang Kiri project in Aceh Province, northern Sumatra, bringing the total planted area, including that of associated scheme smallholders, to 4,800 hectares. Although the existing area at Simpang Kiri has been both highly productive and profitable for many years, it has not been worthwhile to construct our own mill there, and Group crop has been sent for outside processing. Whilst some of the newly acquired hectarage will require a certain amount of replanting and rehabilitation, as crop from the combined area increases, this is likely, in time, to warrant the construction of an additional Group mill. At that point all of the Group's estates would have their own mills.

Palm oil continues to be, by volume of supply and consumption, the largest of the vegetable oils produced globally and of the major vegetable oils is the most efficient to produce when measured by tonnes of oil per hectare of land. The board is of the belief that sustainably produced palm oil will continue to be in demand for the foreseeable future, and that Group prospects therefore remain positive.

BOARD AND SENIOR MANAGEMENT CHANGES

There were several changes to the board and senior management roles in 2022, all of which were announced and referred to in previous reports. At the start of the year, Matthew Coulson was appointed as chief executive, having previously served as the Group's finance director, and on 1 July 2022 Luke Shaw joined the Group as chief financial officer, having previously held a senior finance position with Spectris plc.

On 31 March 2022, Dr Darian McBain stepped down from the board, having taken up a new full-time role in Singapore, and on 1 August 2022 Tanya Ashton joined as an independent non-executive director. Tanya is the head of sustainability at Walgreens Boots Alliance, Europe, and brings significant sustainability experience to the board. On 30 September, Jock Green-Armytage retired from the board after a long and highly valued association with the Group, in recent years chairing the audit and remuneration committees, and on 1 July 2022 Michael Sherwin, former CFO of both Games Workshop plc and Vertu Motors plc, joined as an independent non-executive director.

Since the year end, Lee Yuan Zhang joined the board as a non-excecutive director on 1 February 2023. Yuan Zhang is the regional director (plantations) of Kuala Lumpur Kepong Berhad ("KLK"), the Group's largest shareholder, and has served as president director of PT KLK Agriservindo in Indonesia, where he was responsible for the management of 140,000 hectares of oil palm. The board is delighted to welcome Yuan Zhang, particularly in light of his extensive plantation and corporate experience.

Finally, as recently announced, Philip Fletcher will be retiring from the board on 31 July 2023. Philip has worked for the Group for over 40 years, giving loyal and invaluable service to several Group companies, including this company, both as M.P. Evans Group PLC and in its former guise as Rowe Evans Investments PLC, as well as to others such as Bertam Holdings PLC and Lendu Holdings PLC. He has variously been finance director, managing director, chairman and, more recently, a non-executive director. He was central to the Group's operations and growth, and he played a pivotal role in devising the strategy, formed in 2005, to sell the Group's Malaysian estates and focus on the expansion of its sustainable palm-oil interests in Indonesia. This has resulted in the hugely enlarged Group we are today. His wisdom, expertise and unfailing attention to detail will be greatly missed and everyone at M.P. Evans sends their best wishes to Philip in his retirement.

ACKNOWLEDGEMENTS

As well as being highly profitable, this has been another year of development and growth for our Group, and it could not have been achieved without the constant effort of our management and staff, both in Indonesia and the UK, along with the workforce based at our estates and mills. On behalf of the board, I would like to thank each and every one of them, and we look forward to another exciting, and successful, year together in 2023.

As a closing comment, I cannot but reflect that my late father, Edwin Hadsley-Chaplin, without whom our Group would not still exist today, would have been proud of its recent achievements. I hope that Matthew Pennefather Evans would have been proud too.

Peter Hadsley-Chaplin
Chairman
21 March 2023

OPERATIONAL HIGHLIGHTS

INDONESIAN PALM OIL

- **Total crop processed up 11% to 1.5 million tonnes**
- **Group crops up to 905,000 tonnes, a 12% increase**
- **Increasing demand for sustainable production resulted in increased sustainability income to US$7.5 million**
- **100% of Group and scheme-smallholder crop grown to sustainability standards**
- **CPO production up 9% to 342,000 tonnes**
- **Continuing increase in certified sustainable output, now 64% of Group CPO production**

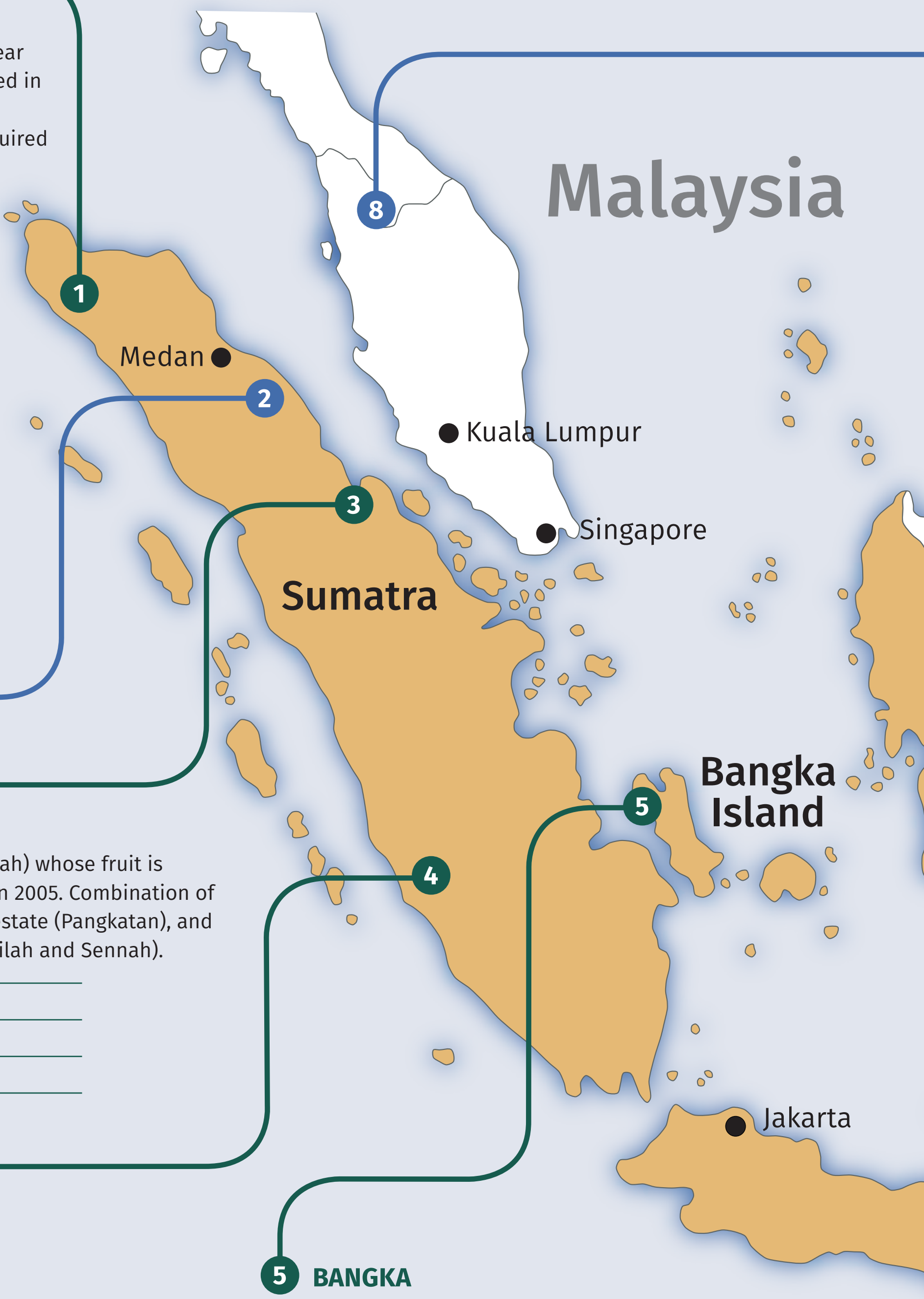
M.P. EVANS GROUP PLC

- **Net current assets up to US$97.4 million at 31 December 2022**
- **Group equity value based on independent valuation increased to £14.98 per share at 31 December 2022**

POST YEAR END

- **Group's sixth palm-oil mill opened, at Musi Rawas**
- **A further 2,100 planted hectares acquired close to Simpang Kiri**

M.P. Evans is a responsible producer of sustainable Indonesian palm oil, striving for excellence in its operations, with a focus on continuing growth and offering an increasing yield.



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. A further 2,100 hectares were acquired in early 2023.

- 2,600 hectares
- Group planted area: 2,400 hectares
- Scheme-smallholder planted area: 300 hectares

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: 2,200 hectares
- Group minority share: 38%

3 PANGKATAN GROUP

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

- 7,500 hectares
- Group planted area: 7,000 hectares
- Scheme-smallholder planted area: 900 hectares

4 MUSI RAWAS

Located in South Sumatra province near the town of Lubuk Linggau, the project was started in 2012 and is now approaching the target of at least 10,000 planted hectares. A 60-tonne mill was commissioned in February 2023.

- 12,000 hectares
- Group planted area: 6,800 hectares
- Scheme-smallholder planted area: 2,800 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

8 BERTAM PROPERTIES

This land was previously the Group's Bertam Estate, all of which has now been sold to Bertam Properties, a joint venture with two Malaysian partners. Starting in 1992, the area has been developed into a new town. Following the sale of the last 70 hectares of Bertam Estate into Bertam Properties in 2021, the remaining developable area is 210 hectares.

Bertam Properties: 313 hectares

Group minority share: 40%

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 was commissioned in August 2021.

9,000 hectares

Group planted area: 7,500 hectares

Scheme-smallholder planted area: 1,400 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: 10,400 hectares

Scheme-smallholder planted area: 4,600 hectares

MARKET INFORMATION

PALM OIL

The vegetable-oil market moved into 2022 in a position of relatively tight supplies and high prices. Throughout January and into the first part of February, cif Rotterdam prices for CPO were already at historically high levels, between US$1,300 and US$1,500 per tonne. At the outbreak of war between Russia and Ukraine, prices increased sharply, reaching almost US$2,000 per tonne, particularly due to concerns about reductions in sunflower-oil supplies from Ukraine, and remained at elevated levels for several months. Indonesia accounts for more than half of world palm-oil supplies, and the Indonesian government took the unexpected step of introducing a temporary ban on exports in April 2022, causing a build-up of stocks, an increase in demand for other vegetable oils, and a rapid decline in prices once the ban was lifted in late May.

The second half of the year was characterised by improving supply in Indonesia compared to the earlier part of the year. Looking to the longer term, there is some evidence that the growth in mature areas planted to oil palm in Indonesia is slowing, indicative of the government's more restrictive policies on land use. In Malaysia, labour shortages remain an issue and, despite some improvements, the shortfall is expected to be a continuing drag on production. Whilst not at the historically high levels seen in the first half, pricing stabilised in the second half of the year with CPO cif Rotterdam a little above US$1,000 for much of the period. Demand for palm oil strengthened in the second half of the year due to its price competitiveness when compared to other major vegetable oils. At points during the period, Indonesian palm oil was trading at a more than US$400 per tonne discount to South American soya oil, compared to average discounts of approximately US$100 over the last ten years.

The Group does not receive the full benefit of the cif Rotterdam prices referred to above. It receives a 'mill-gate' price for its CPO which is based on local tenders, and which is net of adjustments to allow for transport and insurance costs, but more significantly, Indonesian export taxes and levies. During 2022, as a result of the high CPO prices, the Indonesian government made a number of changes to the taxes and levies applied to CPO. These included changes to the amounts of taxes and levies charged at certain CPO price bands, a temporary export levy 'holiday' and the introduction of a temporary additional export tariff. By the end of the year, the export tax and levy arrangements had reverted to a similar position to that in place at the start of the year, and there have been no changes for several months.

The average mill-gate price received for the Group's CPO in 2022 was US$854 per tonne, up by 5% on the US$810 per tonne received in 2021. In 2022, world production of palm oil was 78.9 million tonnes, up by 4% on the 76.0 million produced in 2021. The largest part of the increase was in Indonesia where production is now 46.5 million tonnes. There was a slight fall in global consumption during the year, partly as a result of the temporary market disruption caused by the export ban in Indonesia,

Harvesting ffb at Kota Bangun

although this was offset by an increasing consumption in Indonesia's domestic market. There was a fall in consumption in China in 2022, but imports are expected to increase as changes to lockdown policies take effect.

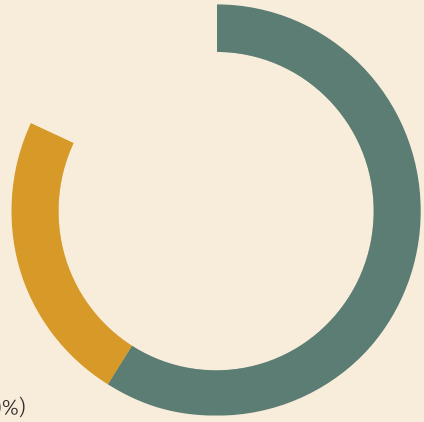
PALM-KERNEL OIL

The Group's mills produce both CPO and palm kernels ("PK"). The Group sells its PK to independent kernel-crushing facilities, in which palm-kernel oil ("PKO") is produced. The price that the Group is able to secure for its PK is therefore connected to the market for PKO. That market can also be connected to the one for coconut oil, because of its use in similar end products such as personal care and cosmetic items.

In the early part of 2022, a combination of high demand for hygiene products and a reduced level of coconut-oil production pushed up the prices available for the Group's PK, peaking briefly at almost US$1,000 per tonne in March. Since then, the disruption caused by the palm-oil export ban, along with recovering coconut-oil production causing a change in demand patterns, did lead to a reduction in prices but, as with CPO, prices stabilised over the second half of the year. Over the whole of 2022, the Group's average selling price for its palm kernels was US$611 per tonne, 15% higher than the US$533 per tonne for 2021.

MAIN PRODUCERS OF PALM OIL 2022

59% Indonesia
23% Malaysia



Main producing countries
Remaining 18% consists of Thailand (4%), Colombia (2%), Nigeria (2%), other countries (10%)

MAIN CONSUMERS OF PALM OIL 2022

25% Indonesia
11% India
7% China
24% Other Asia
13% Africa
8% EU

Main consuming countries
Remaining 12% consists of Americas (8%), other countries (4%)

Source: Oil World 2022 data

CRUDE-PALM-OIL PRICE

THE GROUP'S BUSINESS MODEL

OUR MAIN RESOURCES

PLANTATION LAND

The Group's plantation land is used to grow oil palms and harvest their fresh fruit bunches.

RELATIONSHIPS WITH COMMUNITIES

The Group engages with the local communities living on and near its operations and manages smallholder schemes to the same standard as Group areas.

PEOPLE

The Group's employees include 210 agronomic staff, 105 engineers and more than 4,700 harvesters.

STABLE FUNDING

The Group has a robust capital structure with a market capitalisation of more than US$527 million*, cash of US$82 million and low levels of debt.

OUTCOMES

341,700
TONNES OF CRUDE PALM OIL
Growing production

64%
CERTIFIED SUSTAINABLE
Sustainable production

US$402
PER TONNE OWN PALM PRODUCT
Cost efficient

42.5p
NORMAL DIVIDEND FOR 2022
Improving returns, rising dividends

* Based on a share price of 810p on 31 December 2022

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 Group environmental policies.

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. We regard sustainable production as integral to our operations.

MAKE SMALLHOLDER CO-OPERATIVES A SUCCESS

The Group treats associated 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.

ENSURE BEST PRACTICE IN EVERYTHING WE DO

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.

A growing and responsible Company producing sustainable Indonesian palm oil for the benefit of all its stakeholders.

STRATEGIC REPORT 2022

The Group's strategy is to maintain steady expansion of its majority-owned Indonesian palm-oil areas in a sustainable and cost-effective manner.

STRATEGY

During 2022, the Group continued to execute its principal activity, being the responsible ownership, management and development of sustainable oil-palm estates in Indonesia. Alongside its own projects, the Group also manages and develops scheme-smallholder areas attached to those estates. The Group's objective is to continue increasing both its own crop and that from its scheme smallholders, whilst also increasing its own milling capacity, thereby increasing its output of certified sustainable palm oil. As Group areas mature, its strategy is to increase the planted hectarage controlled by it. Milling its own crop and that of its scheme smallholders in its own mills enables the Group to deploy its operational expertise to greatest effect with the aim of generating stronger returns, allowing shareholders to receive sustained increases 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 planted area of the Group's majority-held Indonesian estates increased during 2022 to 40,200 hectares, as planting continued at Musi Rawas in South Sumatra. All planting is supervised by the Group's sustainability team, and takes place in full compliance with RSPO standards, ensuring no deforestation and that only land suitable for cultivation is developed. The total planted area at Musi Rawas, including that planted on behalf of the Group's associated scheme smallholders, was 9,600 hectares, and management are confident that the initial target of a total of 10,000 planted hectares will be exceeded during the course of 2023.

Scheme-smallholder areas associated with Group estates expanded in the year to 13,900 hectares. This followed a significant project promoted by the Group in northern Sumatra to attract independent smallholders to join new co-operative schemes. Under these schemes, the Group is providing initial funding for replanting, and crop from the newly planted areas close to Pangkatan will become a valuable new source of input to the Group's mill there. By the end of 2022, 1,100 planted hectares had been added as part of the new co-operative arrangements.

Following the year end, the Group has been successful in acquiring an additional 2,100 planted hectares close to its estate at Simpang Kiri in Aceh Province in northern Sumatra. This is in line with the Group's stated strategy of continuing to increase its planted area through the acquisition of further hectarage, initially within the vicinity of its existing projects. After taking these additional hectares into consideration, the Group now has, in conjunction with its associated scheme smallholders, a total planted hectarage of 56,200 hectares.

After the acquisition at Simpang Kiri, the Group remains committed to its growth strategy, and a number of further projects remain under review.

The Group had five palm-oil mills operating throughout the year and was able to raise the proportion of crop processed in its own efficiently and sustainably run facilities. This will increase further in 2023 as the Group's sixth mill opened just after the year end at Musi Rawas. In addition, following the acquisition of further hectarage close to Simpang Kiri referred to above, the Group will review plans to build a mill there. If constructed, the Group would then achieve 100% 'in-house' processing of its own crop, and the output from that crop would all qualify as certified sustainable CPO.

As part of its commitment to responsible operation and development, the Group has continued to support the well-being of its workforce across Indonesia. Further investment has been made during the year in estate development including new and upgraded housing, more school places and more teachers, and additional recreational and community facilities on site. The Group is also seeking to increase the hectarage within its estates that is specifically designated for conservation, and is expanding its sustainability team to support this effort.

CPO storage tanks at the Bangka mill

"SECTION 172' STATEMENT: IMPLEMENTING THE STRATEGY

The board acknowledges that working productively with all stakeholders is a key factor in ensuring the Group's long-term success. In formulating and implementing its strategy, the board meets its obligations under section 172 (1) of the Companies Act 2006 ("section 172") to promote the success of the Company for the benefit of its members, whilst having regard to wider stakeholders and the impact of decisions over the long term. Each member of the board is aware of their obligations, and due consideration is given to stakeholders' interests, as well as the other matters listed in section 172, 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, or of affecting, the activities of the Group including assessing the best means of engaging with those stakeholders. The current list, together with a summary of how it engages with its stakeholders, is published on the Group's website (www.mpevans.co.uk).

Pages 12 and 13 of this report set out the Group's business model and how it operates. In addition, the Group's core strategic pillars are shown on page 17. 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 long-established 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 34 to 41.

The Group has analysed carbon data on its operations, in order to provide a baseline against which targets can be set. It acknowledges the importance of net-zero targets as part of the changes that stakeholders expect, amid concerns about the effects of climate change. The Group will use this data to make public disclosures in accordance with new non-financial reporting standards which are being introduced. It welcomes the prospect of increasingly widespread standardised information, providing context for the Group's own disclosures which will not only benefit the Group in its own decision-making, but will give stakeholders greater insights into these increasingly important areas and how they might impact on the business.

The board values stakeholder engagement as an essential tool in its risk-management strategy. In response to feedback from its employees, the board refined its existing risk-identification process and tasked the chief executive to carry out the first of a programme of stakeholder engagement exercises in which he, together with the head of risk in Indonesia, met with small groups of senior staff across all operational divisions to discuss their insights on the potential risks that the Group faces. The audit committee used the data gathered to update the Group's risk register, which it then reviewed to identify and classify the principal risks facing the business. The recommendations of the audit committee, in turn, fed into the board's decisions around risk disclosure in the annual report.

The board, through media articles and discussions with its professional communications advisers, regularly informs itself on public sentiment in relation to the palm-oil industry and its products, taking note of concerns around industry practices and environmental impacts linked to deforestation. The board has again this year responded to these concerns by reaffirming the Group's commitment to operating to the highest of standards and in accordance with the requirements of the RSPO, designed to provide assurance of industry good practice that protects environments and communities. This imperative to act responsibly is integral to the Group's strategy and includes taking into account the interests of the Group's employees when contemplating future growth. The board receives input from its executive members who are in frequent contact with senior management in Indonesia, both via video link and in person, now that travel restrictions have been lifted. Recognising the value of its existing management expertise and skilled workforce as one of the bases on which to continue to focus on the production of sustainable Indonesian palm oil, the board remains of the view that new project acquisitions should, where possible, be additive to existing projects, take account of staff resource, and ensure maintenance of the Group's high operational standards. The Group has for some time been investing in workforce recruitment and developing its management resources.

STRATEGY PILLARS

M.P. Evans is a responsible producer of sustainable Indonesian palm oil, striving for excellence in all its operations, with a focus on continuing growth and offering an increasing yield.


The Group maintains conservation areas and does not plant near water courses

Acting responsibly is at the heart of what we do and who we are. We are active members of the RSPO, we do not deforest, and are good stewards of the land we cultivate. We provide housing along with medical, educational, religious and leisure facilities for our workers and their families.


Morning briefing to promote safe and efficient working practices

Excellence comes from investing for the long term. Our investment is not only in plantation assets but also in our employees, their diversity and inclusion, and in their training and development. In this way, we are consistently able to deliver both high yields and high oil-extraction rates from our estates and mills.

Strategy pillars

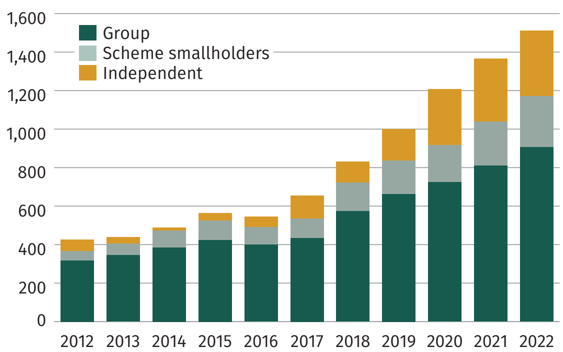
Responsibility

Excellence

Growth

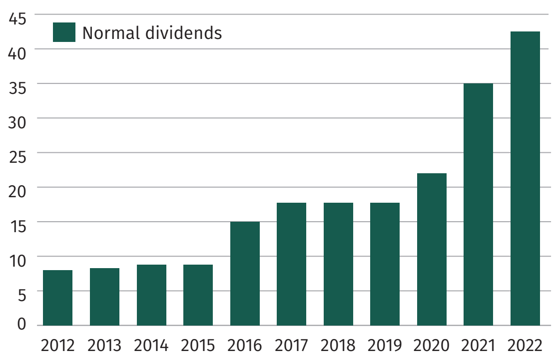
Yield

GROWTH IN CROPS PROCESSED ('000 TONNES)



We seek to grow and develop the business. Growth continues to come from the increasing maturity of the Group's young estates, from the ongoing focus on improving yields, and from the planned acquisition and sustainable development of new areas of land.

GROWTH IN DIVIDENDS (PENCE)



The Group's investment strategy has already led to a significant improvement in shareholder returns. In line with its growth programme, the Group plans to deliver increasing returns to shareholders.

RESULTS & FINANCIAL POSITION

5% INCREASE
IN CRUDE-PALM-OIL EMG SALE PRICE
2022 US$854 per tonne
2021 US$810 per tonne

15% INCREASE
IN PALM-KERNEL EMG SALE PRICE
2022 US$611 per tonne
2021 US$533 per tonne

18% INCREASE
IN REVENUE
2022 US$326.9m
2021 US$276.6m

REVENUE AND GROSS PROFIT

Group revenue increased to US$326.9 million in 2022, up by 18% from the US$276.6 million recorded in 2021. Group crops continued to rise, and production of both CPO and PK reached new highs as a result, as explained in more detail in the later crop and production sections of this report. Sales prices were up for both CPO and PK, and average ex-mill-gate ("EMG") prices were US$854 and US$611 per tonne in the year, increases of 5% and 15% respectively on the previous year. The Group also benefited from directly selling an increasing proportion of its output as CPO and PK rather than selling ffb for processing in outside mills. This was particularly significant at Bumi Mas, where the Group mill was operational throughout 2022.

The Group's cost of production is reported as a combined cost per tonne, measuring the costs associated with each tonne of 'palm product', being both CPO and PK. It is designed to be a fully absorbed cost, which includes all estate overheads along with the significant majority of central costs recharged from the Group's Jakarta head office plus an appropriate element of costs recharged from the UK head office. The Group's cost per tonne in relation to crop harvested and processed from the Group's majority-owned areas increased in the year, from US$350 per tonne to US$402 per tonne, caused predominantly by inflationary pressure on fertiliser inputs in the year. Cost per tonne, after taking into consideration crops purchased from scheme smallholders and independent suppliers, increased in the year to US$527 per tonne (2021 US$465 per tonne) as ffb purchase prices increased along with the higher CPO price during 2022. Further analysis of Group costs is included on page 24.

The Group does not measure cost per tonne in the same way for its estates supplying outside mills, but continues to maintain careful estate cost control in those locations. At the end of 2022, the only Group locations supplying outside mills were Musi Rawas and Simpang Kiri, and this reduced to only Simpang Kiri in early 2023 once the mill at Musi Rawas had opened. As there were fewer of them, the gross profit achieved by locations without mills reduced in 2022 to US$9.6 million (2021 US$12.6 million).

Allowing for the above, the Group's gross profit in 2022 was US$109.2 million, 5% higher than the US$103.6 million achieved in 2021.

PROFIT ON SALE OF LAND

In 2021, the Group recorded a one-off profit on the disposal of 70 hectares of land in Malaysia owned by its subsidiary company, Bertam Consolidated Rubber Company Limited. There is no corresponding amount in 2022. At the time of the disposal, US$9.3 million of the proceeds were deferred, and since then, US$2.5 million has been received during 2022. The final instalment of US$6.8 million is due to be received by the Group in July 2023.

ADMINISTRATIVE EXPENSES AND OTHER INCOME

Group administrative expenditure in 2022 was US$4.6 million (2021 US$5.4 million), a little lower than the amount incurred in the previous year. Group other income increased to US$1.9 million (2021 US$1.4 million) on sales of electricity from the Group's biogas facilities and sale of surplus kernel shells. The Group continues to work on identifying new opportunities for electricity generation and supply agreements to maximise the use of available capacity at its milling locations.

NET FINANCE COSTS

The Group's finance costs were similar to the prior year at US$2.7 million, reflecting the impact of increasing interest rates over the course of the year, offset by reduced borrowings as the Group continues to pay down outstanding term loans. Finance income increased to US$1.4 million (2021 US$0.6 million) as cash balances rose in the year.

5%
INCREASE
IN GROSS PROFIT

2022 US$109.2m
2021 US$103.6m

TAXATION

The Group tax charge for the year was US$24.1 million (2021 US$23.2 million). The Group pays a significant amount of corporate tax in Indonesia, its principal operating location, and remains committed to operating transparently and paying appropriate taxation on the profits generated.

ASSOCIATED COMPANIES

The Group's Indonesian associate, PT Kerasaan Indonesia (38% owned) contributed US$1.7 million (2021 US$1.5 million) to Group profit in the year, and the Group received dividends of US$1.5 million (2021 US$1.2 million). The Group's Malaysian associate, Bertam Properties Sdn Bhd (40% owned), contributed US$0.5 million (2021 US$1.0 million) to Group profit in the year, and the Group received dividends of US$1.2 million (2021 US$1.2 million).

PROFIT FOR THE YEAR

As a result of the above, the Group's profit for the year was US$78.4 million (2021 US$91.8 million), lower than the previous year mainly due to the one-off profit on land sale in 2021 referred to above.

NET ASSETS AND BORROWING

At the end of the year, the Group's net assets had increased to US$488.8 million (2021 US$445.0 million). Current assets exceeded current liabilities by US$97.4 million (2021 US$72.3 million). The Group had cash and liquid resources of US$82.5 million (2021 US$65.6 million). As a result of the further cash generation in the year, net debt had been eliminated, and year-end net funds were US$33.5 million (2021 net debt US$5.4 million). As a result, the Group had no net gearing (2021 – 1%), whilst gross gearing was 9% (2021 – 14%).

Harvester with ripe ffb at Kota Bangun estate

OPERATIONS: INDONESIAN PALM OIL

CROPS

The crop processed by the Group is made up of three component parts: Group crops harvested from its majority-owned areas, scheme-smallholder crops harvested from community-owned smallholder co-operatives areas attached to some of the Group's estates, but managed by the Group on behalf of the smallholder co-operatives, and independent crops purchased from third-party suppliers to utilise spare capacity in Group mills. The majority of crop is processed in Group mills, with a small part currently being processed by third-party mills where Group milling facilities have not yet been built.

The total crop processed by the Group increased in the year to 1,511,700 tonnes (2021 – 1,366,200 tonnes), an overall increase of 11%. This was in line with the Group's growth plans, and a result of both the long-term investment made by the Group in Indonesian oil palm and the commitment to operational excellence by the Group's agronomic management teams.

Crop from the Group's majority-owned areas was up by 12%, from 809,700 tonnes in 2021 to 905,400 tonnes in 2022. Plantings have continued to mature during the course of the year, and the average age of majority-owned areas is now ten years, approximately the point at which palms reach a lengthy period (up to a decade) of maximum productivity. However, that average age is made up of estates at different points in their planting lifecycle, and some are notably younger, particularly Musi Rawas in South Sumatra, where the Group is continuing to plant new palms and crop is increasing more rapidly. The crop from scheme smallholders increased by 16% in the year, from 229,300 tonnes to 265,700 tonnes, following a similar pattern to crop from the Group's own areas, but with a slightly younger planting profile leading to a larger proportionate increase in the year.

Purchasing crop from independent suppliers continues to be important to the Group to ensure that mill capacity is utilised as much as possible. Independent input made up 23% (2021 – 24%) of total crop processed by the Group. This proportion may increase in the short term as the Group's Musi Rawas mill is commissioned, but is ultimately planned to decrease as Group and scheme-smallholder crops utilise a larger amount of milling capacity. The increase in independent crop processed was restricted to 4% in 2022 as purchases were temporarily scaled back during the palm-oil export ban in April and May to mitigate against the risk of Group storage facilities becoming full. This secured the continued operation of Group mills and processing of Group and scheme-smallholder crops.

As reported in last year's annual report, there was a period of particularly wet weather towards the end of 2021 at Kota Bangun, creating some challenging conditions on the estate. The wet weather persisted into the early part of 2022, making harvesting conditions difficult in some areas, as well as adding operational challenges in transporting the harvested ffb for mill processing on a timely basis.

Nursery at Simpang Kiri estate

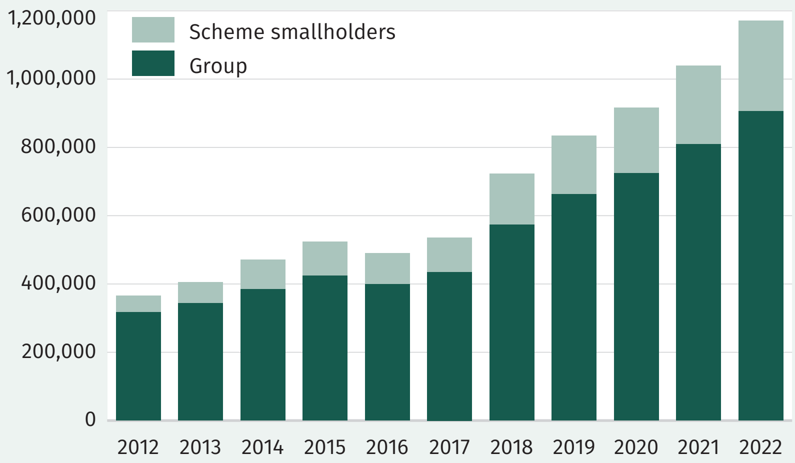
Despite the relatively slow start to the year, conditions improved as it progressed, and the pattern of long-term crop growth at Kota Bangun reasserted itself, such that by the end of the year total crop from the estate was over 300,000 tonnes, with growth of 13% and 5% from Group and scheme-smallholder areas respectively. The estate sits close to the Mahakam river in East Kalimantan, and due to the topographical conditions on site, some of the planted areas are relatively low-lying, increasing flood risk in times of high rainfall. The Group has, for several years, invested in innovative water-management and water-defence projects, mitigating this risk, and in 2022 a water-catchment area was constructed, with a capacity of 1 million cubic metres which will enable estate management to moderate the flow of water through some of the affected area. A further water-catchment area, with a 1.5 million cubic-metre capacity, is planned for construction in 2023. As part of its ongoing review process, the Group identified a small planted area of 152 hectares which had been badly flood damaged and for which there was no cost-effective water-defence plan, and these hectares were written off during the year.

In a similar way to Kota Bangun, crop at the Group's Bangka estate got off to a relatively slow start in 2022. This was partly weather related, but also a reflection of natural seasonality of oil-palm cropping, which does not necessarily follow a 12-month cycle. Unlike 2021, when crop was very heavily weighted towards the first half of the year in Bangka, a more even split was established during 2022, with the crop peak occurring around the middle of the year. Crop for the full year was up by 10% for the Group's own areas and 13% for scheme smallholders, whilst there was a 20% (15,400 tonne) reduction in outside crop purchases, a combination of managing mill capacity as Group and scheme-smallholder crops continued to increase, and the cautious approach adopted during the palm-oil export ban.

CROP

	2022 TONNES	INCREASE/ (DECREASE) %	2021 TONNES
Own crops			
Kota Bangun	219,400	13	194,300
Bangka	167,200	10	152,300
Pangkatan group	192,500	8	179,000
Bumi Mas	166,700	1	165,700
Musi Rawas	107,600	55	69,400
Simpang Kiri	52,000	6	49,000
	905,400	12	809,700
Scheme-smallholder crops			
Kota Bangun	91,000	5	86,300
Bangka	91,200	13	80,800
Pangkatan group	900	—	—
Bumi Mas	30,600	2	29,900
Musi Rawas	52,000	61	32,300
	265,700	16	229,300
Independent crops purchased			
Kota Bangun	191,700	(9)	210,600
Bangka	62,800	(20)	78,200
Pangkatan group	39,100	9	35,900
Bumi Mas	47,000	1,780	2,500
	340,600	4	327,200
TOTAL CROP	**1,511,700**	**11**	**1,366,200**

CROP HISTORY
tonnes



The Pangkatan estates in North Sumatra continued to deliver high crop levels in 2022, with an average yield of 29 tonnes in Group-owned areas. There was a small amount of replanting during the year amounting to 64 hectares, as part of the Group's commitment to maintaining the long-term productivity of these well-established estates. During the year, the Group continued to work with local communities to develop independent smallholder co-operatives and to replant those areas to a high standard. By the end of 2022, 894 smallholder hectares had been developed. The majority of these remained immature at the end of the year, but a small crop of 900 tonnes has been recorded.

At Bumi Mas, the Group has seen significant crop increases in recent years following the acquisition of the estate and subsequent improvement to agronomic standards. By 2021, the estate was achieving a yield of 23 tonnes per mature hectare. After several years of larger steps forward, the estate delivered a smaller increase in 2022, 1% and 2% up on crops from Group and scheme-smallholder areas respectively. Also, being in East Kalimantan, the estate experienced similar weather-related harvesting and operational challenges to Kota Bangun in the early part of the year. The harvesting challenge was compounded by the departure of some inexperienced harvesting workers during these difficult working conditions, but the management team have worked diligently to address this issue and ensure that the estate workforce is robust to future challenges. Crop at Bumi Mas was enhanced by a full year of purchasing from independent suppliers, with 47,000 tonnes of outside crop sourced for processing in the Group mill. As local supplier relationships develop and strengthen, the Group's objective is to increase independent purchases in the coming year.

The Group's largest crop increase was at Musi Rawas, its youngest estate, with an average planting age of less than five years at the end of 2022. Crop from Group-owned areas increased by 55%, whilst that from scheme smallholders was up by 61% in the year, putting the Group in a strong position as it starts to supply its newly constructed mill on site, operational from February 2023.

At Simpang Kiri, crop increased by 6% to 52,000 tonnes, as the Group continues to benefit from the replanting that has taken place there and the higher quality planting material that has been used during that programme.

PRODUCTION

The Group continues to prioritise processing crop through its own milling facilities, given both the strategic and financial benefits involved. Throughout the course of 2022, the Group had five operational palm-oil mills, with a sixth under construction at Musi Rawas. The mill at Musi Rawas opened in February 2023 and will now process all of the crop from that estate and start to take in additional crop from independent suppliers to maximise its utilisation.

As crops available for processing continued to increase in 2022, so the Group was able to record another rise in production of both CPO and PK. As before, during 2022, the Group sold its crop at Musi Rawas and Simpang Kiri to outside mills for processing, with a selling price based on the CPO market and an assumed rate of extraction. However, to be consistent with other locations, CPO and PK produced from these estates' crops are reported as part of the Group total but subtotalled separately in the production table.

The Group is committed to increasing its CPO and PK production capacity as much as possible. The Group's crops and those of its scheme smallholders are of a high standard, and the Group seeks to maximise the margins available to it by milling that crop and selling the oil and kernels for itself. With the benefit of having five Group mills operational throughout the year, total CPO production increased by 9% to 341,700 tonnes, and PK production was up by 10% to 73,800 tonnes.

All the Group's palm-oil mills are accredited as certified sustainable producers as soon as possible after commissioning, although it can take time to complete the necessary independent audit and approval checks. All of the Group's ffb, and that of its scheme smallholders, are grown to the same high standards and in a sustainable way. The Group's certified sustainable output increased to 64% in the year (2021 – 55%) as the Group benefited from the increase in milling capacity. This figure will rise further as the mill-building and certification programme continues, but will also benefit from mill capacity being taken up increasingly by the Group's own crop and that of its scheme smallholders.

PRODUCTION AND EXTRACTION RATES
GROUP AND THIRD-PARTY MILLS

	CRUDE PALM OIL			PALM KERNELS		
	2022	INCREASE/ (DECREASE)	2021	2022	INCREASE/ (DECREASE)	2021
PRODUCTION	**TONNES**	**%**	**TONNES**	**TONNES**	**%**	**TONNES**
Group mills						
Kota Bangun	112,800	(1)	114,400	23,800	5	22,700
Bangka	75,100	1	74,200	18,400	3	17,800
Pangkatan group	53,300	10	48,600	12,200	8	11,300
Bumi Mas	56,200	170	20,800	9,600	182	3,400
	297,400	15	258,000	64,000	16	55,200
Third-party mills						
Bumi Mas	—	—	23,100	—	—	5,000
Musi Rawas	32,600	57	20,800	7,500	60	4,700
Simpang Kiri	11,700	6	11,000	2,300	5	2,200
	44,300	(19)	54,900	9,800	(18)	11,900
	341,700	**9**	**312,900**	**73,800**	**10**	**67,100**
EXTRACTION RATES	**%**	**%**	**%**	**%**	**%**	**%**
Group mills						
Kota Bangun – Bumi Permai	23.3	(2)	23.8	5.1	4	4.9
Kota Bangun – Rahayu	21.2	(6)	22.5	4.2	—	4.2
Bangka	23.4	(2)	23.8	5.7	—	5.7
Pangkatan group	22.9	1	22.6	5.2	(2)	5.3
Bumi Mas	23.0	1	22.8	3.9	5	3.7
	22.9	(2)	23.3	4.9	(2)	5.0
Third-party mills						
Bumi Mas	—	—	21.6	—	—	4.7
Musi Rawas	20.4	—	20.4	4.7	2	4.6
Simpang Kiri	22.5	—	22.5	4.5	—	4.5

The Group sells some crop to outside mills for processing, with a selling price based on the CPO market and an assumed rate of extraction. However, to be consistent with other locations, CPO and PK produced from these estates' crops are reported as part of the Group total but subtotalled separately above.

The Group continues to purchase ffb from independent suppliers in order to maximise the capacity utilisation of its milling facilities. Supplies purchased from independent sources tend to be of noticeably lower quality than ffb grown and harvested either from the Group's own areas or from those belonging to scheme smallholders, which are planted and managed by the Group to the same high standards as majority-owned hectarage. Over the course of 2022, maintaining quality standards for independent crop was a particular challenge in Kota Bangun and in Bangka and this is an area of continuing focus for mill management. Mill staff go through a detailed grading process to review incoming supplies with the objective of sorting and rejecting poor-quality bunches.

Group mills are developed on a fully integrated basis and on a zero-waste principal. All mills have both composting and biogas facilities on site, with the exception of the Group's oldest mill at Pangkatan, where it has not been possible to reach a power supply agreement with the state electricity company. At all other locations, compost is produced and applied to the Group's planted areas as a nutritious organic fertiliser, and biogas facilities are used both to treat mill effluent in covered ponds, significantly reducing greenhouse gas emissions, and to generate green electricity. Electricity generated is used either for the Group's own power needs (reducing the requirement for diesel generators on site or for power drawn from the domestic grid, much of which is dependent on coal-fired power stations) or to sell as excess power to the state electricity company.

COSTS

Cost per tonne of palm product is usually at its lowest when the Group processes crop from its majority-owned areas in its own mills. Production costs increase when the Group purchases crop for processing, whether from its associated scheme smallholders, or from independent suppliers. This is partly due to replacing its own estate costs with an ffb purchase cost, but also in the case of ffb from independent suppliers, due to the lower extraction rates achieved. The variance increases at times of higher prices, as purchase costs are linked by formula to the prevailing CPO price.

The Group's long-standing policy has been to include all depreciation, general charges and estate administrative and overhead costs in its analysis of cost per tonne. In addition, all central costs incurred at its Jakarta head office are allocated to its operating units and included as part of cost per tonne, as are an appropriate proportion of UK costs. During 2022, cost per tonne for production sourced from the Group's own areas increased to US$402 (2021 US$350), an increase of 15%. The main upward pressure during the year was a sharp increase in fertiliser costs, which in some cases more than doubled. Russia is a significant producer of fertiliser, and the Group took the decision to avoid purchases originating from that country, adding to some cost increases in the year. Nonetheless, management took the strategic decision that maintaining fertiliser application based on recommendations from our expert agronomic consultants remained in the Group's best long-term interests in maintaining and enhancing crop yields. Unit costs do also vary by location, depending on a number of factors including maturity, yield patterns, upkeep requirements, and experience of the local workforce. The Group's location with the lowest production cost continues to be Pangkatan in North Sumatra, which benefits from being a mature, well-established estate with a low-cost mill.

The total cost of production, allowing for all sources of crop, increased from US$465 in 2021 to US$527 in 2022, an increase of 13%, the rise being a combination of cost increases and the higher CPO price prevailing during the year. Purchasing crop to maximise capacity utilisation in Group mills remains worthwhile even with the higher cost involved not least as the Group benefits from the higher CPO selling price after processing, and the Group continues to make profitable use of the additional capacity available to it.

The Group continually monitors costs on its estates, at its mills, and in relation to its management and administrative activities. Inflationary pressures remain, particularly in relation to fertiliser, but to a lesser extent for other inputs such as wage costs and fuel, caused by world events over which the Group has no control, most notably the ongoing conflict in Ukraine. A continuing period of relatively high commodity prices, along with rising production, act as mitigating factors, but at the same time the Group continues to work on operational innovation, seeking wherever possible to reduce unit costs.

MILL-GATE PRICE

The Group benefited from a high CPO price environment during the course of 2022. As explained in more detail in the 'palm-oil market' section on pages 10 and 11, the price per tonne for CPO, when expressed in cif Rotterdam terms, ranged between US$895 and US$1,990 and averaged US$1,345, 13% higher than the US$1,195 in 2021. In Indonesia, the government charges taxes and levies on the export of palm oil and related products. Whilst these are not borne directly by the Group, as sales are made at mill-gate for onward shipment and processing, they influence the amount buyers are willing to pay. As also discussed in the 'palm-oil market' section of this report, there were some changes to taxes and levies in 2022, but as a general rule, the gap between quoted cif Rotterdam prices and available mill-gate prices widens as prices increase due to the graduated taxation system in place. Despite this, the Group achieved an average mill-gate price for CPO sales from its own mills of US$854 per tonne in the year, 5% higher than the US$810 per tonne in 2021.

Pricing for palm kernels was particularly strong in the early part of 2022, with prices peaking in March at US$980 per tonne, based on a combination of high demand for certain products and a deficit of coconut-oil supplies. Since then, pricing has abated, returning to more familiar levels. The average selling price for the year was US$611 per tonne, 15% higher than the US$533 per tonne achieved in 2021.

Included in the above sales figures, the Group received sustainability premia of US$7.5 million (2021 US$4.3 million), another increase reflecting both the demand for certified sustainable production and the Group's ability to deliver more of its own certified output. CPO and PK are sold with both RSPO and ISCC certifications depending on demand and where the best premia can be achieved. The average premia for CPO when sold as certified oil was US$16.90 per tonne (2021 US$17.40), whilst demand for sustainable PK was particularly strong in 2022 with average premia for PK sold as certified up to US$91.80 per tonne (2021 US$55.20).

PLANTING

At Musi Rawas, planting continued throughout 2022. As part of any new development, the Group works with local communities and any local land-rights holders on the basis of free, prior informed consent. Fully agreed, documented, and witnessed land compensation is paid prior to any planting taking place. All planting is performed in compliance with the environmental standards published by the RSPO. The Group planted 585 hectares at Musi Rawas in 2022, bringing the total planted area there to 9,600 hectares, and the Group expects to achieve its initial target of achieving a total planted area of 10,000 hectares during 2023.

In North Sumatra and Aceh, the Group has made significant progress during the year on the formation of new co-operative schemes and financing replanting of areas of oil palm for members of those schemes. By the end of 2022, a total of 1,147 hectares had been replanted as part of these schemes, both at Pangkatan and Simpang Kiri. In addition, 64 hectares of the Group's own oil palm were replanted at Pangkatan during the year.

ASSOCIATED COMPANY: KERASAAN

The Group's 38%-owned oil-palm associate in North Sumatra, PT Kerasaan Indonesia ("Kerasaan"), achieved a crop of 51,900 tonnes in 2022, 6% lower than the 55,200 tonnes in 2021. Replanting continued at the estate in 2022, with a total of 145 hectares planted in the year, bringing up the total planted area to 2,242 hectares. The average age of planting at Kerasaan is now 13 years.

PERFORMANCE EVALUATION

The Group uses key performance indicators at all levels, both in Indonesia and in the UK, in assessing its plantation operations and directing management effort in supervising those operations. In this year's annual report, the Group is continuing to provide, in this section, the key operational metrics as previously reported.

The planted hectarage managed by the Group continued to increase in the year, with ongoing planting at Musi Rawas, as well as the development of new co-operative schemes in northern Sumatra. All activity takes place in line with the RSPO planting requirements, and the Group is committed to the highest sustainability standards. At the end of the year, the total planted area of the Group and its associated scheme smallholders was **54,100 hectares**. Planted hectarage increased further after the year end following the acquisition of 2,100 planted hectares close to the Simpang Kiri estate. The Group anticipates introducing an accelerated replanting programme in some of the acquired area to work towards bringing them up to the expected excellent Group standards.

PERFORMANCE EVALUATION

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

54,100

HECTARES, GROUP AND SCHEME SMALLHOLDERS

2021: 52,600 hectares

PLANTED HECTARAGE

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

23.2

TONNES PER HECTARE

2021: 21.1 tonnes per hectare

FFB YIELD PER HECTARE

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

1,171,100

TONNES

2021: 1,039,000 tonnes

FFB CROP

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

22.9%

OIL-EXTRACTION RATE

2021: 23.3%

EXTRACTION RATES

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

US$402

PER TONNE PALM PRODUCT

2021: US$350 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.

The crop yield per hectare is monitored carefully by management. For each year of planting on each estate it is budgeted, reported and reviewed. The yield per hectare can be significantly different as a result of a number of agronomic factors including soil, weather, and the natural yield cycle. However, the most important determining factor in yield is the age of the palm. In 2022, the average yield per mature hectare across all of the Group's plantings, including scheme smallholders, increased to **23.2 tonnes**, an encouraging increase on the 21.1 tonnes recorded in 2021. Local estate management work diligently to control field standards, fertiliser application, harvester numbers and productivity as well as the quality of estate infrastructure, including estate roads and drains. Senior management monitor estate activities and obtain independent advice if required. Overall, the combined crop from the Group's own areas and from the associated scheme smallholders was **1,171,100 tonnes**.

Mill management monitor the performance of each of the Group's oil-palm mills, and as part of their monitoring will regularly record and review the percentages of free fatty acids, dirt and moisture in mill output, as well as oil losses at various stages of the production process. Extraction rates can vary depending on both the performance of the mill itself and the type and quality of the ffb that is supplied to the mill for processing. Mill throughput is also measured daily as an efficiency indicator. An average **oil-extraction rate of 22.9%** was achieved across all the Group's mills in 2022. This is slightly lower than the rate achieved in the previous year but compares well with industry standards. The main reason for the reduction was identified to be some challenges associated with the quality of independent crop supplied to Group mills, and this has been prioritised for follow up and review by mill management. The Group's engineering team supervises all mill construction. This work is undertaken by independent contractors, but is based on agreed tenders, budgets and timetables.

Cost control is central to the success of the Group's operations, and management monitors the efficiency of both its plantation and its milling operations by reviewing their unit costs in comparison to agreed budgets, and as well as benchmarking against other operating units. A significant proportion of costs in both the field and the mill are fixed and so vary little with levels of utilisation. Field costs in particular can vary from location to location depending on local conditions, including terrain, weather conditions, infrastructure and age of plantings. As a result, costs are monitored on an individual estate basis. During 2022, the Group achieved a cost of **US$402 per tonne** for production from its own areas. The Group experienced some significant inflationary pressure on certain input costs in 2022, most notably in fertiliser prices. Maintaining recommended fertiliser inputs is key to achieving ongoing high yields, and the Group has, to date, accepted this cost increase, but continues to keep this, and all other costs, under continual review.

The chief executive in discussion with the senior Kalimantan mill manager during a visit to the Rahayu mill at Kota Bangun

CURRENT TRADING AND PROSPECTS

The total crop processed by the Group for the first two months of 2023 is 8% higher than for the same period in 2022. The Group's own crops and those of its associated scheme smallholders have been a little subdued during the early part of the year, mainly due to normal seasonal variances, as was the case in early 2022. As a result, the Group's own crop and that of its associated scheme smallholders has been very similar to that achieved in the first two months of 2022, being 1% down and the same respectively. A review of bunch formation and bunch counts on Group and smallholder palms indicates that crop is expected to increase as the Group moves further into 2023. Purchases of outside crop increased more significantly, with a 38% year-on-year rise, helping to keep Group mills occupied during the period.

The details are set out in the following table:

	2 MONTHS ENDED 28 FEB 2023 TONNES	INCREASE/ (DECREASE) %	2 MONTHS ENDED 28 FEB 2022 TONNES
Own crops	116,300	(1)	116,900
Scheme-smallholder crops	35,100	—	35,000
Independent crops purchased	61,300	38	44,300
	212,700	**8**	**196,200**

As reported above, CPO prices were high during 2022, and cif Rotterdam prices averaged US$1,345 per tonne for the year, whilst the Group's average mill-gate prices for its sales were US$854 per tonne. Prices stabilised at a somewhat lower level in the latter part of the year and into early 2023, with the Group able to achieve mill-gate prices of approximately US$750 per tonne, although there have been some recent positive signs with sales prices moving above US$800 per tonne in recent sales contracts. Encouragingly, there have been no significant changes to the regulatory environment for the sale of palm oil and related products within Indonesia over several months, providing some welcome stability within the market.

The Group made another step forward in delivering its strategy in February 2023 by opening its sixth palm-oil mill, located at the Musi Rawas estate in South Sumatra. The 60-tonne-per-hour capacity mill is now processing all of the crop from the Group's own planted areas at Musi Rawas as well as those of its associated scheme smallholders, offering an immediate uplift to the extraction rates available to the Group from that crop. In addition, after a short proving period, the mill will soon start to take in crop from outside suppliers, to increase its capacity utilisation and to add further to the total crop processed by the Group.

Now that the Musi Rawas mill has been commissioned, the Group is milling for itself approximately 96% of the crop that it processes, with only the crop at Simpang Kiri being sent to an outside facility. As announced in early March 2023, the Group has just acquired a further 2,100 planted hectares close to the Simpang Kiri estate, in line with its growth strategy. Management will now review plans to develop a further mill there which, if constructed, would enable the Group to mill 100% of the crop that it processes.

The board remains firmly of the view that sustainable palm oil, as a high yielding and low-cost product, will continue to offer attractive returns, and that the prospects for the Group remain bright.

Artist's impression of new housing at Bertam Properties, with already developed houses in background

OPERATIONS: MALAYSIAN PROPERTY

ASSOCIATED COMPANY: BERTAM PROPERTIES

Properties developed by the Group's 40%-owned associate, Bertam Properties Sdn Bhd ("Bertam Properties") continued to be of a high quality, and appealing to buyers, during 2022. Total consolidated revenue at Bertam Properties, including from its own subsidiary, Penang Golf Resort Berhad, was 77 million Malaysian Ringgit (US$17 million) in 2022, a little lower than the 84 million Malaysian Ringgit (US$20 million) in 2021. Bertam Properties sold 176 properties from its developments during the year (2021 – 146 properties), with some of the housing launches in the second half of 2022 being in particularly high demand. Because of the related accounting rules, some of the benefit of those agreed sales will not be recorded until 2023.

Bertam Properties continues to hold a land bank available for future development, and its total development area, including that currently under construction, but not including the 103-hectare golf course, amounts to 210 hectares. The Bertam Properties land continues to be a valuable asset whose value has increased as development of the projects has progressed towards completion and the new town attracts more residents and businesses.

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.

During 2022, an updated and refreshed approach to the identification and management of risks was introduced. A new 'head of risk management' was appointed, based in the Group's Jakarta office, responsible for maintaining the Group risk register and for working closely with operational management across Indonesia as well as with the UK head office team. Risks are classified within one of seven areas, being: operational, production and sales, financial, people, ESG (Environmental, Social and Governance), political and regulatory, and information systems. Regular risk review meetings take place to discuss the development of existing risks, their mitigation, as well as to identify new and emerging risks to the Group. Risk summaries are presented to, and reviewed by, the audit committee. As a result of this updated approach, a number of new principal risks have been identified, as disclosed in this section. However, the board remains of the view that the most significant risk to the Group is a reduction in the commodity prices for CPO and PKO.

KEY

Likelihood of occurrence: LOW | MED | HIGH

Impact on the business: LOW | MED | HIGH

Risk change from prior year

INCREASE ↑ | DECREASE ↓ | NO CHANGE → | NEW N

Likelihood of occurrence	LOW	MED	HIGH
HIGH			5
MED	6 18	1 3 10 14	2 7 9
LOW	4 19	8 13 15 16 17	11 12

Impact on the business

RISK	IMPACT	MITIGATION

OPERATIONAL

1 Adverse weather

Risk: One or more of the Group's operational locations suffers from adverse weather conditions.

MED | MED | →

Impact: Yields may be lower than anticipated if weather conditions are too wet or too dry, causing lower crops or difficulties in harvesting.

Mitigation: The Group accepts that weather patterns can vary over the short term, but its experience of developing and managing oil-palm estates in Indonesia over several decades shows that any crop deficits tend to be made up over the longer term. In addition, the Group benefits from the geographical diversity of its operations within Indonesia.

2 Climate change

Risk: Group estates start to feel the impact of long-term changes in climate patterns.

MED | HIGH | ↑

Impact: Changing weather patterns may result in changing yield profiles on the Group's oil-palm estates.

Mitigation: There has been no evidence of significant changes to weather patterns on the Group's estates to date. However, the Group is not complacent and continues to monitor the situation. A more detailed assessment of climate risk has been performed and is included in the TCFD section of this report on pages 34 to 37.

3 Flood and water incursion

Risk: One or more of the Group's planted areas suffer a significant flood.

MED | MED | →

Impact: Depending on the severity, flooded areas are difficult or impossible to harvest, reducing yield from those areas.

Mitigation: Some of the Group's estates are more prone to flood risk than others, due to their location and topographical conditions. The Group has invested in water management systems, including bunding and drainage systems, as well as water pumps to evacuate excess water.

4 Pests and disease

Risk: Group planted areas are attacked by pests or infected by disease.

LOW | LOW | →

Impact: Whilst a remarkably hardy plant, the oil palm can still be subject to attack from pest and disease, reducing yield from affected areas.

Mitigation: The Group employs experienced agronomic managers in all its estates and takes advice from external consultants when appropriate. Effective management is designed to identify issues when they occur, and to ensure that they do not become widespread. Senior staff remain up to date in latest agronomic practices.

RISK	IMPACT	MITIGATION
PRODUCTION AND SALES		
5 Change in prices There is a significant fall in commodity pricing for CPO and PKO. HIGH HIGH →	A fall in commodity prices would result in a reduction in mill-gate prices received by the Group for its output.	The Group accepts that it is dependent on its ability to sell its output into a world market over which it has no control. However, oil palm is a permanent tree crop and is the cheapest major vegetable oil to produce, with Indonesia being the lowest cost producing country. The Group employs a dedicated marketing team to monitor developments in the market and to ensure that it receives the best available prices for its sales tenders and other supply agreements.
FINANCIAL		
6 Exchange-rate fluctuation There is an adverse impact in the Indonesian Rupiah exchange rate. MED LOW →	Adverse exchange rate movements can impact upon Group costs and the value of locally held assets.	Exchange rate risk is mitigated at least in part as the Group's functional currency is USD and both its revenue and significant proportion of its costs are USD related. Local costs denominated in Indonesian Rupiah ("IDR") are lower in USD terms when the IDR weakens, but at the same time assets held in IDR devalue, whilst the opposite holds when the IDR strengthens against USD. Management have concluded that, other than seeking to hold surplus cash balances in USD as far as possible, any other formal hedging mechanisms would be difficult to achieve and unlikely to be cost effective.
7 Inflation There is a significant increase in Group costs due to inflationary pressures. MED HIGH N	Increasing input costs adversely affect cost per tonne and, by extension, operating margins.	The Group operates a centralised purchasing team, based in Jakarta, that is responsible for all major procurement, supported by regional offices dealing with local suppliers. Tenders are well-controlled and subject to multiple reviews. Unit costs have benefited from increasing yields, but recent inflation, particularly on fertiliser caused by the Russia Ukraine conflict, has inevitably fed through to cost per tonne.
8 Taxation The Group is unable to agree its tax accounting with local tax authorities. LOW MED N	The Group is subject to an additional tax liability.	In all cases, the Group is committed to complying with relevant tax legislation and to paying taxes that are due. The Group employs a dedicated tax specialist team and works with external tax consultants where necessary to advise on complex areas.
PEOPLE		
9 Sufficiency of workforce The Group is unable to attract, train, or retain a sufficient workforce at its oil-palm estates. MED HIGH N	A lack of workers may lead to key operational tasks not being performed to a Group standard or not performed at all, resulting in lost crop, production and revenue.	The Group has a clearly defined management structure across all its operating locations in Indonesia from senior management through to managers and assistants responsible for individual estates and divisions. Regular reviews are conducted including a discussion of current and anticipated workforce requirements. Steps are taken where necessary to recruit additional workers, and the pay rates, working and living conditions are monitored to ensure that they are in accordance with Group standards.
10 Succession planning The Group fails to focus on development of its management team and planning for succession in key roles. MED MED N	The Group relies on the experience and expertise of its senior management Group, without whom the Group risks a reduction in its high operating standards.	Succession planning for senior staff has been identified as a priority area and is discussed on a regular basis by the Group board. Wherever possible, early discussions are held with staff members to discuss their plans along with opportunities for future development. The continuing growth of the Group has allowed for scope to provide new learning and development for staff.

STRATEGIC REPORT continued

RISK	IMPACT	MITIGATION
ENVIRONMENTAL, SOCIAL AND GOVERNANCE		
11 Environmental obligations		
The Group fails to comply with its own policies, or with legal or regulatory obligations, on environmental protection. LOW HIGH →	A failure to comply with environmental obligations may lead to environmental loss, reputational damage, remediation costs and potential fines.	The Group applies its well-established policies on the development and operation of sustainable oil-palm estates. It has a separate sustainability team, including staff members resident at all its operating sites. The Group is a long-standing member of the RSPO and is subject to their independent audit and scrutiny.
12 Relationship with local populations		
Operations are disrupted by a breakdown in relations with local populations around Group estates. LOW HIGH →	Disruption around Group estates, including workforce problems or transport difficulties, could lead to a slowdown or even stoppage in Group production.	Careful attention is paid to the Group's relationship with local populations around Group estates, including communication with local government, mayors and village representatives. The smallholder co-operative schemes attached to the majority of the Group's planted areas play an important part in aligning the interests of the Group and the local community, and the Group works hard to ensure that the mutual benefits of co-operative participation are well understood.
13 Reporting obligations		
The Group fails to comply with obligations to provide external reporting on ESG data and analysis. LOW MED N	The Group may be subject to regulatory challenge, or have concerns raised by investors if necessary ESG data is missing from reporting.	There have been, and continue to be, significant changes in the regulatory environment around ESG in recent years, and the obligations to capture and report data are only expected to increase. The Group works with advisors, monitors guidance, and plans disclosure in annual reports, standalone documents and through the website with the objectives of meeting its obligations and to providing useful information to its shareholders.
POLITICAL AND REGULATORY		
14 Indonesian regulatory environment		
The Indonesian government introduces new laws or regulations which adversely affect Group operations. MED MED ↑	A change in the legal or regulatory environment could result in a reduction in Group profitability due to lower pricing, higher taxes, or some other impact.	The Group has a very long history of operating in Indonesia, and during that time the country has benefited from a period of political stability and economic growth. Inevitably some changes occur which influence the Group's operations, for example the CPO export tax changes during 2022, but the Group monitors these and reports them to shareholders as required.
15 Bribery and corruption		
Operations in Indonesia are deemed to be at risk of bribery and corruption. LOW MED →	Inappropriate activities could lead to both legal sanction and a loss of reputation.	The Group has a robust policy on bribery and corruption, completes risk assessments and conducts training of senior management and staff in all locations. It requires all its business partners to complete questionnaires on their respective anti-bribery and anti-corruption activities and policies. The Group has experienced staff at its Jakarta head office and has employed independent consultants to maintain a whistleblowing reporting channel to monitor any issues that arise.
16 Security of land rights		
The Group fails to secure or renew the land rights over its operating locations. LOW MED →	Without valid title to the land on which it operates, estate operations may be significantly disrupted or, at worst, result in loss of the land.	The Group's legal department in Jakarta maintain close control over all of the Group's land titles across Indonesia. Land is held under 25- or 30-year leases (HGUs) which are legally renewable at the end of their term. The Group's experience has been that renewal of HGUs has been a straightforward process. For newer projects and estates under development, a process of initial application takes place, which again is controlled by the legal department. Prior to obtaining the HGU, all necessary development and operating licences are obtained.

RISK	IMPACT	MITIGATION
POLITICAL AND REGULATORY (continued)		
17 Land rights dispute		
There is a dispute over land rights between the Group and another interested party. LOW MED N	If the Group is unable to defend its land rights, a loss of planted hectarage would have a knock-on effect to crop and production.	At times, the Group is subject to claims from others who seek to demonstrate an interest in the Group's planted areas. This can be more prevalent when commodity prices are high, not just for CPO, but other competing commodities when claimants see other potential uses for Group land. The Group legal team, supported by advisors as necessary, robustly defend the Group's land rights, and in all cases the Group is satisfied that it holds the proper title to its planted areas.
INFORMATION SYSTEMS		
18 Information security		
Group IT systems are not sufficiently secure. MED LOW N	Proprietary or sensitive information is shared outside the Group, either as a result of accidental loss or malicious cyber attack.	A Group-wide information management and reporting system has been deployed, and an in-house IT team works closely with retained IT consultants to ensure that Group data remains secure. Access controls have been established, and core data is stored in a secure 'cloud' environment.
19 System robustness		
IT systems critical to the Group are found to be unreliable or inconsistent. LOW LOW N	Group decision-making and reporting is based on system output, and unreliable data could lead to poor decisions or incorrect analysis.	The Group's management system is made up of several modules covering different aspects of operations and reporting. It is well-established and outputs are reviewed by management across the Group. Reports are discussed and challenged appropriately. A change management protocol has been developed to ensure that system updates are tested rigorously before being deployed into the 'live' environment.

Approved by the board of directors and signed on its behalf.

Matthew Coulson
Chief executive
21 March 2023

SUSTAINABILITY

The Group is committed to the production of certified sustainable palm oil, and has sustainability at the core of its strategic and operational decision making

SUMMARY OF TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Group recognises that developing a sustainable business means making long-term decisions, including protecting the environment for the benefit of all. Concerns about global warming, and in particular the destruction of tropical rainforest, have rightly received, and continue to receive, close scrutiny. As a producer of sustainable palm oil, the Group supports the UK's commitment to limiting global warming to well below 2°C, as set out by the Paris Agreement.

For the first time, in this annual report, on a voluntary basis, the Group has followed the guidance of the Taskforce on Climate-related Financial Disclosures ("TCFD"), covering the four key areas of governance, strategy, risk management and metrics and targets, and is reporting its progress on integrating the 11 TCFD recommendations into Group processes. Summary information is provided in this section of the annual report, whilst more detailed analysis will be provided in a standalone report due for publication later in 2023.

CLIMATE GOVERNANCE

The board continues to promote the success of the Group, considering the interests of all its stakeholders, and focuses on acting responsibly when considering the Group's strategic priorities. Climate change evaluation has been integrated into existing sustainability governance, which has been developing alongside our sustainability strategy. Acting responsibly is at the heart of what we do and who we are. We are active members of the RSPO, we do not deforest, and we are good stewards of the land we cultivate. We provide housing, along with medical, educational and leisure facilities along with places of worship for our workers and their families.

The board proactively takes into consideration stakeholder feedback in the development of its sustainability strategy, including the Group's response to climate change. Through previous stakeholder engagement, we identified six material topics which helped us to define strategic focus areas. Those topics are greenhouse gas emissions, forest protection, traceability, water, fair labour and communities.

The board has overall responsibility for monitoring climate-related risks and opportunities. We understand that climate change may present challenges which could impact our ability to deliver the Group's strategy, and climate-related risks and opportunities are considered during strategic decision making by the board where appropriate. To support them in fulfilling their responsibilities, a training session was held for the board, facilitated by the Group's third-party sustainability advisors, providing them with an overview on climate change and how both governments and individual organisations are setting 'net zero' emissions targets. This session also included a facilitated discussion around how to account for the Group's greenhouse gas emissions, or 'carbon balance sheet'. As part of its governance development, the board is reviewing the need for a separate committee focused specifically on environmental, social and governance ("ESG") matters.

The management of climate risks and opportunities takes place throughout the business. The board has delegated executive responsibility for the Group's climate action to the chief executive. In his role, the chief executive takes the lead in setting policy on sustainability and managing the Group's climate risk register. The Group has a dedicated sustainability department, which, along with the dedicated head of risk management, support the chief executive in identifying, assessing and addressing climate risks and opportunities impacting Group operations.

STRATEGY

Our strategy is to maintain expansion of palm-oil production, and hectarage, in a sustainable and cost-effective manner. Whilst this is our first TCFD disclosure, we have, for many years, published a wide range of information, in our annual report, standalone reporting and on our website, showing how we approach sustainability in practice. We have utilised the recommendations of TCFD as a tool to strengthen our developing sustainability programme and ensure awareness of climate change influences strategic and financial decisions made by the board. By identifying and assessing the climate-related risks which may impact our business directly over time, we can actively work to mitigate potential damage. This also enables us to identify and capitalise on climate-related opportunities which may support the Group when delivering on its business strategy.

RISK MANAGEMENT

The board acknowledge their responsibility for the Group's system of risk management. A review of the process of risk identification, evaluation and management is carried out regularly and presented to the board for discussion and approval. We have worked to integrate an awareness of climate change into this existing process to form a climate-risk-management framework, as detailed below.

Identification

We launched a data collection process in 2022 to identify the climate-related risks which are applicable for our business. Through this process we engaged with internal stakeholders to perform a review of current processes and operations. Education sessions on TCFD and climate change were facilitated by our specialist sustainability consultant and current guidance was considered throughout this process.

Evaluation

Using climate-scenario analysis, we assessed each risk, considering different timescales and global warming forecasts, leading to risk classifications of low, medium or high for likelihood and impact. The results of this analysis were presented at a climate-risk workshop, which was attended by representatives from operations, sustainability, risk management, finance and the board. Risks can also be categorised as 'transition' or 'physical' in nature. Physical risks arise from climate events, whilst transition risks from action taken to transition away from fossil-fuel reliance. The analysis identified the Group's most significant physical risk to be in relation to rising mean temperatures, and the most significant transition risk to be the costs associated with transitioning to lower emissions technologies. Further details of these and the other risks identified will be included in the Group's standalone sustainability report.

Management

After assessing each risk, potential management strategies have been discussed, with an objective to implement the most effective framework and actions for each relevant risk. Throughout the process we engaged with internal stakeholders across the business to identify information about existing mitigation processes. We applied a 'climate lens' where possible to existing mitigation strategies across all parts of the business. We will introduce new management processes where appropriate. We have developed a climate-risk register which will be maintained internally by our chief executive and reviewed at least annually.

METRICS AND TARGETS

The Group is committed to operating sustainably and doing what it can to protect the environment. A range of metrics is used to measure our impact and we aim to establish reduction targets to manage our climate-related risks and opportunities. We are working to minimise our emission of greenhouse gases and are diligent in ensuring the Group is not responsible for any deforestation. We will report on our environmental performance annually in the future.

In order to reduce our impact on the environment, we first must understand and measure it. Reducing our greenhouse gas emissions is a material topic for our stakeholders and therefore, in 2022, we initiated a robust data collection process to calculate our full carbon footprint for the first time.

Additional environmental indicators are used to reflect our commitment to acting responsibly. We believe that producing palm oil does not have to come at the expense of tropical rainforests, reduced biodiversity or threatened endangered species. Adhering to RSPO standards means we assess the suitability of land for planting using the High Carbon Stock Approach (HCSA), have a policy of zero-burning and a commitment not to develop high conservation value (HCV) land. We prevent any burning of land for subsequent cultivation, we seek to identify and conserve high-carbon-stock areas, and we promote biodiversity. The Group also participates each year in the SPOTT assessment undertaken by the Zoological Society of London, which provides an indicator of the ESG disclosures provided by a sample of 100 palm oil companies. In 2022, the Group increased its score by 3.9% to 80.2% and its ranking to 15th.

Reducing our greenhouse gas emissions

In 2022, the Group conducted a thorough data collection process, working with its specialist sustainability consultants, to calculate its full carbon footprint comprising of scope 1, 2 and 3 greenhouse gas emissions. In accordance with TCFD guidance, scope 1 relates to the Group's direct operations and scope 2 relates to emissions from fuel used to power those operations. Scope 3 emissions are indirect, occurring outside of the Group, for example in the products purchased for use by the Group, or in the onward processing of the Group's output. It is common for scope 3 to account for the significant majority of total emissions. Not all emissions are from CO_2, for example some may arise from methane, but for simplicity all are converted to CO_2 equivalent amounts, and reported as tonnes of CO_2 equivalent, or 'tCO_2e'. As this is a complex process, we used 2021 data to calculate a 'baseline' year. The creation of our carbon balance sheet allows us to understand the impact associated with our operations, both direct and indirect, while identifying opportunities for future reduction. The Group's total greenhouse gas emissions (scopes 1, 2 and 3) were 2.7 million tCO_2e for 2021, with scopes 1 and 2 being 5% and scope 3 being 95% of the total.

The Group started to report scope 1 and 2 data for the UK business in 2019 for compliance with streamlined energy and carbon reporting ("SECR") requirements. We have widened our data collection, and now report on all Group operations. Emissions from scope 1 and 2 account for 5% of the Group total in 2021, and relate to energy consumption (electricity, gas and biomass) as well as transport fuels used in Group operations.

The Group's scope 1 and 2 emissions for 2022, and total emissions for its baseline year in 2021 are as reported in the following table. Given the complexity of collecting all scope 3 data, we anticipate reporting the 2022 information in our forthcoming standalone sustainability report.

	2022 TONNES	2021 TONNES
Scope 1 (direct)	116,800	124,500
Scope 2 (indirect)	500	400
	117,300	**124,900**
Scope 3 (indirect)	tbc	2,594,400
	tbc	**2,719,300**

The Group's scope 1 and 2 emissions reduced by 6% in 2022 and the Group is committed to making further reductions. The biogas facilities installed at our operating locations are already helping to make a positive difference. Further detailed SECR information will be included in the Group's standalone sustainability report.

Calculating the Group's indirect scope 3 emissions enables it to identify the main sources of greenhouse gases outside its own operations. This process also provides a baseline for making decisions about carbon neutrality and net zero. Within scope 3, the largest component comes from the further processing of the products that the Group sells, accounting for

85% of the Group total. A large part of this is from processing of crop in outside mills, and the Group should benefit from a reduction as its own milling capacity increases from its baseline year.

Intensity measures

The Group uses intensity measures as a way of monitoring emissions whilst also taking account of the growth in activities and supporting the measurement of year-on-year progress. The main intensity measure used is tCO_2e per tonne of CPO produced. For the Group's baseline year, the total intensity measure for scopes 1, 2 and 3 was 9.3, whilst in 2022 the intensity measure for scopes 1 and 2 was 0.4.

NEXT STEPS

The Group is committed to working on climate risk and carbon reduction. The Group has continued to invest in its own efficient milling capacity, and while this will increase scope 1 emissions, they will be more than offset by a fall in scope 3 emissions as the Group will not rely in the same way on outside mills. Data gathering is taking place for 2022 scope 3 analysis, and the plan is to publish this as part of the detailed sustainability report due for publication later this year. The Group is also working with its external consultants on carbon analysis, including carbon sequestration, associated with the Group's planted hectarage and its conservation areas, as these are not included in the scope 1, 2 and 3 categories.

Having completed baseline analysis, plans for carbon reduction are being assessed. The Group is holding a net-zero strategy workshop in the first half of 2023 to review its carbon footprint, decarbonisation opportunities, and potential targets.

INSPECTION OF OWL-NESTING BOX AT KOTA BANGUN

As part of its work to maintain healthy and productive palms on its estates, and to mitigate against the risk of significant damage to fresh fruit bunches prior to harvest, the Group seeks to keep rat populations under control within its planted areas.

As part of its strategy to control rats, the Group builds barn-owl boxes amongst its oil palms, and encourages barn owls, which are natural rat predators, to nest within them.

COMMUNITIES

The Group takes an active interest in the welfare of the communities living on and around its operations promoting trust and mutual support.

Over the last twenty years, the Group has expanded substantially in Indonesia, investing over half a billion US dollars in its oil-palm projects. In each of its key development areas, whether in East Kalimantan, in Sumatra or on Bangka Island, the Group has always worked carefully and sensitively with local communities. The Group's strategy anticipates further growth, and as part of that strategy recognises that local communities are important stakeholders in Group operations.

Following the formation of smallholder co-operative schemes connected to the Group's estates at Pangkatan and Simpang Kiri, the Group now has smallholder schemes connected to all its estates. By the end of 2022, these schemes had over 10,000 individual members. Those smallholder schemes owned 13,900 hectares of oil palm, a very valuable asset.

Given the remote nature of some of the Group's estates, it is often one of the largest, if not the largest, employer in the area, providing a valuable source of income helping to raise living standards. During the course of 2022, the Group increased its permanent workforce to over 11,500, with its economic impact felt far more widely.

The Group is committed to providing high-quality facilities for the communities living on its estates (see page 41 for details).

CASE STUDY

ESTATE SCHOOLS

The Group works to ensure education is accessible for children of workers living on its oil-palm estates, providing both schooling and transportation.

A number of the Group's estates are in relatively remote areas, particularly those located in East Kalimantan on the island of Borneo. Attracting and retaining a high-quality workforce is important to the Group, and encouraging workers to join our more remote estates is difficult when they bring their families, if there is no easy access to local schools. As part of the Group's commitment as a responsible operator, a significant and ongoing investment is being made in school building in East Kalimantan, and at the end of 2022, across the Group's estates in that region, 640 school places had been taken up by pupils across three schools staffed by over 40 teachers. A further school is currently under construction at Kota Bangun estate, due to be opened in 2023.

Primary school at Kota Bangun

Transportation to and from estate schools is provided by the Group in dedicated school buses. In other regions where government schools are more easily accessible, Group school buses take children to and from their classes.

For younger children, estate crèches are available, providing a safe and supportive pre-school learning and development environment.

CASE STUDY

FIRE SAFETY MONITORING

Group estates have dedicated and trained fire marshals. High-risk areas are monitored, and fire-fighting equipment can be deployed quickly

The Group recognises the risk of fire on its oil-palm estates and surrounding areas and its environmental obligation to remain vigilant in monitoring that risk, both in its own estates and in those adjoining its areas of operation. Fire risk includes danger to life, environmental damage associated with uncontrolled release of stored greenhouse gases, and loss of physical assets including planted areas.

Fire watch-towers have been built on Group estates and patrols take place. The Group has a zero-tolerance approach to burning as a method for clearance, and makes a report of any observed instances in surrounding areas. Where any instances occur on Group land, they can be dealt with swiftly using fire-fighting equipment available to trained personnel on site.

Training is conducted regularly by the Group's health and safety team, and risk assessments are reviewed and updated.

Mobile water tank and pump unit at Kota Bangun

COMMITMENT TO THE GROUP'S ESTATE COMMUNITIES

HOUSING

Developing high-quality housing is a core part of the commitment to our workforce and their families. During 2022, the Group built 350 new housing units, and approximately 16,000 people live on the Group's oil-palm estates.

EDUCATION

The Group offers crèche facilities for young children and has developed both primary and secondary schools on its estates, and now has over 1,000 school places available. School buses are provided by the Group.

RECREATION

The Group supports and encourages a wide range of sporting activities at its estates. Infrastructure is in place to enable participation by both our workforce and the wider community, with sports programmes in place for young people through to more senior age groups.

HEALTH

There are 12 medical facilities at Group estates, and the doctors and medical staff employed by the Group are able to offer support and care on a wide range of issues, with 41,000 consultations completed in 2022.

RELIGION

Religion plays an important part in community life on Group estates, and this is supported by the Group through the provision of places of worship.

COMMUNITY

Finally, gathering as estate communities is important, and the Group has provided both community halls and estate clubhouses to make this possible. The Group started construction during the year on a new clubhouse at Bumi Mas, due for completion in 2023.

REPORT OF THE DIRECTORS

1. 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.

2. Matthew Coulson

CHIEF EXECUTIVE

Appointed chief executive in 2022 having been finance director since 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.

3. K Chandra Sekaran

EXECUTIVE DIRECTOR, ASIA

PRESIDENT DIRECTOR, PT EVANS INDONESIA

Appointed a director in 2021. Took up position of PT Evans Indonesia's president director in 2008. Began working in Indonesia in 1995, with experience in Sumatra and Kalimantan where he was chief operating officer for Sinarmas Plantations. Began career with Harrisons and Crosfield (later known as Golden Hope Plantations and today part of the Sime Darby group). Has a profound understanding of the Indonesian plantation industry and the social issues related to it.

4. Bruce Tozer

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed a director and member of the audit and remuneration committees in 2016, and chairman of those committees since 2022. Has held senior roles at JP Morgan, Rabobank International, and Credit Agricole. Non-executive director of the Real Wild Estates Limited, and Canadian-listed Base Carbon Corp. He consults in environmental markets, commodities, agribusiness investment and ESG. Advisory roles include lead adviser on carbon at Singapore-regulated Abaxx Exchange.

5. 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.

6. Michael Sherwin

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed a director and member of the audit and remuneration committees in July 2022. Has over 40 years' experience in finance and leadership roles, having originally trained and qualified as a chartered accountant with Price Waterhouse. Was CFO of Games Workshop plc for ten years, followed by nine years as CFO at Vertu Motors plc. Has also worked as a non-executive director at both Plusnet plc and at Sumo Group plc where he chaired their audit committees.

7. Tanya Ashton

INDEPENDENT NON-EXECUTIVE DIRECTOR

Joined the board on 1 August 2022. Member of audit and remuneration committee. Has over 18 years' experience working in ESG roles. Currently head of sustainability at Walgreens Boots Alliance, Global Sourcing, Europe and a board member of global not-for profit organisation The Sustainability Consortium. Previously held senior positions at Silver Spoon British Sugar plc, part of Associated British Foods. Recognised for her commitment to increasing sustainability in consumer products.

8. Lee Yuan Zhang

NON-EXECUTIVE DIRECTOR

Joined the board on 1 February 2023. Regional Director (Plantations) of Kuala Lumpur Kepong Berhad ("KLK"), Malaysia. Former President Director of PT KLK Agriservindo, Indonesia, responsible for the management of 140,000 hectares of oil-palm plantations across five Indonesian provinces. Has also held a number of senior head office roles, including senior marketing and sales roles, within the KLK Group.

Board of directors at UK head office
for December 2022 board meeting

The directors present the audited consolidated and parent-Company financial statements of M.P. Evans Group PLC for the year ended 31 December 2022.

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 4 to 7) and in the strategic report (pages 14 to 33) 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 66.

An interim dividend of 12.5p (2021 – 10p) per share in respect of 2022 was paid on 4 November 2022. The board recommends a final dividend of 30p (2021 – 25p) per share. This dividend will be paid on or after 16 June 2023 to those shareholders on the register at the close of business on 28 April 2023. This final dividend is not provided for in these 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 2022	54,696,253
Issued in respect of options	30,000
Bought back and cancelled	(495,365)
Issued (fully-paid and voting) at 31 December 2022	**54,230,888**

The Company introduced a share-buyback programme during the year. Under that programme the Company bought back and cancelled 495,365 shares, representing 0.9% of the issued share capital, for a total cost of US$4.9 million. There was no share-buyback programme in operation in the prior year.

DIRECTORS AND DIRECTORS' INTERESTS

The present membership of the board is detailed on pages 42 and 43. All of those directors served throughout the year apart from Michael Sherwin, who joined the board on 1 July 2022, Tanya Ashton, who joined on 1 August 2022, and Lee Yuan Zhang, who was appointed after the year end on 1 February 2023. In addition, Darian McBain and Jock Green-Armytage both served as directors from the start of the year until their resignations on 31 March 2022 and 30 September 2022 respectively. Michael Sherwin, Tanya Ashton and Lee Yuan Zhang will offer themselves for election at the forthcoming annual general meeting. In addition, in accordance with the articles of association, Philip Fletcher, Bruce Tozer and Matthew Coulson will retire from the board at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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

	BENEFICIAL	OPTIONS
At 31 December 2022		
P E Hadsley-Chaplin	1,561,717	-
M H Coulson	17,000	49,234
K Chandra Sekaran	142,181	32,000
P A Fletcher	1,048,171	-
B C J Tozer	-	-
M Sherwin	2,250	-
T Ashton	-	-
At 1 January 2022 (or later date of appointment)		
P E Hadsley-Chaplin	1,561,717	–
M H Coulson	13,900	35,180
K Chandra Sekaran	123,181	59,000
P A Fletcher	1,048,171	–
B C J Tozer	–	–
M Sherwin	–	–
T Ashton	–	–

Further details of the directors' interests in share options are disclosed in the directors' remuneration report, on page 58.

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 2022, 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	%
Kuala Lumpur Kepong Berhad	Direct	12,685,357	23.49
Nokia Bell Pensioenfonds ofp	Direct	5,683,225	10.52
Abrdn plc	Indirect	2,983,902	5.52
Schroder Investment Management	Indirect	2,102,120	3.89
Canaccord Genuity Wealth Management	Indirect	1,960,000	3.63
MM Hadsley-Chaplin	Direct	1,928,254	3.57

OUTSTANDING OPTIONS TO SUBSCRIBE

As at the date of this report, there were options to subscribe for 20,000 shares outstanding under the executive share-option scheme, and options to subscribe for 182,577 shares outstanding under the 2017 long-term incentive scheme. If all of the options were exercised, the resulting number of shares would represent 0.37% of the enlarged issued share capital at that date and 0.41% of the enlarged issued equity share capital at that date if the proposed authority to purchase shares was exercised in full (excluding any share capital which may be purchased and held in treasury).

AUTHORITY TO MAKE MARKET PURCHASES OF SHARES

The directors propose to seek authority under resolution 11 for the Company to purchase its own shares on the AIM market of the London Stock Exchange until 30 June 2024 or, if earlier, the date of the Company's 2024 annual general meeting. The authority will give the directors flexibility to purchase the Company's shares as and when they consider it appropriate. The board will only exercise the power of purchase when satisfied that it is in the best interests of the Company so to do and all such purchases will be market purchases made through the AIM market of the London Stock Exchange. The directors would only consider making purchases if they believed that the earnings or net assets per share of the Company would be improved by such purchases. The directors would consider holding the Company's own shares which had been purchased by the Company as treasury shares as this would give the Company the flexibility of being able to sell such shares quickly and effectively where it considers it in the interests of shareholders so to do. Whilst any such shares are held in treasury, no dividends will be payable on them and they will not carry any voting rights.

Resolution 11 set out in the notice of the annual general meeting will accordingly be proposed to authorise the purchase of up to a maximum of 5,401,372 shares, on the AIM market of the London Stock Exchange, representing 10% of the Company's current issued share capital. The maximum price which may be paid for a share on any exercise of the authority will be restricted to 5% above the average of the middle-market quotations for such shares as derived from the Daily Official List of the London Stock Exchange for the five business days before the purchase is made. The maximum number of shares and the price range are stated for the purpose of compliance with statutory requirements in seeking this authority and should not be taken as an indication of the level of purchases, or the prices thereof, that the Company would intend to make.

The authority conferred by resolution 11 will lapse on 30 June 2024 or, if earlier, the date of the Company's 2024 annual general meeting.

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 2022 amounted to 37 days (2021 – 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 90 and 91.

SUBSIDIARY COMPANIES

Details of the Group's subsidiary companies, including their country of operation, are given on page 98.

ENERGY USE

The Group has provided disclosures in accordance with the requirements of the Taskforce on Climate-related Financial Disclosures in the sustainability section of this annual report on pages 34 to 37. Energy use is included as part of the 'scope 1 and 2' disclosures in that analysis.

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 UK-adopted International Accounting Standards 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 UK-adopted International Accounting Standards 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 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 each taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and parent-Company's auditors are aware of that information.

GOING CONCERN

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

POST BALANCE-SHEET EVENT

As described in note 33, the Group acquired a further 2,100 planted hectares close to its Simpang Kiri estate in March 2023. Total costs associated with the acquisition are estimated to be US$14.3 million.

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
21 March 2023

Peter Hadsley-Chaplin officiating at the opening of the new Kota Bangun clubhouse

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 here.

The first of the Group's four strategic pillars is "Responsibility". At M.P. Evans, acting responsibly is at the heart of what we do and, as a board, we believe that a strong governance framework plays a vital role in ensuring that business is conducted responsibly at every level. This, in turn, benefits the Group's shareholders. The board embraced the QCA's Corporate Governance Code (the "Code") in 2018, recognising this as a valuable tool to help the Group achieve its goals. As a board, we dedicate significant time to developing and reviewing codes and policies which support our values of acting responsibly, and have promoted these throughout the organisation. Our compliance with the Code is monitored annually by the board, which also serves as an opportunity to remind ourselves of the corporate governance standards we aspire to and to keep up to date with any developments. The corporate governance information and QCA compliance index on our website is updated annually following the board's review, and was last updated in September 2022.

As chairman, in addition to setting the Group's strategy in conjunction with the board, one of my primary responsibilities is to ensure that an effective corporate governance framework exists, and that clear policies, which have been approved and endorsed by the board, are embedded within all levels of the organisation. I am also responsible for ensuring the effective operation of the board. The composition of the board, the breadth and depth of its skill set, the diversity of its members to facilitate insight and perspective on matters being considered, and the inclusive environment within which constructive debate is enabled, are hugely important to the effectiveness of the board in its strategy setting and decision making. Board composition was a particular focus during 2022 due to a number of changes arising during the course of the year. My colleagues and I dedicated significant time, firstly in evaluating the current performance, skills and attributes of the board and identifying areas which could be enhanced to ensure that the board is equipped to deliver on its objectives and the Group's strategy. Secondly, a robust and transparent recruitment process was carried out with the assistance of specialist recruitment consultants. As a result, we have been very pleased during the year, to welcome firstly Michael Sherwin, a very experienced non-executive director and former listed company executive, coming from an accountancy and finance background, and then Tanya Ashton, who is a leader in sustainability and ESG. At the beginning of February 2023, we also welcomed Lee Yuan Zhang to the board who, due to his roles within the Kuala Lumpur Kepong Berhad Group, has valuable experience in the Indonesian oil-palm plantation sector, as well as wider corporate experience. We are delighted already to be benefiting from the various perspectives brought by our new directors, and are confident that we are in strong shape, with a dynamic board equipped to face challenges and to identify opportunities, particularly those presented by climate change, and to continue to deliver returns to shareholders.

With the appointment of Michael and Tanya at the beginning of July and August respectively, we rebalanced the ratio of independent to non-independent non-executive directors where, for a very short period in June, the remuneration committee had comprised two non-executive directors, one of whom, Jock Green-Armytage, was deemed not to be independent, having at that point reached nine years of continuous service as a director for the Group. We were grateful to Jock for remaining in post until his retirement at the end of September, as this greatly supported the transitions on the board. With the most recent appointment of Yuan Zhang to the board, we now have three independent non-executive directors and two non-executive directors who are not considered to be independent. The board acknowledges that Yuan Zhang is associated with the Group's significant shareholder, KLK. However, after taking external advice, it has concluded that existing safeguards are sufficient and it would be alert to any conflicts of interest should *these occur. I am confident that those deemed not to be independent understand their responsibilities to shareholders and that they will conduct their duties with an independent mindset.*

From the beginning of 2022, when Matthew Coulson took up the role of chief executive, I was pleased to relinquish my temporary responsibilities as chief executive. Whilst my role as executive chairman is not strictly in line with the Code, feedback received via the formal board evaluation process and, from time to time, directly from shareholders leads me to feel comfortable that I have the support of my colleagues and shareholders alike, in continuing in this role.

The board continues to evaluate itself. Lines of communication are always open between board members and me, the senior independent non-executive director and chair of the remuneration and audit committees, Bruce Tozer, and the company secretary, and a formal board evaluation is normally conducted towards the end of each year. It has been especially helpful, at the most recent formal evaluation, to receive reassuring feedback from the newest board members on such matters as the induction process, initial impressions on how board discussions are conducted and decisions made, including the quality of board information and the functioning of committees. We note all feedback and agree on actions, in an endeavour continually to improve the way we work together and achieve the best results for the business.

The focus of training for the board during the year, and which is ongoing, has been on ESG, both in understanding the requirements of the emerging regulatory and disclosure environment, and evaluating the associated risks to the business of climate change. Because we are committed to acting responsibly, we have engaged specialist ESG consultants to assist us with collating and evaluating the data needed to fulfil our disclosure obligations and support good decision making across the organisation. In this ongoing process it has been gratifying to note that the requirements of our RSPO membership, which we have adhered to and been audited on for many years, has expedited the data-gathering process. Board members are encouraged to develop and keep all their skills up to date, and training is available as needed.

At least annually, the board considers who the Group's stakeholders are, and how the board engages with them. This helps to embed into the board's decision-making process the practice of considering wider stakeholder issues. The whistleblower hotline continues to be effective as a channel for stakeholders to report potential wrongdoing, and whilst we are pleased that no serious whistleblower issues have been identified to date, grievances reported are treated as an opportunity to see whether improvements need to be made in the way we do things.

The board, supported by the audit committee, has continued to make progress on the areas of risk identification, management and mitigation, and disclosure. Stakeholder engagement has proved to be a valuable tool in the risk identification strategy. Matthew Coulson, as tasked by the board, held a series of risk review meetings during the year both in the UK and Indonesia, assisted in Indonesia by the Indonesian head of risk. In these meetings Matthew gathered insights from head office staff, estate management, engineering management and the legal department, with the information feeding into an updated risk register which was reviewed by the board.

As I have stated previously, 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 benefit 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. 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.

My colleagues on the board and I are committed to ensuring that the Group's corporate-governance structures are robust and are keeping these under frequent review. There have been no significant changes to the Group's corporate governance framework during the year.

Peter Hadsley-Chaplin
Chairman
21 March 2023

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 42 and 43. For the first three months of the year, the board comprised an executive chairman, two executive directors and four non-executive directors. The number of non-executive directors reduced to three at the end of March, but on appointment of two non-executives in July and August respectively there were five non-executive directors on the board until the end of September, when the number reduced again to four. Since February 2023 the number of non-executive directors has increased to five. The audit and remuneration committees are chaired by the senior independent non-executive director. The maximum number of directors permitted under the articles of association is eight. Executive directors work on a full-time basis apart from the chairman who, for the second half of the year, worked on a part-time basis.

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. Of the executive directors and non-executive directors serving throughout the whole year, all attended each of the six full board meetings held in 2022. Of the other directors, each of whom only served for part of the year, only one director was not able to attend one of the meetings during the period in which they served on the board.

The board 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 and the clear policies which are discussed, set by the board with input from stakeholders where appropriate, and promulgated throughout the workforce, including training and refresher training on key areas such as anti-bribery and corruption. 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 who 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 its day-to-day management. The board's objectives are subject to periodic review, most recently in December 2022. 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. During 2022 the Group also engaged the services of executive remuneration consultants to assist with developing a long-term incentive plan for UK-based executives, within the context of the Group as a whole, as well as comparable companies. In addition, the Group has engaged a specialist ESG consultancy firm to assist with the disclosure obligations to which it will become subject under the non-financial and sustainability reporting regime for its 2023 accounts. This will provide a solid benchmark against which the Group's subsequent progress can be assessed.

Independence and re-election of long-serving directors

During the year, the board has sought to maintain a balance of executive and non-executive directors. A description of the roles and responsibilities of the directors is set out on page 42. For most of the year, other than for a period between 1 April and 1 July, 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 2022 were independent, other than for a very short period during June when Jock Green-Armytage was no longer deemed independent due to his length of service on the board. The board acknowledges that Philip Fletcher is not independent. However, the depth of his understanding of the Group, coupled with his commitment and track record of conducting his role with an independent mindset enables him to bring significant value to the board and its audit committee.

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 served on the board until 30 September 2022 has chaired FTSE-listed companies and brought 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, and he is able to contribute valuable insight from the finance sector. Philip Fletcher, as former managing director and finance director of the Group with a background in accountancy, has extensive specific knowledge of both the sector, operations in Indonesia and the evolution of the Group. The extensive corporate experience of Michael Sherwin, gained over many years in both executive and non-executive roles, and across a range of areas from M&A to corporate governance, is especially welcome following Jock's retirement. Tanya Ashton's nearly 20 years of experience in ESG roles is proving invaluable as the board intensifies its understanding of ESG issues including climate-change impacts and net-zero targets, having sadly lost the ESG expertise of Dr Darian McBain, who stood down from the board at the end of March 2022 due to conflicts of interest with her new role. Since their appointments, Michael and Tanya have demonstrated their willingness to contribute to board discussions with independent mindsets, participating fully and presenting constructive challenges to the executive team. At the beginning of 2023, Lee Yuan Zhang also joined the board. His perspective, derived from the roles he has held and continues to hold in KLK and its associated companies, where he has experience in the agronomic as well as corporate aspects of the business, promises to enhance the board's expertise in these areas.

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. However, he has a long track record of being effective in this role and building strong relationships with shareholders, as well as presiding over a well-functioning board. The perceived governance concern around having an executive chairman is mitigated by having, in Bruce Tozer, a robust senior independent non-executive director.

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

As set out in the report on pages 55 to 58, 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 2022 comprised Bruce Tozer throughout the year, Jock Green-Armytage (until September 2022), Darian McBain (until March 2022), Michael Sherwin (from July 2022) and Tanya Ashton (from August 2022) met three times and all meetings were attended by all members appointed to the committee at the date of each meeting.

Succession planning

The Company does not currently have a nominations committee. The chairman maintains a strong individual relationship with all the directors and any changes to the board are managed collaboratively. The board reviewed succession planning during the year, including the merits of establishing a nominations committee, and remained of the view that it, led by the chairman, is competent to deal with any new appointments to the board. Any new appointments are discussed at a full board meeting, taking into account an assessment of the skills and experience required for the board successfully to formulate and execute the Group's strategy, the current skills and experience of board members and those of the candidate, an assessment of board diversity, as well as feedback from the board evaluation process. Professional consultants may be engaged to assist in identifying appropriate candidates. Each member of the board is given the opportunity to meet the individual concerned before an appointment is made.

It is considered that the board would be resilient to any unplanned changes and be able to recruit or promote suitable, well-qualified, candidates within a reasonable time period. The board has committed to regular reviews of succession planning.

Board performance evaluation

The board undertook a performance evaluation of itself and its committees during the year. Following the format used in the previous year, board members were invited to provide anonymous feedback to the company secretary within topic areas including board composition and structure, skills, induction, areas of responsibility, conduct of meetings, decision-making, committees, culture, risk management, stakeholder engagement, board evaluation and effectiveness of the chair. These comments were then analysed and compiled into a report by the company secretary, forming the basis of a board discussion. Once again, there was significant consensus among board members, with encouraging and constructive feedback given. Progress had been made during the year in addressing areas identified during the last evaluation process, with additional focus having been given to succession planning, executive pay and risk management. The 2022 evaluation process highlighted a need for the board to increase its understanding of ESG issues. This might include setting up a separate ESG committee and reviewing those areas of most importance to the Group's stakeholders.

Relations with shareholders and AGM

The board attaches great importance to communications with both institutional and private shareholders. The executive directors regularly engage with shareholders to update them on the progress of the Group and discuss any areas of interest 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 aims personally to respond to communications received from individuals.

Following a two-year period in which the Covid-19 pandemic necessitated restricted in-person attendance at the Company's AGM, the board was very pleased to resume business as usual in 2022, with an AGM at Tallow Chandlers Hall, which was also available to watch via a live weblink. The AGM was attended by all but one director, with Jock Green-Armytage, who had already declared his intention to step down from the board, sadly unable to be there. Bruce Tozer attended in his capacity as remuneration and audit committee chair, having newly taken over these roles on the board. The board was delighted to see so many shareholders, comprising many familiar and some new faces, at the 2022 AGM, and the directors were pleased to answer questions both during the meeting and, more informally, afterwards.

During 2022, the executive directors took part in a number of online presentations, including two events hosted through the Investor Meet Company platform. These were live webinars following, respectively, the announcement of the 2021 results and interim results for 2022, available to existing and prospective shareholders, and providing an opportunity for questions to be posed to the directors after the presentation. The board acknowledges the important role that technology can play in facilitating shareholder engagement and will host further online events, including those specifically providing a forum for engaging with greater numbers of smaller shareholders.

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 page 46 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 30 to 33.

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. The Group also has an independently administered whistleblower hotline service. During the first half of 2022, supervision of operations continued to be maintained through a series of 'virtual visits' using digital technology, enabling executive directors, and from time-to-time non-executive directors, to engage in discussions with field managers to review detailed operational reports, photographs and video and drone footage of operations, and other head office departments, including the sustainability department. However, following easing of Covid-19 travel restrictions, physical visits to operations by the UK executives resumed. It is planned for the full board to visit the Group's operations during the first half of 2023.

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 46.

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 a cash balance of over US$80 million. Furthermore, as disclosed in note 22, at the year end the Group had available undrawn finance facilities of up to US$30 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 hectarage, and appropriate financing where necessary.

Principal areas of risk, and their mitigation, are included in the section on risk management on pages 30 to 33. 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 previously, 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 relatively young average age of its palms, at approximately 10 years. In light of this, 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.

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 Bruce Tozer. During the year the committee comprised Bruce Tozer, Philip Fletcher, Darian McBain (until 31 March 2022), Jock Green-Armytage (until 30 September 2022), Michael Sherwin (from 1 July 2022) and Tanya Ashton (from 1 August 2022). The directors who are not members of the committee can be invited to attend its meetings. The auditors of the Group may also attend part or all of each meeting and they have direct access to the committee for independent discussions, without the presence of the executive directors. The committee met six times during 2022 and each meeting was attended by all the members appointed at the time of the meeting, other than the meeting on 9 June 2022 which Jock Green-Armytage was unable to attend. The external auditors attended two of the meetings.

The audit committee may examine any matters relating to the financial affairs of the Group or the Group's audit; this includes reviews of the annual accounts and announcements, accounting policies, compliance with accounting standards, 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;
- Assessed critical accounting judgements and key estimates made during the year;
- Reviewed findings of the internal audit team and the work they have performed;
- Reviewed the quality and effectiveness of the external audit and considered points arising from it;
- Reviewed the Group's whistleblower policy and implementation, including assessment of briefings of reports made to the independent hotline;
- Reviewed and strengthened the Group's process for risk identification, management and disclosure.

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. Nigel Harker was the audit partner for the 2022 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 2022 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 reviews 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:

- Existing control environment over internal controls in financial reporting;
- 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.

Palms and surrounding flora in Pangkatan

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 senior managment and recommends such remuneration and terms to the board. The committee comprised Bruce Tozer, Jock Green-Armytage (until 30 September 2022), Darian McBain (until 31 March 2022), Michael Sherwin (from 1 July 2022), and Tanya Ashton (from 1 August 2022). It was chaired by Jock Green-Armytage until 9 June 2022 and thereafter by Bruce Tozer. The committee met three times during 2022 and each meeting was attended by all the members appointed at the time of the meeting.

SERVICE CONTRACTS

All of the UK 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 executive director based overseas has a service contract with a subsidiary company with a notice period of less than one year. 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. To deliver this, the structure for remuneration:

- is designed to be easily understood by both executives and shareholders.

- 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.

For several years, this has been delivered by remuneration packages comprising a salary and a bonus related to current results and personal performance (including significant additional contribution in terms of time and expertise). For the UK executive directors, 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.

In January 2023, a new element of remuneration was introduced for the Group's UK-based chief executive. This was a share award made under the long-term incentive scheme (see below) which is designed further to align the chief executive's remuneration package with the long-term interests of shareholders. This share award, which is intended to be repeated each year, maintains the Group's outlook of offering remuneration packages which are designed to be broadly comparable with those offered by similar businesses, such as European plantation and AIM-listed companies.

Key aspects of the January 2023 share awards to the chief executive, and the rationale for those awards are summarised below:

- The type of award made could be classified as a 'restricted-stock' award, where vesting is dependent on continued employment at the end of a three-year vesting period from the date of award.

- Importantly for M.P. Evans, this form of award is already used for the Group's Indonesia-based executive and senior management and there is a strong benefit in consistency of approach across our executive team (see the section "Long-term incentive scheme" below).

- The award is straightforward and aligns to the Group's business outlook. The remuneration committee considered and discounted introducing a Performance Share Plan, where the vesting of awards would be dependent on attaining three-year Group performance conditions. In a very long-term business like that of M.P. Evans, three-year cycles would not necessarily reflect the Group's investment and development profile, and vesting could be heavily influenced by macro-factors such as commodity prices.

- The vesting of the share awards made to the chief executive is, however, subject to the remuneration committee being satisfied regarding the attainment of 'underpin' performance conditions in the period to vesting which will consider the general financial performance of the Group and adherence to the

Group's core strategic pillars of Responsibility, Excellence, Growth, and Yield.

- The quantum of awards for the chief executive was set at a level which the remuneration committee regards as meaningful and appropriate but still relatively modest, aligning to the Company's overall outlook on pay levels which remains mindful of costs. At the date of award on 16 January 2023, the 18,000 shares subject to the awards made were equal in value to approximately 45% of the chief executive's 2022 base salary. In future years, for simplicity and for consistency with how award levels are set for colleagues in Indonesia, it is intended to maintain the chief executive's annual award level at 18,000 shares, although this will be reviewed for continuing appropriateness before each award is made.

- The awards to the chief executive also contain features which we believe will make the awards genuinely long-term:

  - After the three-year vesting period, vested shares (after any sales for UK income taxes and National Insurance) must be retained by the chief executive for a further two years.

  - Beyond that period, the chief executive is encouraged to hold shares and build his personal shareholding.

TOTAL DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2022

	SALARY AND FEES £	BONUS PAID £	[1]BONUS DEFERRED £	OTHER BENEFITS £	SALARY IN LIEU OF PENSION £	[2]PENSION COSTS £	[3]GAIN ON EXERCISE OF SHARE OPTIONS £	TOTAL REMUNERATION 2022 £	TOTAL REMUNERATION 2021 £
Executive directors									
P E Hadsley-Chaplin	264,640	132,320	—	40,641	40,447	—	—	478,048	435,270
T R J Price	—	—	—	—	—	—	—	—	637,003
M H Coulson	330,800	165,400	165,400	39,117	32,613	4,000	48,006	785,336	576,615
K Chandra Sekaran[4]	534,613	350,481	—	—	—	—	201,777	1,086,871	198,062
	1,130,053	648,201	165,400	79,758	73,060	4,000	249,783	2,350,255	1,846,950
Non-executive directors									
J M Green-Armytage	30,813	—	—	—	—	—	—	30,813	42,350
P A Fletcher	37,350	—	—	—	—	—	—	37,350	36,250
B C Tozer	40,850	—	—	—	—	—	—	40,850	36,250
D M McBain	9,338	—	—	—	—	—	—	9,338	36,250
M Sherwin	18,675	—	—	—	—	—	—	18,675	—
T Ashton	15,563	—	—	—	—	—	—	15,563	—
	152,589	—	—	—	—	—	—	152,589	151,100
Total	**1,282,642**	**648,201**	**165,400**	**79,758**	**73,060**	**4,000**	**249,783**	**2,502,844**	**1,998,050**

1. In line with the Group remuneration policy, half of the bonus for the year to Mr M H Coulson (being 12 months' salary) has 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 M H Coulson are the contributions made by the Company to a Company-sponsored self-invested personal pension.
3. The gain on share options for Mr M H Coulson includes amounts already reported in previous years as remuneration under "Bonus deferred".
4. The remuneration for K Chandra Sekaran in 2021 relates to the period from his appointment on 1 August 2021, and does not include the bonus paid to him earlier in that year.

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 6.0 in 2022 (2021 – 5.3). The equivalent ratio for the percentage increase in annual total remuneration was 3.9 (2021 – 1.4).

LONG-TERM INCENTIVE SCHEME

The long-term incentive scheme established in 2017 governs the grant of deferred-bonus awards to UK-based executive directors and annual awards of fully-paid shares to senior staff, including, as described above, the awards made to our UK-based chief executive in January 2023 and which are intended to be an annual element of UK executive remuneration in the future.

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.

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 UK-based executive 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.

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 2022 took into account, inter alia, another record year of crop and production supporting strong profitability and shareholder returns; significant work on recruitment to senior positions in the Company and management of smooth transitions of both executive roles and changes within the wider board; significant initiatives undertaken in relation to ESG awareness and development of reporting strategy including work with ESG consultants on carbon accounting and TCFD reporting; also good progress on risk management and disclosure. The absolute value of these measures was assessed, as was their outturn against budget.

Also, for our UK-based chief executive, from January 2023 we have introduced the annual share award described above.

NON-EXECUTIVE DIRECTORS

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

EXECUTIVE SHARE-OPTION SCHEME

During 2022, K Chandra Sekaran was a member of the executive share-option scheme which was established in 2012. Options granted under this scheme gave K Chandra Sekaran the right to purchase shares on a future date at the market price of the shares on the date that the options were 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 2022, options over 20,000 shares (2021 – 50,000) granted to K Chandra Sekaran under this scheme remained outstanding. During the year, 30,000 options were exercised by him (2021 - none) and none (2021 - none) lapsed.

During the year, Matthew Coulson was a member 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 19,880 fully-paid shares were awarded in 2022 (2021 – 13,748), representing half of the bonus awarded to Matthew Coulson.

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

At 31 December 2022, the middle-market quotation for the Company's shares, as derived from the London Stock Exchange Daily Official List, was 810p, as compared with the high and low quotations for the year of 1,085p and 784p respectively.

OPTIONS HELD OVER SHARES OF THE COMPANY BY THE EXECUTIVE DIRECTORS DURING THE YEAR ENDED 31 DECEMBER 2022

	BALANCE AT 1 JAN 2022	GRANTED IN THE YEAR	EXERCISED IN THE YEAR	BALANCE AT 31 DEC 2022	EXERCISE PRICE PENCE	DATE OF GRANT	DATE FROM WHICH NORMALLY EXERCISABLE	EXPIRY DATE
Executive share-option scheme								
K Chandra Sekaran	30,000	–	30,000	–	483.21	19 Jun 12	19 Jun 15	19 Jun 22
	20,000	–	–	20,000	412.50	27 Apr 15	27 Apr 18	27 Apr 25
Total	**50,000**	–	**30,000**	**20,000**				
Long-term incentive scheme								
M H Coulson	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	8 Jan 30
	10,049	–	–	10,049	0.00	22 Dec 20	22 Dec 23	21 Dec 30
	13,748	–	–	13,748	0.00	14 Dec 21	14 Dec 24	13 Dec 31
	–	19,880	–	19,880	0.00	13 Dec 22	13 Dec 25	12 Dec 32
	35,180	**19,880**	**5,826**	**49,234**				
K Chandra Sekaran	3,000	–	3,000	–	0.00	1 Jul 19	1 Jul 22	30 Jun 29
	3,000	–	–	3,000	0.00	1 Jul 20	1 Jul 23	30 Jun 30
	3,000	–	–	3,000	0.00	1 Jul 21	1 Jul 24	30 Jun 31
	–	3,000	–	3,000	0.00	23 Mar 22	7 Jan 25	6 Jan 32
	–	3,000	–	3,000	0.00	1 Jul 22	1 Jul 25	30 Jun 32
	9,000	**6,000**	**3,000**	**12,000**				
Total	**44,180**	**25,880**	**8,826**	**61,234**				

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
21 March 2023

Bangka estate community vegetable garden

INDEPENDENT AUDITORS' REPORT

To the members of M.P. Evans Group PLC

OPINION ON THE FINANCIAL STATEMENTS

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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- 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 2022 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 consolidated and parent-Company 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 UK-adopted International Accounting Standards. 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 Auditor's 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 the directors' assessment of going concern and consideration of the key assumptions used in the forecasts, including:
  - Comparing the CPO price used to historical data and price forecasts.
  - Corroborating the historically achieved oil-extraction rate ("OER") to supporting documentation and considering the reasonableness of forecast extraction rates for each estate.
  - Considering forecast production by comparing to historical results along with taking into account the age of planted areas in each estate.

- Consideration of the directors' sensitivity analysis along with performing further sensitivities on the revenue and gross profit margin assumptions.
- An assessment of the appropriateness and accuracy of cash-flow forecasts by comparing prior year forecasts to current year results.
- A review of whether the disclosures are appropriate for the circumstances of the entity and provide sufficient information about the Group and its subsidiaries and the directors' consideration of their ability to continue as a going concern.

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 the 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.

OVERVIEW

COVERAGE

77% (2021 – 78%) of Group profit before tax

85% (2021 – 84%) of Group revenue

70% (2021 – 77%) of Group total assets

KEY AUDIT MATTERS

	2022	2021
Impairment of goodwill	✓	
Valuation of biological assets		✓

Valuation of biological assets is no longer considered to be a key audit matter because the valuation is below our materiality threshold.

MATERIALITY

Group financial statements as a whole

US$5.0 million (2021 US$4.9 million) based on 5% of profit before tax (2021 5% of adjusted 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 subsidiary 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 in the financial statements. 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 five (2021 five) 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 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 seven (2021 seven) companies ("material but not significant components"). Where these components were located overseas, the audit procedures were performed by component auditors who were also members of the BDO Global network 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 the Group level.

As part of the audit strategy, senior members of the Group audit team attended a number of the board's remote quarterly review meeting 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. 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 visited Indonesia to attend the engagement team discussion where we discussed the Group and local risks identified and agreed the testing approach. Those team members then visited the Musi Rawas estate with management.
- Senior members of the Group audit team visited Indonesia to perform a review of the component team audit files for the Indonesian operating units and requested the component auditors to perform any further procedures required.
- At the completion stage senior members of the Group audit team attended 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
Impairment of goodwill *Refer to the accounting policies of the Group (note 3) for further detail on the policies impacting goodwill valuation together with note 13 detailing the key estimates over goodwill impairment and the financial disclosure of goodwill.* Goodwill is a significant balance in the consolidated balance sheet and is subject to an annual impairment review. The goodwill balance at 31 December 2022 was US$11.8 million, of which US$10.6 million related to the Bumi Mas estate. The recoverability of goodwill is dependent on management's identification and allocation of cash generating units, estimating both cash flows and appropriate discount rates to apply in the value in use calculation. Given the size of the goodwill balance, and the complexity of estimating both cash flows and discount rates we consider goodwill impairment to be an area of material estimation. Hence there is a risk that the valuation of goodwill is inappropriate. Due to the judgements involved we consider this to be a key audit matter.	Our procedures have focused on the goodwill impairment test for the Bumi Mas estate. We have: • Assessed management's impairment model for compliance with applicable accounting standards and tested its computational accuracy; • Assessed management's identification and allocation of cash generating units with reference to the estates; • With the assistance of our internal valuation experts we tested the discount rate assumptions to assess their reasonableness through corroboration to external sources; • Performed sensitivity analysis over the key assumptions (discount rate, CPO price, production, forecast length and extraction rates) and agreed their reasonableness through corroboration to external sources and historical performance. **Key observations: We did not identify any indicators to suggest that the estimates made by the directors in the calculation of the goodwill impairment assessment were inappropriate.**

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	
	2022 US$	**2021 US$**	**2022 US$**	**2021 US$**
Materiality	5.0 million	4.9 million	2.0 million	2.8 million
Basis for determining materiality	5% of profit before tax	5% of adjusted profit before tax	2% of total assets	2% of total assets
Rationale for benchmark applied	We consider profit to be a key performance measure to a user for the purpose of evaluating financial performance. Materiality for 2022 was based on 5% of profit before tax (2021 - 5% of adjusted profit before tax to exclude the profit on sale of Malaysian land which was non-recurring in nature).		Calculated as 2% of total assets restricted to 95% percent of Group materiality (if lower) for Group reporting purposes given the assessment of aggregation risk.	
Performance materiality	3.5 million	3.4 million	1.4 million	2.0 million
Basis for determining performance materiality	70% of materiality	70% of materiality	70% of materiality	70% of materiality
	70% of materiality based on our experience and knowledge of the Group and parent Company, Group structure, planned testing approach, and history of errors.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 70% and 19% (2021 between 82% and 20%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from US$3.7 million to US$1.0 million (2021 US$4.0 million to US$1.0 million). 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$106,000 (2021 US$98,000), 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 auditors' 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' responsibilities, 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 and the component auditors considered compliance with 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 end where the audit believe the accounts could be misstated due to fraud. We assessed journals posted by super users, journals with no description and revenue journals. We then evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. We also instructed all component auditors and reviewed the work performed by the component audit team in this regard.

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 auditors' 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 auditors' 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.

Nigel Harker (Senior Statutory Auditor)
for and on behalf of BDO LLP, Statutory Auditor
Gatwick, United Kingdom
21 March 2023

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Note	2022 US$'000	2021 US$'000
Continuing operations			
Revenue		326,917	276,592
Cost of sales		(217,707)	(172,979)
Gross profit		109,210	103,613
(Loss)/gain on biological assets		(1,431)	1,771
Profit on sale of land		—	13,946
Foreign-exchange loss		(3,444)	(820)
Other administrative expenses		(4,614)	(5,380)
Other income		1,865	1,426
Operating profit		101,586	114,556
Finance income	6	1,395	645
Finance costs	7	(2,731)	(2,699)
Profit before tax	8	100,250	112,502
Tax on profit on ordinary activities	9	(24,073)	(23,228)
Profit after tax		76,177	89,274
Share of associated companies' profit after tax		2,184	2,508
Profit for the year		**78,361**	**91,782**
Attributable to:			
Owners of M.P. Evans Group PLC		73,060	86,406
Non-controlling interests	28	5,301	5,376
		78,361	**91,782**

		US cents	US cents
Continuing operations			
Basic earnings per 10p share	11	133.9	158.4
Diluted earnings per 10p share	11	133.4	157.9

		Pence	Pence
Basic earnings per 10p share			
Continuing operations		108.0	115.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 US$'000	2021 US$'000
Other comprehensive (expense)/income (net of tax)		
Items that may be reclassified to the income statement		
Exchange loss on translation of foreign operations	(1,528)	(780)
Items that will not be reclassified to the income statement		
Remeasurement of retirement-benefit obligations	986	814
Other comprehensive (expense)/income for the year	(542)	34
Profit for the year	78,361	91,782
Total comprehensive income	**77,819**	**91,816**
Attributable to:		
Owners of M.P. Evans Group PLC	72,449	86,380
Non-controlling interests	5,370	5,436
	77,819	**91,816**

CONSOLIDATED BALANCE SHEET

COMPANY NUMBER: 1555042

As at 31 December 2022

	Note	2022 US$'000	2021 US$'000
Non-current assets			
Goodwill	13	11,767	11,767
Other intangible assets	13	1,167	1,222
Property, plant and equipment	14	411,658	401,005
Investments in associates	15	11,795	13,242
Investments	16	61	65
Deferred-tax asset	23	989	3,602
Trade and other receivables	19	9,146	16,618
		446,583	447,521
Current assets			
Biological assets	17	3,089	4,520
Inventories	18	23,112	21,754
Trade and other receivables	19	32,681	41,892
Current-tax asset		2,290	2,522
Cash and cash equivalents	20	82,503	65,609
		143,675	136,297
Total assets		**590,258**	**583,818**
Current liabilities			
Borrowings	22	17,364	20,531
Trade and other payables	21	24,410	31,200
Current-tax liability		4,455	12,219
		46,229	63,950
Net current assets		97,446	72,347
Non-current liabilities			
Borrowings	22	31,675	50,517
Deferred-tax liability	23	13,538	11,417
Retirement-benefit obligations	24	9,972	12,886
		55,185	74,820
Total liabilities		**101,414**	**138,770**
Net assets		**488,844**	**445,048**
Equity			
Share capital	25	9,179	9,232
Other reserves	27	54,543	55,467
Retained earnings	27	407,460	366,825
Equity attributable to the owners of M.P. Evans Group PLC		471,182	431,524
Non-controlling interests	28	17,662	13,524
Total equity		**488,844**	**445,048**

The financial statements on pages 66 to 91 were approved by the board of directors on 21 March 2023 and signed on its behalf by

Peter Hadsley-Chaplin
Executive chairman

Matthew Coulson
Chief executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	SHARE CAPITAL US$'000	OTHER RESERVES US$'000	RETAINED EARNINGS US$'000	TOTAL US$'000	NON-CONTROLLING INTERESTS US$'000	TOTAL EQUITY US$'000
Profit for the year		—	2,184	70,876	73,060	5,301	78,361
Other comprehensive (expense)/income for the year		—	(677)	66	(611)	69	(542)
Total comprehensive income for the year		—	**1,507**	**70,942**	**72,449**	**5,370**	**77,819**
Issue of share capital	25	4	187	—	191	—	191
Dividends paid	10	—	—	(28,500)	(28,500)	(1,232)	(29,732)
Dividends from associates	15	—	(2,656)	2,656	—	—	—
Share buyback		(57)	57	(4,902)	(4,902)	—	(4,902)
Credit to equity for equity-settled share-based payments	26	—	(19)	439	420	—	420
Transactions with owners		**(53)**	**(2,431)**	**(30,307)**	**(32,791)**	**(1,232)**	**(34,023)**
At 1 January 2022		9,232	55,467	366,825	431,524	13,524	445,048
At 31 December 2022		**9,179**	**54,543**	**407,460**	**471,182**	**17,662**	**488,844**
Profit for the year		—	2,508	83,898	86,406	5,376	91,782
Other comprehensive (expense)/income for the year		—	(404)	378	(26)	60	34
Total comprehensive income for the year		—	**2,104**	**84,276**	**86,380**	**5,436**	**91,816**
Issue of share capital	25	28	799	—	827	—	827
Dividends paid	10	—	—	(20,527)	(20,527)	(1,641)	(22,168)
Dividends from associates	15	—	(2,424)	2,424	—	—	—
Credit to equity for equity-settled share-based payments	26	—	(102)	535	433	—	433
Transactions with owners		**28**	**(1,727)**	**(17,568)**	**(19,267)**	**(1,641)**	**(20,908)**
At 1 January 2021		9,204	55,090	300,117	364,411	9,729	374,140
At 31 December 2021		**9,232**	**55,467**	**366,825**	**431,524**	**13,524**	**445,048**

CONSOLIDATED CASH-FLOW STATEMENT

For the year ended 31 December 2022

	Note	2022 US$'000	2021 US$'000
Net cash generated by operating activities	29	**102,288**	**92,272**
Investing activities			
Purchase of property, plant and equipment	14	(33,714)	(32,510)
Purchase of intangible assets	13	(116)	(8)
Interest received	6	622	316
Decrease in bank deposits treated as current-asset investments	30	—	334
Decrease in receivables from smallholder co-operatives		1,714	17,630
Proceeds on disposal of property, plant and equipment		3,055	15,125
Net cash (used by)/from investing activities		**(28,439)**	**887**
Financing activities			
Repayment of borrowings		(22,009)	(34,636)
Lease liability payments		(38)	(218)
Dividends paid to Company shareholders		(28,500)	(20,527)
Dividends paid to non-controlling interest		(124)	(164)
Issue of Company shares		191	827
Buyback of Company shares		(4,902)	—
Net cash used by financing activities		**(55,382)**	**(54,718)**
Net increase in cash and cash equivalents		**18,467**	**38,441**
Net cash and cash equivalents at 1 January		65,609	27,222
Effect of foreign-exchange rates on cash and cash equivalents		(1,573)	(54)
Cash and cash equivalents at 31 December	20	**82,503**	**65,609**

NOTES TO THE CONSOLIDATED ACCOUNTS

For the year ended 31 December 2022

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"), Company number 1555042. The Company is registered in England and Wales, and the address of its registered office is given on page 104. The nature of the Group's operations and its principal activities are set out in note 4 and in the strategic report on pages 14 to 33. 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$3,657,000 (2021 US$3,492,000). The Company's separate financial statements are set out on pages 92 to 97.

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 98.

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 2022. The Group has assessed each of them and concluded that the following standards and amendments have not had a material impact on the Group's results or financial position.

IFRS 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

(b) New standards, amendments and interpretations issued but not effective for the year beginning 1 January 2022 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 (amendments) *Insurance contracts*
IAS 1 (amendments) *Classification of liabilities as current or non-current*
IAS 1 (amendments) *Disclosure of accounting policies*
IAS 8 (amendments) *Definition of accounting estimates*
IAS 12 (amendments) *Deferred tax arising from a single transaction*
IFRS 16 (amendments) *Leases: lease liability in a sale and leaseback*

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 UK-adopted International Accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention, except for items that are required by IFRS to be measured at fair value, principally biological 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 considering in detail the period up to the end of 2024, including risks and sensitivities, 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. Payment terms are cash on delivery. However, in some circumstances credit is offered to selected customers, on up to 10-day terms.

(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

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.

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 2022. 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 less any profits deferred on sales made to associated companies.

(m) Inventories

Inventories are valued at the lower end 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.

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).

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
2022				
Continuing operations				
Revenue	326,872	–	45	326,917*
Gross profit	109,165	–	45	109,210
Loss on biological assets	(1,431)	–	–	(1,431)
Foreign-exchange loss	(2,402)	–	(1,042)	(3,444)
Other administrative expenses	(402)	–	(4,212)	(4,614)
Other income	1,845	–	20	1,865
Operating profit				**101,586**
Finance income	617	–	778	1,395
Finance costs	(64)	–	(2,667)	(2,731)
Profit before tax				**100,250**
Tax	(23,386)	–	(687)	(24,073)
Profit after tax				**76,177**
Share of associated companies' profit after tax	1,677	507	–	2,184
Profit for the year				**78,361**
Consolidated total assets				
Non-current assets	424,736	–	10,052	434,788
Current assets	85,878	–	57,797	143,675
Investments in associates	7,183	4,612	–	11,795
	517,797	4,612	67,849	590,258
Consolidated total liabilities				
Liabilities	51,186	–	50,228	101,414
Other information				
Additions to property, plant and equipment	33,708	–	6	33,714
Additions to intangible assets	116	–	–	116
Depreciation	21,924	–	7	21,931
Amortisation	171	–	–	171

* US$194.9 million of revenue (59.6%) was from sales to 2 customers (34.3% and 25.3% respectively).

4 Segment information continued

	PLANTATION INDONESIA US$'000	PROPERTY MALAYSIA US$'000	OTHER US$'000	TOTAL US$'000
2021				
Continuing operations				
Revenue	276,485	—	107	276,592*
Gross profit	103,605	—	8	103,613
Gain on biological assets	1,771	—	—	1,771
Profit on sale of land	—	—	13,946	13,946
Foreign-exchange (loss)/gain	(966)	—	146	(820)
Other administrative expenses	(325)	—	(5,055)	(5,380)
Other income	1,405	—	21	1,426
Operating profit				**114,556**
Finance income	292	—	353	645
Finance costs	(280)	—	(2,419)	(2,699)
Profit before tax				**112,502**
Tax	(21,161)	—	(2,067)	(23,228)
Profit after tax				**89,274**
Share of associated companies' profit after tax	1,460	1,048	—	2,508
Profit for the year				**91,782**
Consolidated total assets				
Non-current assets	416,748	—	17,531	434,279
Current assets	107,438	—	28,859	136,297
Investments in associates	5,247	7,995	—	13,242
				583,818
Consolidated total liabilities				
Liabilities	58,202	—	80,568	138,770
Other information				
Additions to property, plant and equipment	32,510	—	—	32,510
Additions to intangible assets	8	—	—	8
Depreciation	20,627	—	14	20,641
Amortisation	167	—	—	167

* US$94.1 million of revenue (34.0%) was from sales to 3 customers (12.4%, 11.2% and 10.4% respectively).

5 Employees

	2022 US$'000	2021 US$'000
Employee costs during the year		
Wages and salaries	44,553	35,092
Social security costs	3,319	2,857
Current service cost of retirement benefit (see note 24)	1,879	2,347
Other pension costs	207	491
Share-based payment charge	420	433
	50,378	**41,220**

5 Employees continued

	2022 Number	2021 Number
Average monthly number of people employed (including executive directors)		
Estate manual	11,560	8,115
Local management	107	105
United Kingdom head office	7	8
	11,674	**8,228**

Included in the table above are costs relating to key management personnel, those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Total directors' emoluments for the year were £2.5 million (2021 £2.0 million). Emoluments for the highest paid director were £1.1 million (2021 £0.6 million). The total gain on exercise of share options by the directors was £0.2 million (2021 £0.1 million). The total gain on exercise of share options by the highest paid director was £0.2 million (2021 £0.1 million). The total number of directors for whom contributions were made to defined contribution pension arrangements was 1 (2021 - 2), in the current year the highest paid director did not (2021 did) receive any contributions to defined contribution pension arrangements. In addition to amounts paid to directors, other key management personnel received a further £0.1 million (2021 £nil) in short-term employee benefits during the year.

6 Finance income

	2022 US$'000	2021 US$'000
Unwinding of discounting of receivables	282	—
Interest receivable on bank deposits	622	316
Interest receivable on related party loans	491	329
	1,395	**645**

7 Finance costs

	2022 US$'000	2021 US$'000
Interest payable on bank loans and overdrafts	2,731	2,699

8 Profit before tax

	2022 US$'000	2021 US$'000
Profit before tax is stated after charging:		
Depreciation of property, plant and equipment	21,931	20,641
Amortisation of intangible assets	171	167
Auditors' remuneration	411	363
Employee costs (note 5)	50,378	41,220
The analysis of auditors' remuneration is as follows:		
Audit of UK parent Company	33	27
Audit of consolidated financial statements	176	150
Audit of overseas subsidiaries	177	160
Total audit services*	**386**	**337**
Taxation advisory services	—	—
Total non-audit services	**—**	**—**

* In addition to the above, US$25,400 (2021 US$26,000) were payable to other firms for the audit for the subsidiary companies.

9 Tax on profit on ordinary activities

	2022 US$'000	2021 US$'000
United Kingdom corporation tax charge for the year	549	508
Relief for overseas taxation	(549)	(508)
	—	—
Overseas taxation	19,617	21,124
Adjustments in respect of prior years	—	—
Total current tax	19,617	21,124
Deferred taxation – origination and reversal of temporary differences (see note 23)	4,456	2,104
	24,073	**23,228**

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax, was 19% (2021 – 19%). The standard rate of Indonesian tax was 22% (2021 – 22%). The actual tax charge is higher than the standard rate for the reasons set out in the reconciliation below.

	2022 US$'000	2021 US$'000
Profit on ordinary activities before tax	100,250	112,502
Tax on profit on ordinary activities at the standard rate	19,048	21,375
Factors affecting the charge for the year		
Profits taxed at higher standard tax rate	3,189	2,886
Expenses not deductible	1,075	918
Reinstatement of losses	—	(1,003)
Lower rate on fixed asset disposals	(8)	(1,352)
Withholding tax on overseas dividends and interest	152	122
Adjustment relating to intercompany loan relationships	335	335
Utilisation of losses brought forward	—	(254)
Unrelieved losses	293	533
Other differences	(11)	(332)
Total tax charge	**24,073**	**23,228**

In addition to the above, the Group recognised a tax charge of US$0.3 million (2021 US$0.2 million) on retirement benefit obligation remeasurement gains, recorded in other comprehensive income.

10 Dividends paid and proposed

	2022 US$'000	2021 US$'000
2022 interim dividend – 12.5p per 10p share (2021 interim dividend 10p)	7,611	7,377
2021 special dividend – 5p per 10p share	3,662	—
2021 final dividend – 25p per 10p share (2020 final dividend 17p)	17,227	13,150
	28,500	**20,527**

Following the year end, the board has proposed a final dividend for 2022 of 30p per 10p share, amounting to US$19.8 million. The dividend will be paid on or after 16 June 2023 to shareholders on the register at the close of business on 28 April 2023.

11 Basic and diluted earnings per share

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

	2022 US$'000	2022 NUMBER OF SHARES	2021 US$'000	2021 NUMBER OF SHARES
Profit for the year attributable to the owners of M.P. Evans Group PLC	73,060		86,406	
Average number of shares in issue		54,579,591		54,564,864
Diluted average number of shares in issue*		54,754,110		54,710,139

* 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 Disposal

As announced on 15 October 2021, the Group completed 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 total sale consideration is 99.9 million Malaysian Ringgit, or US$24.0 million based on the 2021 year-end exchange rate. In accordance with the agreement, 60% of the consideration had been received before the end of the 2021, 10% had been received in January 2022 and the remainder is due in July 2023. This outstanding amount is included in current receivables in note 19.
An initial profit on disposal of US$13.9 million was recognised in 2021. However, accounting standards require that 40% of the profit on disposal be deferred and recognised at the point when Bertam Properties has developed and sold the land. The deferred profit has been deducted from the carrying value of the associated company, as shown in note 15.

13 Intangible assets

	GOODWILL US$'000	SOFTWARE US$'000	TOTAL US$'000
Cost			
At 1 January 2022	11,767	1,673	13,440
Additions	—	116	116
At 31 December 2022	11,767	1,789	13,556
Accumulated amortisation			
At 1 January 2022	—	451	451
Charge for the year	—	171	171
At 31 December 2022	—	622	622
Net book value at 31 December 2022	**11,767**	**1,167**	**12,934**
Cost			
At 1 January 2021	11,767	1,665	13,432
Additions	—	8	8
At 31 December 2021	11,767	1,673	13,440
Accumulated amortisation			
At 1 January 2021	—	284	284
Charge for the year	—	167	167
At 31 December 2021	—	451	451
Net book value at 31 December 2021	**11,767**	**1,222**	**12,989**

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).

13 Intangible assets continued

Key estimate

A review for goodwill impairment has been undertaken by comparing the carrying value of the relevant cash generating units, being the six estates as described on pages 8 and 9, with their recoverable amount. Recoverable amount has been obtained by reference to independent valuations of the Group's property assets conducted at the end of 2022 (see page 100). These cash-flow valuations used a 30-year forecast period, to reflect the nature and growth profile of the asset and its long-term resilience to variations in climate and weather patterns, pre-tax inflation-adjusted discount rates of 16-19% (2021 – 16-19%), and a mill-gate price for CPO of US$666 for two years before reverting to US$642 as a long-term average (2021 two years at US$666 followed by US$642 for the long term). A decrease in any of the CPO price, yield or extraction assumptions of up to 10% would not result in any impairment (2021 nil impairment) of the goodwill relating to Bumi Mas.

14 Property, plant and equipment

	LEASEHOLD LAND US$'000	PLANTING US$'000	BUILDINGS US$'000	PLANT, EQUIPMENT & VEHICLES US$'000	CON-STRUCTION IN PROGRESS US$'000	TOTAL US$'000
Cost or valuation						
At 1 January 2022	111,907	212,880	114,777	77,622	12,742	529,928
Additions	2,552	3,431	—	3,514	24,217	33,714
Re-classification	—	—	10,715	2,128	(12,843)	—
Disposals	(21)	(1,525)	(602)	(1,185)	—	(3,333)
At 31 December 2022	**114,438**	**214,786**	**124,890**	**82,079**	**24,116**	**560,309**
Accumulated depreciation						
At 1 January 2022	155	56,145	37,974	34,649	—	128,923
Charge for the year	32	9,618	6,694	5,587	—	21,931
Disposals	—	(870)	(302)	(1,031)	—	(2,203)
At 31 December 2022	**187**	**64,893**	**44,366**	**39,205**	**—**	**148,651**
Net book value at 31 December 2022	**114,251**	**149,893**	**80,524**	**42,874**	**24,116**	**411,658**
Cost or valuation						
At 1 January 2021	110,133	209,769	99,136	62,697	19,687	501,422
Additions	1,724	4,017	—	4,514	22,255	32,510
Re-classification	504	—	16,560	11,874	(28,938)	—
Exchange differences	(7)	—	(17)	(2)	—	(26)
Disposals	(447)	(906)	(902)	(1,461)	(262)	(3,978)
At 31 December 2021	**111,907**	**212,880**	**114,777**	**77,622**	**12,742**	**529,928**
Accumulated depreciation						
At 1 January 2021	146	47,507	32,335	30,792	—	110,780
Charge for the year	19	9,270	6,353	4,999	—	20,641
Exchange differences	—	—	(6)	(2)	—	(8)
Disposals	(10)	(632)	(708)	(1,140)	—	(2,490)
At 31 December 2021	**155**	**56,145**	**37,974**	**34,649**	**—**	**128,923**
Net book value at 31 December 2021	**111,752**	**156,735**	**76,803**	**42,973**	**12,742**	**401,005**

Included in planting is immature planting with a cost of US$7,337,000 (2021 US$9,381,000).

14 Property, plant and equipment continued

Critical judgement
Included in leasehold land is land in Indonesia which is not being depreciated. Land is held on 25- or 30-year leases, and as those leases can be renewed without significant cost and the Group has previous experience of successful lease renewals, the directors have concluded that the land should not be depreciated. The carrying value of the land at the end of the year is US$113,308,000 (2021 US$110,983,000).

As at 31 December 2022, the Group had entered into contractual commitments for the acquisition of property, plant and equipment of US$8,162,000 (2021 US$16,847,000).

Depreciation and amortisation is charged to cost of sales, other than US$7,000 (2021 US$11,000) charged to other administrative expenses.

At 31 December 2022, the Group accounted for no right-of-use assets with no net book value (2021 – one asset with net book value of US$nil) as a lease under IFRS 16.

15 Investments in associates

Details of the Group's subsidiary and associated undertakings are given on page 98. The Group's associated companies are both unlisted.

	2022 US$'000	2021 US$'000
Share of net assets		
At 1 January	23,981	24,600
Exchange differences	(1,015)	(703)
Profit for the year	2,184	2,508
Dividends received	(2,656)	(2,424)
At 31 December	**22,494**	**23,981**
Unrealised profit - deferral on land sales to associate	(10,699)	(10,739)
	11,795	**13,242**

A separate reserve is maintained for the share of profit or loss in the associates. As a result, dividends received are reclassified from the share of associates reserves to retained earnings.

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

	2022			2021		
	KERASAAN US$'000	BERTAM PROPERTIES US$'000	TOTAL US$'000	KERASAAN US$'000	BERTAM PROPERTIES US$'000	TOTAL US$'000
Total						
Revenue	9,582	17,429		8,676	20,256	
Profit after tax	4,414	1,266		3,843	2,620	
Non-current assets	4,486	47,529		4,291	50,053	
Current assets	11,645	28,996		11,846	27,702	
Current liabilities	(1,131)	(9,012)		(1,585)	(9,027)	
Non-current liabilities	(769)	(24,797)		(743)	(21,894)	
Net assets	14,231	42,716		13,809	46,834	
Group share	**(38%)**	**(40%)**		**(38%)**	**(40%)**	
Revenue	3,641	6,972	10,613	3,297	8,102	11,399
Profit after tax	1,677	507	2,184	1,460	1,048	2,508
Non-current assets	1,705	19,012	20,717	1,631	20,021	21,652
Current assets	4,425	11,598	16,023	4,501	11,081	15,582
Current liabilities	(430)	(3,605)	(4,035)	(603)	(3,612)	(4,215)
Non-current liabilities	(292)	(9,919)	(10,211)	(282)	(8,756)	(9,038)
Carrying value at 31 December	5,408	17,086	22,494	5,247	18,734	23,981

16 Investments

	2022 US$'000	2021 US$'000
Financial assets at fair value through profit or loss (unlisted)		
At 1 January	65	67
Exchange differences	(4)	(2)
At 31 December	**61**	**65**

17 Current biological assets

	2022 US$'000	2021 US$'000
Ffb prior to harvest	3,089	4,520

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. During the year, all of the opening balance of ffb prior to harvest was harvested whilst all of the closing balance arose in the year due to gains in fair value less costs to sell.

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$3.1 million and US$34.6 million. The Group has never included ffb prior to harvest in its internal reporting and decision-making.

18 Inventories

	2022 US$'000	2021 US$'000
Processed produce for sale	13,155	11,319
Estate stores	8,789	9,238
Nurseries	1,168	1,197
	23,112	**21,754**

19 Trade and other receivables

	2022 US$'000	2021 US$'000
Current assets		
Trade receivables	5,537	6,492
Receivable from smallholder co-operatives	6,020	7,734
Due from associate company	6,798	2,396
Loans to related parties	662	697
Other receivables	9,643	22,398
Prepayments and accrued income	4,021	2,175
	32,681	**41,892**
Non-current assets		
Due from associate company	—	6,890
Loans to related parties	9,146	9,728
	9,146	**16,618**
Trade and other receivables analysed by currency of receivable:		
Indonesian Rupiah	23,984	38,566
US Dollar	10,633	10,523
Sterling	410	84
Malaysian Ringgit	6,800	9,337
	41,827	**58,510**

The majority of palm-oil sales 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 2022 there was no provision for impairment of trade receivables (2021 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 of US$55.4 million (2021 US$60.0 million) 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:

	2022 US$'000	2021 US$'000
Immature areas - allocated	3,084	4,317
Mature areas	2,936	3,417
Current asset	6,020	7,734
Non-current asset – immature areas – not allocated	—	—
	6,020	**7,734**

The Group previously 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$9,808,000 (2021 US$10,425,000).

NOTES TO THE CONSOLIDATED ACCOUNTS continued

20 Cash and other liquid resources

	2022 US$'000	2021 US$'000
Cash and cash equivalents	82,503	65,609

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

21 Trade and other payables

	2022 US$'000	2021 US$'000
Current liabilities		
Trade payables	8,598	15,857
Payable to smallholder co-operatives	2,488	5,428
Lease liabilities	—	38
Other payables	13,324	9,877
	24,410	**31,200**

The average credit period taken for trade purchases is 37 days (2021 – 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.

22 Borrowings

	2022 US$'000	2021 US$'000
Secured borrowing at amortised cost		
Bank loans	49,039	71,048
Total borrowings		
Amount due for settlement within one year	17,364	20,531
Due for settlement in one to two years	20,640	17,998
Due for settlement in two to five years	11,035	32,519
Amount due for settlement after one year	31,675	50,517
	49,039	**71,048**
Analysis of borrowings by currency:		
US Dollar	49,039	68,936
Indonesian Rupiah	—	2,112
	49,039	**71,048**
Analysis of anticipated cash outflows:		
Within one year	20,268	22,384
Due within one to two years	22,158	19,290
Due within two to five years	11,155	33,236
	53,581	**74,910**

Bank loans have been provided from lenders in Malaysia to support the Group's Indonesian operations. They 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$114.9 million (2021 US$121.3 million). At the year end, the Group had undrawn available credit facilities of US$30 million (2021 US$20 million).

The weighted-average interest rate paid on bank loans in the year was 4.4% (2021 – 3.3%).

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 2022	(8,779)	2,835	(1,871)	(7,815)
Charge to income statement	(744)	(363)	(3,349)	(4,456)
Credit to other comprehensive income	—	(278)	—	(278)
At 31 December 2022	**(9,523)**	**2,194**	**(5,220)**	**(12,549)**
At 1 January 2021	(8,093)	3,090	(480)	(5,483)
Charge to income statement	(686)	(27)	(1,391)	(2,104)
Credit to other comprehensive income	—	(228)	—	(228)
At 31 December 2021	**(8,779)**	**2,835**	**(1,871)**	**(7,815)**

Other timing differences relate to losses, with the exception of the deferred tax liability of US$8.5million (2021 US$8.5 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:

	2022 US$'000	2021 US$'000
Deferred-tax assets	989	3,602
Deferred-tax liabilities	(13,538)	(11,417)
	(12,549)	**(7,815)**

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$511,464,000 (2021 US$426,090,000). 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$23,238,000 (2021 US$24,777,000). No liability has been recognised in respect of these differences because the reversal would not give rise to an additional tax liability.

Key estimate
At the balance-sheet date, the Group had unused tax losses of US$49,458,000 (2021 US$62,089,000) 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$14,848,000 (2021 US$30,070,000) of such losses. No deferred-tax asset has been recognised in respect of the remaining US$34,610,000 (2021 US32,018,000) due to the unpredictability of future profit streams. 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, there would be no impact on the deferred-tax asset.

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$1,689,000 (2021 US$1,675,000). No asset has been recognised in respect of these differences due to the unpredictability of parent-Company future profit streams.

24 Retirement-benefit obligations

The Group's only obligation relates to an unfunded, non-contributory, post-employment statutory benefit scheme in Indonesia. A lump sum is paid to employees on retirement or on leaving the Group's employment. This terminal benefit is accrued by the Group based on an annual actuarial review and charged in the income statement on the basis of individuals' service at the balance-sheet date. Retirement is assumed at the age of 55 years. 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.

	2022 %	2021 %
The main assumptions used to assess the Group's liabilities are:		
Discount rate	6.75-7.25	5.25-7.50
Salary increase per annum	7.00	7.00

	2022 US$'000	2021 US$'000
Reconciliation of scheme liabilities:		
Current-service cost	1,879	2,347
Past-service cost*	(2,242)	(2,117)
Interest cost	842	902
Actuarial gain	(1,264)	(1,043)
	(785)	89
Less: Benefits paid out	(1,065)	(1,055)
Movement in the year	(1,850)	(966)
At 1 January	12,886	14,051
Exchange differences	(1,064)	(199)
At 31 December	**9,972**	**12,886**

* At its meeting in April 2021, the IFRS Interpretations committee ("IFRIC") decided to finalise an agenda decision that would include material explaining how the applicable principles and requirements in IFRS standards apply to attributing benefit to periods of service. The result of the decision capped the number of years that benefits start to accrue to 24 years. In April 2022, the Indonesian Financial Accounting Standards Board implemented the agenda decision. With Indonesian company regulations mandating a retirement age of 55, benefits therefore only start to accrue from the age of 31. Previously benefits were calculated regardless of age and as such there is a credit of US$2.2 million arising in the year following the adjustment to future benefits following the IFRIC decision.

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 US$0.8-1.1 million.

25 Share capital

	AUTHORISED NUMBER	ALLOTTED, FULLY PAID AND VOTING NUMBER	AUTHORISED £'000	ALLOTTED, FULLY PAID AND VOTING US$'000
At 1 January 2022	87,000,000	54,696,253	8,700	9,232
Issued	—	30,000	—	4
Redeemed	—	(495,365)	—	(57)
At 31 December 2022	**87,000,000**	**54,230,888**	**8,700**	**9,179**
At 1 January 2021	87,000,000	54,490,253	8,700	9,204
Issued	—	206,000	—	28
At 31 December 2021	**87,000,000**	**54,696,253**	**8,700**	**9,232**

During the year, in anticipation of the exercise of share options, the Company issued 30,000 10p shares for US$4,000 cash consideration. Furthermore, certain share options were exercised in the year giving rise to the share premium shown in note 27.

The Company introduced a share-buyback programme during the year. Under that programme the Company bought back and cancelled 495,365 10p shares, representing 0.9% of the issued share capital, for a total cost of US$4.9 million. There was no share-buyback programme in operation in the prior year.

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:

	2022 NUMBER OF SHARE OPTIONS	2022 WEIGHTED-AVERAGE EXERCISE PRICE (PENCE)	2021 NUMBER OF SHARE OPTIONS	2021 WEIGHTED-AVERAGE EXERCISE PRICE (PENCE)
At 1 January	176,080	129.2	326,402	253.5
Granted during the year	64,380	0.0	46,248	0.0
Exercised during the year	(56,526)	256.5	(196,570)	305.1
At 31 December	183,934	44.9	176,080	129.2
Exercisable at the end of the year	25,250	326.7	50,750	448.2

The weighted-average share price at the date of exercise for share options exercised during the year was 950p. The options outstanding at 31 December 2022 had a weighted-average remaining contractual life of 7.9 years and exercise prices in the range of 0 to 412p. The Group recognised total expenses of US$420,000 related to equity-settled share-based payments (2021 US$433,000), with options granted in the year valued using a Black-Scholes pricing model based on exercise after three years, share volatility over the last year of 24%, assumed dividends of 3-5%, and a risk-free rate of approximately 1%. The fair value of options granted in the year was between 725p and 882p. Details of the directors' share options are set out in the directors' remuneration report on pages 55 to 58.

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 2022	32,392	548	4,301	766	(6)	960	16,451	55	55,467	366,825
Profit for the financial year	—	—	—	—	—	—	2,184	—	2,184	70,876
Exchange differences	—	(8)	—	—	—	—	(702)	29	(681)	(851)
Retirement-benefit obligations	—	—	—	—	—	—	—	—	—	917
Issue of shares	187	—	—	—	4	—	—	—	191	—
Dividends paid	—	—	—	—	—	—	—	—	—	(28,500)
Dividends from associates	—	—	—	—	—	—	(2,656)	—	(2,656)	2,656
Share-based payments	—	—	—	—	—	(19)	—	—	(19)	439
Share buybacks	—	—	57	—	—	—	—	—	57	(4,902)
At 31 December 2022	**32,579**	**540**	**4,358**	**766**	**(2)**	**941**	**15,277**	**84**	**54,543**	**407,460**
At 1 January 2021	31,582	553	4,301	766	(5)	1,072	16,856	(35)	55,090	300,117
Profit for the financial year	—	—	—	—	—	—	2,508	—	2,508	83,898
Exchange differences	—	(5)	—	—	—	—	(489)	90	(404)	(376)
Retirement-benefit obligations	—	—	—	—	—	—	—	—	—	754
Issue of shares	810	—	—	—	(11)	—	—	—	799	—
Dividends paid	—	—	—	—	—	—	—	—	—	(20,527)
Dividends from associates	—	—	—	—	—	—	(2,424)	—	(2,424)	2,424
Share-based payments	—	—	—	—	10	(112)	—	—	(102)	535
At 31 December 2021	**32,392**	**548**	**4,301**	**766**	**(6)**	**960**	**16,451**	**55**	**55,467**	**366,825**

The nature and purpose of each reserve is described by its title shown in the table above.

28 Non-controlling interests

	2022 US$'000	2021 US$'000
At 1 January	13,524	9,729
Share of profit in the year	5,301	5,376
Dividends paid	(1,232)	(1,641)
Share of retirement benefit credited to other comprehensive income	69	60
At 31 December	**17,662**	**13,524**

The Group has 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:

	2022 PROFIT US$'000	2022 EQUITY US$'000	2021 PROFIT US$'000	2021 EQUITY US$'000
Kota Bangun	949	3,360	1,121	2,598
Bangka	2,205	7,858	2,292	5,825
Pangkatan group	928	3,771	975	3,244
Bumi Mas	848	3,088	663	2,337
Musi Rawas	222	(167)	132	(285)
Simpang Kiri	149	(248)	193	(195)
	5,301	**17,662**	**5,376**	**13,524**

29 Note to the consolidated cash-flow statement

	2022 US$'000	2021 US$'000
Operating profit	**101,586**	**114,556**
Biological loss/(gain)	1,431	(1,771)
Loss/(gain) on disposal of property, plant and equipment	845	(13,538)
Release of deferred profit	(40)	(64)
Depreciation of property, plant and equipment	21,931	20,641
Amortisation of intangible assets	171	167
Retirement-benefit obligations	(586)	(351)
Share-based payments	420	433
Dividends from associated companies	2,656	2,424
Operating cash flows before movements in working capital	**128,414**	**122,497**
Increase in inventories	(1,358)	(10,137)
Decrease/(increase) in receivables	11,864	(8,461)
(Decrease)/increase in payables	(6,752)	5,341
Cash generated by operating activities	**132,168**	**109,240**
Income tax paid	(27,149)	(14,269)
Interest paid	(2,731)	(2,699)
Net cash generated by operating activities	**102,288**	**92,272**

30 Analysis of movements in net funds/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 2022	65,609	–	(20,531)	(50,517)	(5,439)
Net increase in cash and cash equivalents	18,469	–	–	–	18,469
Repayment of borrowings	–	–	22,009	–	22,009
Reclassification	–	–	(18,842)	18,842	–
Foreign-exchange movements	(1,575)	–	–	–	(1,575)
At 31 December 2022	**82,503**	**–**	**(17,364)**	**(31,675)**	**33,464**
At 1 January 2021	27,222	334	(39,605)	(66,079)	(78,128)
Net increase in cash and cash equivalents	38,441	–	–	–	38,441
Repayment of borrowings	–	–	34,636	–	34,636
Change in deposits	–	(334)	–	–	(334)
Reclassification	–	–	(15,562)	15,562	–
Foreign-exchange movements	(54)	–	–	–	(54)
At 31 December 2021	**65,609**	**–**	**(20,531)**	**(50,517)**	**(5,439)**

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 cash surplus, see note 30, of US$33,464,000 (2021 net debt US$5,439,000) and equity attributable to the owners of the parent Company of US$471,182,000 (2021 US$431,524,000). The board intends to fund its continuing Indonesian expansion and maximise returns to shareholders 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 2022.

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:

	2022 US$'000	2021 US$'000
US Dollar	51,433	18,439
Indonesian Rupiah	30,015	39,349
Sterling	886	7,562
Malaysian Ringgit	169	259
	82,503	**65,609**

The Group is exposed to changes in foreign-currency exchange rates. This is in relation to the impact of movements on its non-US Dollar monetary assets and in relation to the consolidation of its non-US Dollar-functional-currency subsidiary and associated undertakings. The most significant sensitivity arises in respect of movements in the Indonesian Rupiah. Management estimates that a 10% weakening of the US Dollar against the Indonesian Rupiah would result in a fall in profit for the year and net assets of US$5.4 million (2021 US$7.6 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 (subsequently changed to SOFR in early 2023), 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$0.4 million (2021 US$0.6 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 56. The directors' participation in the executive share-option schemes and long-term incentive scheme is disclosed on page 58.

On 15 October 2021, the Group completed 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. Further details are in note 12.

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.

33 Post balance-sheet events

On 2 March 2023, the Group acquired 100% of the shares in two Indonesian companies, PT Teunggulon Raya and PT Dharma Agung, which between them own 2,100 hectares planted with oil palm. The planted land is close to the Group's Simpang Kiri estate in Aceh Province, northern Sumatra. Total costs associated with the acquisition, including the assumption of liabilities within the companies acquired, are estimated to be US$14.3 million.

PARENT-COMPANY BALANCE SHEET

COMPANY NUMBER: 1555042

As at 31 December 2022

	Note	2022 US$'000	2021 US$'000
Non-current assets			
Property, plant and equipment	iv	845	846
Investments in subsidiaries	v	15,799	15,799
Trade and other receivables	vi	79,982	115,588
		96,626	132,233
Current assets			
Trade and other receivables	vi	1,231	746
Cash and cash equivalents		2,616	8,926
		3,847	9,672
Total assets		**100,473**	**141,905**
Current liabilities			
Trade and other payables	vii	820	5,808
Net current assets		**3,027**	**3,864**
Total liabilities		**820**	**5,808**
Net assets		**99,653**	**136,097**
Equity			
Share capital	viii	9,179	9,232
Other reserves	ix	39,119	38,890
Retained earnings	ix	51,355	87,975
Total equity		**99,653**	**136,097**

The Company recorded a loss for the year of US$3,657,000 (2021 US$3,492,000).

The financial statements on pages 92 to 97 were approved by the board of directors on 21 March 2023 and signed on its behalf by

Peter Hadsley-Chaplin
Executive chairman

Matthew Coulson
Chief executive

PARENT-COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	SHARE CAPITAL US$'000	OTHER RESERVES US$'000	RETAINED EARNINGS US$'000	TOTAL US$'000
Loss for the year	—	—	(3,657)	(3,657)
Total comprehensive expense for the year	**—**	**—**	**(3,657)**	**(3,657)**
Issue of share capital	4	191	—	195
Dividends	—	—	(28,500)	(28,500)
Share buyback	(57)	57	(4,902)	(4,902)
Credit to equity for equity-settled share-based payments	—	(19)	439	420
Transactions with owners	**(53)**	**229**	**(32,963)**	**(32,787)**
At 1 January 2022	9,232	38,890	87,975	136,097
At 31 December 2022	**9,179**	**39,119**	**51,355**	**99,653**
Loss for the year	—	—	(3,492)	(3,492)
Total comprehensive expense for the year	**—**	**—**	**(3,492)**	**(3,492)**
Issue of share capital	28	799	—	827
Dividends	—	—	(20,527)	(20,527)
Credit to equity for equity-settled share-based payments	—	(102)	535	433
Transactions with owners	**28**	**697**	**(19,992)**	**(19,267)**
At 1 January 2021	9,204	38,193	111,459	158,856
At 31 December 2021	**9,232**	**38,890**	**87,975**	**136,097**

NOTES TO THE PARENT-COMPANY ACCOUNTS

For the year ended 31 December 2022

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 104. The Group's principal activities are shown in the strategic report on page 14. 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. Balances are classified as non-current if they are not expected to be recovered in less than one year.

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 74. 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 2022 of US$3,657,000 (2021 US$3,492,000). The Company's main source of income is dividends from subsidiary companies.

The auditors' remuneration for audit services was US$33,000 (2021 US$27,000).

iii Employees

	2022 US$'000	2021 US$'000
Employee costs during the year		
Wages and salaries	1,881	2,349
Social security costs	266	502
Pension costs	53	52
Share-based payments	169	195
	2,369	**3,098**

As recorded in the directors' remuneration report on page 55, wages and salary costs include bonuses paid to the directors in respect of 2022 and 2021.

	2022 NUMBER	2021 NUMBER
Average monthly number of people employed		
Staff	5	5
Directors	2	3
	7	**8**

iv Property, plant and equipment

	LAND AND BUILDINGS US$'000	PLANT, EQUIPMENT & VEHICLES US$'000	TOTAL US$'000
Cost			
At 1 January 2022	**834**	**124**	**958**
Additions	**—**	**6**	**6**
At 31 December 2022	**834**	**130**	**964**
Accumulated depreciation			
At 1 January 2022	—	112	112
Charge for the year	—	7	7
At 31 December 2022	**—**	**119**	**119**
Net book value at 31 December 2022	**834**	**11**	**845**
Net book value at 31 December 2021	834	12	846

v Investments in subsidiaries

	US$'000
Subsidiary undertakings	
At 1 January and 31 December 2022	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 98.

vi Trade and other receivables

	2022 US$'000	2021 US$'000
Current assets		
Other debtors	1,208	691
Prepayments and accrued income	23	55
	1,231	**746**
Non-current assets		
Amounts owed by subsidiary undertakings	**79,982**	**115,588**

vii Trade and other payables

	2022 US$'000	2021 US$'000
Borrowings	—	5,000
Other creditors	820	808
	820	**5,808**

viii Share capital

See note 25 to the consolidated financial statements.

NOTES TO THE PARENT-COMPANY ACCOUNTS continued

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 2022	32,392	4,110	1,434	(6)	960	38,890	87,975
Issue of shares	187	—	—	—	—	187	—
Share-based payments	—	—	—	4	(19)	(15)	439
Share buyback	—	57	—	—	—	57	(4,902)
Loss for the year	—	—	—	—	—	—	(3,657)
Dividends*	—	—	—	—	—	—	(28,500)
At 31 December 2022	**32,579**	**4,167**	**1,434**	**(2)**	**941**	**39,119**	**51,355**
At 1 January 2021	31,582	4,110	1,434	(5)	1,072	38,193	111,459
Issue of shares	810	—	—	(11)	—	799	—
Share-based payments	—	—	—	10	(112)	(102)	535
Loss for the year	—	—	—	—	—	—	(3,492)
Dividends*	—	—	—	—	—	—	(20,527)
At 31 December 2021	**32,392**	**4,110**	**1,434**	**(6)**	**960**	**38,890**	**87,975**

* See note 10 to the consolidated financial statements.

SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

As at 31 December 2022

SUBSIDIARY UNDERTAKINGS

Details of the Group's subsidiary undertakings as at 31 December 2022 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 at Kota Bangun
PT Teguh Jayaprima Abadi	95	Indonesia	Indonesia	Production at Kota Bangun
PT Bumi Mas Agro	95	Indonesia	Indonesia	Production at Bumi Mas
PT Gunung Pelawan Lestari	90	Indonesia	Indonesia	Production at Bangka
PT Evans Lestari	95	Indonesia	Indonesia	Production at Musi Rawas
PT Pangkatan Indonesia	95	Indonesia	Indonesia	Production at Pangkatan
PT Bilah Plantindo	95	Indonesia	Indonesia	Production at Pangkatan
PT Sembada Sennah Maju	95	Indonesia	Indonesia	Production at Pangkatan
PT Simpang Kiri Plantation Indonesia	95	Indonesia	Indonesia	Production at Simpang Kiri
PT Evans Indonesia	100	Indonesia	Indonesia	Provision of agronomic and management-consultancy services
Bertam Consolidated Rubber Company Limited	100	England and Wales	Malaysia	Holding company
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 Perusahaan Pertanian Perkebunan Perindustrian dan Perdagangan Surya Makmur	95	Indonesia	Indonesia	Holding company
PT Aceh Timur 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 25 North Bridge Road, Level 7 Singapore 179104, and for all UK companies is the Group's registered office as shown on page 104.

ASSOCIATED UNDERTAKINGS

Details of the associated undertakings as at 31 December 2022 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 2022

The information on pages 99 to 104 does not form part of the audited financial statements.

PLANTED HECTARAGE

		GROUP			SCHEME SMALLHOLDERS		
	OWNERSHIP %	MATURE HA	IMMATURE HA	TOTAL[1] HA	MATURE HA	IMMATURE HA	TOTAL[2] HA
Subsidiaries – oil palm							
Kota Bangun	95	10,210	140	10,350	4,596	52	4,648
Bumi Mas	95	7,278	215	7,493	1,351	87	1,438
Bangka	90	6,135	16	6,151	3,881	-	3,881
Musi Rawas[3]	95	5,538	1,297	6,835	2,537	269	2,806
Pangkatan group	95	6,600	366	6,966	80	814	894
Simpang Kiri	95	2,241	179	2,420	-	253	253
Total		**38,002**	**2,213**	**40,215**	**12,445**	**1,475**	**13,920**
Group share of subsidiaries' land		**35,797**	**2,101**	**37,898**			
Associates – oil palm							
Kerasaan	38	1,994	247	2,241			
Group share of associates' land		**758**	**94**	**852**			
Memorandum:							
Group share of subsidiaries' land and share of associates' land		36,555	2,195	38,750			
Subsidiaries' land and Group share of associates' land		38,760	2,307	41,067			

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 all HGUs except for approximately 500 hectares for which the HGU is currently being obtained.
2. All the scheme-smallholder areas at Bangka and Musi Rawas have an HGU. At Kota Bangun, HGUs have been granted over 3,300 of the planted hectares. The Group is assisting the smallholders in obtaining the HGUs for the remaining areas at Kota Bangun and at Bumi Mas. At the newer smallholder areas in near Pangkatan and Simpang Kiri, approximately 700 planted hectares are fully titled.
3. The board's current estimate is that, between Group and scheme-smallholder areas it will be possible to plant a minimum of 10,000 hectares at Musi Rawas, and that this may be extendable to between 11,000 – 12,000 hectares as a final total.

ANALYSIS OF GROUP EQUITY VALUE

As at 31 December 2022

The information in the following table provides a directors' estimate of the Group equity value at 31 December 2022 utilising, except where indicated, an independent valuation of the Group's properties performed at the end of 2022.

	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	10,350	225,400	21,800	214,130
Bumi Mas[1]	95	7,493	168,800	22,500	160,360
Bangka[1]	90	6,151	128,000	20,800	115,200
Musi Rawas	95	6,835	153,700	22,500	146,015
Pangkatan group[1]	95	6,966	122,900	17,600	116,755
Simpang Kiri	95	2,420	33,000	13,600	31,350
		40,215	**831,800**	**20,700**	**783,810**
Smallholders					
Kota Bangun	95	4,648	29,700	6,400	28,215
Bumi Mas	95	1,438	7,500	5,200	7,125
Bangka	90	3,881	18,200	4,700	16,380
Musi Rawas	95	2,806	20,700	7,400	19,665
Pangkatan group	95	894	3,700	4,100	3,515
Simpang Kiri	95	253	500	2,000	475
		13,920	**80,300**	**5,800**	**75,375**
Associates					
Kerasaan[2]	38	2,241	33,100	14,800	12,578
Total Indonesia					**871,763**
MALAYSIAN PROPERTY					
Bertam Properties[3]	40	n/a			49,312
Total Malaysia					**49,312**
Net funds[3]					**31,743**
Other assets and liabilities[4]					**22,147**
Total equity value					**974,965**
Equity value (£ per share[5])					**14.98**

Notes

1. Market value per planted hectare includes value of mills on the related estates.
2. The Group's only oil-palm associate, Kerasaan, was not included in the independent valuation at 31 December 2022. The value in the table above has been carried forward from the independent valuation performed at 31 December 2019.
3. Net funds is taken as cash and other liquid resources less borrowings from the 31 December 2022 balance sheet, attributable to the owners of M.P. Evans Group PLC.
4. Other assets and liabilities are taken as net assets minus plantation and property-related assets, minus net cash from the 31 December 2022 balance sheet, attributable to the owners of M.P. Evans Group PLC.
5. Amount per share is calculated using the year-end exchange rate and year-end shares in issue (see note 25).

FIVE-YEAR SUMMARY

		2022 Tonnes	2021 Tonnes	2020 Tonnes	2019 Tonnes	2018 Tonnes
Production						
Crude palm oil		341,700	312,900	271,700	231,900	192,500
Palm kernels		73,800	67,100	60,400	53,000	43,500
Crops						
Oil-palm fresh fruit bunches						
Own crops		905,400	809,700	724,300	663,300	573,000
Scheme-smallholder crops		265,700	229,300	193,000	172,100	149,600
Independent-smallholder crop purchased		340,600	327,200	289,700	166,100	106,500
		1,511,700	1,366,200	1,207,000	1,001,500	829,100
Indonesian associated-company estates		51,900	55,200	54,800	54,200	51,700
		US$	**US$**	**US$**	**US$**	**US$**
Average sale prices						
Crude palm oil – cif Rotterdam per tonne		1,345	1,195	716	566	598
Crude palm oil – ex-mill-gate per tonne		854	810	591	480	504
Exchange rates						
US$1 = Indonesian Rupiah	– average	14,853	14,295	14,541	14,142	14,234
	– year end	15,568	14,253	14,050	13,883	14,380
US$1 = Malaysian Ringgit	– average	4.40	4.14	4.20	4.14	4.04
	– year end	4.41	4.17	4.02	4.09	4.13
£1 = US Dollar	– average	1.24	1.37	1.28	1.28	1.34
	– year end	1.20	1.35	1.37	1.32	1.27
		US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Revenue		326,917	276,592	174,510	119,341	108,553
Gross profit		109,210	103,613	34,755	17,044	26,525
Profit before tax		100,250	112,502	28,440	12,780	18,348
		US cents	**US cents**	**US cents**	**US cents**	**US cents**
Basic continuing earnings per share		133.9	158.4	37.4	11.6	9.9
		Pence	**Pence**	**Pence**	**Pence**	**Pence**
Basic continuing earnings per share		108.0	115.6	29.2	9.0	7.4
Dividends per share:						
Normal		42.50	35.00	22.00	17.75	17.75
Special		—	5.00	—	—	—
Total		42.50	40.00	22.00	17.75	17.75
		US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Equity attributable to the owners of M.P. Evans Group PLC		488,844	431,524	364,111	358,724	377,033
Net cash generated by operating activities		102,288	92,272	39,598	32,002	21,297

NOTICE OF MEETING AND INVITATION TO POST-AGM 150 YEAR CELEBRATION LUNCH

MESSAGE FROM THE CHAIRMAN

The chairman, Peter Hadsley-Chaplin, is delighted to invite all shareholders, as usual, to the Group's annual general meeting, which this year is taking place at 11am on Friday 9 June, at Mansion House in London. In addition, to mark the Group's 150-year history, the AGM will be followed by a celebratory lunch, held at the same venue. To register for attendance at the lunch, shareholders should log on to the investor section of the Group's website (www.mpevans.co.uk) where registration information will be made available. Registration is required by 21 April 2023 at the latest. Shareholders may also contact Harriette Pike with any questions at harriette.pike@mpevans.co.uk. Places at the lunch must inevitably be limited, but we hope to see as many shareholders in attendance as possible.

NOTICE IS HEREBY GIVEN that the annual general meeting of M.P. Evans Group PLC will be held at Mansion House, London EC4N 8BH on 9 June 2023 at **11am BST**. The Company also aims to make the meeting available to view online. Further details will be provided in advance of the meeting on the Company's AGM website page. The meeting will be for the following purposes, and unless a poll is validly demanded, voting will be decided on a show of hands:

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 2022.	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 2022.	No 2
3	To elect Michael Sherwin as a director.	No 3
4	To elect Tanya Ashton as a director.	No 4
5	To elect Lee Yuan Zhang as a director.	No 5
6	To re-elect Philip Fletcher as a director.	No 6
7	To re-elect Bruce Tozer as a director.	No 7
8	To re-elect Matthew Coulson as a director.	No 8
9	To declare a final dividend.	No 9
10	To appoint BDO LLP as auditors and to authorise the directors to determine their remuneration.	No 10

AS SPECIAL BUSINESS

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

RESOLUTION ON FORM OF PROXY

11 That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 693 of the Companies Act 2006) of shares of 10p each in the capital of the Company provided that: — No 11

a) the maximum number of shares hereby authorised to be purchased is 5,401,372;

b) the minimum price which may be paid for each share is 10p (exclusive of expenses);

c) the maximum price (exclusive of expenses) which may be paid for each share is an amount equal to 105% of the average of the middle-market quotations for such shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day of purchase; and

d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or on 30 June 2024 whichever shall be the earlier save that the Company may, before the expiry of this authority, make a contract of purchase which will or may be executed wholly or partly after such expiry and may make a purchase of shares pursuant to any such contract.

By order of the board

Katya Merrick
Company secretary

21 March 2023

NOTES

1) A member of the Company entitled to attend, speak and vote at the meeting convened by this notice may appoint a proxy to exercise all or any of his or her rights to attend, speak and vote at the meeting on his or her behalf. A proxy need not be a member of the Company. Appointment of a proxy will not subsequently preclude a member from attending and voting at the meeting in person if he or she so wishes. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares held by the member. The form of proxy contains instructions on how to appoint more than one proxy.

2) A form of proxy for use at the meeting is enclosed. Please return the form of proxy as soon as possible. To be valid, it must be received by post or (during normal business hours only) by hand at the office of the registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ no later than 11am on 7 June 2023 (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.

   CREST members wishing to appoint a proxy or proxies through the CREST electronic proxy appointment service should refer to the more detailed instructions posted on the AGM page of the Group's website (www.mpevans.co.uk).

3) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

4) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered on the register of members of the Company at 11.00 p.m. on 7 June 2023 (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 21 March 2023, the Company's issued share capital consisted of 54,013,727 shares carrying one vote each. Therefore the total number of voting rights in the Company as at that date was 54,013,727.

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.

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

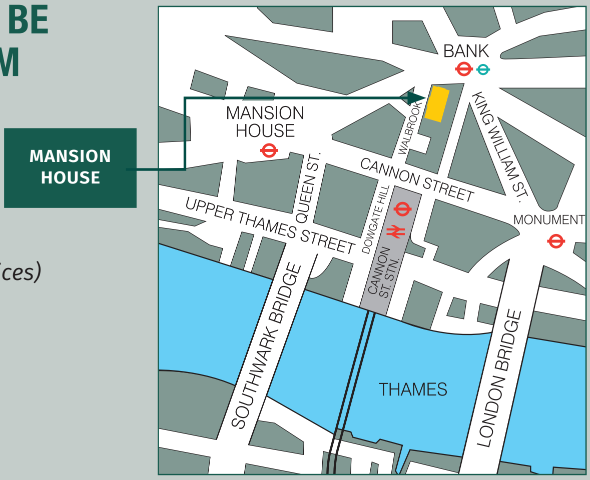
THE ANNUAL GENERAL MEETING WILL BE HELD ON FRIDAY 9 JUNE 2023 AT 11AM

VENUE
Mansion House, London EC4N 8BH

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

ORDER OF EVENTS

10am	Registration/coffee
11am	AGM
12pm	Drinks reception
1pm	Lunch (by prior registration)



PROFESSIONAL ADVISERS & REPRESENTATIVES

SECRETARY AND REGISTERED OFFICE

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West Sussex RH6 0PA

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GLOSSARY

CPO	Crude palm oil
PKO	Palm-kernel oil
EMG	Ex mill gate
RSPO	Round Table on Sustainable Palm Oil
Ffb	Fresh fruit bunches
PK	Palm kernels
RISS	RSPO's Independent Smallholder Standard
ISCC	International Sustainability & Carbon Certification
HGU	*Hak guna usaha:* land lease granted by Indonesian government

The Group's palm-oil mill at Bumi Mas

M.P. Evans is a responsible producer of sustainable Indonesian palm oil, striving for excellence in all the Group's operations, with a focus on continuing growth and offering an increasing yield.

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