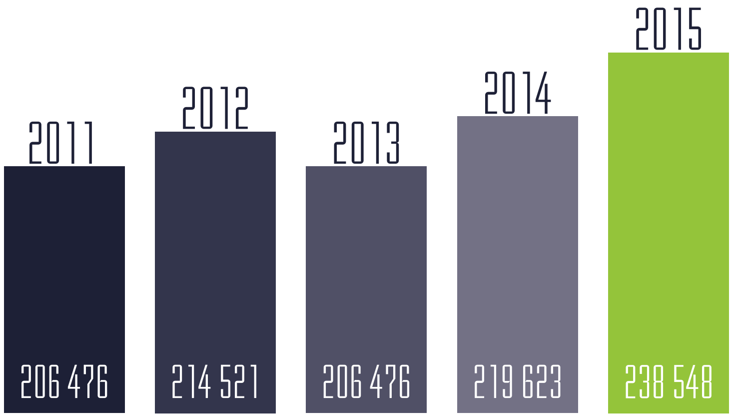
SIPEF

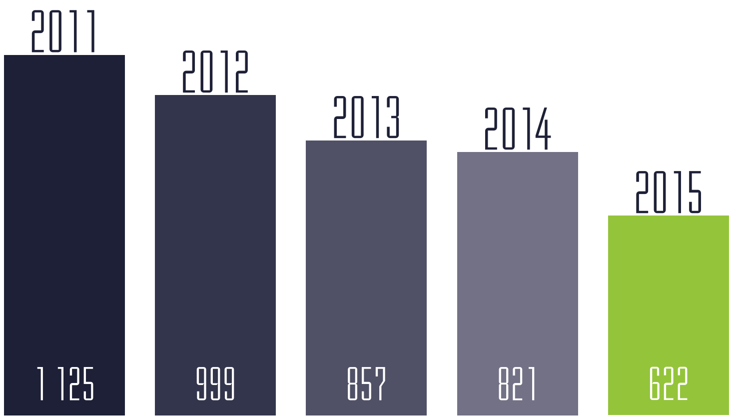
THE CONNECTION TO THE WORLD OF SUSTAINABLE TROPICAL AGRICULTURE

Annual report 2015

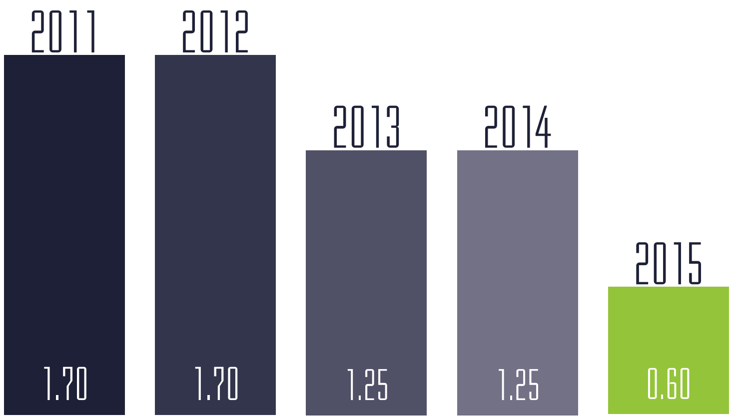
1 Total own production of palm oil of consolidated companies (in tonnes)



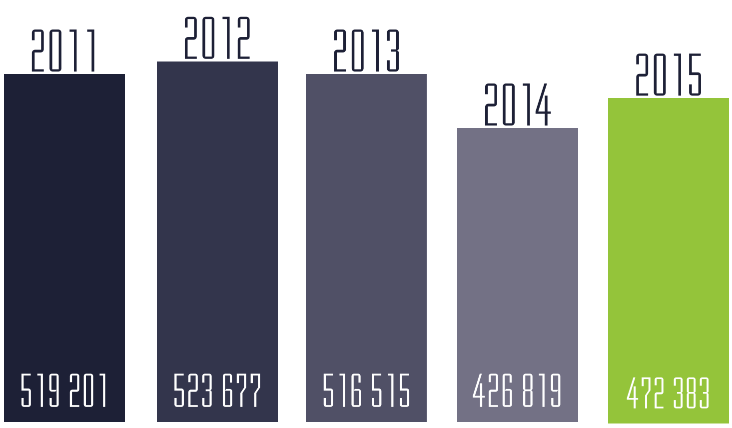
2 Average market price of palm oil (USD/tonne)



3 Gross dividend (in EUR)



4 Stock Exchange capitalization at 31/12 (in KEUR)



Key figures

Activity		2015	2014R	2013R	2012	2011
Total own production of consolidated companies (in tonnes)	palm oil	238 548	219 623	206 476	214 521	206 476
	rubber	9 622	9 675	9 773	9 757	8 464
	tea	2 726	2 816	2 850	2 869	2 626
	bananas	24 286	23 595	22 325	23 916	19 297
Average market price (USD/tonne)	palm oil	622	821	857	999	1 125
	rubber	1 559	1 958	2 795	3 377	4 823
	tea *	2 742	2 045	2 399	2 881	2 724
	bananas	903	1 043	1 022	1 100	1 125
Stock exchange share price (in EUR)						
Maximum		53.90	64.00	65.30	71.89	75.78
Minimum		40.01	45.10	49.52	54.51	49.01
Closing 31/12		52.77	47.68	57.70	58.50	58.00
Stock Exchange capitalization at 31/12 (in KEUR)		472 383	426 819	516 515	523 677	519 201

Results (in KUSD)	2015	2014R	2013R
Turnover	225 935	285 899	286 057
Gross profit	44 195	78 903	79 014
Operating result	21 992	60 819	53 888
Share of the group in the result	19 226	48 967	46 625
Cash flow from operating activities after taxes	31 357	73 737	54 978
Free cash flow	- 9 948	27 264	- 25 439
Balance sheet (in KUSD)			
Operating fixed assets (1)	357 313	343 199	322 126
Shareholders' equity	413 862	410 946	378 805
Net financial assets (+)/obligations (-)	- 50 521	- 24 617	- 35 077
Investments in intangible and operating fixed assets (1)	49 002	58 380	88 203
Data per share (in USD)			
Number of shares	8 951 740	8 951 740	8 951 740
Own shares	100 000	62 000	62 000
Equity	46.75	46.23	42.61
Basic earnings per share	2.16	5.51	5.24
Cash flow from operating activities after taxes (2)	3.53	8.29	6.18
Free cash flow (2)	-1.12	3.07	-2.86

(1) Operating fixed assets = biological assets, property, plant & equipment and investment property
(2) Denominator 2015 = weighted average number of shares issued (8 880 661 shares).
R The 2014 and 2013 comparative figures have been restated due to the amendments to IAS 16 and IAS 41 : Property, plant and equipment and Agriculture - bearer plants.
* Mombasa auction

FINANCIAL YEAR 2015

SIPEF

NAAMLOZE VENNOOTSCHAP

Report of the board of directors and of the statutory auditor
to be submitted at the 97th ordinary general meeting to be held on 8 June 2016

Financial calendar

The periodical and occasional information relating to the company and to the group will be published before opening hours of the stock exchange as follows:

- the interim report for the first 3 months on 21st April 2016;
- the half-year results on 18th August 2016;
- the interim report for the first 9 months on 20th October 2016;
- the results of the financial year in February 2017 accompanied with comments on the activities of the group;
- in accordance with the legal regulations all important data that could influence in one way or another the results of the company and of the group will be subject to a separate press release.

The next annual meeting of shareholders will be held on 14 June 2017 at 3:00 pm at Kasteel Calesberg, Calesbergdreef 5, 2900 Schoten.

Addresses

Responsible for the financial information:

François Van Hoydonck,
managing director

Johan Nelis,
CFO
finance@sipef.com

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RPR Antwerpen
VAT BE 0404 491 285

Content

Significant events

of the SIPEF group in 2015

March 2015

RSPO certification is achieved for the plantations and mill of *PT Umbul Mas Wisesa/PT Toton Usaha Mandiri* (*PT UMW/PT TUM*) in North Sumatra.

May 2015

An expansion programme is started to extend our banana operations in Ivory Coast by 350 hectares over the next five years.

July 2015

Distribution of a gross dividend of EUR 1.25 per share.
Start of construction work on an organic composting plant (palm oil mill of *PT Eastern Sumatra Indonesia*) and a biogas facility (palm oil mill of *PT Tolan Tiga Indonesia*).

December 2015

Publication on our website of *SIPEF*'s first "Sustainability report".

January - December 2015

1 735 hectares of additional land compensations and 2 357 hectares newly planted or prepared for planting in the Musi Rawas expansion zone in Indonesia.

Palm oil production increases by 8.4% after a strong fourth quarter (+11.3%).

Low world market prices are recorded for palm oil and rubber.

Devaluation of local currencies (IDR, PGK and EUR) has helped our constant efforts to control production costs.

Low selling prices resulted in a 64.5% decrease in profit before tax.

Early implementation of the new standard for biological assets (IAS 41) cancels out past revaluations through equity.

The net result, group share, amounted to KUSD 19 226, 60.7% down on 2014.

As a result of the continuing investment programme, the net free cash flow amounted to KUSD -11 991.

Dividend proposal of EUR 0.60 gross per share, in line with the payout ratio of previous years.

History

Société Internationale de Plantations et de Finance was incorporated in 1919 with the principal aims of promoting and managing plantation companies in both tropical and subtropical areas. At that time the company had two "agencies": one operating in Kuala Lumpur, Malaysia, and one in Medan, Indonesia.

Over the years, the company has developed into an agro-industrial group with production and export facilities in Asia, Oceania, Africa and South America, where it manages important plantations of traditional crops, such as rubber, palm oil and tea.

Starting in 1970, other crops, such as bananas, pineapples, ornamental plants, guava and pepper, were also introduced. The group invested in the real estate sector in Belgium and in the United States, but these activities were later phased out completely.

Our traditional activities in commodities and their shipping led us to also get involved in the insurance sector where we now offer a wide range of services.

In the last decade, *SIPEF* has concentrated its efforts in the agro-industrial sector solely on the production of palm oil, rubber and tea (in Indonesia and Papua New Guinea) and bananas (in Ivory Coast). The group sells its own products throughout the world. *SIPEF* also provides management and marketing services to third parties.

By the end of 2015 the plantations extend over a planted surface area of 70 359 hectares.

Principal activities

SIPEF is a Belgian agro-industrial company listed on Euronext Brussels.

The company mainly holds majority stakes in tropical businesses, which it manages and operates.

The group is geographically diversified, and produces a number of different commodities, principally palm oil.

Its investments are largely long-term ventures in developing countries.

Company strategy

Management

SIPEF plays a decisive role in the management of companies in which it holds a majority stake or that it controls together with other partners. This role includes active participation in the boards of directors of these subsidiaries as well as monitoring of the management and operation of these companies. *SIPEF* strives to transmit its agronomic experience and management techniques to the local management.

Customers

Every effort is made to meet the needs of our customers and to provide them with high-quality goods and services in a timely manner.

Employees

In order to optimise the management of the plantations, we attach great importance to the training of our local employees, both in agricultural and management techniques.

The group's policy concerning agricultural, technical, environmental and general aspects is detailed in manuals containing practical guidelines to achieve these goals. Training sessions support proper implementation of these policies. We see to it that all employees are able to work in a healthy and safe environment.

Environment

The group recognises that, in addition to its statutory and commercial obligations, it bears responsibility towards the communities and environment in which it operates.

In order to preserve the environment, the group applies ecologically-responsible agricultural policies that comply with the principles and criteria of the "Roundtable on Sustainable Palm Oil" (RSPO). This covers a broad series of environmental and social topics such as transparency, compliance with legal standards, good agricultural policy, sustainable development of the land and continued efforts to achieve perfection.

A separate chapter in the annual report is devoted to sustainable agriculture and our efforts to implement those policies.

Directors, auditors and management

Board of directors

Baron BRACHT	chairman
François VAN HOYDONCK	managing director
Baron BERTRAND	director
Priscilla BRACHT	director
Jacques DELEN	director
Antoine FRILING	director
Regnier HAEGELSTEEN	director
Sophie LAMMERANT-VELGE	director
Richard ROBINOW (till 10/06/2015)	director
Bryan DYER (as from 10/06/2015)	director

Statutory auditor

DELOITTE Bedrijfsrevisoren BV o.v.v.e. CVBA represented by Dirk CLEYMANS	auditors

Executive committee

François VAN HOYDONCK	managing director
Charles DE WULF	manager estates department
Thomas HILDENBRAND	manager marketing bananas and horticulture
Robbert KESSELS	chief commercial officer
Johan NELIS	chief financial officer

Consultant

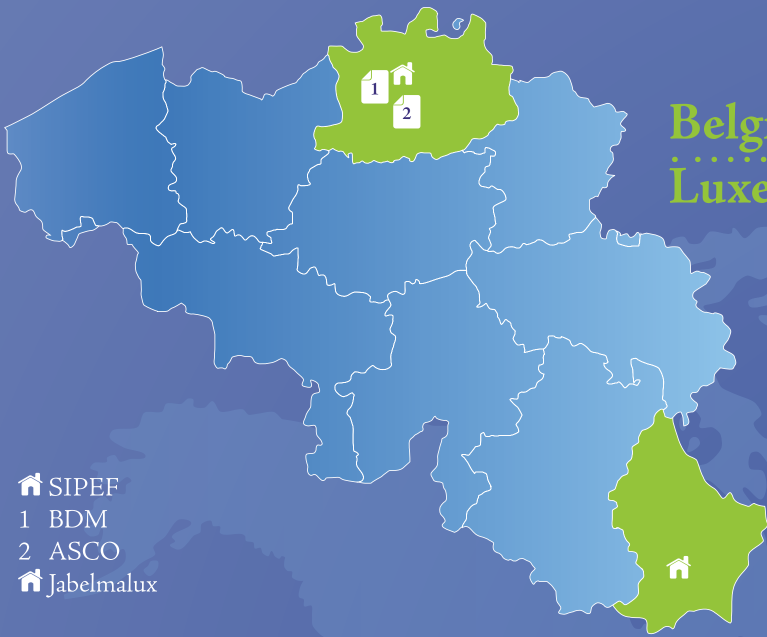
Matthew T. ADAMS (till August 2016)	independent visiting agent

Activities

Legend

- Palm oil
- Rubber
- Bananas
- Tea
- Horticulture
- Insurance

Belgium-Luxembourg



SIPEF
1 BDM
2 ASCO
Jabelmalux

Indonesia

Province of North Sumatra

1 Timbang Deli
2 Bandar Sumatra
3 Kerasaan
4 Eastern Sumatra
5 Citra Sawit Mandiri
6 Toton Usaha Mandiri
7 Umbul Mas Wisesa
8 Tolan Tiga

Province of Bengkulu

1 Agro Muko
2 Mukomuko Agro Sejahtera

Province of South Sumatra

1 Melania
2 Agro Rawas Ulu
3 Agro Muara Rupit
4 Agro Kati Lama

West Java

1 Cibuni


Région de l'Agnéby
1 Plantations J.Eglin - Agboville
Région du Bas-Sassandra
1 SIPEF-CI
Ivory Coast
Région des Lagunes
1 Plantations J.Eglin - Azaguié
2 Plantations J.Eglin - Motobé
West New Britain Province
1 Hargy Oil Palms
Papua New Guinea
Central Province
1 Galley Reach Holdings

Organogram

SIPEF

INSURANCE

Company	percentage of control	percentage of interest
ASCO NV	50%	50%
BDM NV	50%	50%

INDONESIA

Company	percentage of control	percentage of interest
PT TOLAN TIGA INDONESIA	95%	95%
PT EASTERN SUMATRA INDONESIA	95%	90%
PT KERASAAN INDONESIA	57%	54%
PT BANDAR SUMATRA INDONESIA	95%	90%
PT TIMBANG DELI INDONESIA	38%	36%
PT MELANIA INDONESIA	95%	90%
PT UMBUL MAS WISESA	95%	95%
PT TOTON USAHA MANDIRI	95%	95%
PT CITRA SAWIT MANDIRI	95%	95%
PT AGRO MUKO	47%	45%
PT MUKOMUKO AGRO SEJAHTERA	95%	86%
PT AGRO KATI LAMA	95%	95%
PT AGRO RAWAS ULU	95%	95%
PT AGRO MUARA RUPIT	95%	95%

AFRICA

Company	percentage of control	percentage of interest
PLANTATIONS J. EGLIN SA	100%	100%
SIPEF-CI SA	32%	32%

EUROPE

Company	percentage of control	percentage of interest
JABELMALUX SA	99,66%	99,66%

PACIFIC OCEAN

Company	percentage of control	percentage of interest
HARGY OIL PALMS LTD	100%	100%
GALLEY REACH HOLDINGS LTD	100%	100%

SINGAPORE

Company	percentage of control	percentage of interest
VERDANT BIOSCIENCE PTE LTD	38%	38%

Chairman's message

Baron Bracht
chairman

Dear ladies and gentlemen,

It gives me great pleasure to introduce our annual report, the consolidated accounts of the group and holding company, which will be submitted to the 97th ordinary general meeting to be held on 8 June, 2016.

2015 was characterised by lower palm oil production during the first six months, as a delayed result of the drought in 2014, followed by a period of general recovery, so that by the end of the year the production volumes exceeded those of the previous year in most plantations. With the exception of rubber in South Sumatra and tea in Java, the impact on the production volumes of the feared weather effects of El Niño tended to be minimal, although a limited delayed influence may still be possible during the first half of 2016. The banana harvests followed the usual pattern of lower production during the first quarter, followed by higher volumes thereafter, to also end the year with volume growth.

After a fairly turbulent election year in 2014, the new Indonesian president, Joko Widodo, was able to form his government and commence the implementation of his policies. They focused on the elimination of inequality between rich and poor, a gradual reduction in dependence on natural resources, diversification of exports, investment in infrastructure, production, as well as research and development. Due to a lack of support from the legislature, frequently conflicting reports were reported in the media, which has had an adverse effect on legal certainty. Regulations pertaining to foreign investment shareholdings, in particular, remain unclear, which will dissuade new investors from initiating long-term projects in this country. The exchange rate of the local currency has also continued to decline, which has supported our cost prices in USD.

The delay in the startup of the first liquid gas project and declining raw material prices put the budget of the Papua New Guinea government under further increased pressure. The already implemented long-term plan for the improvement of infrastructure, schooling and medical care for the population was insufficiently supported by income from royalties on gas reserves. The local currency continued to weaken against the US dollar and the implemented currency protection measures did not have the desired effect. The minister for agriculture was not able to execute his ill-considered reform plans for the agricultural sector.

The political and social climate in Ivory Coast remained stable. The country, which developed rapidly following the political turmoil in 2011, has regained its prominent position on the African continent. The presidential elections in October, 2015, ran smoothly and confirmed the victory of the current president, Alassane Ouattara, who was appointed for a further five-year term in office.

The long-term expectations for palm oil have remained fully intact and this oil acquires increasing prominence, in both the food and the biofuel sectors, across the entire range of vegetable oils. More than 30% of the global volumes are currently palm oil related. However, in the short-term price volatility is mainly defined by the combined supply with quantities of soy and rapeseed oil and the demand for bio fuels, which is linked to crude oil prices. Due to the unexpected decrease in the latter from October, 2014 on, voluntary production of biodiesel has come to a complete standstill, and since then the price of palm oil has almost entirely been defined by the demand and supply balance for applications in the food and cosmetics sectors.

Chairman's message

The announced mandatory blending of biodiesel in Indonesia supported the market, but the large quantities of soybeans harvested on both the South and North American continents and a declining demand from China, kept the price levels down to below USD 500 per tonne, in the second half of the year, a situation unheard of since 2008. This has had a significant direct impact on our consolidated results. Our profitability was further undermined by the imposition of an additional fixed export levy on Indonesian palm oil of USD 50 per tonne, which took effect from mid-July, 2015.

A reduced supply of palm oil from the Far East, the result of the preceding El Niño drought period, the mandatory Indonesian blending of biodiesel and the lower than expected rate of soy bean planting in South America, is sustaining the current market prices to a level that is again exceeding USD 600 per tonne. However, expectations for the remainder of 2016 are not encouraging us to expect considerably higher prices again.

We noted an 8.4% increase in palm oil volume production compared to 2014, which is the result of our efforts to rejuvenate and expand the oil palm areas in both Papua New Guinea and Indonesia. The expansion of the *PT Umbul Mas Wisesa (PT UMW) / PT Toton Usaha Mandiri (PT TUM)* projects in North Sumatra has been finalised and the increasing maturity of the palms is the main contribution to the group's growth. The new palm oil extraction mill uses sustainable fruit processing methods and RSPO certification was obtained in March, 2015.

The expansion in *Hargy Oil Palms* in Papua New Guinea continued steadily, but taking into account the lower than expected generated cash flow, the additional expansion of the planned 1 000 hectares was cut back to 593 hectares during the year, which resulted in 13 558 hectares being planted, of which 23.8% are still immature. Within this same context we have decided not to undertake any additional planting in 2016. The new palm oil extraction mill is fully operational and will also be capable of processing the increasing volumes of fruit in the coming years. The excessive wet seasons of recent years continue to challenge management, but agronomically this zone continues to generate the highest yields per hectare across the group.

Following a tentative start during the initial two years, the expansion plan in the Musi Rawas region in South Sumatra has now gone into overdrive. Out of the three obtained concessions for a recently reduced total of 24 611 hectares, 7 796 hectares had already been compensated to local users by the end of the year. Of this, 2 626 hectares have now effectively been planted with oil palms and another 765 hectares were prepared for planting early in 2016, as soon as the rainy season permits. We welcomed the tripling of the prepared and planted hectares compared to 2014 and this project remains the spearhead of the *SIPEF* group's expansion in Indonesia in the coming years. The agronomic qualities of this region are excellent and there is ample employment potential for the local population in industrial agriculture developments.

The profitability of natural rubber plantations has been under considerable pressure over the past two years. Nowadays, the price for quality tyre rubber has dropped to a level that is forcing a number of producing countries to sell below their production cost price. We note a temporary oversupply of natural rubber, particularly as a result of additional exports from Vietnam and West African countries, where new plantings dating back to the record years of 2008-2009 have now gone into production. Because of the accumulation of stocks in the main consumer countries, China in particular, and reduced activity in the mining industry, the demand for natural rubber, and car and industrial vehicle tyres in particular, did not rise to the same degree.

We do not anticipate any improvement in the coming period and prices will only start to rise again when the oversupply has been eliminated.

This has led us to decide to no longer replant the rubber plantations of *Galley Reach Holdings Ltd* in Papua New Guinea on our own account, but to sell them. Negotiations with purchasers have now been completed and they will take over these activities during the initial months of 2016. We are, however, retaining our rubber plantations in Sumatra and will continue to invest in their future profitability.

Chairman's message

A fiercer than expected drought in the Kenyan tea plantations at the beginning of the year resulted in a considerable price improvement for our Cibuni tea, which the *SIPEF* group produces in Java, Indonesia, and has again restored the profitability. The annual wage increases for labour-intensive manual picking work, which we continue to implement in order to achieve the desired level of quality, continue to put pressure on the production cost price, positively impacted by the weak local currency.

Our banana and flower export activities, from *Plantations J. Eglin SA* in Ivory Coast, continued as normal, with lower production volumes at the start of the year because of the Harmattan winds, but with satisfactory growth percentages in the subsequent period. Due to the system of previously set selling prices and freight tariffs the annual results are guaranteed, providing the volumes, desired quality and production cost prices can be achieved by our local workforce. Because of their stable profit contribution, the group has started a gradual expansion of the cultivation areas, of which the first 70 hectares have been planted, and the construction of an additional packing centre.

The insurance activities, which we share with Ackermans & van Haaren, are focused on general risk insurance, with further restructuring in the more volatile branches of maritime insurance. Commercial efforts tend to be focused on the larger regional brokers and the link between the two sectors is being reinforced, which should benefit the technical insurance results.

Despite temporarily lower profit margins and the resulting cash flow, *SIPEF* continues to invest in the expansion of the planted areas in regions remote from cities, where the agricultural sector is the main employer. These expansions coincide with investment in infrastructure, housing and facilities that could promote worker loyalty to the company in the long term. These ongoing expansions had an impact on the company's available resources and temporarily put us in a position of limited debt, but our strategy remains focused on self-financing the development of the group, taking into account the annual remuneration of shareholders, which we again want to maintain at 30% this year.

The integration of financial and operational reporting systems, initiated over the past two years, has been completed for the activities in Indonesia and Papua New Guinea. A further integration with the information processing systems at the *SIPEF* headquarters in Belgium and the banana activities in Ivory Coast will improve the analysis of mutual cost ratios within the group.

SIPEF aims to continue setting an example in terms of sustainability. Being a listed European company, our investors expect us to underwrite a guarantee to show due respect to the natural environment and to humanity, by obtaining recognised certification for all our activities and all our products, based on appropriate ecological and social standards for tropical industrial agriculture. I am, therefore, very pleased that in 2015 we issued our first sustainability report, which describes our policies in detail.

We continue to be actively engaged in organisations that endorse the status of palm oil in Europe and the rest of the world, and have made it their objective to encourage the use of sustainable palm oil by the food industry and consumers. We project a balanced view of the nutritional properties of palm oil, explain the ecological and social criteria implemented by sustainable producers and highlight the value created by our sector, through providing extensive employment opportunities for workers in developing countries.

Within this context we also continue to invest in the reduction of biogas emissions. Five of the eight processing mills are now equipped with methane collection systems in order to comply with the green energy certification norms applicable in Europe. We have also started the construction of a composting installation, which will reduce the use of chemical fertilizers. In addition we recently initiated the first stage of a project involving electricity generation from methane gas, with the ability to provide power to the public network, which is anticipated for completion in the second half of 2016.

Through our own Indonesian foundation we also focus on two projects to make a long-term contribution to the protection of the natural environment in this country. This includes a small project we manage on the south coast of Sumatra, to protect two beaches where endangered turtle species lay their eggs, which we incubate to produce more than 4 000 young turtles that are subsequently released again. Our main focus, however, is on the active protection of more than 12 000 hectares of endangered forest bordering the Kerinci Seblat National Park. Here, in close cooperation with the local population, we are working to stop the activities of poachers and illegal deforestation, but also intend to replant the forest as part of a 60-year agreement with the government.

The cooperation agreements signed with NBPOL, a plantation concern with a renowned research centre for palm seed production in Papua New Guinea, which is now part of the Sime Darby Group, and Biosing, an organisation of scientists, continued to be implemented. Their active, agronomic support and the development of high-yielding palms that should increase the industry's productivity, lead us to anticipate significant support for the future productivity of the company's oil palm plantations in the medium term.

Due to the continuing lower prices for palm oil and rubber throughout the year, the group's consolidated results have dropped considerably, compared to the 2014 financial year. Despite higher production volumes for palm oil and bananas, decreasing fertilizer and fuel costs, the weak local currencies that have supported our USD based cost prices, we close the financial year, as a result of the impact of lower selling prices, with an IFRS result of KUSD 19 226.This is a decrease of 60.6% compared to the KUSD 48 519 for the previous financial year. The early application of amended accounting standards for biological assets also had an effect on equity, which now amounts to KUSD 413 862.

Despite limited investment budgets during the past financial year, the successful expansion programmes have temporarily increased our non-structural debt. Allowing for the current palm oil price levels, this investment restriction will continue to be applied during the next financial year, in combination with a corresponding reduction in dividend. That is why, at the next ordinary general meeting, a proposal will be submitted to retain the 30% payout ratio and approve a dividend of EUR 0.60 per share for payment on 6 July, 2016.

Bearing in mind raw material market expectations, and in particular palm oil and rubber prices, we think that we are heading towards satisfactory results for the current financial year, albeit slightly lower than those achieved in 2015. Obviously, the eventual profits will depend upon currency developments in the raw material markets throughout the year, which could be affected by the production volumes of palm oil in Indonesia and Malaysia, and of soybeans in North and South America, as well as biodiesel programmes, in combination with crude oil prices. Moreover, an upturn in the global economy is important for the demand for, and price evolution of, natural rubber, the basic product of the tyre industry.

Despite the short-term volatility in the selling prices of our main products, palm oil, rubber, tea and bananas, we continue to have confidence in their long-term prospects. This is based on a rising demand, resulting from the increasing buying power of a larger middle class in developing countries, and a volatile supply, subject to weather influences and the limitations of agriculture.

I would like to take this opportunity to express my gratitude towards all employees of the *SIPEF* group, each of whom, in their own position and activity, has contributed to the achievement of these results. During this period of lower prices it is essential to control costs and manage the plantations and mills with maximum efficiency, and I hope that everyone will continue to contribute to this in their own role.

After more than 40 years of uninterrupted service, I intend to release my mandate as director and chairman of the board of *SIPEF* at the next annual general meeting. I will look back with satisfaction upon many years of successful collaboration with my colleagues on the board and with *SIPEF* employees in general. I wish my successor, Baron Bertrand, every success with the continuation of my chairmanship, and would like to welcome Mr Antoine de Spoelberch, who, with your approval, will continue my mandate as director.

Schoten, 16 February, 2016

Baron Bracht
chairman

Board of directors


Baron Bracht


Baron Bertrand


François Van Hoydonck


Priscilla Bracht


Jacques Delen


Bryan Dyer


Antoine Friling


Regnier Haegelsteen


Sophie Lammerant-Velge


4

Annual report of the board of directors

To the ordinary general meeting of 8th June 2016.

Dear shareholders,

We are honoured to bring you a report about the operating activities of our company during the past financial year, with the individual and consolidated annual financial statements, balanced on 31st December 2015, for approval.

In accordance with the Royal Decree of 14th November 2007 (regarding the obligations of issuers of financial instruments that are permitted to trade in the Belgian regulated market), *SIPEF* must make its annual financial report available to the public.

This report includes the combined statutory and consolidated annual report from the board of directors, drawn up in accordance with article 119, last paragraph, of the Belgian Corporate Governance Code.

The report also includes an abbreviated version of the statutory annual financial statements (page 142), drawn up in accordance with article 105 of the Belgian Corporate Governance Code, and the integral version of the consolidated annual financial statements (page 90). The complete individual annual financial statements are deposited at the National Bank of Belgium, in accordance with articles 98 and 100 of the Belgian Corporate Governance Code, along with the annual report from the board of directors and the report from the auditor.

With respect to the statutory and consolidated annual financial statements, the auditor has provided a declaration of approval without reservations.

The annual report, the integral versions of the statutory and the consolidated annual financial statements and the reports from the auditor regarding the afore-mentioned annual financial statements, are available on the website (www.sipef.com) but can also be obtained by request, free of charge, at the following address: Calesbergdreef 5 – 2900 Schoten, Belgium, or by email: finance@sipef.com.

1. Individual annual financial statements

1.1 Capital and ownership of shares

During the past financial year, there were no changes in the company's capital. The endorsed capital is EUR 34 767 740.80, and is represented by 8 951 740 shares, without designation of nominal value and with payment in full.

The company's updated Articles of Association, including information about the legal form, the statutory goal, the capital structure, the authorised capital and the type of shares, are available on the website (www.sipef.com).

With respect to the share option plan, 20 000 new options were assigned in 2015. The options that were assigned as of 31st December 2015 and options not yet exercised collectively provide the right to the acquisition of 102 000 *SIPEF* shares (1.14%).

1.2 Activities

For an overview of the main activities of the *SIPEF* group during the financial year 2015, we refer to the 'Chairman's message' (page 12).

1.3 Explanatory notes to the statutory annual financial statements

1.3.1. Financial position as at 31st December 2015

SIPEF's statutory financial statements have been drawn up in accordance with the Belgian accounting legislation.

The company's balance total as at 31st December 2015 is KEUR 281 901 compared to KEUR 249 561 the previous year.

The "Financial fixed assets – investments in associated companies" increased by KEUR 49 648, primarily by a capital increase in *Hargy Oil Palms Ltd* (KEUR 51 562) and an impairment of KEUR 1 916 on the investment in *Galley Reach Holdings Ltd* to the expected selling price of this affiliate.

The "Financial fixed assets – receivables from associated companies" decreased by KEUR 27 152; this movement breaks down as follows:

	KEUR
Increase due to financing of further expansion in Indonesia	24 410
Decrease as a result of capital increase in *Hargy Oil Palms Ltd*	-51 562
Net movement	-27 152

SIPEF's equity before profit distribution is KEUR 123 840, which corresponds with EUR 13.83 per share.

The statutory results of *SIPEF* are determined to a significant degree by dividends and increases/reductions in values. Since *SIPEF* does not directly hold all of the interests of the group, the consolidated result of the group is a more accurate reflection of the underlying economic development.

The statutory results of the financial year 2015 are KEUR -3 413 compared to a loss of KEUR -8 182 in the previous financial year.

1.3.2. Allocations of the results

The board of directors proposes to allocate the results as follows (in KEUR):

Profit carried over from the previous financial year	68 716
Loss from the financial year	-3 413
Total to be allocated	65 303
Transfers to other reserves	-1 830
Payment to the shareholders	-5 371
Profit to be carried over	58 102

The board of directors proposes to pay a dividend of EUR 0.60 gross per share. After deduction of the withholding tax (27%), the net dividend is EUR 0.438 per share.

If the ordinary general meeting approves this proposal, the dividend will be payable from 6th July 2016.

1.4 Prospects

The results of the current financial year will, as in the past, depend to a significant degree on the dividends that will be paid out from the subsidiary companies.

1.5 Notices

1.5.1. Important events after the close of the financial year

On 15 February 2016, a purchase/sale agreement was signed to finalize the sale of *Galley Reach Holdings* at approximately the current net carrying value.

SIPEF received the official approval from the "FPS Economy" to keep the accounts as from 1st January, 2016 and to prepare the financial statements in US dollars - the functional currency of *SIPEF*.

Since the close of the financial year 2015, no significant events have occurred that could noticeably affect the development of the company.

1.5.2. Additional compensation to the auditor

In accordance with article 134, § 2 and 4, of the Belgian Corporate Governance Code, we also inform you that no additional payment was made to the auditor aside from the normal payment (as approved by the general meeting). We paid KEUR 10 to related companies of the auditor for legal, accounting and fiscal consultations.

1.5.3. Research and development

The company has not engaged in any activities related to research and development.

1.5.4. Acquisition and transfer of own shares

On 11 February 2015 the extraordinary general meeting authorized the board of directors of *SIPEF* to acquire own shares within a well-defined price range during a period of five years.

In the course of the 2015 financial year *SIPEF* acquired 38 000 additional own shares. These shares were acquired to cover the company's obligations under the stock option plan and as a temporary investment of the liquidity excesses.

The situation as per 31st December 2015 is as follows:

Number of treasury shares	100 000 (1.12%)
Average price per share (EUR)	53.24
Total investment value (KEUR)	5 324
Total carrying amount (KEUR)	5 277

1.5.5. Changes in the Articles of Association

On 11 February 2015, the extraordinary general meeting of *SIPEF* approved on the following changes in the Articles of Association:

- Autorisation to acquire own shares;
- Autorisation to acquire own shares in order to prevent the company from suffering a serious and threatening loss.

On 27 November 2015, the extraordinary general meeting of *SIPEF* approved on the following changes in the Articles of Association:

- Cancellation of VVPR strips;
- Share capital will be expressed in US dollars from 1 January 2016;
- Changes in the articles of associations in relation to article 17 and article 41.

1.5.6. Announcement based on the Legislation of 1st April 2007 relating to public take-over bids.

Ackermans & van Haaren NV (AvH), acting in consultation with CABRA NV, GEDEI NV and Baron Bracht and children, have announced by letter dated 31st August 2015, that together they own 39.576% of the total voting rights of *SIPEF*.

1.5.7. Protection measures

The extraordinary general meeting assigned authorization to the board of directors on 11th February 2015, to acquire or transfer the company's shares for a period of three years, if this were to become necessary in order to prevent the company from suffering a serious and threatening loss.

2. Consolidated annual financial statements

2.1 Risks and uncertainties

The text below shows the commercial risks as evaluated by the management and the board of directors. Each of these risks could have a significantly negative impact on our financial situation, operating results or liquidity, and could result in special impairment losses affecting assets.

There could be risks that the *SIPEF* group currently assumes to be limited, but which ultimately could have a significantly negative effect. There could also be additional risks that the group is not aware of.

The main non-covered commercial risks are identified as follows:

- fluctuations in the market prices for the basic products of palm oil, rubber, tea and bananas;
- climatological conditions;
- geo-political developments;
- expansion risks.

The realized turnover and margin are largely dependent **on fluctuations in the market prices** of mainly palm oil and palm kernel oil. A change in the palm oil price of USD 10 CIF Rotterdam per tonne has an impact of about USD 1.8 million per year on the results after tax.

The volumes produced and thus the turnover and margins are to a certain degree affected by **climatological conditions**, such as precipitation, sunshine, temperature and humidity.

In view of the fact that the majority of the investments of the *SIPEF* group is located in developing countries (Indonesia, Papua New Guinea and Ivory Coast), the **geopolitical developments** in these regions are an extra point of interest to the management. The recent past has shown that the possible unrest in these countries has had a limited effect on the group's net results, subject to the impact of macro-economic measures.

Whether the *SIPEF* group will succeed in realizing the intended additional **expansion** will depend on the acquisition of new concession agreements for agronomically suitable land, which fits into the group's policy on sustainability in economically responsible terms. If the group does not succeed in this, it could put pressure on its growth plans.

Aside from these most significant risks, the group also has other, more general risks, to consider, such as:

- currency, interest, credit and liquidity risks, as discussed in the financial section of this annual report;
- risks associated with social campaigns;
- risks associated with information technology systems;
- risks associated with regulations;
- risks associated with legal matters;
- risks associated with internal audit;
- risks associated with fiscal inspection;
- risks associated with environmental liability;
- ...

Regarding risks involved in the regulatory process, we can point out that currently on each export of palm oil from Indonesia a tax/levy is applied. Since this tax/levy is also charged for local sales by our local clients, this tax/levy weighs on all palm oil we produce in Indonesia. In 2015 this export tax/levy amounted on average to USD 28/tonne against USD 68/tonne in 2014, USD 75/tonne in 2013 and USD 149/tonne in 2012.

2.2 Explanatory notes to the consolidated annual financial statements

The consolidated annual financial statements for the financial year 2015 are drawn up in accordance with the "International Financial Reporting Standards" (IFRS).

In November 2015, the amendments to IAS 16 and IAS 41 – "Property, plant and equipment and Agriculture – bearer plants" were approved for implementation within the European Union from 1 January 2016 at the latest. Consequently, "bearer plants" must again be valued at historical cost instead of at fair value.

SIPEF has opted for the early implementation of this standard to take effect from 1 January 2015. As a result, the balance sheet and income statement of the previous periods have been restated. The impact of those changes on equity, balance sheet and income statement is shown in Note 33.

Balance sheet

The consolidated balance sheet total as at 31st December 2015 is KUSD 577 108, an increase of 1.0% compared to the balance total of KUSD 571 383 at the end of 2014.

The continued expansion of plantations in Indonesia and Papua New Guinea has led to a further increase in biological assets.

The "net assets held for sale" concerned the net assets of *Galley Reach Holdings*. On 15 February 2016, a purchase/sale agreement was signed to finalize the sale of *Galley Reach Holdings* at approximately the current net carrying value.

The increase in net current assets, net of cash, related primarily to the increased working capital of KUSD 8 062, the partial repayment of our investment in *Verdant Bioscience* (KUSD 1 750), and an increased tax asset (see below).

The consolidated equity of the *SIPEF* group, group share prior to allocation of profit, has increased to KUSD 413 862. This corresponds to KUSD 46.75 per share (excluding own shares).

Result

Total revenue decreased by 21% primarily as a result of a sharp fall in world market prices for palm oil and rubber. Revenue for palm oil was down 22%, despite increased volumes. Rubber declined by as much as 25% owing to the cumulative effect of decreased volumes on top of substantially lower selling prices. Revenue for our tea operations showed a different picture: better prices more than made up for the effect of disappointing production volumes (+13%). The lower revenue in USD terms of our "Euro" banana activities (-10%) is entirely due to the trend of the EUR against the USD.

The cost of sales for palm oil, rubber and bananas remained stable in 2015 or even improved versus 2014 owing to a combination of permanent efforts to control cost prices, increased volumes and a favourable trend of the USD against the currencies of the countries where our activities are located (IDR, PGK and EUR). Only the unit cost of sales for tea increased in relation to the previous year (+4.4%) due to lower volumes and a sharp rise in minimum wages in Indonesia.

The net effect of decreasing revenue and improved cost of sales led to a fall in gross margin from KUSD 78 903 to KUSD 44 195, in which palm oil accounts for 85.8% (91.0% in 2014). The negative gross margin for rubber is entirely attributable to *Galley Reach Holdings Ltd* in Papua New Guinea. After a difficult 2014, our tea activity recovered with a satisfactory contribution (KUSD 1 715), while bananas have made a stable and even slightly increasing contribution year by year.

General expenses fell (-10.9%) in line with the trend of the main currencies in which the salaries in our organization are paid, and due to lower provisions for variable result-based remuneration.

Low net financial charges reflect the group's strategy of financing expansion with equity. Foreign exchange results had very limited impact, a direct consequence of a consistently applied hedging policy.

The profit before tax amounted to KUSD 21 315 compared to KUSD 60 119 in 2014, a decrease of 64.5%.

At 29.7%, the effective tax rate was higher than the theoretical tax rate of 26.6% (25% in Indonesia/Ivory Coast, 30% in Papua New Guinea, and 34% in Belgium) owing to the fact that we had reversed some deferred tax assets.

The share in the results of associated companies and joint ventures includes the result of *PT Agro Muko* (KUSD 6 526), *PT Timbang Deli* (KUSD -70), the start-up losses of *Verdant Bioscience* (KUSD -517), and finally our insurance segment (KUSD 176). The sharp decrease compared to 2014 (-51.4%) was in line with the weakened profitability of the fully consolidated subsidiaries.

The profit for the period amounted to KUSD 21 090 compared to KUSD 52 443 the previous year, a decrease of 59.8%.

The net result, group share, amounted to KUSD 19 226, 60.7% down on 2014.

In mid-July 2015 we were unpleasantly surprised by changes in the export tax system in Indonesia, which now also imposes a flat tax of USD 50/tonne on all exports of crude palm oil, even if the price level of USD 750/tonne is not reached. That extra charge diminished our net result, group share, by as much as USD 2.6 million.

Cash flow

Cash flow from operating activities decreased to a lesser degree than the pre-tax operating profit (KUSD -30 790 compared to KUSD -38 804). This difference is due to the substantially higher level of depreciation from 2015 onward (KUSD +6 638), primarily as a result of the commissioning and concomitant depreciation of two new palm oil extraction mills.

The change in working capital (KUSD -8 062) was primarily attributable to a structural change in the use of this working capital as a result of altered export conditions in Indonesia. Which means that, as of the second quarter of 2015, we have to pay our suppliers for all exports immediately by documentary letters of credit.

Since tax prepayments in Indonesia are based on the result of the previous year, we made substantial tax prepayments in 2015, which we will be able to recover in the next few years.

The main investments during the year concerned, besides the usual replacement investments, the payment of additional land compensations, planting of additional oil palms (1 592 hectares in the new project in South Sumatra and 593 hectares in Papua New Guinea), and maintaining the approximately 10 000 hectares of immature plantations.

At the start-up of *Verdant Bioscience*, *SIPEF* was obliged, besides the contribution of *PT Timbang Deli Indonesia*, to set aside an amount of KUSD 5 000 to finance the construction of the requisite research infrastructure. Of that amount, KUSD 1 750 was withdrawn in 2015.

The "dividends received from associated companies and joint ventures" were dividends the group received from *PT Agro Muko* (KUSD 7 094) and those from the insurance branch (KUSD 221).

2015 was characterized by a negative net free cash flow of KUSD 9 948, which, in combination with the redemption of shares (KUSD 2 040) and the dividend payment in July 2015 (KUSD 12 554), essentially resulted in a decrease in the net financial position by KUSD 25 904.

2.3 Significant events after the close of the financial year

On 15 February 2016, a purchase/sale agreement was signed to finalize the sale of *Galley Reach Holdings Ltd* at approximately the current net carrying value.

No further important events took place after the closure of the 2015 financial year, that could have a material effect on the group's development.

2.4 Research and development

The research and development activities are undertaken together with our joint venture partner *Verdant Bioscience Singapore PTE LTD* (see page 61).

2.5 Financial instruments

Within the *SIPEF* group, we make limited use of financial tools for risk management. These are financial instruments that supposedly ameliorate the effect of the increase in interest rates and exchange rates.

The providers of these financial tools are exclusively reputable Belgian banks that *SIPEF* has built up long-term relationships with.

2.6 Prospects for 2016

Productions

Our Indonesian operations showed a somewhat variable production pattern in the first month of the new year, with mature plantations producing larger or smaller volumes than last year, depending on their location. Only the young plantations in the UMW/TUM project in North Sumatra continue to exhibit a steady production growth, and account to a large extent for the slightly improved volume at the beginning of the year.

The expansion of young oil palms in planted areas in *Hargy Oil Palms* in Papua New Guinea will undoubtedly help to boost production volumes compared to last year, although weather conditions have not permitted it so far.

Markets

The production of palm oil in Malaysia and Indonesia continued to decline in January and the first half of February, as a result of the drought triggered by El Niño. Despite moderate exports the stocks have decreased dramatically as well, and the belief that the Indonesian biodiesel program is living up to its promise has increased, given the actual offtake. It is expected that the stocks will drop to a very tight scenario in the second quarter. The limited discount of palm oil versus soybean oil will cap the upside. The weaker macro environment and low petroleum prices will not play a significant role, as the fundamentals of palm oil are very solid. We expect a positive price development, which had already started at the end of January, to continue with a moderate upside.

The rubber market will continue to struggle with an overhang of stocks. The negative economic sentiment in China and low petroleum prices will not support an increase in demand. The fact that the Tripartite, the producing countries of Thailand, Indonesia and Malaysia, has decided to limit exports and support the local farmers could assist in the near term. All in all, a significant price movement in the coming months is not expected.

The black CTC market is likely to trade range-bound. Consuming countries remain hand to mouth in their buying behavior but they have to step into the market on a regular basis given their low stocks. The Kenyan weather so far indicates a good crop and the country is not expected to face another poor crop year.

Results

So far, we have sold 27% of the projected palm oil production for 2016 at an average price of USD 649/tonne CIF Rotterdam equivalent, premiums included, and we continue to steadily put our volumes on the market.

In addition, 36% of our projected rubber volumes has been sold at an average price of USD 1 186/tonne, while roughly 23% of our tea volumes has been sold at current higher market prices. In 2016 we are also continuing our marketing strategy of selling bananas in England and France at fixed prices for the whole year.

If prices for our main products palm oil, rubber and tea are maintained at current market levels, we expect the results for 2016 to be slightly down on last year's annual results, despite higher production volumes for palm oil. The end result will to a large extent depend on the projected production volumes being attained, the level of market prices for the rest of the year, the maintenance of current export tax levies on palm oil in Indonesia, and the evolution of costs, which despite compulsory increases in workers' wages are still favourably influenced by the persistently weak currencies of Indonesia and Papua New Guinea against the reporting currency USD.

Cash flow and expansion

In 2016, our investment programmes, apart from reduced replacement investment budgets, will continue to focus on the expansion of our activities in Musi Rawas in South Sumatra. In view of the diminished projected operating free cash flow, we decided to suspend the expansion at *Hargy Oil Palms* and to concentrate primarily on bringing all recently planted areas to maturity.

In Musi Rawas, compensation of local landowners will continue on three concessions, whereupon these areas will be planted. At the end of the year, approximately 7 800 hectares had already been compensated, of which just over 3 300 hectares have since been planted and/or fully prepared for planting, since the drought has slightly delayed actual planting in the fourth quarter. Meanwhile, the construction of the first groups of workers' houses and functional buildings has also begun.

In North Sumatra we are working on the completion of a new system for the recovery of methane gas from wastewater and the construction of an organic composting plant, which will help to diminish the use of chemical fertilizers.

It is our intention to complete these programmes without accumulating structural debt for the company.

2.7 Explanation of the responsibilities

The undersigned declare that, to their knowledge:

- the consolidated financial statements for the financial year ended on 31st December 2015 were drawn up in accordance with the "International Financial Reporting Standards" (IFRS) and provide an accurate picture of the consolidated financial position and the consolidated results of the *SIPEF* group and its subsidiary companies that are included in the consolidation;
- the financial report provides an accurate overview of the main events and transactions with affiliated parties, which occurred during the financial year 2015 and their effects on the financial position, as well as a description of the main risks and uncertainties for the *SIPEF* group.

On behalf of the board of directors, 18th February 2016.

François Van Hoydonck
managing director

Baron Bracht
chairman

3. Corporate Governance

SIPEF's Corporate Governance Charter can be found under the heading 'Investors' on the website www.sipef.com.

3.1 General

The board of directors of *SIPEF* approved the first corporate governance charter ("Charter") on 23 November 2005. The Charter was prepared in accordance with the provisions of the Belgian Corporate Governance Code ("Code") that was announced by the "Corporate Governance Committee" on 9th December 2004. This version of the Charter already coincided with various Royal Decrees implementing European rules on market abuse.

SIPEF currently uses the Belgian Corporate Governance Code 2009 as a reference (http://www.corporategovernance-committee.be). The corporate governance charter approved by the board of directors of *SIPEF* is written in accordance with the stipulations of the Belgian Corporate Governance Code.

As specified in the Code, *SIPEF* must devote specific attention in a chapter of its annual report (the "Corporate Governance Chapter") to factual information concerning corporate governance, any amendments to the corporate governance policy and relevant events in connection with corporate governance that have occurred during the previous year. The "Corporate Governance Chapter" also provides a more detailed explanation of the deviations from the Code recommendations, in terms of the "comply or explain" principle, during the past financial year (see 3.9).

3.2 Board of directors

3.2.1. Membership

	end of term of appointment
Baron Bracht, *chairman*	2016
François Van Hoydonck, *managing director*	2019
Baron Bertrand, *director*	2016
Priscilla Bracht, *director*	2018
Jacques Delen, *director*	2016
Antoine Friling, *director*	2019
Regnier Haegelsteen, *director*	2019
Sophie Lammerant-Velge, *director*	2019
Richard Robinow, d*irector (till 10/06/2015)*	2015
Bryan Dyer, *director(as from 10/06/2015)*	2019

Taking into consideration that he has reached the age limit, Baron Bracht no longer wishes to apply for a new mandate. Baron Bracht has been a member of *SIPEF*'s board of directors since 1973, acting as chairman of this board of directors since 1978, and between 1978 and 2007 he held the position of managing director of *SIPEF*. We sincerely thank Baron Bracht for more than 40 years of unconditional dedication and for being an inexhaustible source of inspiration during the steady expansion of *SIPEF*.

At the ordinary general meeting of 8th June, 2016, the board of directors will propose renewing the mandates of Baron Bertrand and Jacques Delen, each as a non-executive director, for a four-year term, expiring at the ordinary general meeting of 2020.

The board of directors has the honour of proposing Baron Bertrand, after his re-election as a director, as the new chairman of the group.

Antoine de Spoelberch's application, replacing Baron Bracht as a non-executive director, will be submitted for approval at the next ordinary general meeting of 8th June, 2016.

3.2.2. Non-executive and executive directors

François Van Hoydonck has been managing director since 1st September 2007.

The remaining eight directors are non-executive directors. Ackermans & van Haaren on the one hand, and Baron Bracht, his children and their affiliated companies CABRA NV and GEDEI NV on the other hand, have declared on 13th October, 2015, that they possess together 40.449% of the shares in *SIPEF*.

The directors who hold directorships in other listed companies outside the group are:

Baron Bertrand:	Ackermans & van Haaren, Atenor Group, Leasinvest Real Estate, Groupe Flo (FR);
Jacques Delen:	Ackermans & van Haaren;
Richard Robinow:	M.P. Evans Group plc (UK), R.E.A. Holdings plc (UK) and REA Vipingo Plantations Ltd (Kenya).

3.2.3. Independent directors

Antoine Friling
Sophie Lammerant-Velge
Bryan Dyer

These directors fulfil all of the independence criteria set out in article 526ter of the Code.

3.2.4. Activity report

The board of directors of *SIPEF* met five times in the course of 2015. The average attendance rate was 98%. Individual attendance records were as follows:

Baron Bracht, *chairman*	5/5
François Van Hoydonck, *managing director*	5/5
Baron Bertrand	4/5
Priscilla Bracht	5/5
Jacques Delen	5/5
Antoine Friling	5/5
Regnier Haegelsteen	5/5
Sophie Lammerant-Velge	5/5
Richard Robinow (till 10 th of June 2015)	2/2
Bryan Dyer (as from 10 th of June 2015)	3/3

During 2015, the board of directors followed the group results and the development of the activities of the various subsidiaries by means of reports prepared by the executive committee. The board of directors also took major investment and disposal decisions during the past financial year.

At its meeting on 17th February 2015, the board of directors discussed the relationship between itself and the executive committee, in accordance with article 2.7 of the Charter and in the absence of the executive director. The directors concerned expressed their satisfaction with the transparency and the excellent collaboration between the two bodies. In this context, they passed a few suggestions to the executive director.

The directors also assessed the size, composition and operation of the board of directors and of the committees, paying particular attention to their current composition, which was assessed in comparison with the desired composition. It was also established that there was a proportionate balance of specific skills, such as the interpretation of financial reporting, familiarity with the sector, experience in management of a company and operation of financial markets, within the current composition of the board of directors.

The board of directors held a special meeting on 5th September, 2015, concerning the group's strategic development, based on a business plan covering ten years.

3.2.5. Rules of conduct concerning conflicts of interest

The board of directors also announced in the Charter (2.9 and 4.7) its policy in relation to transactions that might give rise to conflicts of interest (whether or not coinciding with the definition in the Code). There was no need to apply this policy during the financial year.

3.2.6. Rules of conduct concerning financial transactions

The board of directors announced its policy concerning the prevention of market abuse in chapter 5 of the charter.

3.3 Audit committee

3.3.1. Membership

Regnier Haegelsteen
- chairman and non-executive director
Antoine Friling
- independent and non-executive director
Sophie Lammerant-Velge
- independent and non-executive director

All members of the audit committee have the necessary accounting and auditing skills.

Regnier Haegelsteen holds a Law degree and attended an MBA programme in New York. He has acquired relevant experience during a career of over 20 years in banking.

Antoine Friling holds a Bachelor of Business Administration, Finance & Marketing and an MBA in International Management. Antoine Friling has had several years of experience in banking and is director of family, industry and financial companies in Europe and South America.

Sophie Lammerant-Velge holds a degree in Economics and attended an MBA programme. She is also executive director of FBNet België (Family Business Net Belgium), director of FBNet International and director of Bekaert Stichting Administratie Kantoor.

3.3.2. Activity report

The audit committee met on four occasions in 2015. The attendance rate (or representation by proxy) was 100%. In February and August, the committee focused primarily on analysing the annual and six-monthly financial reports, in the presence of the auditor. It also considered the figures for the proposed press release, as well as the "one-to-one rule" for the waiver of the auditor's independence. There was also an explanation and discussion on the procedures for valuing the biological assets, in the context of IAS 41 and the revision of IAS 41 in particular.

In November, the reports of the internal audit committee from Indonesia, *Hargy Oil Palms Ltd* and the insurance activities, were also analysed and discussed by the committee.

The audit committee was regularly attended by the auditor and a representative of Ackermans & van Haaren.

3.4 Remuneration committee

3.4.1. Membership

Regnier Haegelsteen
- chairman and non-executive director
Antoine Friling
- independent and non-executive director
Sophie Lammerant-Velge
- independent and non-executive director

3.4.2. Activity report

The remuneration committee met twice in 2015, on 17th February and on 27th November. The average attendance rate (or representation by proxy) was 100%.

The remuneration committee made recommendations to the board of directors in connection with fixed remuneration for the directors and the chairman, as well as for the remuneration of the executive committee, the amount and payment formats for the variable remuneration and individual payments for the executive committee. Other recommendations were made on the salaries and variable remuneration for board members of subsidiaries residing abroad. At the meeting of 27th November, the remuneration committee made recommendations to the board of directors in connection with the offer of share options to the executive committee and the group's foreign management teams, and regarding the organization of the executive committee.

Executive committee

1 - Robbert Kessels
2 - François Van Hoydonck
3 - Johan Nelis
4 - Charles De Wulf
5 - Thomas Hildenbrand

3.5 Executive committee

3.5.1. Membership

François Van Hoydonck	managing director
Charles De Wulf	manager estates department
Thomas Hildenbrand	manager marketing bananas and horticulture
Robbert Kessels	chief commercial officer
Johan Nelis	chief financial officer

Baron Bracht (chairman of the board of directors) and Priscilla Bracht (non-executive director) periodically attended the meetings of the executive committee as observers.

3.5.2. Activity report

Except in unforeseen circumstances, the executive committee meets once each week. The executive committee's responsibilities include the day-to-day management of the group and it also prepares the decisions that have to be taken by the board of directors.

3.6 Remuneration report

3.6.1. Procedure to develop a remuneration policy and to adopt remuneration levels

The remuneration of the non-executive directors consists exclusively of a fixed payment. This fixed payment consists of a basic payment and, in appropriate cases, an additional payment depending on whether the director concerned is a member of a specific committee.

The remuneration committee periodically assesses the payment of non-executive directors. The remuneration committee submits any proposed adjustments to the board of directors for approval.

The members of the executive committee receive a fixed remuneration and a variable payment depending on the consolidated recurrent results of the *SIPEF* group (see also under 'Policy regarding variable payments'). They also have use of a company car and membership of a group insurance plan (pension accrual, death benefit cover, invalidity cover), meal tokens, a legal assistance insurance policy offering worldwide coverage and hospitalisation cover.

The group insurance is of a "fixed contribution" type.

As from the year 2011 share options have been offered to the members of the executive committee and some of the executive directors of the foreign affiliated companies. The share options, which were offered under the *SIPEF* share option plan, have the following features:

- Offer: end of November;
- Exercise price: price established on the basis of the average closing price for the share over 30 days prior to the offer;
- Exercise period: the options may be exercised from the end of the third calendar year after the year in which the offer is made, until the end of the tenth year, counting from the date of the offer.

These elements are assessed each year by the remuneration committee, and tested for market conformity. This is generally done at a meeting in November or December. The test is undertaken on the basis of public information (for instance, the remuneration data included in the annual reports of other comparable listed companies) and salary studies. Any amendments proposed by the remuneration committee are submitted to the board of directors for approval.

3.6.2. Policy regarding variable remuneration

The variable remuneration that is awarded to members of the executive committee depends upon individual, both qualitative and quantitative, predetermined and objectively verifiable performance criteria, measured over a period of one financial year (as mentioned in the bylaws) and depends in particular upon the consolidated recurrent results of the *SIPEF* group.

In other words, there is no long-term cash incentive plan. The variable remuneration is paid in July of the ensuing financial year, the same month when dividends are distributed to the shareholders.

There is a provision for the company to have a right to reclaim the net variable remuneration that is awarded to the managing director and the members of the executive committee on the basis of incorrect financial data.

3.6.3. Remuneration of executive and non-executive directors

The fees of non-executive directors consist entirely of a flat fee, composed of a basic fee and an additional fee, depending on the director in question's membership of a certain committee. Non-executive directors' fees are periodically assessed by the remuneration committee.

The figures are therefore not related to the amount of the results and can be regarded as fixed, non-performance related payments awarded during the financial year.

Directors who retire or are appointed during the financial year are paid pro rata, depending on the length of their mandate in the financial year.

The individual remuneration figures for the directors, as actually received in 2015 in the form of payments for 2015, were:

	In KEUR
Baron Bracht, chairman	40
François Van Hoydonck, *managing director*	25
Baron Bertrand	25
Priscilla Bracht	25
Jacques Delen	25
Antoine Friling	33
Regnier Haegelsteen	35
Sophie Lammerant-Velge	33
Richard Robinow (till 10th June 2015)	10
Bryan Dyer (as from 10th June 2015)	15

3.6.4. Remuneration of members of the executive committee

The fixed and variable remuneration elements, and other benefits awarded and paid to members of the executive committee in 2015, either directly or indirectly, by *SIPEF* and its subsidiaries, can be summarised as follows (total cost to the company):

In KEUR	CEO	Other members of executive committee	Total	Relative Share
Fixed payment	313	869	1 182	47.07%
Variable payment	277	471	748	29.79%
Group insurance	259	201	460	18.32%
Share options 2014	38	50	88	3.51%
Benefits in kind (company car)	10	23	33	1.31%
	897	1 614	2 511	100,00%

The options that have been offered in 2015 are only awarded finally in 2016 and are therefore not included in the table shown above.

3.6.5. Options granted to and exercised by the members of the executive committee in 2015

The following options were offered to the members of the executive committee in 2015.

Due Date	31 December 2025
Exercise price	EUR 49.15

François Van Hoydonck	6 000
Charles De Wulf	2 000
Thomas Hildenbrand	2 000
Robbert Kessels	2 000
Johan Nelis	2 000
Total	**14 000**

In total, 6 000 options were awarded to some of the managing directors of the foreign subsidiaries.

In 2015, no options were exercised or expiring.

3.6.6. Most significant contract terms

The agreements of the executive committee members contain the usual provisions on fees (flat-rate and variable fees), non-competition and non-disclosure. They are applicable for an indefinite period of time and will terminate on the manager's 65th birthday. The agreements also provide the company with a reclaim right for variable fees granted on the basis of incorrect financial data.

The managing director is subject to the Statute for the Self-employed and has a permanent contract. The contract can be terminated unilaterally by the managing director, subject to a notice period of 6 months, while the company must observe a notice period of between 18 and 24 months depending on the timing of termination of the contract. The notice period will be extended by 12 months in the event of termination of the agreement as a result of changes in the company's control in terms of which more than half of the directors are replaced, and in the event of serious restrictions in the essential powers introduced unilaterally by the company. This final provision was approved by the extraordinary general meeting of 27th December 2007, in the context of article 556 of the Code.

Since 1 July, 2014, the other executive committee members have been affiliated through an agreement of independent service provision, after having previously been considered as employees. The term of notice in case of termination by the company is 1 month for every year of service, with a minimum of 3 months and a maximum of 18 months.

The term of notice in case of termination by the executive committee member is 1.5 months for each 5 years of service that has commenced, with a maximum of 6 months.

3.6.7. Changes to the remuneration policy

No significant changes were made to the remuneration policy in 2015.

3.6.8. Remuneration policy for the next two financial years (2016 - 2017)

The board of directors does not expect to make any fundamental changes to the remuneration policy in the current and next financial years.

3.7 Internal and external audit

The company's auditor is Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Dirk Cleymans.

The auditor arranges for the external audit of the consolidated and summarised figures for the *SIPEF* group and reports twice each year to the audit committee and the board of directors.

The mandate of Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Dirk Cleymans, was prolonged in June 2014, for a period of three years, until the closing of the ordinary general meeting of the year 2017.

The annual payment to the auditor for the audit of the summarised and consolidated annual financial statements of *SIPEF* amounts to KEUR 85. An additional sum of KEUR 10 is also paid to the company to which the auditor is affiliated, for legal, accountancy and fiscal work. These payments are approved by the audit committee, which received a summary of these honoraria at each meeting.

The total cost for the external audit of the *SIPEF* group was KEUR 386 and the amount paid to the same auditor and his affiliated businesses for advice was KEUR 64.

The internal audit for Indonesia and *Hargy Oil Palms Ltd* in Papua New Guinea is structured within an audit department, with a committee meeting four times each year to consider the internal audit reports. The internal audit for our insurance business is subcontracted. The audit committee at *SIPEF* receives a summary of their work, with an explanation and estimate of the potential impact of the findings, which allows it to assess the work of the local audit department. In the head office in Belgium and in the other subsidiaries, the internal audit is organised by the financial manager. Bearing in mind the more limited size of these companies, the audit committee has decided that there is no need, for the time being, to set up any separate audit department.

3.8 Shareholder structure

As stated in note 15 in the explanatory notes to the consolidated financial statements, three shareholders have announced a holding in excess of 5% in our company. The company has no knowledge of any agreements among these shareholders, nor of the existence of committees of shareholders or directors, with the exception of the common declaration of 12th February 2007, which is also included in explanatory note 15.

On that date, Ackermans & van Haaren (AvH) NV and acting in consultation with Baron Bracht and children, CABRA NV and GEDEI NV, notified the company of the conclusion of a shareholder agreement with a view to the creation of a stable shareholding in *SIPEF*. This was done to promote the balanced development and profitable growth of *SIPEF* and its subsidiary companies. The shareholder agreement, which was concluded for a period of fifteen years, includes voting arrangements in connection with the appointment of directors and arrangements in connection with the transfer of shares.

The relevant information concerning this transparency report can be found on the company's website (www.sipef.com).

3.9 Coincidence with the Belgian Corporate Governance Code – 'comply or explain'.

The Charter at *SIPEF* deviates from the recommendations of the Code on a limited number of points.

3.9.1. Membership of the nomination committee

In accordance with recommendation 5.3.1 of Appendix D to the Code, the nomination committee must have a majority of independent non-executive directors.

The nomination committee of *SIPEF* consists of every member of the board of directors. Since only 33% of the membership of the board of directors is composed of independent non-executive directors, the Charter deviates from the Code on this point.

The board of directors considers, however, that this deviation is well-founded, bearing in mind the fact that its relatively limited size (with nine members) does not hinder efficient deliberation and decision-making processes. Furthermore, the board of directors as a whole is in a better position to consider its own size, membership and succession plans.

3.9.2. Gender diversity

In accordance with paragraph 2.1 of the Code, the board of directors must be composed in a manner compliant with the principles of gender diversity as well as of diversity in general.

After the recent nominations, the board of directors of *SIPEF* is composed of seven men and two women with varying yet complementary knowledge bases and fields of experience.

The board of directors has taken note of the recent legislative initiatives with regard to representation of women on the boards of directors of listed companies and will make every effort to conform its composition to the actual legislation before 1st January 2017.

3.10 Report on internal controls and risk management systems

The board of directors of *SIPEF* is responsible for assessing the company's inherent risks and the effectiveness of its internal controls.

SIPEF's internal control system was set up in accordance with the accepted principles relating to internal controls (relevant statutory regulations, Code 2009 and COSO).

The basis of the internal controls and risk management system is established by means of a risk assessment that has been carried out at a group level. Particular attention is paid to the reliability of financial reporting and the communications process.

3.10.1. Control environment

SIPEF implements a Corporate Governance Charter, which aims to promote the observance of accepted ethical standards by directors, management and staff in carrying out their duties.

The board of directors at *SIPEF* supports the application of clear rules on sustainability, which are applied in terms of the policy governing our day-to-day operations and which are also more stringent than the statutory requirements in the countries in which we operate.

Our operations are assessed in accordance with commonly applied standards, such as ISO 9001, ISO 14001, the "Roundtable on Sustainable Palm Oil" (RSPO), "Indonesian Sustainable Palm Oil" (ISPO), the "International Sustainability and Carbon Certification" (ISCC), the "Clean Development Mechanism" (CDM) of the United Nations, the "Ethical Tea Partnership" (ETP), "Rainforest Alliance" (RA) and "GLOBALG.A.P." (GGAP).

In general terms, the company structure, company philosophy and management style may be described as being clear, which is supported by the limited number of decision-making processes within its hierarchy. This limited number of decision-making processes, together with the limited degree of staff rotation, also enhances the social controls within the company.

The group is subdivided into a number of departments as set out in an organisational chart. Each department and each person within the relevant department has his/her own job description. The required qualifications and/or level of experience are specified for each position and job. There is a clearly defined policy of delegated powers.

3.10.2. Control environment

Strategic, operational, financial, tax-related and legal objectives are defined in a strategic plan, which is approved annually by the board of directors. The risks that may jeopardise the ability to meet these objectives have been identified and designated according to their potential importance, the probability with which the risk might occur and the measures that have been taken to deal with the risk according to its importance. Risk management is divided into various categories (reduction, transfer, prevention or acceptance).

The necessary instructions and/or procedures have been issued to ensure that the identified risks are managed appropriately.

3.10.3. Information and communication

A complete set of operational and (internal and external) financial reports has been set up to provide the necessary information periodically (daily, weekly, monthly, six-monthly or annually) and at the appropriate levels in order to ensure that assigned responsibilities are performed properly.

3.10.4. Control

It is the responsibility of each employee to report any potential shortcomings in the internal controls in relation to their respective responsibilities.

In addition, the internal audit departments (in Indonesia and in Papua New Guinea at *Hargy Oil Palms Ltd*) and the subcontracted internal audit (for our insurance business) are responsible for continuous supervision of the effectiveness and observance of the existing internal controls for their respective activities. They propose any necessary adjustments based upon their findings. The reports from these internal audit departments are discussed on a quarterly basis in a local audit committee. A summary of the most important findings is submitted annually to the group's audit committee.

For small subsidiaries, for which no separate internal audit position has been created, supervision of the internal inspection is fulfilled by the responsible member of the management together with the managing director and chief financial officer of the group.

In addition, each subsidiary of the group is (as a minimum requirement) subjected annually to scrutiny of its financial statements by an external auditor. Any comments relating to this external audit are passed on to the management in the form of a "management letter".

No significant shortcomings in internal controls have been found in the past.

3.10.5. Internal controls and risk management system associated with financial reporting

The process for drawing up financial reports is organised as follows:

- The process is directed by the "corporate finance" department, which falls under the direct supervision of the group's CFO;
- Depending on the (internal and external) deadlines to be met, a retrospective schedule is drawn up, which is submitted to each reporting entity and to the external auditor at the start of the year. The external deadlines are also published on the company website;
- The following reporting entities can be identified:

a. the entire group of companies in Indonesia
b. *Hargy Oil Palms Ltd* in Papua New Guinea
c. *Galley Reach Holdings Ltd* in Papua New Guinea
d. *Plantations J. Eglin SA* in Ivory Coast
e. *Jabelmalux SA* in Luxembourg
f. *SIPEF* in Belgium
g. *BDM* NV/*ASCO* NV in Belgium

- There is a certified accountant at the head of the financial department of each entity;

- The start of the annual reporting cycle consists of drawing up a budget for the following year. This is completed during the months of September to November and is submitted for approval to the board of directors by the end of November / the start of December. The strategic options that are included in this budget also fit into the long-term strategic plan that is updated and approved annually by the board of directors;

- The necessary sensitivity analyses are drawn up for both the strategic plan and the annual budget, to be able to assess the correct risk profile for the decisions that need to be taken;

- During the first week of each new month the production figures and net financial position of the previous month are received and consolidated by the corporate finance department and are submitted to the managing director, chairman of the board of directors and executive committee;

- During this first week the intergroup transactions are also reconciled before proceeding to close the accounts;

- The monthly financial reporting consists of an analysis of the volumes (starting stock, production, sales and finishing stock), the operating result, a summary of the other items in the profit-and-loss account (financial result and taxes), a balance sheet and cash-flow analysis;

- The accounting standards that are applied for monthly reporting are exactly the same as those that are used for the statutory consolidation under the IFRS standards;

- The monthly figures are compared with the budget and with the same period for the previous year for each reporting entity in which any significant variations are investigated;

- These (summary) operating and financial figures are converted on a monthly basis by the "corporate finance" department into the operating currency (usually USD), consolidated into the reporting currency (USD) and then once again compared in terms of their consistency with the budget or the previous period;

- The consolidated monthly report is submitted to the managing director, the chairman of the board of directors and the executive committee;

- The board of directors receives this report periodically (months 3, 6, 9 and 12) in preparation for the board of directors meetings. This report involves a memorandum containing a detailed description of the operational and financial trends over the past quarter;

- The board of directors is also notified in the intervening period in case of any exceptional events;

- The individual financial statements (only in December for smaller entities), as well as the technical consolidation for June and December undergo an external audit before the consolidated IFRS figures are submitted to the audit committee;

- Based upon the advice of the audit committee, the board of directors states its opinion in relation to approving the consolidated figures before publishing the financial statements in the market;

- Twice a year, after the first quarter and after the third quarter, an interim report is published on the evolution of the produced volumes, the world market prices and possible changes in the prospects;

- It is the "corporate finance" department that is responsible for monitoring any changes in (IFRS) reporting standards and for implementing these changes within the group;

- The monthly management report and the statutory consolidation are maintained in an integrated system. Appropriate care is taken to provide antivirus security software, periodic backups and measures to ensure continuity of service.

Activity report by product

Palm oil

The year 2015 started off with poor production in the first two months as a result of the dry spell in 2014. However, this was followed by a strong boom cycle from March till October, whereby yields were showing significant increases. The exports of palm oil were also disappointing, where palm oil lost quite some demand to soybean oil. The consecutive big crops of soybean production in South America and the United States of America created an oversupply and both oils were competing for demand, particularly in a country like India.

At the same time 2015 was a year of continuous drops in the petroleum price. This was less relevant for the discretionary blending as it did not calculate with gasoil prices below those of vegetable oil. It was, however, a test for the mandated biodiesel blending volumes. In particular, the mandate in Indonesia of blending 15% has not been living up to its expectations. The Indonesian government introduced an export levy of USD 50 per tonne of crude palm oil, and USD 30 per tonne of refined palm oil that was exported, which was initially meant to subsidise the biodiesel mandate. By mid-July this export levy was finally implemented, but the first biodiesel was only subsidised from November onwards. Therefore, the plantations and smallholders have suffered for eight months, the first couple of months because the market was already pricing the export levy into the local market due to the quandary of actual implementation, and the downstream industry was the beneficiary. Since 16th July the 'crude palm oil' (CPO) fund has been collecting the export levy without actually supporting the biodiesel uptake. In November, the blending started, although at a slow pace, and the plantations and smallholders can only hope that it will increase.

The El Niño weather phenomenon was another element that played a significant role in the palmoil industry in 2015. A year earlier it had already been mentioned that an El Niño would create a drought and lingered around the marketplace for a long time. Mid 2015 the conviction was growing that this El Niño would have a strong impact by the end of the year, and in November and December we saw steep reductions indeed in the production.

Before this production drop the palm oil market had experienced a 'perfect storm' of negative news during the third quarter, which led palm oil prices to lows that we had not experienced since the crisis in 2008. The uncertainty of the implementation of the biodiesel mandate in Indonesia, in combination with the collection of the export levy, did a lot of harm to the industry. This was enforced by the economic unrest in China, resulting in a sell-off of stocks and commodities, a weaker macro environment, as well as dramatic depreciation of the Malaysian Ringgit. The market dropped below USD 500 per tonne CIF Rotterdam at the end of August, which was the low for the year.

The average price for 'Crude Palm Oil' CIF Rotterdam was USD 620 per tonne against an average of USD 821 per tonne in 2014, a decrease of 24.5%.

Similarly to 2014, *SIPEF* sold more than 85% of its palm oil, palm kernel oil and kernels in certified schemes of the 'Roundtable on Sustainable Palm Oil' (RSPO) and 'International Sustainability and Carbon Certification' (ISCC) in 2015. We are fully convinced that these certified physical supply chains continue to gain momentum as pressure increases on global companies to use sustainable products around the world. We are glad that *SIPEF* has further extended the relationships with its customer base.

Palm kernel oil

The lauric oil market, the generic term for palm kernel oil and coconut oil, traded at a steep premium over palm oil in 2015. The coconut oil market was the main driver with poor production in the back-to-back years of 2014 and 2015, and the palm kernel oil market was trapped between a bullish coconut oil market and a bearish vegetable oil story. Still, the price of palm kernel oil was on average at a USD 265 premium over palm oil. The average price of palm kernel oil CIF Rotterdam was USD 885 against an average in 2014 of USD 1 090, a decrease of 18.8%.

Rubber

The natural rubber market continued its downtrend for the fourth year in a row, dropping from USD 1 720 per tonne RSS3 to USD 1 238 per tonne on the SICOM future exchange. The first half of the year the market remained very static just hovering above the full production cost, but by August the market had dropped significantly, initiated by the massive drop in petroleum. Due to the link of petroleum and synthetic rubber there was a lot of downward price pressure on natural rubber.

The times that the rubber market felt slightly supported acted like a "dead cat bounce". Initially the Thai government tried to support the local prices, but quickly ran out of money. The prolonged wintering in Vietnam and Thailand triggered a short covering buying wave, but the economic turmoil in China took all the juice out of that rally. Even reports that the global car industry had another record sales year in 2015 was offset by a strong drop in the heavy-vehicle industry, which suffered a lot due to the commodity slump.

The average price for Natural Rubber RSS3 was USD 1 586 per tonne against USD 1 958 in 2014, a decrease of 19%.

The global demand for natural rubber grew in 2015 by 1.8% according to the International Rubber Study Group (IRSG), compared to 6.1% in 2014. The strong demand growth in 2014 most likely included the building of stocks, hence the weaker growth in 2015. The IRSG is forecasting a demand growth of 2.0% and 3.4% for 2016 and 2017 respectively. The supply of natural rubber grew as well by 1.3% in 2015, versus a contraction of 1.4% in 2014. The newly planted areas of the mid 2000s are coming into maturity. The IRSG expects a supply growth of 3.1% for 2016 and 3.5% for 2017 under normal economic circumstances based on IMF figures.

Tea

The best reference for our Cibuni teas is the tea market in Kenya, which is the biggest exporter of black CTC ('Crush, Tear and Curl') tea. The dry season in Kenya at the end of 2014 came earlier than usual and was the beginning of an extended drought until April 2015. This dry spell had a dramatic effect on the output during the first four months of 2015. March and April even showed declines of 53% and 40% respectively compared to the year before. Kenya's full year's production dropped 10.21% as compared to 2014. A similar trend was seen in other East African producing countries, which send their teas to auction in Mombasa. Initially the drop in production had little effect on the prices, as most consuming countries of East African teas had plenty of stock available to overcome the drop in supply. However, at the end of April prices started an upward movement to reach their peak in July, at levels not seen since the beginning of 2013.

Since mid-2015 the production has been at par with 2014 and prices have been steady albeit a bit lower since their July peak. During the price rally the stocks in the tea consuming countries dropped to rock bottom levels, and should probably have been replenished to more comfortable levels by the end of the year.

The El Niño weather phenomenon also had its impact on Eastern Africa, where Kenya received relatively more rain than usual entering the 'dry season'. It is currently expected that Kenya will produce good tea crops during the first half of the year and prices will remain stable.

Bananas

The volume of bananas, which we imported and sold on the European market and in the African regional markets, has risen by 3% to reach a total of 24 286 tonnes, divided up between 21 069 tonnes in Europe and 3 217 tonnes in Mauritania and Senegal in West Africa.

All banana import and consumption markets showed a good performance in 2015. In Europe, the trend - substantial, but real - towards an increase in consumption continued with similar production volumes of all origins, which are still highly dependent on climatic conditions. And so, the average rate of growth in the EU between the years 2012 and 2015 rose to 3.9%; this shows that European consumption in absolute terms has gone from 5.1 to 5.8 million tonnes. The American market has maintained good levels of consumption with almost 4 million tonnes. Only the Russian market remains lifeless with the strong devaluation of the rouble and the embargo on certain products.

Our fruits, which stem from *Plantations J. Eglin SA*, are sold mainly in England and France to clients with an annual sales contract. The same goes for bananas marketed in West Africa and transported by sea and then overland to big cities where consumption is exponential. We have noticed a significant development in supermarkets in these countries, which have clearly realised that there is now a middle class with more spending power among new consumers. At last, a customer in a store in Dakar can buy bananas at a price almost identical to that in London or Paris!

From the start of the second half of the year, we have developed our sales network in Poland and Rumania via a European distribution chain, which develops direct purchases from importers integrated into the production. The brand image of Ivory Coast, the reputation of our company, with such current reference systems as GLOBALG.A.P., and our healthy ethical, social and ecological practices, are currently giving us good developmental prospects.

The USD/EUR exchange rate effect and unstable climate conditions in most of the banana-producing regions have certainly offset the 'bunker' effect with cheap oil, which has made it possible to keep transport prices at competitive levels from the outset for West Africa. It seems that the banana market, in the broad sense of the term, is continuing to develop a structure with more and more significant contractualisation percentages, mainly in Western Europe; this avoids the devastating effects of the arrival of such volumes of bananas as we had in the past.

As regards customs duty on the EU import of bananas from the dollar zone, the forecast drop has continued and, therefore, went to EUR 110 per tonne in 2015 for the historical signatories of the agreement (including Costa Rica, Colombia, etc.), while Ecuador is the biggest global producer and exporter at EUR 132 per tonne. Latin American producers are aiming to finish at duty of EUR 75 per tonne by the year 2020.

Horticulture

Our horticultural activity and, therefore, our trade have been characterised by a year in which we have oriented our strategy to the overall improvement of the export specifications of our products in order to improve the unitary sales price.

All our products exported by air are sold essentially in the markets of Northern Europe. And so, we have sold 497 000 pineapple flowers (-23%), 1 431 000 decorative stalk leaves (+30%), and 186 000 lotus flowers (-31%) as compared to 2014.

We are still active in the sale of the pineapple flower and decorative leaves, provided, of course, that we have products of impeccable quality. Our challenge is to pursue our efforts to develop the sizes of pineapple flowers and to develop a wider variety of decorative leaves. And so, two new varieties of leaves, *Dracaena* Snow Queen and *Dracaena* Cappucino, are in the course of production and will increase the sales potential of the current varieties, which are *Dracaena* Compacta, *Cordyline* and *Sanderiana*. The sale of Lotus has been more complicated because it is a highly fragile product, which cannot withstand vicissitudes of climate.

The increase in capacity of air carriage, following the economic development of the Ivory Coast on the one hand, and the effect of the EUR/USD exchange rate, our competition coming equally from Central America (Colombia) or Asia (Vietnam and Sri Lanka) on the other hand, are two positive and promising factors for this sector for the future.

Activity report by country

Indonesia

General

Following president Susilo Bambang Yudhoyono's two terms in office, president Joko Widodo was elected in 2014. Upon his appointment in October of that year he started the implementation of his programme based on the Indonesian national motto, "Unity in diversity", with a focus on the elimination of inequality between rich and poor, a gradual reduction in dependence on natural resources, the diversification of exports, and investment in infrastructure and production, as well as in research and development.

The new president is a man of the people, who rapidly made a name in politics as governor of Jakarta, but without the usual links to the established forces in the country. He consequently finds it difficult sometimes to gain sufficient support from the legislature in order to put his programme into practice. Soon after his appointment he changed the fuel subsidy and aims to spend this budget on public transport, social security and the improvement of agricultural yields. But, more than anything he wants to restore confidence in the country, in the private sector and amongst foreign investors, by reducing the corruption and inefficiency.

We are, therefore, looking forward with interest to the coming period and to the measures that will be put in place to achieve this objective, particularly in the agricultural sector. Traditionally, this sector remains an important employer in a country with a population in excess of 255 million inhabitants, with a budget deficit amounting to -2.53% of the Gross Domestic Product (GDP), and with an inflation rate of 4.1%, despite 4.8% growth in 2015.

The president's message aimed at attracting foreign investment is undermined by conflicting reports on possible limitations on foreign shareholdership in certain sectors, and our agricultural sector in particular. Although these restrictions have not been implemented so far, it appears that the mere circulation of these reports in the media is enough to make foreign investors wary about long-term investment in this country.

Inconsistency in communications obviously does not contribute to restoring confidence in the country either. This lack of confidence is also reflected in the weakness of the local currency, the Indonesian rupiah, against the USD. In 2015 we saw the currency continue to slide from IDR/USD 12 440 to 14 800 in October, to finish at IDR/USD 13 795 by yearend, a weakening of 10.9% over a 12-month period. No real improvement has been noted early in 2016 either. The weak currency is having an inflationary effect on consumer prices and has again led to critical discussions this year on the increase in minimum wages, which are still defined by province and can vary considerably between regions. Following exceptionally high increases in 2013, up to more than 50% in certain provinces and driven by the gubernatorial elections at the time, the past two years again saw minimum wages rise by percentages ranging between 10% and 20%. Consecutive significant high increases obviously put considerable pressure on labour-intensive sectors, including tropical agriculture. Even though the impact of these wage increases at this time in terms of USD is diminished as a result of the currency devaluation, the risk remains that when confidence is restored in the country's politics, parity with the USD will be feasible again and will lead to an irreversible increase in wage costs, which account for more than a third of our production cost price. Moreover, major differences remain between the minimum wages in the various provinces, which is not favourable for the general economic developments. A national approach to the minimum wage policy could definitely provide a solution for the future here.

The Indonesian government has also maintained the regulations pertaining to the export levy on palm oil. In November, 2011, a progressive tariff system was introduced, taking effect in line with a corresponding global market price of USD 750 per tonne of crude palm oil. This means that agricultural businesses pay more tax than the producers of more finished products. This diversified approach has resulted in substantial investment in refining capacity and biodiesel plants, and in more finished products being exported than was the case previously. Being a producer of crude palm oil, *SIPEF* consequently remains subject to the highest tax rates.

Activity report by country

Following the significant reduction in palm oil prices on the global market the export levy was reduced to zero in October, 2014. However, from mid-July, 2015, a new additional export levy was introduced amounting to a fixed USD 50 per tonne, irrespective of the global market prices for palm oil. This levy is meant to contribute to the subsidy for the production of biofuels, enabling the government to impose up to 15% blending upon the distribution sector. Due to these mandates a significant share of the Indonesian palm oil production could be absorbed by the fuel sector, and in turn shore up the world market prices for palm oil. The impact of these additional levies on the *SIPEF* results after tax amounted to KUSD 2 622 in the second semester and is predicted to be approximately double that in the next financial year.

We have noted, however, possibly because of the current exceptionally low oil prices, that the distribution sector is only taking up small volumes, and that the anticipated impact on palm oil prices is very limited. Nevertheless, a levy of this scale amounting to USD 50 per tonne has a significant impact on producers, particularly for smaller, less efficient farmers, who are seeing their already considerably reduced income go down further in favour of the profitability of major biodiesel producers.

In the plantation sector the exact maximum undertaking a non-listed private company can maintain in Indonesia is still not clear. Whereas previously, two regulations limited the planted surface area to 20 000 hectares per province and 100 000 hectares across the entire country, a new regulation was implemented in 2013, which merely stipulates 100 000 hectares as the overall size for a business. The new government and parliament still need to introduce further measures in this respect. With 52 789 hectares under its management *SIPEF* is not yet at risk of exceeding this limit.

North Sumatra

The weather pattern in North Sumatra was generally drier than in 2014, the precipitation spread more evenly over the year, without months of exceptional drought. This was in contrast to 2014, when we saw a pronounced drought season lasting four months. Only in the young plantations of *PT UMW/PT TUM* was the total precipitation higher than the long-term average and higher than last year, but anticipating well and building additional drainage made it possible to avoid flooding and the evacuation of oil and palm kernels remained ensured too.

Together, the Perlabian and Tolan plantations form part of *PT Tolan Tiga Indonesia*. They have been planted with oil palms for decades, representing 8 196 hectares, of which 7 284 are mature and 912 in replanting. The expected and budgeted production decline resulting from the drought of 2014 was recorded in the first quarter of the year, but the rest of the year was characterised by better harvests, so that by yearend we were able to note a volume increase of 7.80% compared to 2014. Thanks to the higher maturity of the new plantations, the annual yield was 26.27 tonnes per hectare, a rise of 1.64 tonnes per hectare compared to the past year.

The uniform spread of the precipitation meant that the plantations were also largely saved from insect plagues and disease symptoms. In particular, the rapid growth of humus-rich ground cover and retaining the ecological balance with the surrounding land, made combating the Oryctes beetle, which lays eggs in the heart of the palm and whose larvae feed on the soft crown, a good deal easier. The same applies, moreover, to controlling spear rot, a disease in young palms caused by the Fusarium Fungus. Thanks to targeted treatment, there is no longer any impediment in growth towards maturity. Furthermore, for the most recent oil palm varieties, this period is becoming increasingly shorter and we are now able to harvest the first fruit 24 months after planting.

The Bukit Maradja and Kerasaan plantations (5 416 hectares planted, with 4 159 hectares mature and 1 257 hectares still in replanting) have problems with leaf-eating insects under control, with the exception of about 1 000 hectares, which are continually being attacked by the "Nettle Caterpillar", demanding intensive, efficient treatment.

Above all in the somewhat older plantations, where we already have palms of the third generation, we have to cope with the stubborn *Ganoderma* fungus, which mainly attacks the root system of the palms and is noticeably reducing the average palm stand per hectare. Close collaboration between the different plantation groups and guidance from the agronomists of *Verdant Bioscience Singapore* (VBS), all of whom were being confronted with the phenomenon, enabled different methods to be tested in order to inhibit or exclude the effect of the fungus. Besides the measures that we have taken, when preparing plots to be replanted, there are now also *Ganoderma* tolerant seeds on the market, which are intended to dilute the effect and which we planted on the most affected zones.

We are also doing tests with soil-improving products designed to improve the immune system of the palm and thus increase the yield per palm. In existing plantations, where we discover the fungus, the foot of the palm is also protected with soil. Nonetheless, we have already started accelerated replanting of a number of existing areas, for which at the time we had not taken any protective measures. However, the impact of this premature replanting is negligible on the total production of the *SIPEF* group, because the areas are being replaced by a new generation of seeds, which in turn produce an increased yield as soon as they are mature.

Replanting of 678 hectares in the existing plantations in North Sumatra went off fully according to plan. 318 hectares were replanted in Perlabian, which is almost identical to the year before. In the Tolan plantation, no replanting is planned in the next few years; all palms are now at optimum age. 141 hectares were replanted in Bukit Maradja and 219 hectares in Kerasaan. These replantings fit in with the accelerated approach to the plots affected by *Ganoderma* and much attention is being paid to treating the soil before placing the young palms. We are also using it for transforming older zones into rectilinear planted blocks, which facilitate maintenance and fertilisation.

The fertilisation programmes in the established plantations of North Sumatra were finished in full before the year's end. To a significant degree, successfully fertilising the planted areas depends on the availability of workers, timely delivery of the right quantities to the local warehouses and the accessibility of the palms. Mechanical distribution was introduced where possible. Where it is still necessary to fertilise manually, all fertilisers are now packed in an appropriate quantity per palm, so that uniform fertilisation is guaranteed, and this then reflects in uniform growth and colour of the palm leaves. Organic fertilisers are also applied according to a plan, with the distribution of empty palm bunches via tractors and irrigating surrounding zones with the humus-rich wastewater from the settling ponds of the mills. Furthermore, any deficiencies in metals are expertly monitored and replenished.

From the second half of 2015, we changed over to new recommendations from *Verdant Bioscience Singapore* (VBS). The VBS recommendations are roughly 20% lower in volume than those of the previous consultant, but with a different balance between the elements and more emphasis on optimising the response to yield. The collaboration with VBS is going very well and several agronomic test programmes have already been started to increase yields per hectare.

Prices for fertilisers are determined significantly by demand. The generally lower price of agricultural commodities has clearly led to less consumption by the agricultural sector. This has reflected in persistently lower world prices for the three principal components of chemical fertilisers: nitrates, phosphates and potassium. We have been seeing slightly rising unit prices in Indonesia compared to the previous year, but, due to the devaluation of the currency and the noticeably lower quantities being used, fertilisation costs expressed in USD fell by 28% compared to the expected cost.

The most recent expansions in North Sumatra are located in the projects *PT Umbul Mas Wisesa (PT UMW)* and *PT Toton Usaha Mandiri (PT TUM)*, which together comprise 8 216 planted hectares, all of which are now mature. We are therefore able to say that 2015 was the year when these projects reached their economic value, combined with obtaining permanent licences for the whole surface area and attaining RSPO certification. Once again, yields per hectare rose in the past year and are now fluctuating between 17.38 and 14.81 tonnes per hectare, depending on the maturity and presence of non-productive palms. The rise of over 40% compared to 2014 stems from successfully treating non-productive palms, increasing the nutritional value, but also because the palms are now entering their highest yielding age cycle.

Due to their location in the northern, very low-lying part of Sumatra, the plantations there are also very susceptible to attacks by leaf-eating insects. The repeated presence of the "Nettle Caterpillar", in particular, required a great deal of attention and preventive measures were taken to avoid further expansion.

The fertilisation programmes were completed on time and before the year's end. According to the advice of VBS, soil improvers were applied and the enrichment with micro-minerals was carefully monitored, increasing the number of applications, but in smaller quantities. To a limited extent, ash from fibres was also used to maintain the acidity of the soil over the longer term.

Controlling the water level remains very important in this low-lying project. In past years, significant efforts were made to develop a network of canals and water locks, with the intention of allowing the water to evacuate quickly when flooding in the rainy season and to prevent the water level becoming too low in the dry season, causing palm growth to slow down.

The internal road network is now almost complete and the lorries collecting the fruits can now access all harvestable fields, due to the paving of the roads, throughout the year. Investing in two new housing complexes means that there are now also enough workers present on the plantations to perform the maintenance and fertilisation, and regularly harvest the fruit. In 2015, therefore, we further expanded the school buildings and the polyclinic, and provided additional shopping facilities, because none of these facilities had been present in the neighbourhood of the plantations.

During the rainy season, the main access road to the plantation is still difficult to drive on and flooding usually causes temporary interruptions in the evacuation of oil from the mill. Alternative roads are available, but mean a considerable delay in transport, and we are hoping that the government will make an effort to help stop the flooding. We have also decided to build a new 21-kilometre road around part of our plantation, so that the neighbouring farmers will be able to reach their lands without passing through our plantation. This means we will be able to protect our property against theft and keep better watch on the people who are present in our plantations.

The new UMW mill has been fully operational since 2014 and can process all the fruit from our plantation. With a theoretical processing capacity of 45 tonnes of fruit per hour, this mill is fully adapted to the latest standards and the average extraction percentages were 23.39%, a rise of more than 1% compared to last year. The mill has been equipped with vertical sterilisers for the fruit and a wastewater processing unit to ensure the capture of methane gases, which supply the steam generators with energy. The recycled wastewater can be reused in the production and the mill also guarantees the drinking water and electricity supply for the homes of the workers staying permanently on the plantations.

From February, 2015, all the final operating licences (Hak Guna Usaha/HGU), issued by two regencies, were obtained for *PT TUM* and *PT UMW*, so that the fully planted zone can now be regarded as finally licensed for a period of 35 years. Also linked to the licences is the obligation for the new mill to provide processing possibilities for fruit harvested by neighbouring farmers. Since the beginning of 2015, all the contracts have been signed with the surrounding cooperatives that organise these fruit streams to the mill.

The plantations of *PT UMW* and *PT TUM* and the processing mill were also finally certified according to RSPO standards from March, 2015, which now means that all processing mills of the group are certified. Getting the smallholders certified is now in progress so that we can guarantee complete traceability of our oils under the RSPO standard. This process is likely to take more than a year, because the identification of these individual farmers is a slow affair.

The unit production cost continues to fall due to the rising yields per hectare and higher efficiency with more mature areas. Nevertheless, this plantation still runs at a loss, which for the time being is still far above that of the other mature plantations in North Sumatra. This is because the efficiency of the mill is not yet optimum and palm development in these low-lying zones requires additional costs for improving the soil, developing and maintaining the road network, treating insects and termites, water management and constructing buildings on unstable ground.

The two existing extraction mills for palm oil in Perlabian and Bukit Maradja processed more fruit than in 2014. The older Perlabian mill had an average throughput of 50.54 tonnes per hour, while the theoretical capacity is 55 tonnes per hour. The oil extraction level improved from 21.81% to 22.78%, yet remained low compared to the other mills of the group. This is partly attributable to the processing of relatively young fruit due to the replanting of Perlabian's own areas, but the optimisation of energy is still needed, and will happen with the rehabilitation of the ageing steam generators and electricity production by the turbines.

The smaller Bukit Maradja mill, which receives the fruit from the Bukit Maradja and Kerasaan plantations, processed 1.8% less fruit than in 2014. The average throughput of the mill was 30.15 tonnes per hour compared to a theoretical capacity of 30 tonnes per hour. The average oil extraction level was 23.63%, once again a rise compared to the 23.20% of 2014 and the best of the group. The Bukit Maradja mill is still very efficient and has been producing very good quality oil throughout the year.

For several years, both mills have been equipped with a capture system for methane gases, based on a membrane placed on the settling ponds. This innovation gives the mills the right to recognition by the 'United Nations Framework Convention on Climate Change' (UNFCCC) and makes them eligible for certification according to the 'International Sustainability and

Carbon Certification standard' (ISCC) for green energy supply in Europe. Since the mills have ISO, RSPO and ISCC certification, we can supply our customers with sustainably traceable oil, which can be used for various purposes, for instance for food, producing biodiesel or converting into electricity, while always complying with the strict requirements for renewable energy imposed by the European Community.

In the second half of 2015, construction was started in Perlabian of a new methane capture installation according to the tank system, already operational in three other mills. This is a closed system and supplies wastewater in full compliance with the discharge standards, without any further treatment in settling ponds, so that wastewater also does not infiltrate the subsoil. These tank systems also make it possible to reuse the methane gases very efficiently as an additional energy source in the steam boilers or via a biogas motor for the production of electricity.

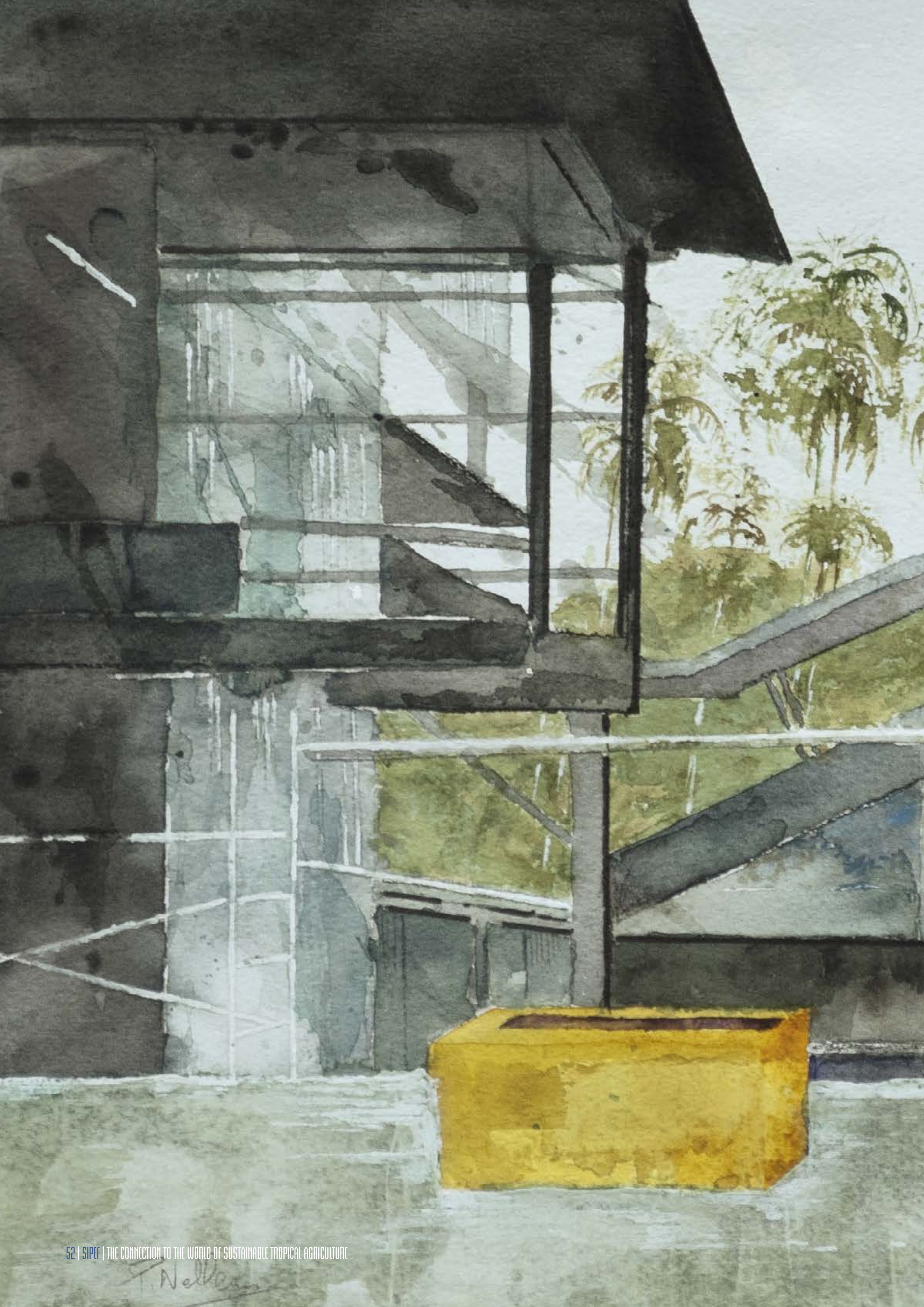
During the financial year, a start was made for the Bukit Maradja mill by adding a composting plant, to allow the wastewater and the empty bunches to be transformed quickly into compost, which can then be spread in the field. Certainly, in the older plantations of Bukit Maradja and Kerasaan, this compost will contribute towards improving soil quality and countering the *Ganoderma* fungus mentioned earlier. Composting wastewater does not in any respect inhibit the recuperation of methane gases, so that we are also able to retain yet another additional energy source in this way.

Premiums for sustainable palm oil are paid mainly on supplies to Europe, so that the share of the sales on the export market from these two mills is almost complete. Given that the neighbouring farmers of the UMW/TUM mill are not yet certified for RSPO standards, the oil produced by this mill is not yet fully RSPO traceable. Naturally, for that reason, the same premiums are not obtained on the export market and the majority of these oils is sold locally. All our certified palm kernels were sold with premiums to customers in Indonesia, that process them further into sustainable palm kernel oil. Because of the congestion of the port of Belawaan, almost all the export of oil was done via rented tanks out of Dumai, a more recent deep-sea port, which has no saturation symptoms yet and is situated closer to Perlabian and *PT UMW*.

Buying some land in the new port complex of Kuala Tanjung has allowed us to keep our option to export through this potential new deep-sea port in the future. In the meantime, the port authorities have started building the jetties and, should it prove economically interesting, we could build our own tank farm here instead of renting space. Kuala Tanjung is not far from Bukit Maradja and is situated more centrally for our North Sumatra plantations.

The average unit production cost, expressed in USD, for our palm oil production in North Sumatra fell by almost 4% in 2015. The upward pressure of the increasing minimum wage, which amounted to 13.1% once again in the region, was more than compensated by the general decline in petroleum prices, the optimisation of the use of artificial fertilisers and the rising production volumes, but, above all too, the weakening of the local currency against the USD.

The overall profitability of the rubber activities in the group suffered greatly under the pressure of falling world market prices. However, rubber production in North Sumatra was fully in line with expectations, and was even 9.2% higher than last year. This happened especially at the Timbang Deli plantation, where 827 hectares of rubber are planted, of which 767 hectares are in production. Thanks to the good weather conditions with relatively few lost tapping days and the extra tapping of those trees that are to be replaced at a later stage, production there was above expectations. Yields rose from an average 1 753 to 2 121 kilograms per hectare per year. The replanting in this location is dependent on the change of use, which we want to give this plantation as part of the joint research programme, and we are seeing an initial conversion to 14 hectares of oil palms. The Bandar Pinang plantation, with 1 133 hectares planted and 973 hectares in production, is not yet fully restored from the deferred effect of the wind damage in August, 2013, which took about 4 700 trees permanently out of production and caused additional pruning in more than 20 000 mature trees. However, the annual yield per hectare rose again from 1 559 to 1 642 kilograms. The replanting follows the age patterns and 40 hectares were replanted during the financial year.



Following complete rehabilitation in 2012 of the rubber factory of *PT Bandar Sumatra*, which also processes the latex from Timbang Deli, we noted a significant quality improvement in the production of RSS3 rubber ('Ribbed Smoked Sheets'). That was also reflected in the considerable optimisation of processing costs (-15.5%), because once again we were capable of using our own wood reserves in the smoking chambers for the drying, and, by rotating managers in the rubber factories, we also saw optimisation in the number of workers and the wage scales applied.

South Sumatra

The rubber activities of the Melania plantation, in South Sumatra near Palembang continue to be very satisfactory. In *SIPEF*'s biggest rubber plantation in terms of size in Indonesia, with 2 583 planted hectares, of which 1 830 hectares can be tapped and thus another 29.2% is still immature, the production was 1.15% lower than in the past year.

Replanting 236 hectares in 2015 caused a fall in production. Owing to the drought effect of an El Niño that lasted five months during the second half of the year, we saw an additional impact on the short-term production. We had precipitation of only 1 773 mm, which is 28% lower than the long-term average of 2 477 mm per year. Nonetheless, thanks to an exceptionally good start to the year, the annual yield still rose from 1 492 to 1 675 kilograms per hectare.

The unit production cost, expressed in USD, fell slightly, due to the greater volumes produced and the favourable effect of the devaluation of the local currency, despite an increase in labour costs of 13.1% compared to the previous year.

Improving the efficiency of collecting the latex, with new collection points and transport by tanker trucks instead of tractors, has simplified supervising the tapping operations. Following an intensive anti-theft campaign in 2012 and 2013, which led to a substantial rise in the production of coagulated rubber, relations with a neighbouring community became highly complicated. But since then, they have improved so much that we actually received approval from the community to build a wall in order to protect our assets better, while the walls of our plantations were also reinforced.

The reconversion programme of the remaining oil palm areas into rubber plantations is now completed and the Melania plantation has become a monoculture rubber plantation. Where the lower-lying zones, previously planted with oil palms, have been transformed into terraces with rubber trees while a few smaller wet zones have been retained as protected nature reserve.

The agronomists continue to pay close attention to the development of 'White Root Disease'. This disease affects the tree stock and spreads by root contact in areas where remediation was inadequate when replanting, which is often the case in the more difficult hilly zones. The disease requires individual treatment per tree, with a success ratio of over 80%. In 2015, relatively few new cases were identified, possibly a consequence of the longer drought period. An additional 'challenge' is the presence of 'bark necrosis', a phenomenon that can seriously reduce the productivity of the tree.

The production of RSS3 rubber in the factory went without quality problems. The rubber is shipped in containers to South East Asia, North America and Europe. With the recent rotation of managers in the rubber factories, particular attention was paid to the production processes. Optimising the tasks enabled an additional reduction in the number of employees in the factory, so that the production cost could be reduced further.

In the Melania plantation, we would also mention the establishment of the first successfully run grocery store, controlled externally, yet in close collaboration with the own cooperative, set up by the labour movement. This makes the range of items offered on-site greater and prices more competitive than before. Our intention is to continue to expand this initiative to other plantations of the group.

Bengkulu

The intensive replanting programme of *PT Agro Muko*, situated in the province of Bengkulu, meant that the mature hectares declined, so that still 15 622 hectares remained harvestable on a total planted area of 17 819 hectares. Although the palm oil production stayed almost identical to last year, the annual yield fell from 22.56 tonnes to 21.80 tonnes per hectare, because of the additional maturity of the young plantations from 2012 and 2013.

The average annual precipitation was 3 106 mm over 149 days, about 15% lower than that of last year, when 3 666 mm was recorded over 177 days, and also 13.3% lower than the long-term average of 3 582 mm. The underlying precipitation differences among the plantations of this group remained substantial, varying from 2 658 mm to 4 778 mm, but are still very high compared to the other locations. Actually, in this region, more than in North Sumatra, we felt the impact of El Niño, with three summer months recording less than 150 mm. On the other hand, there was abundant precipitation in the final two months of the year, with 32% of the annual total falling. This had its negative effect on the evacuation of the fruit, because of damage to bridges and roads that could not be repaired immediately.

The relatively good production results may be attributed to the greater workforce availability, which remains in service longer because of the improved housing and utilities, to the more efficient fertilisation programmes, and to the ongoing expansion of the paved road network, which makes transporting fruit possible the whole year round.

PT Agro Muko is now fully involved in the second production cycle, and the palm stock will gradually be replaced in the coming years by new high-yielding varieties planted on more easily accessible areas. Partly due to the early start, in 2015 a further 725 hectares were replanted on three plantations, following the 765 hectares of the previous year.

In addition, the soil structure of the plantations of *PT Agro Muko* does not make it easy to fetch the fruit from the field in the rainy season, and over the past few years, considerable efforts have been made to improve the accessibility of the mature fields. Meanwhile, over two-thirds of the internal road network of the plantations has been paved with rubble. We will also be giving priority to this programme in the coming years, certainly now that we are replanting large parts and so have the possibility of optimising the road network.

In the past years, considerable efforts have also been made in *PT Agro Muko* to develop the workforce's commitment to the company. Traditionally, there used to be a shortage of employees as well as a high turnover, but it has been possible to counter this situation by making available better, newer and more comfortable homes, integrating women into the workforce for lighter work and offering permanent contracts, which give the right to pension accumulation, healthcare and access to the company's facilities.

The fertilisation programmes were completed successfully within the specified standards, although the highly variable weather conditions did hamper correct application in the second half year. Since the land is predominantly hilly, it is almost impossible to use mechanical spreading and the right quantity per palm is prepacked in composite form for distribution in the field. In order to promote the growth of the palms by soil improvement and increasing the absorption of fertilisers, organic fertilisers were spread over a little more than 1 000 hectares. This was done in the form of empty fruit bunches (EFB). Boron deficiencies, were also identified in certain parts of *PT Agro Muko* and required additional fertilisation, with the result that the visible defects have now been remedied. The new recommendations of *Verdant Bioscience Singapore* (VBS) are concentrated on the young plantations of 2012 and 2013, where the deficiencies were identified, and they will gradually be extended to the more mature plots.

No exceptional disease patterns were reported in these plantations, and the concentrations of insects remained confined to sporadic attacks in the young plantations by the Oryctes beetle. This insect infiltrates the crowns of the young palms, but the appropriate remedy for this was employed. Because of the many replantings, we expect this beetle to temporarily appear more than previously.

In the neighbouring villages surrounding the own plots, small plantations have been established as social projects to benefit the communities. The company takes charge of the planting and the management, and the harvested fruit is processed in our mills. Since the residents greatly appreciate such projects, we will continue to expand their number in the future. By the end of 2015, 671 hectares had already been planted, of which 501 hectares are mature. If enough land is offered, we are also planning a further extension in 2016 with 21 projects comprising 209 hectares.

In spite of the fickle weather pattern and due to the introduction of younger fruit, since we are in the middle of replanting, the two palm oil mills of Mukomuko and Bunga Tanjung are capable of improving their quality. The average extraction ratio of the two mills was 22.73%, compared to 22.47% the previous financial year. The adjustments to the management team in the mills are already proving effective.

The Mukomuko palm oil mill has a theoretical processing capacity of 60 tonnes of fruit per hour and achieved a very good throughput of 59.42 tonnes of fruit per hour compared to 55.97 tonnes last year. Since most of the fruit of the surrounding farmers is processed here and the replanted zones mainly supply this mill, the individual extraction ratio was limited to 22.51%, compared to 22.20% last year. The Bunga Tanjung palm oil mill worked more efficiently in the extraction with an average percentage of 23.07%, compared to 22.89% last year. It also has a theoretical processing capacity of 60 tonnes of fruit per hour, but for the time being is not working at full capacity, with an average processing of 30.32 tonnes per hour. This reflects in the operational costs of the mill, because we are less able to use energy and labour efficiently here. After all, the mill was built with the obligation to process fruit from the smallholders, but, due to the development of oil palms in the neighbourhood, mills were also built which do not have their own plantations and thus are willing to pay competitive prices for the collected fruit. We choose to concentrate on our own production, supplemented with new expansions of our own, all of which are sustainably certified.

We decided some years ago to supplement the capacity of the mill with the development of areas of our own in the region. *PT Mukomuko Agro Sejahtera* (*PT MMAS*) was established in 2011 to compensate land in two locations for the development of our own plantations and on behalf of the neighbouring farmers (plasma). Plots were acquired near the more northern plantations of *PT Agro Muko* and are now planted as Malin Deman Estate, while, more to the south, land was also compensated and planted as Air Manjunto Estate. As at the end of 2015, together they represent a planted zone of 1 493 hectares. In 2015, we also continued to make efforts to implement additional compensations, but the chances of further growth are rather limited. In addition to these planted hec-tares of our own, the project also comprises a total of 344 hectares, which were prepared for the surrounding communities (plasma) and form part of the imposed agricultural development for obtaining new licences in Indonesia.

In order to increase the efficiency of *PT Agro Muko* and *PT MMAS*, it was decided in 2014 to have the management of the two young estates supervised by the managers of *PT Agro Muko*, who already had much experience, and to take on the planted hectares as a new division. Likewise, the conditions had already been established for the purchase of the harvested fruit from the two plantations, and the first deliveries of 2 737 tonnes of fruit received in the Bunga Tanjung mill.

Following the certification of *PT MMAS* for RSPO purposes, the process was also started for obtaining a permanent 'Hak Guna Usaha/HGU' for this project of 2 432 hectares.

All our own plantations, but also all community developments in oil palms, together with our mills and our tank terminal in Padang, have been certified according to RSPO and ISO standards. These standards enable the palm oil produced to be sold as 'sustainable' in the European market. Since there was relatively little interest in sustainable palm oil for food with shipment out of Padang, we decided to make the Mukomuko palm oil extraction mill eligible for ISCC certification by means of constructing an installation for capturing methane. Buyers are now able to choose whether they prefer to charge the food sector a premium for sustainability, or to approach buyers of green energy and biodiesel.

Here too, methane is captured with a tank system from 'Knowledge Integration Services' (KIS), with which we already have joint venture agreements for our plantations in North Sumatra and in Papua New Guinea. The digester tank allows us to capture the methane biogases from the wastewater and to centralise them for reuse as additional fuel for the boilers that produce steam, thereby leaving more organic material available for fertilisation in the field. We are looking at the possibilities of a more advanced use of the methane gas for producing electricity to supply to the public grid, which is struggling with major shortages in the region. The boiler for combusting dried fibre from empty fruit bunches, was optimised and again contributes towards increased electricity production in the mill and for the surrounding workers' homes.

In line with North Sumatra, the average unit production cost for palm oil, expressed in USD, improved slightly in *PT Agro Muko* in 2015 too. The upward pressure of the rise in minimum wages, which was around 8% in the region, was significantly neutralised by persistently low prices for chemical fertilisers and for oil products, but particularly also by the local currency weakening against the USD.

Because of the situation, topography and lower yields per hectare, the production of palm oil in *PT Agro Muko* is still about a third more costly than production in the most efficient plantations of North Sumatra. Despite considerable improvements in yields per hectare over the past few years, the cost difference can still be explained by the hilly terrain, which restricts the possibilities of mechanisation, but also causes a higher development cost.

This cost is attributable to the laying of terraces, which facilitate harvesting, but naturally reduce the number of trees to be planted per hectare, and by the need for more paved roads per hectare to make all palms accessible.

The rubber activities in *PT Agro Muko* suffered from the extremely weak world market prices, in spite of the rising production volume. The plantations of Sei Jeringing, where all our rubber trees are now gathered, since the reconversion programme was ended last year, recorded an 8.8% higher production. This was primarily due to the increase in the number of mature hectares from 1 006 to 1 068. The fickle, El Niño-influenced weather pattern, with a prolonged period of leaf change from August to October, followed by a very wet fourth quarter, considerably reduced the number of tapping days.

The higher maturity, measured in the areas with plant years 2008 to 2010, was the principal reason for the increase in average yields per hectare from 1 515 to 1 547 kilograms per year.

Owing to the reconversion programme and the replanting of 58 hectares in 2015, 638 hectares are still immature and the capacity of the 'crumb rubber' factory is still underutilised. This was partially absorbed by the supply of more than 700 tonnes of lower grade raw material, which used to be sold to third parties, from the MAS Palembang plantation of the group. This optimisation and our own higher latex production caused the total production of the factory to rise by 5.57% compared to last year. These factors also influenced the unit production cost, which, despite the higher salary costs, fell by 1.8% compared to 2014. It proved difficult to sell the better SIR3CV60 latex quality with shipment out of Padang and we switched to producing a greater volume of the lower SIR10 tyre quality. However, the demand in the market has since recovered.

Cibuni, Java

In 2015, the black tea production of our Cibuni plantation, situated near Bandung on the island of Java, with 1 721 mature hectares of tea, was 2 726 tonnes, and was lower than that of 2014 (-3.22%). This was also reflected in the lower annual yield per hectare of 1 584 kilograms, compared to 1 636 kilograms last year. Here, we very clearly felt the impact of El Niño, with the annual precipitation being 21% lower than the long-term average, but where, particularly in the period from June to the end of October, considerably less precipitation was measured. In spite of receiving more hours of sunshine than normal, the leaf development of tea remains very sensitive to regular amounts of precipitation.

For our selling prices, we are still highly dependent on the Kenyan market for the price evolution of black tea, which was favourably influenced by the lower volumes produced there, the consequence of a heavy drought period at the beginning of the year. In order to continue guaranteeing quality, we are maintaining the practice of handpicked leaves, which are then processed according to the 'Cut-Tear-Curl' (CTC) process into black tea, which is mainly used in teabags. The higher prices also led to easy sales of the tea, so that, in contrast to last year, we did not experience any stock problems.

Most tea producers in Indonesia have already changed to mechanical picking, because of rising minimum wage costs (+13.2%), which we also experienced again this year in the wage scales that we apply to our pay structure. Consequently, the supply of workers in the district is still quite enough for providing our 1 721 mature hectares with regular picking. In the past year, we also fully optimised the sorting room in the factory. This has contributed to further refining the processing costs, expressed in USD per tonne, which rose slightly by 4.4%, due to the wage levels rising once again, and despite a fall in coal prices, the principal raw material for driving the main boilers for drying the tea leaves, and the local currency weakening against the USD. For years, we have been using electricity originating from our own hydropower plants, which were also modernised and expanded recently.

In our tea activities, we saw some significant changes in the management of this sector. Both at the plantation level and in the factory, some rejuvenation has been implemented, and this has shown results in optimising the procedures and profitability of the company.

Management

The administration of these companies in Indonesia is headed up by Mr Adam James, 'president director', assisted by a team of Indonesian, Malaysian and European directors, managers and employees. Here, we need to take into account all the influences of cultures and philosophies of life, specific to the Indonesian community. We organise different events, such as management gatherings, blood donation days, sports competitions and family days, in order to make the group closer.

Activity report by country

Over the past few years we have seen several important changes in the management of our Indonesian companies. After many years of loyal service, we said farewell to the director of 'engineering' and the director of 'finance and accounts', which resulted in a number of changes in position and promotion to the management boards from our own ranks. We likewise saw changes in the leadership of the activities in Bengkulu and in South Sumatra, which also gave rise to a series of rotations in management and employees, something, moreover, that we continue to encourage in the various product lines of the company.

For some years now, the effective management of the plantations has been restructured into three independent 'business units': North Sumatra, South Sumatra and Bengkulu. Each unit is led decentrally and reports to the 'director of estates', located in Medan. Each unit has a tight separation of function with a 'general manager' and three assistants, each with their own specific powers, which are identical for all units. In this way, we guarantee good delegation of tasks to the lower executive functions.

At head office level in Medan, for some years we have also been holding monthly meetings of the heads of all departments, to exchange information about all aspects of corporate policy and formulate strategic plans for the near future.

To evaluate and improve the individual performance and productivity of our executives, we link the training of young managers to an evaluation system with quality and quantity indicators and personal goals to achieve. We also encourage our managers and executives to develop their drive for innovation in the day-to-day management of the plantations and mills, supported by awarding annual prizes for the most innovative development or the cost-saving measures, which have contributed most to improving how our activities are performed.

To ensure the progression of young local graduates, we set up an intensive two-year training cycle, which is intended to train and test them as 'field assistants' via a theoretical and practical apprenticeship, in order to be able to manage a department of a plantation. Since last year, we have also expanded this group to include the mill engineers and young executives in general services. They all will be attending a course on communication, character building and motivation to stimulate their leadership capabilities in their work environment.

The programme that was started in 2011 has now been fully rolled out and three groups of graduates have already been placed in the company's line management. Expanding to engineers and general services has meant 45 young graduates starting their two-year training in 2015.

To gain the commitment to the company of the workers on our plantations and in the mills, all routine activities, such as harvesting, spreading fertilisers, spraying pesticides and stimulating the rubber trees, are performed exclusively by permanent workers bound to us contractually. They are entitled to social benefits and pension accumulation, are mostly established on the plantation with their families and, thus, also benefit from all the facilities, such as schooling for the children, medical care and utilities, which the company makes available free of charge. Married couples are often employed on our plantations and the programme is successful, as 96% of the employees performing routine activities are now on the permanent payroll. In addition, for occasional tasks, we continue to call on workers made available for the purpose by specialist companies, but, through our cooperatives, we attempt to limit these to people from the surrounding areas. This movement towards more permanent workers also reinforces relations with the trade unions, with which annual collective labour agreements are concluded for each plantation group. The company endeavours to accommodate the compensation and bonus systems as much as possible.

An important evolution in social security and healthcare for our permanent employees is the start of the national insurance programme BPJS, which makes the affiliation of all employees mandatory, and signifies a considerable advance in medical care for all employees in the country. Specifically, it means that the previous variable medical costs to the company have been fully replaced by fixed contributions to the national programme, for which in total 28 809 people (employees and their dependents) were registered in 2015. Furthermore, our polyclinics are recognised as medical centres for first aid in the framework of this national insurance programme. The medical staff of the 25 group's polyclinics consists of 8 visiting doctors and 46 paramedics, of which 25 are midwives and 21 are nursing personnel. The company continues to organise training activities for the medical support of our employees, and last year, our workers received 1 281 medical check-ups.

Efforts continued to improve safety in our plantations and to guarantee the protection of our production, with a focus on the safety aspects in the new Musi Rawas expansion zone. A specialist firm was contracted for this and we have now expanded this successful support programme further in some of the existing plantations in North Sumatra. The intention is to extend this movement into all plantations of the group. In order to minimise the use of cash money in the plantations, banks have installed cash dispensers in all the plantations of North Sumatra, and we also expect to be able to achieve this in *PT Agro Muko*. Together with limiting casual labour, often paid in cash, this means a noticeable reduction in the risks of theft and violence.

The internal audit department continues the rotation of the auditors among the units of North Sumatra, South Sumatra and Bengkulu, so that they are able to devote themselves to the typical areas of risk in the management of decentralised companies.

In addition to the usual audit programmes, a physical audit of all fixed assets was also performed at the end of 2014, while a complete stocktake was again conducted at the end of 2015. The manager reports directly to the 'president director', but the annual programme is decided by the audit committee, which meets three to four times a year, evaluates the results of the regulated audits, and formulates recommendations to the departments concerned. Furthermore, they deal with possible fraud files. The results of these meetings are also reported to the head office in Belgium and discussed at the meetings of the *SIPEF* audit committee.

As from 2014, the new software package, Lintramax programme, was started being used online. An ERP ('Enterprise Resource Planning') programme created in Malaysia which has also found its application in the Indonesian plantation world. This software comprises the integrated management of all basic agronomic, financial and technical information, and was also combined with a change of reporting currency from the Indonesian rupiah to the US dollar. Data is entered once only and decentrally in the operational units of the group. Likewise, all purchasing and sales activities are concentrated in the head office in Medan, representing a considerable saving of time and financial input for the group. The scaling-up has full effect here.

The implementation phase ended in June 2015, and some additional support modules continue to be developed, as well as the ongoing training of users and optimisation of the communication networks, further integrating the use of the same software in Papua New Guinea and incorporating the databases in an integrated application for the group.

The pending disputes with the Indonesian tax authorities, in connection with the repayment of deductible VAT on plantation activities over the years 2011 to 2013, remain current and there have already been several court judgements on individual disputes, primarily in our favour. We will persist in retaining the remaining provision until more legal clarity exists about the complete ability to repay for this period. From the 2014 financial year, the legislator has reconfirmed that plantation activities fall under the repayment regime and that this scheme is also being applied consistently.

Expansion

As from 2011, we are expanding our activities in the region of Musi Rawas in the province of South Sumatra. Three concessions, totalling 31 809 hectares, were acquired near the town of Lubuk Linggau, for the development of oil palm and/or rubber plantations. Three separate companies were incorporated for this expansion, which forms 95% of the *SIPEF* group. The concessions were awarded for an initial period of four years, subject to the development of at least 20% of the land for communities and surrounding farmers (plasma).

In the meantime, on extending the initial period, we reduced the concessions voluntarily to 24 611 hectares, because we assume that the other land is not suitable for our development.

In July 2011, *PT Agro Kati Lama (PT AKL)* acquired the first licence for a total of 10 500 hectares, now reduced to 6 590 hectares. After following all local and RSPO procedures for 'New Planting Procedures' (NPP), a start was made on compensating land to users who were willing to leave. The land of *PT AKL* is situated closest to the town of Lubuk Linggau, where our office is located for the time being. 2 896 hectares had already been compensated by the end of December and 317 hectares are also in preparation for the plasma holders.

Since starting to plant the first 164 hectares in 2013, 1 900 hectares have been planted, 1 818 hectares on our own land and 82 hectares in the plasma zone. In 2015 in particular, with 1 082 hectares of additional planting, we were able to make the connection with the previously compensated areas. Building the first housing complex for workers and staff employees, as well as some communal buildings, represented a milestone in the development of this project. We expect to harvest the first fruit in mid-2016, and agreements have already been made with a neighbouring palm extraction mill to buy our fruit.

PT Agro Rawas Ulu (PT ARU) acquired its concession of 9 500 hectares in December 2011 and, following this extension, the zone was voluntarily reduced to 5 712 hectares. 2 193 hectares had already been compensated by the end of December, and 135 hectares are also in preparation for the plasma holders.

Since an initial planting of 59 hectares in 2013, 570 hectares have since been planted, 549 on our own land and 21 in the plasma zone. In 2015, 309 hectares of these were planted and 120 hectares were also prepared but not planted, because of the El Niño drought period. *PT ARU* is clearly in the most difficult situation of the three companies, because many villages are situated in the concession, which hampers the transport and preparation of the plants.

The last concession of *PT Agro Muara Rupit* was acquired in two parts in March and September 2012 and entails a total of 12 309 hectares, with an initial extension being anticipated in 2016. 2 707 hectares had been compensated by the end of 2015 and 407 hectares are also in preparation for the plasma holders.

Following an initial planting of 17 hectares in 2014, another 139 hectares were planted in 2015, so that the total is now 156 hectares. Due to the weather conditions, although 644 additional hectares had actually been prepared, they were not planted by the year's end. In view of the timescale in which we have worked here, *PT AMR* is clearly the project with the greatest potential.

The land compensation proceeded quickly, because there is little development in the concession and because there are fewer villages nearby.

Therefore, summarising the three projects as at the end of 2015, we have compensated a total of 7 796 hectares, of which 2 523 hectares are planted on our own land and 103 hectares are for plasma holders. At the same time, 644 hectares were prepared during the drought period for planting at the beginning of 2016, as soon as the weather permits.

This location definitely remains an area of Sumatra where it is not easy to develop an industrial and labour-intensive activity. The local inhabitants have little respect for the law and the government, and, certainly in periods of lower rubber prices, they are accustomed to defending their rights by all means possible, something that we have experienced more than once. The second half of the year, especially, was difficult because of preparations for local elections. By way of protecting our team of valued managers and executives, we therefore developed an ample, dependable safety team to support our people in the field. The number of machines used for land development was expanded from 26 to 45 units, in order to make the travel distance between compensated hectares and planted hectares as small as possible.

Today it is impossible to give a reliable estimate of the ultimate size of this project, but our teams on the spot remain enthusiastic about the future of these agronomically valuable projects, which are the spearhead of *SIPEF*'s expansion in Indonesia.

Since 2006, we have been in possession of a licence for developing oil palms in North Sumatra in the name of *PT Citra Sawit Mandiri (PT CSM)*, following the acquisition, we noted that the soils possibly did not comply with the standards for certification within the RSPO 'New Planting Procedures' (NPP), because they are too fragile and have not been developed within the permitted guidelines. The board of directors therefore decided to prepare this project for sale and also to report this to the certification bodies of the RSPO, so that no doubt should arise about our sustainable intentions within the group. With the RSPO administration, we will now examine how we could improve the sustainability in this project.

In anticipation of finding a possible buyer, the 1 431 planted hectares, of which 1 286 hectares are already mature, are being prepared for exploitation. Roads are being paved, we provide appropriate water management and organise maintenance and harvesting programmes. We are seeing steeply rising yields, which are now already 14.62 tonnes per hectare, compared to 6.52 tonnes per hectare last year, and the fruit is being sold outside the group to a neighbouring mill. Treatment against insects and diseases is also running more smoothly and normalising to the level of the other planted hectares in North Sumatra.

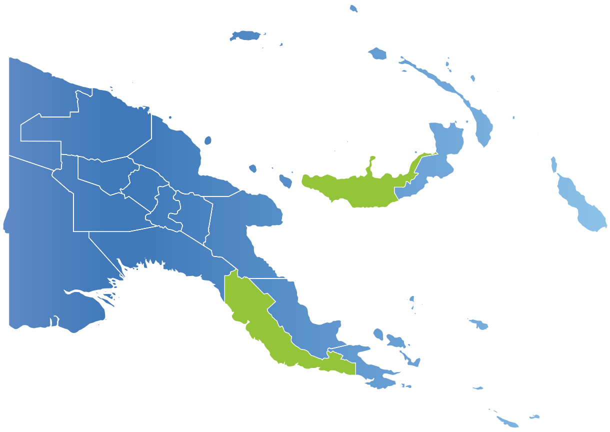
An important lawsuit is still pending in the Supreme Court in Jakarta concerning a dispute about 212 hectares that our neighbours planted on our concession. This lawsuit, of which we expected a judgement in 2015, will only be finally judged in the course of 2016.

In 2013, discussions were commenced with New Britain Palm Oil (NBPOL) and Biosing to establish *Verdant Bioscience Singapore* (VBS), a joint venture for developing high-yield oil palms and the ultimate commercialisation of these seeds in the Indonesian market. For years, NBPOL has had its own research centre (DAMI), and it already sells seeds to us for the plantations of *Hargy Oil Palms* in Papua New Guinea. Biosing is a joint venture of a number of scientists who have been working for a long time on developing these high-yield palms. In early 2014, *SIPEF* entered the plantation company *PT Timbang Deli* into the venture, and made an investment commitment of USD 5 million to erect buildings for the research centre on this plantation, in return for acquiring 38% of the shares of the new joint venture. Since then, the necessary licences have been obtained in Indonesia to transform *PT Timbang Deli* from a rubber plantation to a research centre and a business allowed to import, cultivate and sell seeds in Indonesia.

In 2015, construction was started on the most essential buildings of the research centre, such as the building where seeds can be germinated and treated for sale.

This will enable us to sell DAMI seeds on the Indonesian market. At the same time, a large number of palms from the DAMI nursery gardens have already been planted at *PT Timbang Deli*, and the scientists have been able to resume their research. The collaboration project also includes providing services and advice in the palm oil sector, such as leaf analysis, fertiliser recommendations, disease control and combating the *Ganoderma* fungus, which can undermine the yields of older plantations. This collaboration of *SIPEF* with VBS is proceeding very smoothly and we have already been able to see the first improvements and cost savings.

Papua New Guinea



Papua New Guinea, which celebrated 40 years of independence in September 2015, is still facing economic and political difficulties, despite the huge reserves of natural resources at its disposal (mainly mineral deposits, including copper, gold, oil and gas), which would in normal conditions give the country sufficient export earnings. However, mining exploitation is very difficult because of the rocky soils, land ownership issues and the high cost of infrastructure, which has to be imported. On top of that it is feeling the impact of falling world prices of commodities, among which the 'Brent Crude', which has drastically dropped since mid-2014 and stayed at a very low level for all of 2015. Since then, the national Gross Domestic Product (GDP) projections have been unfavourably affected.

Besides the export activities, the local economy is mostly informal. The medium age of the population is 22.6 years, with a high level of unemployment and massive urban migration. The inflation rate at consumer level is 6.1%.

Prime Minister Peter O'Neill, in office since 2011, was heavily criticised this year. The criticism culminated in October with a peaceful protest planned by activists who had compiled a list of 34 reasons why the Prime Minister should resign. Their most important argument was related to his treatment of corruption investigators who had served him with an arrest warrant. In his defence, the Prime Minister stated that his government is stable and will 'continue to provide stability', and he managed to stay in place using the Parliament's support, despite public discredit.

Hargy Oil Palms Ltd

Hargy Oil Palms Ltd (*HOPL*) is located at Bialla, on the western part of the island of 'New Britain', where our first mill was commissioned exactly 35 years ago.

Agriculture is the economic backbone of 'West New Britain' (WNB) Province, where an estimated 120 000 people depend on the palm oil industry, representing approximately 50% of the population. Our own activity, participating in rural development by the construction and maintenance of road and bridge infrastructure, employs 4 300 to 4 700 people, with a target of 4 500, represents income for so many families and is vital for the communities to access the marketplaces, health centres, schools, etc. And by buying and processing the fruits from the neighbouring farmers in our area around Bialla, we can say that more than 50 000 people depend directly on our activities in the region.

By the end of 2015, a total of 13 558 hectares was planted with oil palms, of which 3 230 hectares, or 23.8%, were immature. Furthermore, the company is responsible for processing the fruit of approximately 3 600 neighbouring farmers who manage and harvest 3 782 blocks (each block being from two to six hectares) of oil palms on a total planted area of 13 565 hectares.

A severe wet season with continuous heavy rain, road washouts and insufficient oil volume to load the ships also provided significant challenges to our local management during the first four months of 2015.

Total rainfall in 2015 at the Hargy plantations was 5 752 mm, the wettest year since 1994. On top of that, the allocation was very uneven, as we got 70% of the rainfall in the first quarter! There was a lot of climatological activity in the Coral Sea (situated between the northeast coast of Australia and Papua New Guinea) and that brought very heavy rain and strong northerly winds into Bialla. On this occasion, a number of landslides were observed as well as river crossings washed away, halting road traffic between Kimbe, capital of the province, and Bialla. To the point where the West New Britain Provincial Government declared a state of emergency, and the Governor appealed for help from the National Government. After *HOPL* put up the necessary funds for the repair of several bridges and maintenance of more than 500 kilometres of roads connecting local farmers with the mills, production quickly resumed.

Our company has directly invested more than USD 500 000 in urgent interventions, for which we hope to recover compensation through tax credit.

The direct consequence for our operations was that the smallholders harvest on the Kimbe side of the Ivule Bridge have not been collected for one and a half months.

Both local producers and our plantations were flooded on several occasions and road access was severely damaged across the province. Emergency repairs have been continuous; however, there has been no proper and sufficient maintenance funding supplied to the provincial works team for a very long time.

But this year the weather was actually characterized as an El Niño year, with about five months (June to October) of less than 100 mm of rain.

Rainfall from July to October was indeed much less than average but it is not expected that the low soil moisture will have a great impact on future crops, as good general rain was received again in November and December. Showers in August, September and October have minimized the impact of the drought, while they remained the driest months since 2002. The rise in temperature by 0.2°C on average observed in the region is also confirmation of El Niño influences.

Delays in harvesting and/or the loss of harvesting days in this period resulted in the delivery of over-ripened fruits to the mills. With those adverse conditions, we have been closely monitoring the 'Free Fatty Acids' (FFA) in the oil, particularly during the first quarter. For each palm oil shipment, we had to compensate low quality from the smallholders' crop with the outermost fresh crop from our own estates. A high acidity level really makes refining difficult for our buyers and forces us to grant some discounts on raw palm oil deliveries.

Despite the very difficult weather conditions in the first quarter, the annual production of own 'Fresh Fruit Bunches' (FFB) was 11.6% higher than in 2014. The crop from local farmers was 3.6% better than in 2014. All in all, we would never have expected to be at these levels, globally 7.9% better than last year, after the most difficult start of the year.

The yearly trend of 'FFB' spread almost corresponded to the one recorded in the last five years, and increased on average by 7%, except for the third quarter, which incurred a real drop in the month of August, which is quite usual but was more visible this year.

The monthly trend was very analogous between own production and smallholder production, representing respectively 56.5% and 43.5% of the total production. For the first time ever, we clearly saw the relative steady rise of our own estates against the smallholder's production. The new northern developments, now called Bakada Estate and Yanaswali Estate, will increase that percentage further in the coming years.

Globally, we had a good first half of the year, showing a 10.4% increase of volumes compared to 2014, where it was -0.3% last year, and we have not done better in the last three years.

The second half of 2015 was fine but not a top performance, with a 6.1% increase, roughly equivalent to last year when we had +6.4% on the year before. We did better four years ago without Bakada. This lack of dynamism in the increase is partly related to the drought period, slowing down the FFB maturation.

However, over the year we have also seen the smallholders' volumes picking up again to the levels we had known four to five years ago and our recent efforts seem to be giving results. We actually spent a lot of money on smallholder support, by amplifying the extension team, distributing tools, wheelbarrows, nets, fertilisers, and ensuring truck logistics for regular collection of fruit bunches. We will surely find further return from that in 2016. The less attractive purchase price to local producers for the start of the second half, along with the dry conditions, resulted in a drop in the smallholders' production. Fortunately, once purchase prices improved a little in November and December, combined with better rainfall, smallholders' production increased in the last two months of the year.

'Crude palm oil' (CPO) production was 9.7% better than in 2014. Palm kernel oil (PKO) production was 12.5% higher than in 2014.

In 2015, we continued to replace the cheap old trucks produced in China with much more reliable European Volvo trucks assembled in Australia, which has significantly improved collection and transport reliability. In the coming years the older Volvos will go to other jobs and new ones will come in for fruit transport. Two new trucks were due to be added by the end of December but import administrative issues have delayed the delivery until 2016. A few more trucks are ordered for 2016 to collect the increasing fruit in the expansion areas and to gradually replace the older ones still in use.

Global Positioning System' (GPS) tracking of 25 vehicles has been introduced to control misuse of company vehicles. Further development with GPS and automation of the weighing scales on fruit trucks remains a priority for automated data recording.

Fruit collection with small tractors in the field is also benefiting from an upgrade with continuous replacement of the old and under-performing Chinese tractors by the more reliable John Deere brand, with excellent technical support from the supplier in Australia. The new tractors received this year are giving good results.

Our fertiliser consultant, who made two visits in 2015 to review our fertiliser requirements, seems to be contributing well to keep the performance up and reduce volume spread where possible. His report shows that fertiliser management has improved considerably over the last two years only.

Fertiliser deliveries were late this year, but application was swift with limited demurrage costs on the containers.

Harvesting rounds are within normal limits globally.

The Hargy plantation, the oldest one in the area, was first planted in the 1970s, and is composed of three Divisions. Today it covers 2 628 hectares, of which 91.8% are mature. The average age of the current palm trees is 15.6 years. The oldest palms from the second generation started being replanted last year. Replanting of 'field 11' (200 hectares) was to be done in 2015 and, by the end of the year, only 179 hectares had been completed. As the field is located in steep areas, contour replanting has been used to minimise erosion and water run-off, and this has taken us more time. Harvesting will also be easier as fruit will not have to be pushed up the hills, thanks to harvesting paths designed on contours. The nursery, expecting this replanting, was completely filled to produce seedlings from the 'Super Family' seeds, originating from our supplier, Dami. We have full confidence in those seeds, which should guarantee a substantial increase in yield for this third generation of palms. In that regard, we planted at a lower stand per hectare, in order to allow the palms to grow more easily in a larger space.

Due to the new contour planting of those steep areas, we had to reorganise some gravel roads, which will also improve accessibility at the time of harvesting.

Heavy rain impacted harvesting and delivery of FFB in the first half. Eleven harvest days were lost due to heavy rain in the first quarter and road conditions deteriorated considerably. Since the end of the wet season road works have been carried out to improve drainage and replace gravel. Upkeep and maintenance standards have improved and all blocks are fully accessible again.

The skip bin system enables complete delivery of harvested fruit every day and they are being used to back load 'Empty Fruit Bunches' (EFB) and 'Palm Kernel Expellers' (PKE) from the mill to the plantation.

The Navo Estate is located a few kilometres north along the coast and consists of two plantations named Karla and Ibana. The total planted surface covers 5 237 hectares, of which 758 hectares (14.5%) are still immature.

The Navo crop was 13.1% better than in 2014. This reflects better plantation management as well as improvements in transport.

There was no replanting programmed this year as all areas were completed in 2014, with the standard of replant management (757 hectares) being excellent, to the point that harvesting has already started (in less than 24 months!). Road gravelling and drainage work completed in 2013 and 2014 have withstood the heavy rains. The average age of the plantation is 9.6 years.

As already mentioned, the Navo nursery provides seedlings to local producers as well as to our own plantations, with very good standards. The two-stage nursery system is working well, increasing the success rate, and the seedlings are ready for planting at 10 months of age. Seed orders had been placed with Dami for sufficient seed to plant 250 hectares of new development, 200 hectares of replanting at Hargy and 500 hectares of smallholder replanting, all of which were Super Family seeds.

The extra plants remaining in the nursery by year-end will be used for smallholders in 2016, as our own program has been substantially reduced for next year, for the purpose of lowering the budget. Regarding the planting restart for 2017, and enabling the ordering of seeds in due time, a decision will have to be taken at the Hargy board of directors meeting in May 2016.

As already mentioned in previous reports, the Navo plantation used to struggle to meet the standards due to its remote location. The improvement of the standard of living, a better regulation of the housing facilities and allocation, having the squatters removed has been reducing the social issues, which enables the local management to live on-site. In that regard, we were also pleased to inaugurate the opening by BSP of a rural bank branch at Navo. This allows our workers to conduct basic banking without travelling to Bialla. Moreover, the local Utopia Supermarket has installed IT facilities to enable workers to shop without the need for cash. All in all, safety has also increased in the surrounding villages.

The third plantation in age, Barema, which is also the lowest lying area and the closest to the sea, having as boundaries the rivers Barema and Lobu, has a planted area of 1 899 hectares in full production with an average age of 8.9 years.

Because of this particular location, the plantation was inundated several times in the first quarter when the Barema and Lobu rivers broke their banks. Fortunately, the substantial drainage works started in 2013 and improved in 2014 enabled the affected area to recover faster than before on similar occasions. Crop dropped dramatically again in the third quarter but increased again starting in September. Besides the drainage works, road and bridge improvements are giving permanent access to all areas of the plantation. To cross drains and make sure that all blocks are accessible, concrete footbridges have been manufactured by the construction department and these are being installed to permanently replace fragile and slippery wooden bridges.

Delivery of fruit bunches has largely been done to Barema mill, but some volumes have also been oriented to the two other mills, Navo and Hargy, depending on the performance of the Barema mill.

The housing construction programme and provision of sufficient facilities have been finalised, and the availability of labour is satisfactory on this plantation.

After new planting of 600 hectares in 2015, the latest expansion area today covers 3 793 hectares spread over several locations around the foot of the volcano, Ulawun. All the plantations form an entity now called Pandi Estates, with

Yanaswali Plantation on its southern boundary, and Bakada Plantation on its northern boundary. What has been planted till now looks good and will mature soon, in the very fertile but fragile soils.

However, due to financial constraints and the lack of availability of secured land, the planting has stopped for the time being. In 2016 there will be an interruption in our expansions, but this will also be the right time to prepare land resources for future development. Another 1 500 to 2 000 hectares should be in the pipeline for planting in 2017 and 2018 with the new Dami 'Super Family' seeds, completing the processing capacity of the three mills.

Yanaswali plantation is the amalgamation of several lease-leaseback developments, including Vamakuma, Sena and Remaling. The most recent Remaling area, has been created in 2015.

223 hectares are mature and 1 094 hectares are immature. The total crop to the end of December 2015 was already 3 723 tonnes. Permanent housing for workers is being constructed at Ibana.

Bakada plantation, for its part, is also the amalgamation of several lease-leaseback developments, including Alaba, Alangili, Magalona, Abulmosi and Gamupa. A total of 1 314 hectares are mature whilst 1 162 hectares are still immature.

Road gravelling completed in 2013/2014 has enabled all-weather road access to all mature blocks. Log loading ramps have been constructed to allow light trucks and tractors to load skip bins for haulage to Navo mill. Weed rollers continue to be used to manage weeds and covercrops.

With over 70 housing units being built this year, new development areas will have the required housing by year end 2016, and infrastructure for schooling and medical care will follow.

In the past three years we invested heavily in these areas in the form of housing construction and utilities to accommodate labour. Appropriate housing was also provided for the management, allowing it now to stay constantly on-site, thereby significantly increasing productivity and agronomical standards. In 2013, we began to gravel all the roads that were necessary to allow the transport of harvested fruits. We will sustain these efforts depending on the maturity of the area. We also have an on-site maintenance team to service the heavy equipment needed for planting and road construction.

As the fruit has to be transported to the Navo mill, harvesting is done using open containers, which allows some flexibility with the availability of trucks that collect containers, so the harvest is not interrupted.

The plan for the construction of a fourth palm oil mill is on hold for the time being and the management has now planned for a maximum plantation area of a limited 15 000 hectares. This area along with increased smallholder crops will fill all three mills to maximum capacity. At the end of 2015 the planted area was 13 558 hectares, leaving approximately a further 1 500 hectares for development in 2017. As of 1 January, 2016, the area classified as mature will increase from 10 326 to 11 397 hectares.

Annual crop production of smallholder farmers closed with an increase of 3.9% compared to 2014.

The smallholder truck fleet has 16 Volvo crane trucks, ten of them based at Hargy and six at Navo, in order to reduce rides with empty trucks. Thanks to the better logistic organisation and to the new extension team management, the company did not have to pay any compensation for crop that was not harvested in 2015.

Due to this large fleet, transport is almost completely carried out by our own vehicles, except for a few smallholders, located nearby the Hargy mill, who still prefer to carry their fruits to the mill by their own means.

In the first quarter of 2015, production suffered from torrential rainfall and some production areas were cut off from mills by damaged roads and bridges. The highway bridges were repaired by the National Department of Works thanks to emergency maintenance funds, which have been used to construct a temporary bridge over the Ivule River and to erect a new Bailey bridge over the Tiauru River. Thus making all zones accessible to collect fruit again after a few weeks of being unreachable.

The Provincial Government has also funded the upgrade of the Kaiamu ring road and this work was completed by a contractor. Several smallholder roads have been graded and potholes filled in. The grader funded by the World Bank has been maintained and operated by *HOPL*.

The smallholder extension team has grown over the year to four officers, with an initial objective of inspecting each and every block. This, however, proved to be far too time-consuming, and it is not always possible to find the grower on the block. However, once all 'Village Oil Palm' (VOP) and 'Land Settlement Scheme' (LSS) subdivisions are broken up into sections with up to 50 growers per section, the 'Section Committee Representatives' (SCR), who are elected every four years at the same time as when the 'Bialla Oil Palm Growers Association' (BOPGA) holds its election, will be able to facilitate much of the communication with individual growers and also collect data from them.

The meetings of the growers, training sessions and field days can all be arranged by the Section Committee Representatives, which is actually providing a very useful extension function. The officers are currently unpaid, but we reward them in goods, such as free fertilisers or basic solar lighting kits.

In return, they are disseminating information given by *HOPL* and assisting in the distribution of fertilisers, and in the end ensuring a better production outcome.

In view of the importance of achieving higher smallholder production, we plan to increase the extension team to eight officers in 2016. These officers will be recruited from the 'Oil Palm Industry Corporation' (OPIC), which globally remains dysfunctional, and they will be paid on company terms and conditions. BOPGA is fully supportive of our extension service.

With this same objective, to have better control of the smallholders' production, accurate location identification and mapping of all blocks is ongoing. The recording of block numbers in the field remains indeed problematic. Growers have been issued with 'Dallas tags' to monitor their individual deliveries.

HOPL has smallholder debtors, amongst the locale producers who have purchased, such items as seedlings, harvesting tools, wheelbarrows and fertilisers, to use on their respective palm oil blocks. *HOPL* charges no interest on these loans, with repayment being recouped by deduction from the production payments that are made to the respective smallholders concerned. The opening balance on 1 January 2015 was PGK 4.03 million, and during the year PGK 4.35 million was invoiced and PGK 4.45 million recovered. In normal world market conditions, the debt recovery percentage is usually 30% from the production payment.

However, due to the low prices, the percentage was reduced to 20% in October and November, increasing the harvesting but leading to a lower rate of recovery. The closing balance at the end of the year was PGK 3.64 million. Until the 2016 fertiliser distribution in April, there should be minimal new invoices raised and every effort will be made to reduce the balance.

The 2013 review of the price formula made by the World Bank, found that the growers are paid a very fair amount. The split of profit on smallholder fruit is 65% in favour of the smallholder. The review clearly shows that there is no justification for any increase in the payout ratio, which is set at 57%. The 'Government Inter-departmental Committee', known as the 'Commodities Working Group', has met to discuss and endorse the price formula but the committee has not yet submitted their endorsement to the 'National Executive Council'.

Milling performance has been good in terms of throughput of over 40 tonnes per hour at all three mills, with a maximum capacity of 45 tonnes per hour. The mill performance extraction rates consequently improved, as soon as the wet season ceased.

The 'Free Fatty Acids' (FFA) were in fact over 5% for the shipments in February, March and April. Heavy rainfall, causing delays to harvesting and delivery, was the main contributing factor.

The RSPO and ISO audit was conducted in March by the audit team from 'British Standards Institution Indonesia' (BSI Indonesia). Despite initially receiving seven major non-conformances for our supply chain management, the certification was continued. On review, three of the major non-conformances were downgraded, and the others closed out. The minor non-conformances were very minor and were directly closed out.

In view of the larger shipments to be sent next year, the wharf refurbishment has been completed. An Australian engineering company carried out a final inspection of the works in December and determined that the remediation and site upgrade had been completed satisfactorily.

With the same objective, a new 5 000 tonne crude palm oil (CPO) storage tank is to be constructed to allow larger shipment volumes in 2016. This tank is not expected to be ready until mid-2016, as the old EFB ('Empty Fruit Bunches') hopper has to first be removed to make space for the new tank. A new empty fruit bunches loading bay will then be required.

The upgrade of the pumping system with a fourth pump, to satisfy the pumping rate for bigger ships, was ongoing and is due to be ready in early 2016. The total storage and loading infrastructure changes required about KUSD 500, and we ensured that they would remain certified as compliant with the 'International Ship and Port Facility Security' (ISPS) Code.

The signing of the new shipping agreement, along with 'New Britain Palm Oil Ltd' (NBPOL), was done late towards the yearend, so *HOPL* is set for 2016 to ship with Stena Weco at a lower freight rate. This, plus reducing to 11 ships per year instead of the 13 in 2015, will save substantially on freight charges. The five-year contract will guarantee a long-term relationship with NBPOL.

'IPL Engineering & Construction (Pty) Ltd' completed the construction of a 500 000 litre fuel storage tank in early 2015 and all diesel is now supplied by sea. The fuel pipeline from the wharf was also replaced to secure the deliveries. This has resulted in significant savings in the cost of fuel.

The average fuel price per litre in 2015 was USD 0.75, whereas in 2014 it was USD 1.14 per litre.

Fuel consumption in 2014 was 5.7 million litres and in 2015 it was 6.3 million litres, which represents a 9.8% increase.

A new 1.5-megawatt multi-stage turbine alternator has been ordered for Hargy mill to increase power supply and reduce diesel consumption. The palm kernel crushing plant at Navo mill has been decommissioned, reducing power requirements for the mill, though loadings from the compounds have increased. Barema mill has been using the diesel generator set for crushing kernel instead of maximising turbine usage, something we will closely monitor in 2016.

Excellent performance has been observed for both Hargy and Navo mills. Despite the fact that they struggled with the wet weather and over-ripe fruit being delivered in the beginning of the year, they were able to operate normally over the remainder of the year and managed to substantially increase the performance.

Hargy mill achieved a 23.72% average oil extraction rate and a 2.14% crude palm oil extraction rate. It has been a long time since we have seen such a figure for palm kernel oil extraction. The mill throughput was 41.49 tonnes per hour, and the average monthly milling was 327 hours.

Major works have taken place in Hargy mill, with the replacement of the main electrical switchboard, which was finished well within the predicted time frame, in less than two weeks in October, during which period the extraction process was stopped. The replacement of two sterilisers was also planned in 2015, but considering the lack of milling capacity, because of the Barema mill concerns, the second steriliser has to wait until the new year to be installed, or better still, until June 2016 when production declines.

Navo mill had a 22.99 % oil extraction rate and the kernels are now transported to Barema for extraction, as the kernel crushing plant has been transferred for economic reasons and energy savings. Mill throughput was 42.01 tonnes per hour, operating for an average of 409 hours per month.

All major works planned for 2015 were largely completed by yearend. The excess sludge oil on the settling ponds continues to be removed by a contractor. The composting system is in operation with an excavator being used to turn the compost. The land application trenches are the responsibility of the plantation and are being maintained in good order.

The Barema mill continues to cause concerns, with capacity limitations in the effluent plant discovered mid-2015 and problems with the frames of the three tilting sterilisers experienced in December 2015.

The mill has operated on average for 228 hours per month with a throughput of 42.31 tonnes per hour. The oil extraction rate was 23.72%, by coincidence the same as Hargy Mill. All palm kernels from Navo mill were transferred to Barema mill for crushing. The total palm kernel oil extraction rate, as at the end of December 2015, was 1.73%.

It appears that the methane capture plant was not properly designed for the volume of solid content in the raw effluent, with one cause being the underestimation of data provided at the mill design stage. An extra two-phase decanter and extension of the retention time in the system will make the mill run effectively at 900 tonnes per day, instead of the current maximum of 500 to 600 tonnes per day. To temporarily resolve the bottleneck, a system of trenches has been developed in the field behind the mill to dilute the effluent in the field before it enters any watercourse. When the effluent treatment plant capacity is extended, we will keep the trenches to use for distribution to the field of organic fertiliser that we could also mix with empty fruit bunches.

By the end of November, it had been discovered that the steel frames carrying the three tilting sterilisers were not strong enough and/or had been wrongly designed in terms of hydraulic lifting. As a consequence, they have progressively bent, and the mill processing has been stopped. The engineers from the supplier and from the hydraulics subcontractor have visited the site in order to evaluate the damage. A file has been opened with our insurers.

For the time being, in anticipation of the complete replacement of the frames with a modified design, to be done after the first quarter peak period, some temporary repairs are making it possible for us to run two of the three sterilisers at a lower load capacity. An independent structural engineer has made a recommendation for strengthening the support frames.

The production cost price of palm oil, expressed in USD, fell again (-8.9%) compared to 2014 in our Barema mill. This is mainly due to increased volumes and the weakening of the local currency against the USD.

New development costs are higher than those of established plantations, but also higher than in Indonesia, as imports are more expensive, labour and management are less available and productivity is lower. Luckily we are helped by nature with a higher yield per hectare.

The Minimum Wages Tribunal has again increased the National Minimum Wage to PGK 3.50 per hour. However, agricultural companies are able to apply for an exemption on the basis of the costs of housing, water, power and medical care provided for the employees. *HOPL* has applied for exemption and we have been verbally advised that the application has been approved.

In 2015, the minimum wage paid by *HOPL* actually increased from PGK 2.29 per hour to PGK 2.40 per hour in April. Salary and wages, other than the minimum wage, were increased by a general consumer price index increase of 5% at the end of March, except for the harvesters, who got a split raise of 3% last November 2014 and 2% in March 2015.

It is likely that another 3% will be implemented in 2016, bringing the minimum wage up to PGK 2.47 per hour. Harvesting rates are also increasing in line with palm age. A lot of work has also been done to standardise job categories and grades. A revised position structure has been completed, mainly to allow for an increase in the grading of skilled tradesmen.

Worker attendance in plantations and mills remains a chronic issue. Though attendance rates have improved over the last few years, average attendance amongst plantation workers remains less than 80%, which continues to be a headache for the management. On Friday and Monday paydays attendance is even poorer. All employees are paid through direct bank deposit, which is a security gain. The salaries are available on the Friday payday in the bank as from 9:00am, which leads to high absenteeism every fortnightly pay weekend. Fraudulent attendance requires a lot of attention from the management.

We are in the process of engaging a second company doctor, in order to have the northern part of our development independent in terms of medical care. An effort has to be made to upgrade the medical equipment used for analysis.

In terms of administrative files, court cases, etc., *HOPL* needs to recruit a company lawyer. *HOPL*'s lawyer, located in Kimbe, passed away suddenly in the last quarter, and we had to remit all files to Gadens.

Their office is in Port Moresby, and they are too expensive for local cases, so this is not a long-term solution.

After a number of retirements and changes, in 2016 we will still have 22 expatriates, whom we hope to continue to employ for the whole year. These people contribute directly or indirectly to the operations and are required to maintain standards and improve the performance of the workers. As long as the palm oil prices do not drive us into budgetary difficulties, we will continue to employ these expatriates and expect to produce more and better oil than we could without them.

We obviously have to deal with regular replacements, for reasons of age or once the remote location does not allow them to stay any longer with the company. Unfortunately, lengthy procedures to obtain a work permit often do not allow the immediate replacement of expatriates. We always prefer to fill these vacancies by hiring young people, which we then train ourselves. In the case of the plantation employees, we organise 'cadet training' for young expatriate agronomists, following exactly the same training as the local people. The most capable of these will be given responsibility in line management, and will be promoted in due course.

A new 'human resources manager' was appointed to replace the previous one, who left at the end of 2014. With good experience in HR management in Australia, although not in plantations in particular, all 'company policies' and 'the employee handbook' were being reviewed. Many of his valuable ideas have been adopted, including a 'management and leadership development' programmes to be introduced later in 2016 to further develop the skills of the teams.

The 'HR department' has actually been split into 'community affairs' and 'HR management'. 'Community affairs' for which we had already recruited a manager in the second half of 2014, will consider all the relations with the smallholder groups and landowners surrounding our estates and mills, to improve the relationship between the company and the local communities.

Security is also the responsibility of this new department, as are the geographic information system (GIS) and mapping work, for which was recruited a new person in charge who previously worked in the mining industry. On this last topic in particular, closer contact with our Medan Office has started and this will be very useful for further developments.

A new office was built for the 'community affairs team', as an extension of the main Head Office building in Hargy. It was funded by discarding other, no longer essential, capital expenditure items from the 2015 budget.

'HR Management' will centralise the strict employment matters for staff.

Sadly, our 'head of plantations' passed away in October, after a brief illness and was thus unexpectedly replaced by his anticipated successor.

The Belgian agronomist cadets are performing well and should become of more value for plantation management in the future. Two of them have become 'divisional managers'. The company agronomist will become an expat position as from 1 January 2016. Apart from the own company plantation management on pest and disease issues and fertiliser application, with the backup of our fertiliser consultant, fertiliser distribution to the smallholders stays part of his important contribution.

The 'chief engineer' was dismissed in April and only replaced in December. In the meantime, one of the young engineers has been acting, under the guidance of the 'senior technical manager' from Indonesia, who previously was in the position of 'chief engineer' in *HOPL*.

The manager of all the vehicle workshops retired at the end of December 2015. Having started the search for his replacement soon enough, we eventually found a good recruit for whom we managed to have a week's overlap with his predecessor in order to have a safe handover.

This is indeed a key position since we have to maintain an important fleet of 43 expensive Volvo trucks, adjusted for the Papua New Guinea road conditions and essential in the peak harvest period, on top of the other nearly 500 vehicles, trucks, tractors and trailers, motorcycles and heavy equipment.

The 'stores and procurement manager' left us also at the end of December. The stores management really improved during her time, and this position will be transferred to our former 'IT manager', who has been with us for more than three years and will be replaced by his assistant.

We confirm a major improvement and better performance in the 'finance department', since the new Dutch manager arrived in the last quarter of 2014. 2015 saw several successful implementations, particularly related to the new ERP Lintramax modules, for payroll, smallholders' purchasing, estates and mills, general ledger, fixed assets and the budget setup for 2016. We confirm that payroll and smallholder modules are running fine.

The introduction of Lintramax has indeed been the major event for 'finance' in 2015 and we managed to get the June closing just in time for consolidation reporting. After the first closing, cost reports were developed.

Related to this implementation, and beforehand, the 'IT department' successfully implemented the upgraded wireless communications network connecting all sites, which were able to access Lintramax on line.

Besides the successful recruitment of new accountants, it was also a tremendous improvement to be able to report *HOPL* results in a timely fashion to headquarters in Antwerp.

We sadly have to report that our 'finance manager' suddenly passed away late December 2015 and we hope to have his replacement on site by the second quarter of 2016.

The internal audit has a full team of four people now. The team leader's assistant has gained experience by regular contact with the Indonesian team. The two Papua New Guinean auditors also visited the Medan Office team recently. The team reports directly to the 'general manager' and hands over reports to the audit committee, which meets three times a year.

The normal planning has been disturbed this year by the implementation of Lintramax, as a number of operations have changed the procedures and the 'Standard Operation Procedures' have not been met. Therefore, the internal audit team has also done an audit on the new system and reported some shortcomings after its implementation.

Surprise checks have not revealed important transactions, but the first fraud cases because of insufficient protection of the Lintramax environment were noted and solved. Also three cases were investigated through the whistle-blower procedures; however, none of the allegations could be proven with evidence.

A new 'construction manager' was hired in July, and as an experienced builder, he seems able to manage a large team and will introduce the latest techniques in construction, reviewing designs and systems.

A move to steel frame housing clad with fibre cement sandwich board will be trialled. Initial estimates indicate a cost saving of 25-30% on supervisor and executive housing and a 5-10% saving on labourers' houses. An additional major saving will be on maintenance, as the houses are termite proof and almost indestructible.

Up to now, most of the housing construction has been done by Nixon Volele's companies, which deliver good work. The principal upgrade for 2015 was in the housing compound of Hargy mill, the main housing site in the new development area, while the Navo compound for the workers needs to be upgraded as soon as possible.

The 'sustainability manager' now has a full team of three assistants and one driver. The team performed well during the last RSPO and ISO certification audits, but some last minute changes in the audit procedures made it very difficult to reach confirmation of certification for both.

The team is supported by an Australian consultant who has been assisting *HOPL* with audits since the beginning of the certification, and by the sustainability team of Medan Office. For continued certification, it is important to have the support of both.

Current projects include identifying the 'High Conservation Values' (HCV) and completing a carbon assessment of the new block of land to be developed across the Pandi River. The HCV needs to be done before the area is logged or prepared for development. A carbon assessment can be done with the financial support of Cargill and Proforest, developing a tool that also takes into account the carbon stock below the surface. The Proforest audit has so far not taken place, as the landowners cannot agree on who owns the land.

The 'Bialla International Primary School' (BIPS) has upgraded its performance and there are currently 126 children enrolled, up from 115 in early January 2015, and 90 in January 2014. For this reason, two new classrooms have been added to the current buildings. Extending the grade levels by two more years has been considered, a project for which a file has been given to the authorities. Boarding accommodation facilities in Kimbe have been developed and supported by the company, to provide schooling facilities after grade eight (13 years old).

Generally speaking, the expected closer relationship we would like to establish with our Head Office in Medan is gradually developing, but it remains difficult to achieve equal structures and business approaches. Contacts and support exist at the level of engineering, agronomy, sustainability, IT, finance and internal audits, but still require closer contacts to reach a definite group approach. Mutual purchases remain difficult to organise, as specific requirements prevail in terms of import rules that follow each country's regulations.

Galley Reach Holdings Ltd

The rubber plantations of *Galley Reach Holdings Ltd* are located 70 kilometres from the capital, Port Moresby, in the south of the main island of Papua New Guinea. Most of the concessions, acquired by three local subsidiaries, are nearly 100 years old. But when they were obtained by *SIPEF* in the 1980s, they were already partially planted, so that the average age of the rubber trees is now 27.2 years.

Due to the low prices of natural rubber the previous year it was no longer profitable to tap all of the planted hectares and the operational area was downsized to 3 283 tapped hectares. Furthermore, there are also 242 hectares of young plantations which are not yet fully mature, and, at the time being, no tapping activities were initiated, until there are enough trees to provide a larger amount of latex in each tapping session.

The low rubber prices have made operations difficult for the company. Because of the low yields per hectare, the cost price for the rubber produced from our own plantations proved to be higher than the market prices. The weather conditions were not ideal in this part of the country and the drought effect caused by El Niño had a direct impact on production. Accordingly, we recorded a 20% lower production of raw rubber in our own plantations compared to the 2014 financial year.

The low prices also impacted the volumes offered by third parties. The local farmers lacked incentive and preferred to leave the latex in the tree. At yearend we therefore noted a decrease of 37% in the volume of purchases from third parties in comparison to the previous year.

The production in the factory of finished tyre rubber SIR10 amounted to 2 123 tonnes by the end of the year, which was 25% lower than that of 2014. The management of our own plantations, the responsible people for purchases from third parties, as well as the manager of the factory, have all tried to maximise the volumes and to spread the fixed costs over as much production as possible. The average number of workers employed was reduced to below 650 people and *Galley Reach Holdings* was authorised to apply the reductions granted in the agricultural sector to increasing the minimum wages.

Because of the low prices, both the operating results of the own plantations and of the purchases from third parties were negative, and due to the lack of prospects for better selling prices, this will not be changing so easily in the short term.

Despite declining volumes, production costs were favourably impacted by the devaluation of the local currency against the USD. Extensive cuts and optimisations of labour have further ensured that the total cost per production unit decreased by 2.1% compared to the previous year.

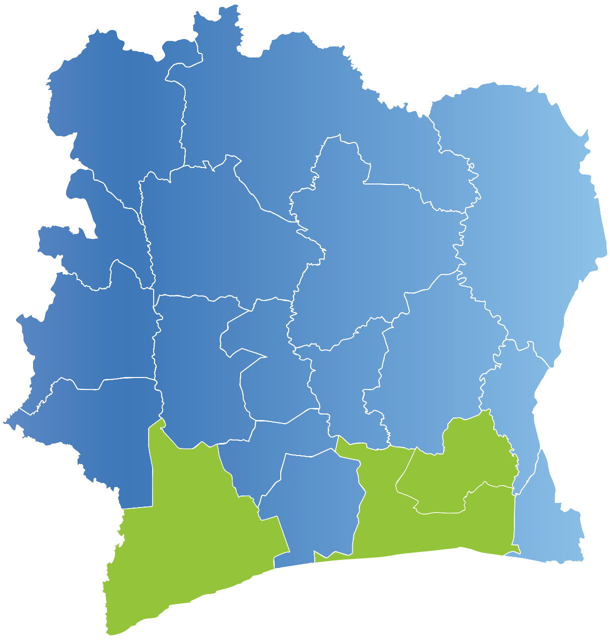
The low selling prices, however, have weighed to such an extent on the activities of the company, that even operating cash flow was negative.

Considering the limited strategic importance for *SIPEF* of the rubber activities in Papua New Guinea, the higher production costs and the older average age of the trees, in need of funding for a long-term replanting program in the future, it was decided in September 2014 to proceed with the sale of the company.

In February 2016 an agreement could be signed for the transfer of 100% of the shares to an investor, who will continue the rubber activities.

Activity report by country

Ivory Coast



After the presidential elections, which proceeded calmly and peacefully and saw President Alassane Ouattara re-elected, the country is pursuing its development in a very positive environment. The economy is doing well, with the International Monetary Fund (IMF) announcing its growth in 2015 to be 7.7%, with an inflation rate of 1.2% and a population of over 20 million people, whose purchasing power is increasing.

The government has initiated many reforms and the authorities continue their modernization programs by further strengthening the infrastructure and with major projects still in progress: roads, bridges and the construction of dams. The new investors come with large contributions in all areas: food processing plants, cement factories, hotels, etc., built mainly in Abidjan and its suburbs, while agriculture continues to spread throughout the country.Palm, rubber, coffee, cocoa and cashew nuts are certainly the most profitable and abundant crops in terms of cultivated area, and of course, we must not forget bananas, pineapples and also mangos, to name the main products for export.

SIPEF-CI SA

After 2014 being a very eventful financial year in terms of management, 2015 was approached carefully, and with a lot of uncertainty, in view of the consequences resulting from the administration of the previous management team.

Daily management has stabilised now that it is once again being taken care of by the CEO himself, assisted by a downsized staff team. On top of the reduction in labour costs, all divisions of the company are now managed by a "responsible person" with no "manager" title, of which in the past there were probably too many. The total number of employees has also been reduced, from 2 725 in June 2014 to 2 136 by the end of 2015.

Approval of the financial statements of 2014 could only be completed in November, 2015, with the creation of a provision of FCFA 5 502 million for losses suffered as a result of fraud in previous years, and a net loss of FCFA 6 505 million (approximately USD 13 million). A general improvement in performance makes it possible to consider a return to profit in 2015, which can be estimated at FCFA 1 800 million (approximately USD 3 million), subject to a sales price of FCFA 400 000 per tonne (USD 666 per tonne).

In 2015, the second half was much better than the second half of 2014, which helped to catch up with the arrears of the first half and eventually to even reach higher volumes than in 2014. *SIPEF-CI* ended 2015 with an increase of 2% for the fruit bunches, being approximately + 5 050 tonnes. We should note that the increase was downsized by the reduced supply of bunches from the "Plantations Villageoises" (PV) of about 10 000 tonnes or 7%. In the "Plantations Industrielles" (PI), *SIPEF-CI* noted an increase of about 15 000 tonnes, being 16%.

The extraction rate improved from 23.3% to 23.8% between 2014 and 2015, enabling an extra 2 274 tonnes of oil to be produced. This is an increase of 4% compared to 2014.

On the agronomy side, in the first half-year, a study was conducted on the performance of the plantations by scientists specialising in oil palms. This emphasised the shortcomings of the previous 'good' management, which since 2009 had led to a gradual decline in productivity, linked to the impoverishment of the soil, and unable to be explained by the decrease in rainfall in the region. It also appears that the application of fertilisers, if that occurred, did not always happen at the right time, or that the attacks of pests have not always received the appropriate treatment when needed.

In early 2015, two long-term contracts made it possible to prefinance the peak production against a delivery of 35 000 tonnes over the full year.

A wildcat strike by some of the workers disrupted production activities in November, as did two burglaries and an armed robbery aimed at *SIPEF-CI* interests in the West at the end of the year. The costs involved in securing people and resources are high.

The end of 2015 was also marked by a tax audit for the years 2012, 2013 and 2014 by the departments of the Court of Audit of Abidjan, and it is still not completed. Only a provisional notification of an additional tax assessment was given for 2012.

The weakening of prices on the world market has also had its effect on the local market. The oil produced is sold mainly to Nigeria, with a premium of approximately USD 100 compared to the local market. Palm kernels are processed locally in the mill of the family group of the major shareholder.

A potential Swiss buyer, that promises a sustainability premium, is prefinancing the RSPO certification, with which *SIPEF-CI* wants to comply in 2016.

The plantation rehabilitation programme, with the provision of fertilisers and phytosanitary resources for the "PI" will be continued. Regarding the "PV", competition is becoming increasingly aggressive in their areas, even from the established operators, with higher prices being paid than the official price of the industry. The volumes of "PV" origin will probably be reduced for *SIPEF-CI*.

Competition is very high, as new independent firms without plantations invest in extraction mills and are willing to pay at least FCFA 10 above the official price.

Plantations J. Eglin SA

The years follow each other, but do not look alike! We have felt the effects of this in 2015. With the same banana production surfaces in 2014 and 2015, we experienced climatic effects and some rather significant variations in production:

- In the first half of the year, with a consistent Harmattan (cold wind), our production was 8% lower than in 2015;
- In the second half of the year, by contrast, our production was 18% higher than that of the previous year, when heavy rain and low temperatures affected production from August 2014;
- Finally in 2015, volumes were 3% higher than those of 2014. So we closed our financial year with a total export volume of 24 286 tonnes.

The trend related to climatic effects followed that of other producers from Ivory Coast, but we have nevertheless increased our share of national production, as our export yields have continued to grow.

The quality of our fruit has remained very good, and that is generally appreciated by our clients. Compliance with a production scheme, with good quality monitoring procedures onsite and at the packaging centres, as well as good management of the cold chain, have allowed us to minimise losses. This resulted in a minimal decrease of less than 0.5%, half of which was covered by our transport insurance.

Our logistical export has been energised by the arrival of Hapag-Lloyd in our maritime export sector. As a result we thereby benefit from a second professional maritime line with departures from Abidjan and with a reliable service for European destinations. This is a strong point that not only enhances our brand and our quality, but also the Ivorian and ACP (African - Caribbean - Pacific) origin on the consumer market.

We have started the development of a new banana sector based in Azaguié, and our plan has proceeded as forecast. All the facilities have been completed on time, including the enhancement of the site, irrigation, building a packaging station, and the first exports are planned for the start of next year. With very fast banana cycles of 12 months between the import of vitro plants and harvesting, or 8 months between planting and harvesting, the implementation and timing of a project must be carefully managed and be in line with our programme, so that we can meet our commitments. Within three years, 2015 being the first year of development, during which we planted 70 hectares, we will increase our banana plantation area from 568 to 768 hectares by the end of 2017, to then reach a target of 900 hectares in 2020.

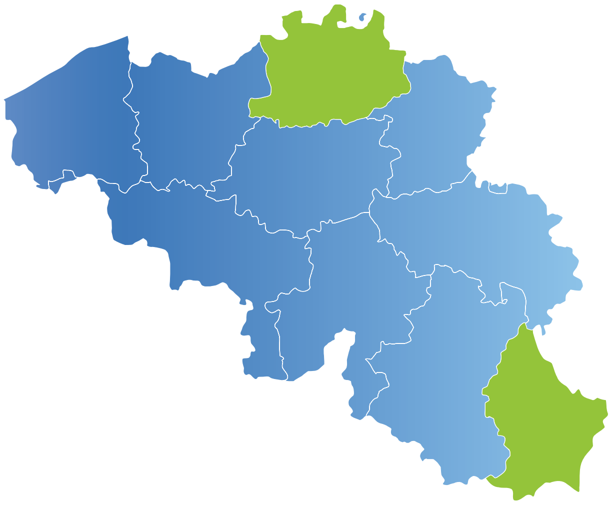
We have also started large projects to refurbish the accommodation and living conditions of our employees. The work is in progress and should be completed in the next two to three years. In doing this, we are benefitting from financial support from the European Union under the sponsorship and monitoring of Ivory Coast, with some of these projects being jointly financed by *Plantations J. Eglin SA*.

The on-site production team will soon be supported by a new technical manager, who, together with the management team, will enable us to continue to improve our competitiveness, while maintaining our quality level at the standard required by the market. We are also working on the establishment of the 'Rainforest Alliance' (RA) referential system, which will enable the *SIPEF* group to reinforce its standardisation strategy with regard to ethical, social and environmental standards. Furthermore, 'RA' has certainly become the complementary banana reference point of GLOBALG.A.P., which, itself, reassures both producers and consumers about good agricultural practices and food safety.

The average FOB price for European sales closed at an average of EUR 477 per tonne, which was 6% up on the preceding financial year. Healthy business contracts, a growing market with constant 'Eglin quality', and guaranteed market costs have laid the foundations for this performance. FOB sales in the sub-region show the same growth, a condition that could persist and/or grow in the years to come if the continent, and especially West Africa, which is our concern, continues its economic development.

The performance of horticulture remains stable and contributes to the Eglin operating result, but without reaching the goals we had set. We remain optimistic about this speculation, because our products are of good quality and our know-how is increasing.

Europe



Jabelmalux SA

Jabelmalux SA is the Luxembourg parent company of *PT Umbul Mas Wisesa (PT UMW)*, *PT Toton Usaha Mandiri (PT TUM)* and of *PT Citra Sawit Mandiri (PT CSM)*, the latest oil palm expansions in North Sumatra, as well as of *PT Agro Muara Rupit (PT AMR)*, the most recently acquired concession in Musi Rawas in South Sumatra.

After the successful public purchase bid that was issued in 2011, the company disappeared from the Luxembourg stock exchange. The initial offer was then continued, and at the end of 2015 the *SIPEF* group controlled 27 186 or 99.7% of the 27 280 issued shares. *SIPEF* aims in the future to also acquire the remaining 94 shares that are still in public hands.

BDM NV – ASCO NV

Insurance group *BDM NV – ASCO NV* chiefly targets maritime and industrial insurance policies through brokers. *BDM NV* is an underwriter, which offers risk coverage in niche markets on behalf of insurance company *ASCO NV* and a number of major international insurers. *BDM NV* and *ASCO NV*'s far-reaching collaboration in the same group offers considerable advantages: it guarantees *BDM NV* a big underwriting capacity and offers *ASCO NV* a powerful commercial instrument.

In 2015, *BDM NV* continued to focus, both in "Property & Casualty" and in "Marine", on the development of niche products through the bigger provincial insurance brokers. In view of this, a number of new people were hired.

In "Property & Casualty", we saw renewed growth in our niche products. By disposing of a number of major and less profitable contracts in other branches, the global "Property & Casualty" portfolio increased slightly in the end (-1%).

In the "Marine" sector, our pleasure cruises portfolio continued the growth trend of previous years. The other "Marine" branches were negatively affected by a number of big claims and the consequences of disposing of certain contracts in the recent past.

The global premium volume dropped from EUR 60 million in 2014 to EUR 54 million in 2015. This was the principal factor in a disappointing net result of a EUR 0.1 million profit.

ASCO's gross premiums increased strongly compared to 2014 (+10%), despite the effect of the disposals in "Marine" (-18%). This is solely the result of *ASCO NV*'s growth in *BDM NV*'s "Property & Casualty" pools. *ASCO NV* is now responsible for 56% of *BDM NV*'s collection, compared to 44% in 2014.

However, in the second half of the year, the *ASCO* portfolio had to contend with some big claims, which had a major negative impact on the technical result.

Disappointing investment results, reinforced by increased overhead expenses, chiefly as a result of Solvency II reporting, reduced the result to a net profit of EUR 0.1 million, compared to a net profit of EUR 1.1 million in 2014.

In 2015, *ASCO NV* continued to work on the specific compliance of the so-called third pillar of Solvency II, which refers to the various statutory reports. Partly with this in mind, we also hired an internal actuary in the course of 2015. Both in the field of ever-increasing prudential requirements and commercially, 2016 promises to be an interesting year.

Group production (in tonnes)

Total production of consolidated companies (≠ share of the group)

	2015			2014		
Product	Own	Outgrowers	Total	Own	Outgrowers	Total
Palm oil	**238 548**	**52 359**	**290 907**	**219 624**	**48 865**	**268 489**
Indonesia	174 726	2 681	177 407	163 130	1 847	164 977
Tolan Tiga group	69 297	280	69 577	65 895	103	65 998
Umbul Mas Wisesa group	27 789	658	28 447	19 531	32	19 563
Agro Muko group	77 640	1 743	79 383	77 704	1 712	79 416
Papua New Guinea	63 822	49 678	113 500	56 494	47 018	103 512
Palm kernels	**38 996**	**570**	**39 566**	**38 036**	**372**	**38 408**
Indonesia	38 996	570	39 566	38 036	372	38 408
Tolan Tiga group	16 664	65	16 729	15 637	27	15 664
Umbul Mas Wisesa group	4 069	158	4 227	4 272	4	4 276
Agro Muko group	18 263	347	18 610	18 127	341	18 468
Palm kernel oil	**5 145**	**3 901**	**9 046**	**4 363**	**3 676**	**8 039**
Papua New Guinea	5 145	3 901	9 046	4 363	3 676	8 039
Rubber	**9 622**	**447**	**10 069**	**9 669**	**736**	**10 405**
Indonesia	7 946	0	7 946	7 575	0	7 575
Tolan Tiga group	6 283	0	6 283	6 047	0	6 047
Agro Muko group	1 663	0	1 663	1 528	0	1 528
Papua New Guinea	1 676	447	2 123	2 094	736	2 830
Tea	**2 726**	**0**	**2 726**	**2 816**	**0**	**2 816**
Indonesia	2 726	0	2 726	2 816	0	2 816
Pineapple flowers ('000 units)	**497**	**0**	**497**	**646**	**0**	**646**
Ivory Coast	497	0	497	646	0	646
Bananas	**24 286**	**0**	**24 286**	**23 594**	**0**	**23 594**
Ivory Coast	24 286	0	24 286	23 594	0	23 594

Group planted area (in hectares)*

Total planted area of consolidated companies (≠ share of the group)

	2015			2014		
Product	Mature	Immature	Planted	Mature	Immature	Planted
Oil palms	**47 471**	**10 849**	**58 320**	**44 982**	**10 711**	**55 693**
Indonesia	37 144	7 618	44 762	35 962	6 731	42 693
Tolan Tiga group	12 020	2 754	14 774	11 372	2 961	14 333
Umbul Mas Wisesa group	9 502	144	9 646	9 300	261	9 561
Agro Muko group	15 622	2 197	17 819	15 290	2 515	17 805
Musi Rawas group	0	2 523	2 523	0	994	994
Papua New Guinea	10 327	3 231	13 558	9 020	3 980	13 000
Rubber	**7 680**	**1 852**	**9 532**	**7 973**	**1 866**	**9 839**
Indonesia	4 639	1 610	6 249	4 874	1 439	6 313
Tolan Tiga group	3 571	972	4 543	3 868	755	4 623
Agro Muko group	1 068	638	1 706	1 006	684	1 690
Papua New Guinea	3 041	242	3 283	3 099	427	3 526
Tea	**1 721**	**56**	**1 777**	**1 722**	**65**	**1 787**
Indonesia	1 721	56	1 777	1 722	65	1 787
Pineapple flowers	**23**	**19**	**42**	**23**	**19**	**42**
Ivory Coast	23	19	42	23	19	42
Bananas	**570**	**60**	**630**	**570**	**0**	**570**
Ivory Coast	570	60	630	570	0	570
Others	**0**	**58**	**58**	**0**	**58**	**58**
Papua New Guinea	0	58	58	0	58	58
Total	**57 465**	**12 894**	**70 359**	**55 270**	**12 719**	**67 989**

* = actual planted hectares

Age profile (in hectares)

Plant year	Oil palms: Tolan Tiga group	Oil palms: Umbul Mas Wisesa group	Oil palms: Agro Muko group	Oil palms: Musi Rawas group	Oil palms: Hargy Oil Palms	Oil palms: Total	Rubber: Tolan Tiga group	Rubber: Agro Muko group	Rubber: Galley Reach Holdings	Rubber: Total
2015	1 050	87	716	1 530	772	4 155	148	58	0	206
2014	947	32	779	770	1 388	3 916	160	75	0	235
2013	670	25	1 018	223	1 070	3 006	208	205	0	413
2012	1 409	201	719	0	1 545	3 874	187	195	60	442
2011	754	788	26	0	776	2 344	169	142	0	311
2010	546	1 380	304	0	616	2 846	141	108	182	431
2009	221	1 697	492	0	253	2 663	55	57	87	199
2008	375	1 939	216	0	197	2 727	95	117	97	309
2007	302	2 133	301	0	1 736	4 472	249	173	200	622
2006	614	361	745	0	855	2 575	180	188	200	568
2005	649	1 003	445	0	173	2 270	292	0	122	414
2004	133	0	688	0	160	981	219	0	57	276
2003	1 164	0	102	0	148	1 414	265	0	0	265
2002	470	0	63	0	331	864	207	0	0	207
2001	622	0	544	0	903	2 069	92	0	61	153
2000	549	0	1 071	0	392	2 012	385	78	41	504
1999	568	0	1 818	0	608	2 994	175	83	75	333
1998	473	0	2 329	0	624	3 426	256	76	97	429
1997	792	0	936	0	217	1 945	213	151	73	437
1996	932	0	514	0	326	1 772	181	0	0	181
1995	312	0	207	0	328	847	177	0	37	214
1994	482	0	700	0	140	1 322	119	0	0	119
1993	334	0	209	0	0	543	123	0	0	123
1992	398	0	106	0	0	504	0	0	0	0
1991	0	0	128	0	0	128	0	0	0	0
Before 1991	8	0	2 643	0	0	2 651	247	0	1 894	2 141
Total	**14 774**	**9 646**	**17 819**	**2 523**	**13 558**	**58 320**	**4 543**	**1 706**	**3 283**	**9 532**
Average age	10.24	6.72	13.99	0.48	7.88	9.83	12.09	7.58	27.19	16.48


SIPEF

Durably committed to responsible practices

At the end of 2014 the *SIPEF* Group adopted the "*SIPEF* Responsible Plantations Policy" (RPP), the highest-level Group policy on sustainability, supported by other, more specific Group-level policies. It formalises our goal of ensuring the long-term positive impacts of our operations, and how we are to take our place in the environments where we operate.

The *SIPEF* RPP identifies the four pillars of our commitment:

- responsible social practices
- responsible plantation and processing management
- responsible new developments
- full traceability.

For each pillar, some significant items are detailed.

The *SIPEF* RPP is reviewed annually by the *SIPEF* board of directors. This is the opportunity to consider what has happened in our industry in terms of best practices, to discuss our specific position and goals, and to make changes to the RPP.

The first review took place in June 2015. The existing RPP was confirmed and expanded to include our commitment to phasing out paraquat from all our operations.

Our commitments are demonstrated by our compliance with strict, well-recognised standards. For each of our commodities, a main standard has been selected, which does not exclude the adoption of additional standards.

For palm oil we are committed to the Roundtable for Sustainable Palm Oil (RSPO). For tea and bananas, we have chosen the Rainforest Alliance (RA) certification, based on the demanding Sustainable Agriculture Network (SAN) standard. For rubber, we are supporting the development of the first international certification standard, the Sustainable Natural Rubber initiative (SNR-i), by the main rubber industry body, the International Rubber Study Group (IRSG).

The new palm oil mill of Umbul Mas Wisesa, in Indonesia, was commissioned in 2014, and immediately audited under the RSPO standard. It received its certification in 2015, so that all palm oil mills operated by *SIPEF* are now RSPO certified, both in Indonesia and in Papua New Guinea.

Our four other palm oil mills in Indonesia underwent RSPO recertification in 2015. While our mills are subject to annual surveillance audits, they must undergo a full re-certification audit every five years. All four mills were successfully recertified in 2015.

Tea and banana operations are preparing for certification under the Rainforest Alliance in 2016. Rubber operations have completed self-audits to field-test the SNR-i standard, joining a handful of other plantation companies and rubber manufacturers.

In addition to the three main standards, our operations have adopted other certification schemes to verify their practices and access specific markets. Three of our Indonesian palm oil mills are certified under the International Sustainability and Carbon Certification (ISCC) standard which certifies our palm oil as complying with the EU reduction of emissions directive (RED, Renewable Energy Directive). The audit validates the Greenhouse Gas (GHG) values of our palm oil production, as well as its strict traceability, allowing it to enter the European biofuel market.

Our tea operation in Indonesia received its first "sustainability" certification. The Cibuni tea plantation and factory were successfully audited under the Universal Trade Zone (UTZ) standard, and received the certificate in January 2016.

Going beyond certification, *SIPEF* is active in the various standards it follows. In the RSPO, *SIPEF* is participating as an alternate Board of Governors member, representing Papua New Guinea and the Solomon Islands, also as a member of the Trade and Traceability Standing Committee (T&TSC), and as co-chair of both the Biodiversity and High Conservation Values (HCV) working group and of the Compensation Task Force. *SIPEF* is also present in the South East Asia technical working group of the ISCC, and is actively participating in the SNR-i preparation activities.

Efforts to continuously improve our carbon footprint continued in 2015. Despite the low commodities prices, work has started on a composting facility in our Bukit Maradja palm oil mill. Once completed, the mill will aim to reach zero discharge of effluent, while providing nutrient-rich compost to the estate, thus reducing the dependence on inorganic fertilisers. In our Perlabian mill, construction has also started on a new-generation methane capture system, using the same technology as our Mukomuko, Umbul Mas Wisesa and Barema mills. Both facilities will be commissioned in 2016. Plans have been approved for the installation of the first biogas engine to generate electric power in our Mukomuko Mill in 2016.

The fires, which raged in Indonesia in 2015, have not spared our operations. In our established estates, our fire-warning system and firefighting teams have proven effective. Firefighting efforts have extended outside of our boundaries when necessary, supporting the neighbouring communities.

Based on the lessons learned in 2015, we are planning to facilitate firefighting training for the communities neighbouring our Umbul Mas Wisesa and Toton Usaha Mandiri estates.

Durably committed to responsible practices

SIPEF FOUNDATION

The two projects managed by the *SIPEF* Foundation in Indonesia are both located in Mukomuko, on the west coast of Sumatra.

The "sea turtle" project has had a difficult year. Environmental conditions on the beach protected by the project have continued to worsen. More pebbles are being deposited by the currents, reducing the useable area for the turtles to lay their eggs. Of the two villages included in the project, one has been particularly affected, and the motivation of the beach protection team has suffered. A total of 2 635 eggs was collected for hatching in protected conditions, a significant reduction from 2014. As in recent years, only olive Ridley turtles (*Lepidochelys olivacea*) were sighted. Efforts will continue in 2016, with the hope that currents will shift again and allow more turtles to land and lay their eggs. This project is one of a handful of similar projects in Indonesia and is community-based. Our patient, long-term approach is a unique chance to imprint the protection of this critical beach on the communities.

The *SIPEF* Biodiversity Indonesia Project (SBI) has entered a new phase of larger-scale field operations and community development. SBI is one of only 16 projects granted a licence for "Ecosystem Restoration" by the Indonesian Ministry of Forestry.

In 2015, the most exciting activity has been the setting up of camera traps to identify wildlife in the concession. Results have been beyond our expectations, the camera traps yielding numerous pictures of iconic species: tigers (including two cubs), panthers, sun bears, binturong, barking deer, as well as smaller felines.

The cameras have also recorded significant human activity. While some is traditional, non-destructive gathering of non-timber forest products by local communities, there is also evidence of large-scale illegal logging. We lost two cameras in 2015, very likely removed by poachers or illegal loggers.

The most significant activity in 2015 has been the field patrols. After the installation of 1 052 boundary markers around the project concession, SBI was granted the authority to conduct patrols. Whenever possible, they have been joint patrols with the forestry services and security forces. SBI has been the catalyst for a more active patrolling of this buffer to Kerinci Seblat National Park. Various illegal logging operations have been uncovered, their facilities destroyed, chainsaws and timber seized, and loggers detained. The pressure on our project area is unfortunately well-demonstrated by the results of the patrols.

Significant efforts continue to be directed towards the villages neighbouring the project area. Our field teams are mostly recruited from these communities, and we aim at gaining the active support of most of the villagers. Tree nurseries managed by villagers were set up in various locations in 2015. Groups have been formed to plant various timber and non-timber species in the "economic" part of the project area, starting in 2016. The determination of the SBI team and the continued support of *SIPEF* will see this project through the many years it is set to continue.

Financial statements

Consolidated balance sheet

In KUSD	Note	2015	2014*	01/01/14*
Non-current assets		**482 462**	**465 489**	**430 064**
Intangible assets	8	46 910	43 453	36 748
Goodwill	8	1 348	1 348	1 348
Biological assets	9	163 505	149 459	134 957
Property, plant & equipment	10	193 805	193 737	187 166
Investment property	11	3	3	3
Investments in associates and joint ventures	25	56 604	58 835	48 769
Financial assets	12	3 822	3 822	3 860
Other financial assets		3 822	3 822	3 860
Receivables > 1 year		0	0	0
Other receivables		0	0	0
Deferred tax assets	24	16 465	14 832	17 213
Current assets		**94 646**	**105 894**	**99 749**
Inventories	13	21 301	26 498	31 616
Trade and other receivables		39 194	35 197	40 116
Trade receivables	27	22 801	23 795	25 215
Other receivables	14	16 393	11 402	14 901
Current tax receivables	24	5 224	6 751	5 335
Investments		0	80	0
Other investments and deposits	19	0	80	0
Derivatives	27	0	0	986
Cash and cash equivalents	19	19 128	27 579	17 343
Other current assets		2 377	1 839	906
Assets held for sale	20	7 422	7 950	3 447
Total assets		**577 108**	**571 383**	**529 813**

* The 2014 comparative figures have been restated due to the amendments to IAS 16 and IAS 41 : Property, plant and equipment and Agriculture - bearer plants.

In KUSD	Note	2015	2014*	01/01/14*
Total equity		**437 174**	**433 420**	**399 487**
Shareholders' equity	15	413 862	410 946	378 805
Issued capital		45 819	45 819	45 819
Share premium		21 502	21 502	21 502
Treasury shares (-)		-6 817	-4 776	-4 776
Reserves		370 863	364 343	330 488
Translation differences		-17 505	-15 942	-14 228
Non-controlling interests	16	23 312	22 474	20 682
Non-current liabilities		**42 129**	**41 446**	**34 508**
Provisions > 1 year		1 257	1 479	3 236
Provisions	17	1 257	1 479	3 236
Deferred tax liabilities	24	30 363	29 555	21 944
Trade and other liabilities > 1 year		0	0	0
Financial liabilities > 1 year (incl. derivatives)	19	0	0	0
Pension liabilities	18	10 509	10 412	9 328
Current liabilities		**97 805**	**96 517**	**95 818**
Trade and other liabilities < 1 year		25 401	40 188	38 519
Trade payables	27	11 675	20 274	16 947
Advances received	27	285	219	144
Other payables	14	13 212	14 505	9 170
Income taxes	24	229	5 190	12 258
Financial liabilities < 1 year		69 649	52 276	52 420
Current portion of amounts payable after one year	19	0	0	0
Financial liabilities	19	69 649	52 276	52 420
Derivatives	27	837	1 756	0
Other current liabilities		1 439	1 869	3 099
Liabilities associated with assets held for sale	20	479	428	1 780
Total equity and liabilities		**577 108**	**571 383**	**529 813**

* The 2014 comparative figures have been restated due to the amendments to IAS 16 and IAS 41 : Property, plant and equipment and Agriculture - bearer plants.

Consolidated income statement

In KUSD	Note	2015	2014*
Revenue	7	225 935	285 899
Cost of sales	7	-181 740	-206 996
Gross profit	7	**44 195**	**78 903**
Selling, general and administrative expenses		-22 660	-25 447
Other operating income/(charges)	21	457	7 363
Operating result		**21 992**	**60 819**
Financial income		81	181
Financial charges		- 820	- 870
Exchange differences		62	- 11
Financial result	22	**- 677**	**- 700**
Profit before tax		**21 315**	**60 119**
Tax expense	24	-6 339	-20 262
Profit after tax		**14 976**	**39 857**
Share of results of associated companies and joint ventures	25	**6 115**	**12 586**
Result from continuing operations		**21 091**	**52 443**
Result from discontinued operations		**0**	**0**
Profit for the period		**21 091**	**52 443**
Attributable to:			
- Non-controlling interests	16	1 865	3 476
- Equity holders of the parent		19 226	48 967

Earnings per share (in USD)			
From continuing and discontinued operations			
Basic earnings per share	32	2.16	5.51
Diluted earnings per share	32	2.16	5.51
From continuing operations			
Basic earnings per share	32	2.16	5.51
Diluted earnings per share	32	2.16	5.51

* The 2014 comparative figures have been restated due to the amendments to IAS 16 and IAS 41 : Property, plant and equipment and Agriculture - bearer plants.

Statement of consolidated comprehensive income

In KUSD	Note	2015	2014*
Profit for the period		**21 091**	**52 443**
Other comprehensive income:			
Items that may be reclassified to profit and loss in subsequent periods			
- Exchange differences on translating foreign operations	15	-1 563	-1 714
Items that will not be reclasified to profit and loss in subsequent periods			
- Defined Benefit Plans - IAS 19R	18	- 624	-1 252
- Income tax effect		150	313
Total other comprehensive income for the year		**-2 037**	**-2 653**
Other comprehensive income attributable to:			
- Non-controlling interests		- 44	- 78
- Equity holders of the parent		-1 993	-2 575
Total comprehensive income for the year		**19 054**	**49 790**
Total comprehensive income attributable to:			
- Non-controlling interests		1 821	3 398
- Equity holders of the parent		17 233	46 392

* The 2014 comparative figures have been restated due to the amendments to IAS 16 and IAS 41 : Property, plant and equipment and Agriculture - bearer plants.

Consolidated cash flow statement

In KUSD	Note	2015	2014*
Operating activities			
Profit before tax		21 315	60 119
Adjusted for:			
Depreciation	8, 9, 10	28 126	21 488
Movement in provisions	17	- 659	-1 366
Stock options		293	424
Other non-cash results		- 320	-1 659
Hedge reserves and financial derivatives	27	- 919	2 742
Financial income and charges		445	445
Capital loss on receivables	27	657	888
Capital loss on sale of investments		0	0
Result on disposal of property, plant and equipment		952	1 149
Result on disposal of financial assets		0	-3 631
Cash flow from operating activities before change in net working capital		49 890	80 599
Change in net working capital	26	-8 062	11 654
Cash flow from operating activities after change in net working capital		41 828	92 253
Income taxes paid	24	-10 471	-18 516
Cash flow from operating activities		31 357	73 737
Investing activities			
Acquisition intangible assets	8	-4 138	-6 992
Acquisition biological assets	9	-19 566	-20 349
Acquisition property, plant & equipment	10	-25 298	-31 039
Acquisition investment property		0	0
Acquisition financial assets	14	-1 750	0
Dividends received from associated companies and joint ventures	25	7 315	12 087
Proceeds from sale of property, plant & equipment		2 132	330
Proceeds from sale of financial assets		0	- 510
Cash flow from investing activities		-41 305	-46 473
Free cash flow		**-9 948**	**27 264**
Financing activities			
Equity transactions with non-controlling parties		- 3	- 8
Decrease/(increase) of treasury shares	15	-2 040	0
Repayment in long-term financial borrowings	19	0	0
Increase/(decrease) short-term financial borrowings	19	17 372	- 144
Last year's dividend paid during this bookyear		-12 554	-15 041
Dividends paid by subsidiaries to minorities	16	- 995	-1 225
Interest received - paid		- 429	- 437
Cash flow from financing activities		**1 351**	**-16 855**
Net increase in investments, cash and cash equivalents	19	-8 597	10 409
Investments and cash and cash equivalents (opening balance)	19	28 126	17 726
Effect of exchange rate fluctuations on cash and cash equivalents	19	8	- 9
Investments and cash and cash equivalents (closing balance)	19	19 537	28 126

* The 2014 comparative figures have been restated due to the amendments to IAS 16 and IAS 41 : Property, plant and equipment and Agriculture - bearer plants.

Statement of changes in consolidated equity

In KUSD	Issued capital SIPEF	Share premium SIPEF	Treasury shares	Defined benefit plans IAS 19R	Reserves	Translation differences	Share-holders' equity	Non-controlling interests	Total equity
January 1, 2015	**45 819**	**21 502**	**-4 776**	**-1 756**	**366 099**	**-15 942**	**410 946**	**22 474**	**433 420**
Result for the period					19 226		**19 226**	1 865	**21 091**
Other comprehensive income				- 430		-1 563	**-1 993**	- 44	**-2 037**
Total comprehensive income	**0**	**0**	**0**	**- 430**	**19 226**	**-1 563**	**17 233**	**1 821**	**19 054**
Last year's dividend paid					-12 554		**-12 554**	- 995	**-13 549**
Equity transactions with non-controlling parties **					- 15		**- 15**	12	**- 3**
Other (note 15)			-2 041		293		**-1 748**		**-1 748**
December 31, 2015	**45 819**	**21 502**	**-6 817**	**-2 186**	**373 049**	**-17 505**	**413 862**	**23 312**	**437 174**
January 1, 2014	**45 819**	**21 502**	**-4 776**	**- 895**	**460 636**	**-14 228**	**508 058**	**33 828**	**541 886**
Impact of the IAS 41 restatement					-129 253		**-129 253**	-13 146	**-142 399**
January 1, 2014 restated	**45 819**	**21 502**	**-4 776**	**- 895**	**331 383**	**-14 228**	**378 805**	**20 682**	**399 487**
Result for the period					48 967		**48 967**	3 476	**52 443**
Other comprehensive income				- 861		-1 714	**-2 575**	- 78	**-2 653**
Total comprehensive income	**0**	**0**	**0**	**- 861**	**48 967**	**-1 714**	**46 392**	**3 398**	**49 790**
Last year's dividend paid					-15 041		**-15 041**	-1 225	**-16 266**
Equity transactions with non-controlling parties ***					- 40		**- 40**	33	**- 7**
Other (note 16)					830		**830**	- 414	**416**
December 31, 2014*	**45 819**	**21 502**	**-4 776**	**-1 756**	**366 099**	**-15 942**	**410 946**	**22 474**	**433 420**

* The 2014 comparative figures have been restated due to the amendments to IAS 16 and IAS 41 : Property, plant and equipment and Agriculture - bearer plants.

** The equity transactions with non-controlling parties comprise the acquisition of 4 additional shares of *Jabelmalux SA*, so that the group now owns 99.7% of the shares

This transaction was recorded directly in het group's reserves (KUSD -15) and in the non-controlling interests (KUSD 12).

*** The equity transactions with non-controlling parties comprise the acquisition of 10 additional shares of *Jabelmalux SA*, so that the group now owns 99.6% of the shares

This transaction was recorded directly in het group's reserves (KUSD -40) and in the non-controlling interests (KUSD 33).

Notes to the consolidated financial statements

1. Identification

SIPEF (or the 'company') is a limited liability company ('naamloze vennootschap' / 'société anonyme') incorporated in Belgium and registered at 2900 Schoten, Calesbergdreef 5.

The consolidated financial statements for the year ended 31 December 2015 comprise *SIPEF* and its subsidiaries (together referred to as '*SIPEF* group' or 'the group'). Comparative figures are for the financial year 2014.

The consolidated financial statements were authorized for issue by the directors at the board meeting of 16 February 2016 and shall be approved by the shareholders at the annual general meeting of 8 June 2016. A list of the directors and the statutory auditor, as well as a description of the principal activities of the group, are included in the non-financial section of this annual report.

2. Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) which have been adopted by the European Union as per 31 December 2015.

The following standards or interpretations are applicable for the accounting year commencing on the 1st of January 2015:

- Improvements to IFRS (2011-2013) (applicable for annual periods beginning on or after 1 January 2015)
- IFRIC 21 *Levies* (applicable for annual periods beginning on or after 17 June 2014)

These amendments have no significant impact on the net result and the equity of the group.

The group has elected for early application of the following new standards and interpretations beginning on 1 January 2015:

- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (applicable for annual periods beginning on or after 1 January 2016)

The amendments to IAS 16 and IAS 41 have the consequence that 'bearer plants' are accounted for according to IAS 16 - property, plant and equipment instead of IAS 41 - agriculture. The 'bearer plants' are accounted for at historical cost rather than fair value. As a result, the balance sheet and income statement of the previous periods have been restated. We refer to note 33 for additional information with respect to the restatement.

The group did not elect for early application of the following new standards and interpretations which were issued at the date of approval of these financial statements but were not yet effective on the balance sheet date:

- IFRS 9 *Financial Instruments and subsequent amendments* (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 15 *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in EU)
- IFRS 16 *Leases* (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in EU)
- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (the effective date has been deferred indefinitely, and therefore the endorsement in EU has been postponed)
- Amendments to IFRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 *Presentation of Financial Statements – Disclosure Initiative* (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 7 *Statement of Cash Flows – Disclosure Initiative* (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- Amendments to IAS 12 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses* (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 38 *Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*

(applicable for annual periods beginning on or after 1 January 2016)

- Amendments to IAS 19 *Employee Benefits - Employee Contributions* (applicable for annual periods beginning on or after 1 February 2015)
- Amendments to IAS 27 *Separate Financial Statements - Equity Method* (applicable for annual periods beginning on or after 1 January 2016)

At this stage the group does not expect first adoption of these standards and interpretations to have any material impact on the financial statements of the group

3. Accounting policies

Basis of preparation

Starting in 2007 the consolidated financial statements are presented in US dollar (until 2006 this was done in euro), rounded off to the nearest thousand (KUSD). This modification is the result of the changed policy with regard to the liquidity and debt management since the end of 2006, whereby the functional currency of the majority of the subsidiaries has been changed from the local currency to the US dollar.

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investments classified as available-for-sale, financial derivative instruments and biological produce.

The accounting policies have been consistently applied throughout the group and are consistent with those used in the previous year.

Business combinations

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Any costs directly attributable to the acquisition are recognized in profit or loss. The purchase consideration to acquire a business, including contingent payments, is recorded at fair value at the acquisition date, while subsequent adjustments to the contingent payments resulting from events after the acquisition date are recognized in profit or loss. The 'full goodwill' option, which can be elected on a case by case basis, allows *SIPEF* to measure the non-controlling interest either at fair value or at its proportionate share of the acquiree's net assets.

Step acquisitions

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the company.

Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Consolidation principles

Subsidiaries:

Subsidiaries are those enterprises controlled by the company. An investor controls an investee if and only if the investor has all of the following elements, in accordance with IFRS 10:

- Power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities;
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect the amount of the investor's returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases (or a date nearby).

Associates:

Associates are those enterprises in which the group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the group's share of the total recognized gains and losses of associates on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases (or a date nearby). When the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred obligations in respect of the associate.

Joint ventures:
Joint ventures are those enterprises over whose activities the group has joint control, established by contractual agreement. The consolidated financial statements include the group's share of the total recognized gains and losses of joint ventures on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases (or a date nearby). When the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred obligations in respect of the joint ventures.

Transactions eliminated on consolidation:
All intra-group balances and transactions, and any unrealized gains arising on intra-group transactions, are eliminated for companies included using the full consolidation method in preparing the consolidated financial statements.

Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions:
In the individual group companies, transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Financial statements of foreign operations:
Functional currency: items included in financial statements of each entity in the group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). Starting from 2007 the consolidated financial statements are presented in USD, this is the functional currency of the majority of the group companies.

To consolidate the group and each of its subsidiaries, the financial statements of the individual entities are translated as follows:

- Assets and liabilities at the closing rate;
- Income statements at the average exchange rate for the year;
- The components of shareholders' equity at the historical exchange rate.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, joint ventures and associated entities at the year-end exchange rate are recorded as part of the shareholders' equity under "translation differences". When a foreign entity is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate.

Biological assets

SIPEF group only recognizes a biological asset or growing biological produce ("agricultural produce") when it controls the asset as a result of past events, when it is probable that future economic benefits associated with the asset will flow to *SIPEF* group and when the fair value or cost of the asset can be measured reliably.

In accordance with the amendments to IAS 16 and IAS 41, bearer plants are stated at cost less accumulated depreciation and any accumulated impairment losses.

SIPEF group has opted to measure growing biological produce of palm oil, rubber and tea at fair value at the point of harvest in accordance with IAS 41.32 and not to measure it at fair value as it grows less costs to sell in accordance with IAS 41.10c as we are of the opinion that all parameters used in any alternative fair value measurement (future productions, determination of the start of the life cycle, cost allocation,…) are clearly unreliable. As a consequence all alternative fair value measurements are also considered clearly unreliable.

The growing biological produce of bananas is measured at fair value as it grows less costs to sell, taking into account that all the parameters for the fair value calculation are available and reliable.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point of sale costs and from the change in fair value less estimated point of sale costs of a biological asset is included in net profit or loss in the period in which it arises.

Goodwill

Goodwill represents the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired in a business combination. Goodwill is not amortized but reviewed for impairment at least annually. For the purpose of testing goodwill for impairment, goodwill is allocated to operating companies which is the lowest level at which the goodwill is monitored for internal management purposes (i.e. cashflow generating unit). Any impairment is immediately recognized in the income statement and is not subsequently reversed.

Negative goodwill represents the excess of the group's interest in the fair value of the net identifiable assets acquired over the cost of acquisition. Negative goodwill is immediately recognized in the income statement.

Intangible assets

Intangible assets include computer software, various licenses, concessions and land compensations. Intangible assets are capitalized and amortized using the straight-line method over their useful life. Amortization of concessions and compensations will begin upon obtaining regulatory approval from the relevant authorities. For the land rights in Indonesia the group considers this to be upon receipt of the "Hak Guna Usaha". For concessions the useful life is determined by their duration.

Property, plant and equipment

Property, plant and equipment, including investment property, are stated at cost less accumulated depreciation and any accumulated impairment losses. Borrowing costs attributable to the construction or production of qualifying assets are capitalized. Expenses for the repair of property, plant and equipment are usually charged against income when incurred.

Property held for sale, if any, is stated at the lower of amortized cost and fair value less selling charges. Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets:

Buildings	5 to 30 years
Infrastructure	5 to 25 years
Installations and machinery	5 to 30 years
Vehicles	3 to 20 years
Office equipment and furniture	5 to 10 years
Other property, plant and equipment	2 to 20 years

Land is not depreciated.

Impairment of assets

Property, plant and equipment, financial assets and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may be higher than the recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. If impairment is no longer justified in future periods due to a recovery in assets' fair value or value in use, the impairment reserve is reversed.

Financial instruments

1. Derivatives

The group uses financial derivative instruments primarily to manage its exposure to interest rate and foreign currency risks arising from operational, financing and investment activities. The group does not apply special hedge accounting under IAS 39 – "Financial Instruments: Recognition and Measurement".

Derivatives are stated at fair value. Any gains or losses arising from changes in fair value are charged directly to net profit or loss for the period.

2. Receivables and payables

Amounts receivable and payable are measured at amortised cost price.

Amounts receivable and payable are measured at their nominal value, less a provision for any doubtful amounts receivable. Amounts receivable and payable in a currency other than the currency of the subsidiary are translated at the prevailing group exchange rates on the balance sheet date.

3. Cash and cash equivalents
Cash and cash equivalents are measured at their nominal value and include cash and deposits with an original maturity of three months or less. Negative cash balances are recorded as liabilities.

4. Interest-bearing borrowings
Interest-bearing borrowings are measured at amortised cost price.

Borrowings are initially recognized as proceeds received, net of transaction costs. Any difference between cost and redemption value is recognized in the income statement using the effective interest method.

5. Financial assets available for sale
Financial assets available for sale are measured at fair value. Fair value gains and losses are recognized in other comprehensive income.

If the fair value of a financial asset cannot be measured reliably, the financial asset will be measured at amortized cost.

When a decrease in fair value of a financial asset available for sale is recognized in other comprehensive income and an objective evidence of impairment exists, the cumulated losses previously recognized in equity will be taken into profit or loss.

Inventories
Inventories are valued at the lower of cost or net realizable value.

The stock finished products including biological assets are valued by adding production cost to the fair value of the biological asset concerned.

Inventories are written down on a case-by-case basis if the estimated net realizable value declines below the carrying amount of the inventories. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. When the reason for a write-down of the inventories has ceased to exist, the write-down is reversed.

Shareholders' equity
Dividends of the parent company payable on ordinary shares are only recognized as a liability in the period in which they are declared.

Costs incurred with respect to the issuance of equity instruments are recorded as a deduction in equity.

Non-controlling interest
Non-controlling interests include a proportion of the fair value of identifiable assets and liabilities recognized upon acquisition of a subsidiary, together with the appropriate proportion of subsequent profits and losses.

In the income statement the minority share in the company's profit or loss is separated from the consolidated result of the group.

Provisions
Provisions are recognized when the group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made.

Pensions and other post employment benefits
Group companies have various pension schemes in accordance with the local conditions and practices in the countries they operate in.

1. Defined benefit plans
The defined benefit plans are generally un-funded but fully provisioned for using the 'Projected Unit Credit'- method. This provision represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in the Other Comprehensive Income.

2. Defined contribution plans
The group pays contributions to publicly or privately administered insurance plans. Since the group is obliged to make additional payments if the average return on the employer's contribution and on the employees' contributions is not at-

tained, those plans should be treated as "defined benefit plans" in accordance with IAS 19.

Revenue recognition

Revenue is measured at the fair value of the amount received for the sale of goods and services net of value-added tax, rebates and discounts, and after eliminating sales within the group. Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed. Interest income is recognized using the effective interest rate method. Dividends are recognized when the right to receive payment is established.

Cost of sales

Cost of sales includes all costs associated with harvest, transformation and transport. Purchases are recognized net of cash discounts and other supplier discounts and allowances.

Selling, general and administrative expenses

Selling, general and administrative expenses include expenses of the marketing and financial department and general management expenses.

Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax liabilities and assets are recognized for temporary differences between the carrying amount in the balance sheet and the tax bases of assets and liabilities and are subsequently adjusted to reflect changes in tax rates expected to be in effect when the temporary differences reverse. Deferred tax assets are included in the consolidated accounts only to the extent that their realization is probable in the foreseeable future.

4. Use of accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the group to use accounting estimates and judgements and make assumptions that may affect the reported amounts of assets and liabilities at the date of the balance sheets and reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates.

The main areas in which judgements are used are:

- Judging over the control of an entity
- Judging that growing biological produce of palm oil, rubber and tea can not be reliably measured at fair value
- Judgement of the functional currency of an entity
- Judgement of the inclusion of deferred tax assets

The main areas in which estimates are used are:

- Post-employment benefits (note 18)
- Deferred tax assets (note 24)
- Provisions (note 17)
- Impairment of assets

5. Group companies / consolidation scope

The ultimate parent of the group, *SIPEF*, Schoten/Belgium, is the parent company of the following significant subsidiaries:

	Location	% of control	% of interest
Consolidated companies (full consolidation)			
PT Tolan Tiga Indonesia	Medan / Indonesia	95.00	95.00
PT Eastern Sumatra Indonesia	Medan / Indonesia	95.00	90.25
PT Kerasaan Indonesia	Medan / Indonesia	57.00	54.15
PT Bandar Sumatra Indonesia	Medan / Indonesia	95.00	90.25
PT Melania Indonesia	Jakarta / Indonesia	95.00	90.25
PT Mukomuko Agro Sejahtera	Medan / Indonesia	95.00	85.74
PT Umbul Mas Wisesa	Medan / Indonesia	95.00	94.67
PT Citra Sawit Mandiri	Medan / Indonesia	95.00	94.67
PT Toton Usaha Mandiri	Medan / Indonesia	95.00	94.67
PT Agro Rawas Ulu	Medan / Indonesia	95.00	95.00
PT Agro Kati Lama	Medan / Indonesia	95.00	95.00
PT Agro Muara Rupit	Medan / Indonesia	95.00	94.67
Hargy Oil Palms Ltd	Bialla / Papua N.G.	100.00	100.00
Galley Reach Holdings Ltd	Port Moresby / Papua N.G.	100.00	100.00
Plantations J. Eglin SA	Azaguié / Ivory Coast	100.00	100.00
Jabelmalux SA	Luxembourg / G.D. Luxemburg	99.66	99.66
Associates and joint ventures (equity method)			
PT Agro Muko	Jakarta / Indonesia	47.29	44.93
Verdant Bioscience Singapore PTE LTD	Singapore / Republic of Singapore	38.00	38.00
PT Timbang Deli Indonesia	Medan / Indonesia	38.00	36.10
B.D.M. NV	Antwerp / Belgium	50.00	50.00
Asco NV	Antwerp / Belgium	50.00	50.00
Companies not included			
SIPEF-CI SA	San Pedro / Ivory Coast	32.01	32.01
Horikiki Development Cy Ltd	Honiara /Solomon Islands	90.80	90.80

As the shareholding and the management of *SIPEF-CI* SA changed in June 2008, and trustworthy financial information could no longer be received, it was decided that equity method accounting was not appropriate from the second half of 2008 onwards.

Inspite of the possession of the majority of voting rights, the group has no control over the non consolidated companies because they are established in inaccessible regions (*Horikiki Development Cy Ltd*).

The non consolidated companies are seen as financial assets available for sale.

6. Exchange rates

As a result of a revised liquidity- and debt management as from the end of 2006 the functional currency in the majority of the subsidiaries has been changed to US dollar as from January 1, 2007. Following subsidaries have however another functional currency:

Plantations J. Eglin SA	EUR
B.D.M. NV	EUR
Asco NV	EUR

The exchange rates below have been used to convert the balance sheets and the results of these entities into US dollar (this is the currency in which the group presents its results).

	Closing rate			Average rate		
	2015	2014	2013	2015	2014	2013
EUR	0.9185	0.8236	0.7254	0.9059	0.7567	0.7515

7. Segment information

SIPEF's activities can be classified into segments based on the type of product. *SIPEF* has the following segments:

- Palm	Includes all palm products, including palm kernels and palm kernel oil, both in Indonesia and Papua New Guinea
- Rubber	Includes all different types of rubber produced and sold by the *SIPEF* group, both in Indonesia and Papua New Guinea - Ribbed Smoked Sheets (RSS) - Standard Indonesia Rubber (SIR) - Scraps and Lumps
- Tea	Includes the "cut, tear, curl" (CTC) tea produced by *SIPEF* in Indonesia.
- Bananas and flowers	Includes all sales of bananas and flowers originating from Ivory Coast.
- Other	Mainly includes management fees received from non-group companies, commissions charged on sea freight and other commissions which are not covered by the sales contract.

Notes to the consolidated financial statements

The overview of segments below is based on the *SIPEF* group's internal management reporting.
The most important differences with IFRS consolidation are:

- All companies are included per segment at their percentage of interests using the proportionate consolidation method instead of the full consolidation method and the equity method.
- There are no inter-company eliminations.
- Instead of revenue the gross margin per segment is used as the starting point.

In KUSD	2015	2014
Gross margin per product		
Palm	43 084	81 906
Rubber	-1 186	1 399
Tea	1 577	63
Bananas and flowers	4 033	3 425
Other	5 567	6 048
Total gross margin	**53 075**	**92 841**
Selling, general and administrative expenses	-26 520	-29 191
Other operating income/(charges)	888	7 995
Financial income/(charges)	- 709	- 619
Exchange differences	102	57
Profit before tax	**26 836**	**71 083**
Tax expense	-7 786	-23 077
Effective tax rate	-29.0%	-32.5%
Insurances	176	514
Profit after tax	**19 226**	**48 520**
Effect of the IAS 41 restatement	0	447
Profit after tax after IAS 41 restatement	**19 226**	**48 967**

Below we present the segment information per product and per geographical region in accordance with the IFRS profit and loss accounts.

The segment result is revenue minus expense that is directly attributable to the segment and the relevant portion of income and expense that can be allocated on a reasonable basis to the segment.

Gross profit by product

2015 - KUSD	Revenue	Cost of sales	Gross profit	% of total
Palm	186 001	-148 080	37 921	85.8
Rubber	15 758	-17 108	-1 350	-3.1
Tea	7 345	-5 630	1 715	3.9
Bananas and plants	15 062	-10 920	4 142	9.4
Corporate	1 767		1 767	4.0
Others	2	- 2	0	0.0
Total	**225 935**	**-181 740**	**44 195**	**100.0**

2014 - KUSD	Revenue	Cost of sales	Gross profit	% of total
Palm	239 100	-167 272	71 828	91.1
Rubber	21 141	-19 994	1 147	1.5
Tea	6 502	-6 463	39	0.0
Bananas and plants	16 712	-13 124	3 588	4.5
Corporate	2 280		2 280	2.9
Others	164	- 143	21	0.0
Total	**285 899**	**-206 996**	**78 903**	**100.0**

The segment "corporate" comprises the management fees received from non group entities, additional commissions on sea freights and any other commissions that are not included in the sales contracts.

Gross profit by geographical segment

2015 - KUSD	Revenue	Cost of sales	Other income	Gross profit	% of total
Indonesia	124 759	-97 108	584	28 235	63.8
Papua New Guinea	84 344	-73 709		10 635	24.1
Ivory Coast	15 063	-10 921		4 142	9.4
Europe	1 183			1 183	2.7
Others	2	- 2		0	0.0
Total	**225 351**	**-181 740**	**584**	**44 195**	**100.0**

2014 - KUSD	Revenue	Cost of sales	Other income	Gross profit	% of total
Indonesia	167 571	-127 037	575	41 109	52.2
Papua New Guinea	99 185	-66 692		32 493	41.2
Ivory Coast	16 712	-13 124		3 588	4.5
Europe	1 692			1 692	2.1
Others	164	- 143		21	0.0
Total	**285 324**	**-206 996**	**575**	**78 903**	**100.0**

Revenue by location of the debtors

In KUSD	2015	2014
Switserland	50 150	52 399
United Kingdom	52 318	69 653
Ireland	12 467	9 627
Singapore	11 915	43 159
The Netherlands	50 003	44 915
Indonesia	34 051	41 823
United States	1 904	4 870
Pakistan	2 774	3 109
Belgium	4 679	5 134
Papua New Guinea	1 558	2 512
Germany	693	1 252
Ivory Coast	1 601	1 943
France	706	5 198
Spain	407	4
Others	709	301
Total	**225 935**	**285 899**

Segment information - geographical

	2015					
In KUSD	Indonesia	PNG	Ivory Coast	Europe	Others	Total
Intangible assets	46 797		55	58		46 910
Goodwill	1 348					1 348
Biological assets	74 510	86 852	2 143			163 505
Property, plant & equipment	68 069	120 784	4 429	523		193 805
Investment property				3		3
Investments in associates	40 657			8 596	7 351	56 604
Other financial assets			3 822			3 822
Deferred tax assets	14 045		162	2 258		16 465
Total non-current assets	**245 426**	**207 636**	**10 611**	**11 438**	**7 351**	**482 462**
% of total	50.87%	43.04%	2.20%	2.37%	1.52%	100.00%

In KUSD	Indonesia	PNG	Ivory Coast	Europe	Others	Total
	2014					
Intangible assets	43 342		47	64		43 453
Goodwill	1 348					1 348
Biological assets	65 228	81 995	2 236			149 459
Property, plant & equipment	69 092	120 696	3 667	282		193 737
Investment property				3		3
Investments in associates	41 383			9 585	7 867	58 835
Other financial assets			3 822			3 822
Deferred tax assets	12 393		181	2 258		14 832
Total non-current assets	**232 786**	**202 691**	**9 953**	**12 192**	**7 867**	**465 489**
% of total	50.01%	43.54%	2.14%	2.62%	1.69%	100.00%

8. Goodwill and other intangible assets

In KUSD	2015 Goodwill	2015 Intangible assets	2014 Goodwill	2014 Intangible assets
Gross carrying amount at January 1	**1 348**	**46 209**	**1 348**	**38 588**
Acquisitions		4 138		6 992
Sales and disposals		- 833		
Transfers				6
Remeasurement				675
Other				- 40
Translation differences		- 9		- 12
Gross carrying amount at December 31	**1 348**	**49 505**	**1 348**	**46 209**
Accumulated amortization and impairment losses at Januari 1		**-2 756**		**-1 840**
Depreciations		- 664		- 563
Sales and disposals		821		
Transfers				- 7
Remeasurement				- 351
Other				
Translation differences		4		5
Accumulated amortization and impairment losses at December 31	**0**	**-2 595**	**0**	**-2 756**
Net carrying amount January 1	**1 348**	**43 453**	**1 348**	**36 748**
Net carrying amount December 31	**1 348**	**46 910**	**1 348**	**43 453**

The acquisitions of intangible assets refer mainly to the additionnal payments made for obtaining the landtitles of *PT Umbul Mas Wisesa, PT Citra Sawit Mandiri, PT Agro Rawas Ulu, PT Agro Kati Lama, PT Agro Muara Rupit* and *PT Mukomuko Agro Sejahtera.*

Notes to the consolidated financial statements

Below is a table with the proprietary rights on which the plantations of the *SIPEF* group are established:

	Hectares	Type	Maturity	Crop
PT Tolan Tiga Indonesia	6 042	Concession	2023	Oil palm
PT Tolan Tiga Indonesia	2 437	Concession	2024	Oil palm
PT Eastern Sumatra Indonesia	3 178	Concession	2023	Oil palm
PT Kerasaan Indonesia	2 362	Concession	2023	Oil palm
PT Bandar Sumatra Indonesia	1 412	Concession	2024	Rubber and oil palm
PT Timbang Deli Indonesia	972	Concession	2023	Rubber
PT Melania Indonesia	5 140	Concession	2023	Rubber, tea and oil palm
PT Toton Usaha Mandiri	1 199	Concession	2046	Oil palm
PT Agro Muko	2 270	Concession	2019	Rubber and oil palm
PT Agro Muko	2 500	Concession	2020	Rubber and oil palm
PT Agro Muko	315	Concession	2031	Rubber and oil palm
PT Agro Muko	1 410	Concession	2028	Rubber and oil palm
PT Agro Muko	2 903	Concession	2022	Rubber and oil palm
PT Agro Muko	7 730	Concession	2019	Rubber and oil palm
PT Agro Muko	2 171	Concession	2022	Rubber and oil palm
PT Agro Muko	1 515	Concession	2022	Rubber and oil palm
PT Agro Muko	2 100	Concession	2022	Rubber and oil palm
PT Umbul Mas Wisea	4 397	Concession	2048	Oil palm
PT Umbul Mas Wisea	2 071	Concession	2048	Oil palm
PT Umbul Mas Wisea	679	Concession	2049	Oil palm
PT Umbul Mas Wisea	462	Concession	2049	Oil palm
PT Umbul Mas Wisea	155	Concession	2049	Oil palm
Hargy Oil Palms Ltd	2 967	Concession	2076	Oil palm
Hargy Oil Palms Ltd	128	Concession	2074	Oil palm
Hargy Oil Palms Ltd	322	Concession	2106	Oil palm
Hargy Oil Palms Ltd	364	Concession	2106	Oil palm
Hargy Oil Palms Ltd	6 460	Concession	2082	Oil palm
Hargy Oil Palms Ltd	2 900	Concession	2101	Oil palm
Hargy Oil Palms Ltd	170	Concession	2097	Oil palm
Hargy Oil Palms Ltd	17	Concession	2077	Oil palm
Hargy Oil Palms Ltd	18	Concession	2113	Oil palm
Galley Reach Holdings Ltd	15 257	Concession	2080	Rubber
Plantations J. Eglin SA	1 442	Freehold	n/a	Bananas and pineapple flowers
Plantations J. Eglin SA	322	Provisional concession	n/a	Bananas and pineapple flowers
Total	**83 787**			

PT Citra Sawit Mandiri	3 946	In negotiation	-	Oil palm
PT Agro Rawas Ulu	5 712	In negotiation	-	Oil palm
PT Agro Kati Lama	7 568	In negotiation	-	Oil palm
PT Agro Muara Rupit	12 309	In negotiation	-	Oil palm
PT Mukomuko Agro Sejahtera	1 800	In negotiation	-	Oil palm
PT Mukomuko Agro Sejahtera	1 167	In negotiation	-	Oil palm

9. Biological assets

In November 2015 the amendments to IAS 16 and IAS 41 Agriculture: bearer plants were endorsed in the EU for periods beginning on or after the 1st of January 2016. Due to these amendments "bearer plants" are again accounted for at historical cost rather than fair value.

SIPEF has opted for early adoption of these standards as of 1 January 2015. As a consequence the consolidated financial statements of the previous periods have been restated.

SIPEF has opted not to value growing agricultural produce of palm oil, rubber and tea at fair value as it grows less costs to sell for in accordance with IAS 41.10c as we are of the opinion that all parameters used in any alternative fair value measurement (future productions, determination of the start of the life cycle, cost allocation) are clearly unreliable. As a consequence all alternative fair value measurements are also considered clearly unreliable.

Growing biological produce of palm oil, rubber and tea is therefore measured at fair value at the point in of harvest accordance with IAS 41.32.

The growing biological produce of bananas is measured at fair value as it grows less costs to sell, taking into account that all the parameters for the fair value calculation are available and reliable.

Movement schedule biological assets - bearer plants

The balance sheet movements in biological assets can be summarized as follows:

	2015	2014*
Gross carrying amount at January 1	**186 829**	**171 154**
Change in consolidation scope		
Acquisitions	19 566	20 349
Sales and disposals	- 666	- 1 433
Transfers	1 551	2 495
Remeasurement		6 960
Other	- 205	- 12 384
Translation differences	- 245	- 312
Gross carrying amount at December 31	**206 830**	**186 829**
Accumulated depreciation and impairment losses at January 1	**- 38 081**	**- 37 417**
Change in consolidation scope		
Depreciation	- 6 686	- 5 291
Sales and disposals	574	1 005
Transfers	- 63	- 109
Remeasurement		- 5 522
Other	86	8 965
Translation differences	227	288
Accumulated depreciation and impairment losses at December 31	**- 43 943**	**- 38 081**
Net carrying amount January 1	148 748	133 737
Net carrying amount December 31	**162 887**	**148 748**

The post "other" consists of the transfer of the biological assets of *Galley Reach Holdings* to the assets held for sale for a total of KUSD -119 (2014: KUSD -3 419)

The post "remeasurement" consists of the revaluation of the assets and liabilities of the Indonesian entities to the USD historical cost for local purposes. To this end, the Indonesian entities converted their local financial statements at an imposed historical USD exchange rate, which did not necessarily correspond to the historical exchange rates used in the consolidation. Since the total impact of this conversion was immaterial, the group has decided to adapt the historical USD group figures to the local USD financial statements.

Movement schedule fair value bananas

The balance sheet movements of the fair value of the bananas can be summarized as follows:

In KUSD	2015	2014*
Gross carrying amount at January 1	711	1 220
Acquisitions		
Sales and disposals	- 171	- 123
Depreciation	154	182
Changes in fair value of biological assets	140	- 278
Translation differences	- 216	- 290
Gross carrying amount at December 31	**618**	**711**
Total net carrying amount January 1	149 459	134 957
Total net carrying amount December 31	**163 505**	**149 459**

* The 2014 comparative figures have been restated due to the amendments to IAS 16 and IAS 41 : Property, plant and equipment and Agriculture - bearer plants.

10. Property, plant & equipment

	2015						2014
In KUSD	Land, buildings and infrastructure	Installations and machinery	Vehicles	Office equipment, furniture and others	In progress	Total	Total
Gross carrying amount at January 1	**105 996**	**130 171**	**46 508**	**11 275**	**12 821**	**306 771**	**280 092**
Change in consolidation scope						0	- 174
Acquisitions	6 549	5 250	5 077	1 171	7 251	25 298	31 039
Sales and disposals	- 864	- 1 984	- 1 562	- 743	- 2 503	- 7 656	- 3 839
Transfers	1 336	119	280	2 838	- 6 405	- 1 832	- 2 250
Remeasurement						0	11 872
Other	- 68	670	- 918	23	- 1	- 294	- 7 598
Translation differences	- 1 113	- 319	- 265	- 100	- 65	- 1 862	- 2 370
Gross carrying amount at December 31	**111 836**	**133 907**	**49 120**	**14 464**	**11 098**	**320 425**	**306 772**

In KUSD	2015 Land, buildings and infrastructure	Installations and machinery	Vehicles	Office equipment, furniture and others	In progress	Total	2014 Total
Accumulated depreciation and impairment losses at January 1	**- 29 318**	**- 50 596**	**- 27 266**	**- 5 854**		**- 113 034**	**- 92 926**
Change in consolidation scope						0	0
Depreciation	- 4 155	- 8 672	- 6 803	- 1 269		- 20 899	- 15 415
Sales and disposals	478	1 942	1 554	701		4 675	2 788
Transfers		345				345	- 134
Remeasurement						0	- 13 626
Other	162	- 554	1 227	- 9		826	4 415
Translation differences	945	305	162	55		1 467	1 863
Accumulated depreciation and impairment losses at December 31	**- 31 888**	**- 57 230**	**- 31 126**	**- 6 376**	**0**	**- 126 620**	**- 113 035**
Net carrying amount January 1	**76 678**	**79 575**	**19 242**	**5 421**	**12 821**	**193 737**	**187 166**
Net carrying amount December 31	**79 948**	**76 677**	**17 994**	**8 088**	**11 098**	**193 805**	**193 737**

The acquisitions included, in addition to the standard replacement capital expenditure, the finishing of 2 additional oil extraction mills and the improvement of the logistics and infrastructure of the plantations. The item 'Other' encompasses the transfer of the assets of *Galley Reach Holdings* to the post 'Assets held for sale' (see also note 20).

The post remeasurement consists of the revaluation of the assets and liabilities of the Indonesian entities to the USD historical cost for local purposes. To this end, the Indonesian entities converted their local financial statements at an imposed historical USD exchange rate, which did not necessarily correspond to the historical exchange rates used in the consolidation. Since the total impact of this conversion was immaterial, the group decided in 2014 to adapt the historical USD group figures to the local USD financial statements in 2014.

11. Investment property

In KUSD	2015	2014
Gross carrying amount at January 1	43	43
Acquisitions		
Sales and disposals	- 34	
Gross carrying amount at December 31	9	43
Accumulated depreciation and impairment losses at January 1	- 40	- 40
Depreciation	34	
Sales and disposals		
Accumulated depreciation and impairment losses at December 31	- 6	- 40
Net carrying amount January 1	3	3
Net carrying amount December 31	**3**	**3**

12. Other financial assets

In KUSD	2015 Other companies Participations	2015 Other companies Receivables	2015 Other receivables	2015 Total	2014 Total
Gross carrying amount at January 1	5 482	3 184	0	8 666	8 704
Other increase (decrease)				0	- 36
Translation differences				0	- 2
Gross carrying amount at December 31	5 482	3 184	0	8 666	8 666
Accumulated impairment losses at January 1	- 1 660	- 3 184	0	- 4 844	- 4 844
Translation differences				0	0
Accumulated impairment losses at December 31	- 1 660	- 3 184	0	- 4 844	- 4 844
Net carrying amount January 1	**3 822**	**0**	**0**	**3 822**	**3 860**
Net carrying amount December 31	**3 822**	**0**	**0**	**3 822**	**3 822**

Investments in other enterprises include a 32% stake in *SIPEF-CI* SA in Ivory Coast (net book value of KUSD 3 819) and KUSD 3 other participations.

The net book value of *SIPEF-CI* SA is valued at cost minus eventual impairments. The fair value is not applied as no reliable financial information is available on time.

On 31 December 2015 an impairment test was effected on the participations based on the latest available information. This test did not lead to an adjustment of the book values.

13. Inventories

Analysis of inventories

In KUSD	2015	2014
Raw materials and supplies	12 072	12 243
Finished goods	9 229	14 255
Total	**21 301**	**26 498**

The reduction in inventories of finished products is due to a decrease in the total tonnage of unshipped palm oil at year end compared to 2014.

The stock of raw materials and supplies has remained stable compared to 2014.

14. Other current receivables and other current payables

The 'other receivables' (KUSD 16 393) mainly include VAT receivables in the various affiliates, but also contain an impairment for a VAT dispute in Indonesia for an amount of KUSD 1 548, receivables towards our smallholders for an amount of KUSD 1 711 and receivables towards our associates and joint ventures for a total of KUSD 4 239.

The 'other payables' (KUSD 13 212) mainly concern social obligations (salaries to be paid, provisions for holiday pay and bonus), and a current account with the newly founded company *Verdant Bioscience Singapore PTE LTD* for a total of KUSD 3 250.

The net current assets, net of cash, increased mainly due to an increase in issued loans to our smallholders, additional invoicing to associates and joint ventures in light of the investments made in our new ERP, and the payment of KUSD 1 750 of the current account in favor of *Verdant Bioscience Singapore PTE LTD*.

15. Shareholders' equity

Capital stock and share premium

The issued capital of the company as at December 31, 2015 amounts to KEUR 34 768 (KUSD 45 819), represented by 8 951 740 fully paid ordinary shares without nominal value.

	2015	2014
Number of shares	8 951 740	8 951 740

	2015	2014	2015	2014
	KEUR	KEUR	KUSD	KUSD
Capital	34 768	34 768	45 819	45 819
Share premium	16 285	16 285	21 502	21 502
Total	**51 053**	**51 053**	**67 321**	**67 321**

	2015	2014	2015	2014
	KEUR	KEUR	KUSD	KUSD
Treasury shares - opening balance	3 494	3 494	4 776	4 776
Acquisition treasury shares	1 830		2 041	
Treasury shares - ending balance	**5 324**	**3 494**	**6 817**	**4 776**

Since the start of the share buy-back program on 22 September 2011, *SIPEF* has bought back 100 000 shares for a total amount of KEUR 5 324, corresponding to 1.1171% of the total shares outstanding, as cover for a share option plan for the management.

Authorized capital

The extraordinary general meeting of shareholders on 8 June 2011 authorized the board of directors to increase the capital in one or more operations by an amount of KEUR 34 768 over a period of 5 years after the publication of the renewal.

Shareholder structure

The company has received following shareholders declarations:

In mutual consent	Number of shares	Date of notifying	Denominator	%
Ackermans & van Haaren NV	2 475 404	7/10/15	8 951 740	27.653
Cabra NV	652 379	7/10/15	8 951 740	7.288
Gedei NV	493 117	7/10/15	8 951 740	5.509
Baron Bracht	0	7/10/15	8 951 740	0.000
Total Baron Bracht and children	**1 145 496**			**12.797**
Total votes acting in concert	**3 620 900**			**40.450**
Fortis Investment Management NV	491 740	1/09/08	8 951 740	5.493
Alcatel Pensioenfonds VZW	469 600	1/09/08	8 951 740	5.246

Translation differences

Translation differences comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the company. The deviation from last year is mainly due to the movement of the USD versus the EUR (KUSD - 1 563)

In KUSD	2015	2014
Opening balance at January 1	-15 942	-14 228
Movement, full consolidation	- 573	- 710
Movement, equity method	- 990	-1 004
Ending balance at December 31	**-17 505**	**-15 942**

Dividends

On 17 February 2016, a dividend of KEUR 5 371 (EUR 0.60 gross per ordinary share) has been recommended by the board of directors but has not yet been approved by the general meeting of shareholders of *SIPEF* and is therefore not provided for in the financial statements as at December 31, 2015.

Capital management

The capital structure of the group is based on the financial strategy as defined by the board of directors. Summarized, this strategy consists of an expansion policy while respecting a very limited debt ratio. The management puts forward yearly the plan for approval by the board of directors.

Chain of control

1. Chain of control on Ackermans & van Haaren NV

I. Ackermans & van Haaren NV is directly controlled by Scaldis Invest NV, a company incorporated under Belgian law.

II. Scaldis Invest NV is directly controlled by Belfimas NV, a company incorporated under Belgian law.

III. Belfimas NV is directly controlled by Celfloor S.A., a company incorporated under Luxembourg law.

IV. Celfloor S.A. is directly controlled by Apodia International Holding B.V., a company incorporated under Dutch law.

V. Apodia International Holding B.V. is directly controlled by Palamount N.V., a company incorporated under the law of The Netherlands Antilles.

VI. Palamount N.V. is directly controlled by Stichting administratiekantoor "Het Torentje", incorporated under Dutch law.

VII. Stichting Administratiekantoor "Het Torentje" is the ultimate controlling shareholder. In accordance with article 11, §1 of the Law of 2 May 2007, Stichting administratiekantoor "Het Torentje" is acting under its own name and at the expense of the companies mentioned under (II) and (VI).

2. Chain of control on Cabra NV and Gedei NV

Priscilla Bracht, Theodora Bracht and Victoria Bracht exercise joint control over Cabra NV and Gedei NV.

16. Non-controlling interests

According to Indonesian law, no foreign investor is allowed to own more than 95% of the shares of a plantation company. Therefore all Indonesian subsidiaries have at least a 5% non-controlling interest. The non-controlling interests of our Indonesian subsidiaries mainly consist of one Indonesian pension fund.

The table below presents the non-controlling interests per company, as well as their share of the equity and the profit of the year.

	2015			2014*		
In KUSD	% Non-controlling interests	Share of the equity	Share of the profit of the year	% Non-controlling interests	Share of the equity	Share of the profit of the year
PT Tolan Tiga Indonesia	5.00	13 442	452	5.00	12 267	735
PT Eastern Sumatra Indonesia	9.75	4 468	449	9.75	4 610	721
PT Kerasaan Indonesia	45.85	2 121	862	45.85	1 955	1 461
PT Bandar Sumatra Indonesia	9.75	1 501	- 4	9.75	1 510	51
PT Melania Indonesia	9.75	3 196	93	9.75	3 211	76
PT Mukomuko Agro Sejahtera	14.26	- 286	- 94	14.26	- 190	- 93
PT Umbul Mas Wisesa	5.33	-1 266	- 179	5.34	-1 089	- 69
PT Citra Sawit Mandiri	5.33	- 298	- 9	5.34	- 290	- 26
PT Toton Usaha Mandiri	5.33	- 97	- 14	5.34	- 83	9
PT Agro Rawas Ulu	5.00	70	- 8	5.00	78	- 11
PT Agro Kati Lama	5.00	192	- 6	5.00	199	- 10
PT Agro Muara Rupit	5.33	68	- 4	5.34	72	- 16
PT Agro Muko	2.36	395	326	2.36	427	640
Jabelmalux SA**	0.34	- 194	1	0.36	- 203	8
Total		**23 312**	**1 865**		**22 474**	**3 476**

The movements of the year can be summarized as follows:

In KUSD	2015	2014*
At the end of the preceding period	22 474	20 682
- Profit for the period attributable to non-controlling interests	1 865	3 476
- Defined Benefit Plans - IAS19R	- 44	- 78
- Distributed dividends	- 995	-1 225
- Equity transactions with non-controlling parties**	12	33
- Sale of PT Timbang Deli		- 414
At the end of the period	**23 312**	**22 474**

The distributed dividends to non-controlling interests consist of:

In KUSD	2015	2014*
PT Kerasaan Indonesia	645	1 075
PT Eastern Sumatra Indonesia	300	150
PT Melania	50	
Total	**995**	**1 225**

There are no limitations to the transfer of funds.

* The 2014 comparative figures have been restated due to the amendments to IAS 16 and IAS 41 : Property, plant and equipment and Agriculture - bearer plants.

** The equity transactions with non-controlling interests comprise the acquisition of 4 additional shares of *Jabelmalux SA*.

17. Provisions

The provisions entirely relate to a VAT dispute in Indonesia (KUSD 1 257). It is difficult to make an estimate of the settlement time of the dispute.

18. Pension liabilities

Defined benefit plans

Pension liabilities mainly represent defined benefit plans in Indonesia. These pension plans, set up in order to pay a lump sum amount at the time of retirement, are not financed with a third party. The total number of employees affected by the pension plan amounts to 9 187. The pension plan is payable to an employee at the age of 55 or after 30 years of seniority, whichever comes first.

Since the pension plan is adjusted by future salary increases and discount rates, the pension plan is exposed to Indonesia's future salary expectations, as well as Indonesia's inflation and interest rate risk. Furthermore the pension plan is payable in Indonesian Rupiah, exposing it to a currency risk. We refer to note 27 for further details concerning the currency risk of the group. As the pension plan is unfunded, there is no risk relating to a return on plan assets.

The following reconciliation summarizes the variation of total pension liabilities between 2014 and 2015:

In KUSD	2014	Pension cost	Payment	Exchange	Translation difference	Change consolidation scope	Other	2015
Indonesia	9 868	2 166	-1 067	- 947				10 020
Ivory Coast	467	63	- 50		- 48			432
Others	77	10	- 22		- 8			57
Total	**10 412**	**2 239**	**-1 139**	**- 947**	**- 56**	**0**	**0**	**10 509**

Following assumptions are used in the pension calculation of Indonesia:

	2015	2014
Discount rate	9.00%	8.50%
Future salary increase	6.50%	6.00%
Assumed retirement age	55 years or 30 years of seniority	55 years or 30 years of seniority

Pension liabilities in Indonesia have changed as follows:

In KUSD	2015	2014
Opening	9 868	8 433
Service cost	767	687
Interest cost	822	678
Benefits paid	-1 067	- 811
Actuarial gains and losses	577	1 021
Exchange differences	- 947	- 140
Other		
Closing	**10 020**	**9 868**

Actuarial gains and losses consist of:

In KUSD	2015	2014
Experience adjustments	584	1 017
Changes in assumptions used	- 7	4
Total actuarial gains and losses	**577**	**1 021**

The actuarial gains and losses included in the above table contain the largest part of the total actuarial gains and losses included in the other comprehensive income (KUSD - 624). The remaining difference (KUSD - 47) consists of the actuarial gains and losses of the equity consolidated companies (*PT Agro Muko*, *PT Timbang Deli*, *B.D.M. NV* and *ASCO NV insurances*).

The amounts recognised in the balance sheet are as follows:

In KUSD	2015	2014
Pension liabilities	10 020	9 868

The amounts relating to the pension cost of Indonesia are as follows:

In KUSD	2015	2014
Service cost	767	687
Interest cost	822	678
Pension cost	**1 589**	**1 365**
Actuarial gains and losses recorded in Other Comprehensive Income	577	1 021
Total	**2 166**	**2 386**

These costs are included under the headings cost of sales and selling, general and administrative expenses of the income statement.

Estimated benefit payments in 2016 are KUSD 452.

Sensitivy of the variation of the discount rate and of the future salary increase

Values as appearing in the balance sheet are sensitive to changes in the actual discount rate compared to the discount rate used. The same applies to changes in the actual future salary increase compared to the future salary increase used in the calculation. For our Indonesian entities, simulations were made to calculate the impact of a 1% increase or decrease of both parameters on the pension provision, resulting in the following effects:

Impact of the change in discount rate:

In KUSD	+1%	carrying amount	-1%
Pension liability of the Indonesian subsidiaries	11 406	12 422	13 608
Gross impact on the comprehensive income	1 016		-1 186

Impact of the change in future salary increase

In KUSD	+1%	carrying amount	-1%
Pension liability of the Indonesian subsidiaries	13 574	12 422	11 421
Gross impact on the comprehensive income	-1 152		1 001

The pension liability in Indonesia consists of KUSD 10 020 from fully consolidated subsidiaries and of KUSD 2 402 from equity consolidated companies (*PT Agro Muko* and *PT Timbang Deli*).

Defined contribution plans

The group pays contributions to publicly or privately administered insurance plans. Since the group is obliged to make additional payments if the average return on the employer's contribution and on the employees' contributions is not attained, those plans should be treated as "defined benefit plans" in accordance with IAS 19.

Based on an analysis of the plans and the limited difference between the legally guaranteed minimum returns and the interest guaranteed by the insurance company, the Group has concluded that the application of the PUC method would have an immaterial impact. A provision has been recognised for the sum of the positive differences per plan participant between the minimum guaranteed reserves and the accumulated reserves as of 31 December 2015 for a total amount of KUSD 15. The impact in P&L is a past service cost recognised in personnel expenses.

Contributions paid regarding the defined contribution plans amount to KUSD 566 (KUSD 618 in 2014).

19. Net financial assets/(liabilities)

Net financial assets/(liabilities) can be analysed as follows:

In KUSD	2015	2014
Obligations initially payable after more than one year		
Short-term obligations - credit institutions	-69 649	-52 276
Investments and deposits		80
Cash and cash equivalents	19 128	27 579
Net financial assets/(liabilities)	**-50 521**	**-24 617**

Analysis of net financial assets/(liabilities) 2015 per currency:

In KUSD	EUR	USD	Others	Total
Obligations initially payable after more than one year				0
Short-term financial obligations	-20 247	-49 402		-69 649
Investments and deposits				0
Cash and cash equivalents	1 301	17 171	656	19 128
Total 2015	**-18 946**	**-32 231**	**656**	**-50 521**
Total 2014	**-20 543**	**-6 856**	**2 782**	**-24 617**

The short term financial obligations relate to the commercial papers for a total amount of KEUR 18 597. This financial obligation has been completely hedged at an average rate of 1 EUR = 1.1286 USD.

Reconciliation net financial assets/(liabilities) and cash flow:

In KUSD	2015	2014
Net financial position at the beginning of the period	-24 617	-35 077
(Increase)/decrease in short-term financial obligations	-17 372	144
Net movement in cash and cash equivalents	-8 597	10 409
Effect of exchange rate fluctuations on cash and cash equivalents	8	- 9
Cash and cash equivalents included in assets held for sale	57	- 84
Net financial assets/(liabilities) at the end of the period	**-50 521**	**-24 617**

20. Assets / liabilities held for sale

The "net assets held for sale" refers to the net assets of *Galley Reach Holdings*. On 15 February 2016, a Purchase/sale agreement was signed to finalize the sale of *Galley Reach Holdings* at approximately the current net carrying value.

The most important assets and liabilities that these companies contains are described hereafter:

In KUSD	2015	2014*
Biological assets	2 819	2 700
Property, plant and equipment	2 649	3 181
Current assets	1 954	2 069
Assets held for sale	**7 422**	**7 950**
Trade payables	- 220	- 221
Other payables	- 259	- 207
Liabilities associated with assets held for sale	**- 479**	**- 428**
Net assets held for sale	**6 943**	**7 522**

* The 2014 comparative figures have been restated due to the amendments to IAS 16 and IAS 41 : Property, plant and equipment and Agriculture - bearer plants.

21. Non-recurring result

The non-recurring result is included under the headings below and can be detailed as follows:

	2015			2014*		
In KUSD	Equity holders of the parent	Non-controlling interests	Total	Equity holders of the parent	Non-controlling interests	Total
Other operating income/(charges): VAT claim Indonesia	198	20	218	3 573	341	3 914
Other operating income/(charges): result of the sale of PT Timbang Deli			0	3 969		3 969
Other operating income/(charges): remeasurement biological assets			0	1 283	156	1 439
Other operating income/(charges): impairment on Galley Reach Holding			0	- 719		- 719
Other operating income/(charges): remeasurement			0	-1 176	- 48	-1 224
Non-recurring result	**198**	**20**	**218**	**6 930**	**449**	**7 379**
Tax effect: remeasurement			0	-1 477	- 145	-1 622
Tax effect: impairment on Galley Reach Holding			0	216		216
Tax effect: impairment of the deferred tax assets of Galley Reach Holdings			0	- 895		- 895
Tax effect on the VAT claim Indonesia			0	- 893	- 85	- 979
Non-recurring result after taxes	**198**	**20**	**218**	**3 881**	**219**	**4 100**

Adjusted net recurring result group share

In KUSD	2015	2014*
Net result - part of the group	19 226	48 967
Adjustment non-recurring result	- 198	-3 881
Adjusted net recurring result	**19 028**	**45 086**

The post remeasurement consists of the revaluation of the assets and liabilities of the Indonesian entities to the USD historical cost for local purposes. To this end, the Indonesian entities converted their local financial statements at an imposed historical USD exchange rate, which did not necessarily correspond to the historical exchange rates used in the consolidation. Since the total impact of this conversion was immaterial, the group has decided to adapt the historical USD group figures to the local USD financial statements in 2014.

* The 2014 comparative figures have been restated due to the amendments to IAS 16 and IAS 41 : Property, plant and equipment and Agriculture - bearer plants.

22. Financial result

The financial income concerns the interests received on current accounts with non-consolidated companies and on temporary excess cash. The financial charges concern the interests on long term and short term borrowings as well as bank charges and other financial costs.

In KUSD	2015	2014
Financial income	85	162
Financial charges	- 824	- 851
Exchange result	- 857	2 731
Financial result derivatives	919	-2 742
Financial result	**- 677**	**- 700**

23. Share based payment

Grant date	Number options granted	Number options exercised	Number options expired	Balance	Exercise price	Exercise period
2011	22 000			22 000	56.99	1/1/2015 - 31/12/2021
2012	20 000			20 000	59.14	1/1/2016 - 31/12/2022
2013	20 000			20 000	55.50	1/1/2017 - 31/12/2023
2014	20 000			20 000	54.71	1/1/2018 - 31/12/2024
2015	20 000			20 000	49.15	1/1/2019 - 31/12/2025
Balance	**102 000**	**0**	**0**	**102 000**		

SIPEF's stock option plan, which was approved in November 2011, is intended to provide long term motivation for the members of the management committee and general directors of the foreign subsidiaries whose activities are essential to the succes of the group. The options give them the right to acquire a corresponding number of *SIPEF* shares.

The remuneration committee is responsible for monitoring this plan and selecting the beneficiaries. The options are provided free of charge and their exercise period is 10 years.

IFRS 2 has been applied to the stocks. The fair value as of 31 December 2015 of the outstanding options amounts to KUSD 1 577 and is calculated according to the Black & Scholes model, of which the main components are:

Grant date	Share price (in EUR)	Dividend yield	Volatility	Interest rate	Estimated expected lifetime	Black & Scholes Value (in EUR)
2011	58.00	2.50%	38.29	3.59%	5.00	18.37
2012	58.50	2.50%	37.55	0.90%	5.00	15.07
2013	57.70	2.50%	29.69	1.36%	5.00	12.72
2014	47.68	2.50%	24.83	0.15%	5.00	5.34
2015	52.77	2.50%	22.29	0.07%	5.00	8.03

In 2015, 20 000 new stock options were granted with an exercise price of EUR 49.15 per share. The fair value when granted was fixed at KUSD 175 and is recorded in the profit and loss accounts over the vesting period of 3 years (2016-2018).

To cover the outstanding option obligation, *SIPEF* has a total of 100 000 treasury shares in portfolio.

	Number of shares	Average purchase price (in EUR)	Total purchase price (in KEUR)	Total purchase price (in KUSD)
Opening balance 31/12/2014	62 000	56.35	3 494	4 776
Acquisition of treasury shares	38 000	48.16	1 830	2 041
Disposal of treasury shares				
Ending balance 31/12/2015	**100 000**	**53.24**	**5 324**	**6 817**

The extraordinary general meeting of shareholders on 11 February 2015 authorized the board of directors to purchase own shares of *SIPEF* if deemed necessary over a period of 5 years after the publication of the renewal.

24. Income taxes

The reconciliation between the tax expenses and tax at local applicable tax rates is as follows:

In KUSD	2015	2014*
Profit before tax	21 315	60 119
Tax at the applicable local rates	-5 666	-16 750
Average applicable tax rate	26.58%	27.86%
Permanent differences	1 359	-1 083
Remeasurement**		-1 568
Deferred tax on the carry forward losses from the past	-1 102	3 256
Deferred tax on non current assets resulting from exchange rate fluctuations	- 929	-4 116
Tax expense	-6 338	-20 261
Average effective tax rate	**29.73%**	**33.70%**

** For a summary of the total impact of the remeasurement we refer to note 21.

We received from the Indonesian tax authorities the formal approval, that starting from financial year 2014 our Indonesian affiliates are allowed to lodge their tax declaration in USD. From the tax authorities in Papua New Guinea the *SIPEF* group got permission to prepare the tax declaration based on USD accounts from 2015 onwards.

As a consequence the deferred taxes due to changes in exchange rates strongly reduced and they only relate to *Sipef NV* and *Jabelmalux SA* in 2015. For *Sipef NV* a similar agreement has been obtained with effect from financial year 2016, while we also seek agreement for *Jabelmalux SA*.

Deferred tax liabilities and assets are offset per taxable entity which leads to the following split between deferred tax assets and deferred tax liabilities:

In KUSD	2015	2014*
Deferred tax assets	16 465	14 832
Deferred tax liabilities	-30 363	-29 555
Net deferred taxes	**-13 898**	**-14 723**

The movements in net deferred taxes (assets - liabilities) are:

In KUSD	2015	2014*
Opening balance	-14 723	-4 731
Variation (- expense) / (+ income) through income statement	697	-10 228
Tax impact of IAS 19R through comprehensive income	144	255
Reclassification to liabilities associated with assets held for sale		
Others	- 16	- 19
Closing balance	**-13 898**	**-14 723**

Deferred taxes in the income statement are the result of:

In KUSD	2015	2014*
Addition/(utilisation) of tax losses brought forward	1 662	13 728
Origin or reversal of temporary differences - non-current assets	30	-19 167
Origin or reversal of temporary differences - pension provision	- 106	103
Origin or reversal of temporary differences - inventories	214	1 594
Origin or reversal of temporary differences - other	-1 103	-6 486
Total	**697**	**-10 228**

The addition of tax losses brought forward refers mainly to the inclusion of past losses for *PT Citra Sawit Mandiri* and losses of the year for *Hargy Oil Palms Ltd*, where it is probable that sufficient taxable profits will be available in the near future against which the deferred tax losses can be offset.

Total deferred tax assets are not entirely recognized in the balance sheet. The breakdown of total, recognized and unrecognized deferred taxes is as follows:

	2015		
In KUSD	Total	Not recorded	Recorded
Other non-current assets	-35 781		-35 781
Inventories	-2 519		-2 519
Pension provision	2 505		2 505
Tax losses	32 047	5 043	27 004
Others	-5 107		-5 107
Total	**-8 855**	**5 043**	**-13 898**

The majority of the unrecognized deferred tax assets at the end of 2014 are located at the companies of the *UMW* group (KUSD 2 537) and *Jabelmalux SA* (KUSD 1 516). For the *UMW* group, the main cause of uncertainty is the limited transferability over time (max 5 years). The set-up of and the adjustments to the deferred tax assets are based on the most recently available long term business plans.

The total tax losses (recognized and unrecognized) have the following maturity structure:

In KUSD	2015 Total	2015 Not recorded	2015 Recorded
1 year	6 839	6 801	38
2 years	9 900	776	9 124
3 years	13 233	6 205	7 028
4 years	5 696	303	5 393
5 years	7 564	294	7 270
Unlimited	69 168	5 188	63 980
Total	**112 400**	**19 567**	**92 833**

The net taxes to be paid relate mainly to the taxes to be paid in Indonesia.

In KUSD	2015	2014*
Taxes to receive	5 224	6 751
Taxes to pay	- 229	-5 190
Net taxes to pay	**4 995**	**1 561**

In KUSD	2015	2014*
Net taxes to pay at the beginning of the period	1 561	-6 923
Taxes to pay	-7 035	-10 032
Paid taxes	10 469	18 516
Net taxes to pay at the end of the period	**4 995**	**1 561**

Taxes paid as presented in the consolidated cash flow statement are detailed as follows:

In KUSD	2015	2014*
Tax expense	-6 338	-20 261
Deferred tax	- 697	10 228
Current taxes	**-7 035**	**-10 033**
Variation prepaid taxes	1 527	-1 416
Variation payable taxes	-4 961	-7 068
Paid taxes	**-10 469**	**-18 517**

* The 2014 comparative figures have been restated due to the amendments to IAS 16 and IAS 41 : Property, plant and equipment and Agriculture - bearer plants.

25. Investments in associates and joint ventures

The *SIPEF* group has the following percentage of control and percentage of interest in the associates and joint ventures:

Entity	Location	% of control	% of interest
PT Agro Muko	Jakarta / Indonesia	47.29	44.93
Verdant Bioscience Singapore PTE LTD	Singapore / Republic of Singapore	38.00	38.00
PT Timbang Deli Indonesia	Medan / Indonesia	38.00	36.10
B.D.M. NV	Antwerp / Belgium	50.00	50.00
Asco NV	Antwerp / Belgium	50.00	50.00

The investments in associates and joint ventures consist of the following 2 sectors:

1. Tropical agriculture: *PT Agro Muko*, *PT Timbang Deli* and *Verdant Bioscience Singapore PTE LTD*
2. The insurance sector: *B.D.M. NV* and *ASCO NV*.

The group has a 44.93% participation in *PT Agro Muko*, a company located on the island of Sumatra in Indonesia. *PT Agro Muko*, active in palm oil as well as rubber, is a private company which is not quoted on the stock exchange. In accordance with the IFRS 11 standard *PT Agro Muko* is classified as a joint venture and is therefore included using the equity method.

Verdant Bioscience Singapore PTE LTD (VBS) is a newly founded company located in Singapore. As of 1 January 2014 the group holds a 38% interest in VBS. The company is a cooperation between Ultra Oleom PTE Ltd (52%), *Sipef NV* (38%) and Biosing PTE (10%) with the objective of conducting research into and developing high-yielding seeds with a view to commercialising them.

The group holds a 36.10% participation in *PT Timbang Deli*, a company located on the island of Sumatra in Indonesia. *PT Timbang Deli* is active in growing rubber. Following the Share Swap agreement with *Verdant Bioscience Singapore PTE LTD* the *SIPEF* group contributed 95% of the total number of shares of *PT Timbang Deli* to *Verdant Bioscience Singapore PTE LTD*.

The group holds a 50% interest in the *B.D.M. NV* and *ASCO NV* insurance group, which especially targets maritime and industrial insurance. *B.D.M. NV* is an insurance agent for *ASCO NV*, among others, and for a number of large international insurers offering risk coverage in certain niche markets. The remaining 50% interest in *B.D.M. NV* and *ASCO NV* is held by the Ackermans & Van Haaren group.

The total post "investments in associates and joint ventures" can be summarized as follows:

In KUSD	2015	2014*
PT Agro Muko	38 323	38 971
Verdant Bioscience Singapore	7 350	7 867
PT Timbang Deli Indonesia	2 335	2 412
Insurances (B.D.M. NV and ASCO NV)	8 596	9 585
Total	**56 604**	**58 835**

The total post "Share of results of associated companies" can be summarized as follows:

In KUSD	2015	2014*
PT Agro Muko	6 526	12 812
Verdant Bioscience Singapore	- 517	- 569
PT Timbang Deli Indonesia	- 70	- 171
Insurances (B.D.M. NV and ASCO NV)	176	514
Total result	**6 115**	**12 586**

Considering the relatively small impact of the insurance sector, we do not present the aggregated financial statements separately.

Tropical agriculture

The associated companies and joint-ventures included in the tropical agriculture consist of:

a) The joint venture *PT Agro Muko*
b) The associated companies *PT Timbang Deli* and *Verdant Bioscience Singapore PTE LTD*
Below we present the condensed statements of financial position of the associated companies and joint ventures. These are prepared in accordance with IFRS and are before intercompany eliminations and excluding goodwill.

	PT Agro Muko		Verdant Bioscience Singapore		PT Timbang Deli	
In KUSD	**2015**	**2014***	**2015**	**2014***	**2015**	**2014***
Biological assets	33 411	30 757			4 152	4 166
Other non-current assets	29 541	27 979	23 625	23 602	2 942	1 037
Current assets	15 390	21 118	5 159	5 063	944	849
Cash and cash equivalents	8 272	11 466	72	104	882	650
Total assets	**86 614**	**91 320**	**28 856**	**28 769**	**8 920**	**6 702**
Non-current liabilities	5 882	6 558			1 178	1 161
Long term financial debts						
Current liabilities	6 404	9 064	3 441	1 993	3 509	1 095
Short term financial debts						
Equity	74 328	75 698	25 415	26 776	4 233	4 446
Total liabilities	**86 614**	**91 320**	**28 856**	**28 769**	**8 920**	**6 702**

Below we present the condensed income statements of the associated companies and joint ventures. These are prepared in accordance with IFRS and are before intercompany eliminations and excluding goodwill.

	PT Agro Muko		Verdant Bioscience Singapore		PT Timbang Deli	
In KUSD	**2015**	**2014***	**2015**	**2014***	**2015**	**2014***
Inclusion in the consolidation:	47.29%	47.29%	38.00%	38.00%	36.10%	36.10%
Revenue	50 544	69 480			2 300	2 717
Depreciation	4 350	4 855	3		165	120
Interest income	27	105			4	6
Interest charges			7			
Net result	13 799	27 091	-1 360	-1 498	- 194	319
Share in the consolidation	**6 526**	**12 812**	**- 517**	**- 569**	**- 70**	**115**
Extraordinary result: historical currency translation adjustments after loss of control						- 286
Total share of the group	6 200	12 171	- 517	- 569	- 70	- 171
Total share minorities	326	641				
Total	**6 526**	**12 812**	**- 517**	**- 569**	**- 70**	**- 171**

Reconciliation of the associated companies and joint ventures

The below tables are prepared in accordance based on the IFRS financial statements as included in the consolidation, in accordance with the accounting policies of the *SIPEF* group, before goodwill allocation

Reconciliation tropical agriculture

In KUSD	PT Agro Muko 2015	PT Agro Muko 2014*	Verdant Bioscience Singapore 2015	Verdant Bioscience Singapore 2014*	PT Timbang Deli 2015	PT Timbang Deli 2014*
Equity without goodwill	74 328	75 698	25 415	26 776	4 233	4 446
Share of the group	35 152	35 800	9 657	10 174	1 528	1 605
Goodwill	3 171	3 171			807	807
Equity elimination PT Timbang Deli			-2 307	-2 307		
Total	**38 323**	**38 971**	**7 350**	**7 867**	**2 335**	**2 412**

Reconciliation insurances

In KUSD	Insurances 2015	Insurances 2014*
Equity without goodwill	17 192	19 170
Total Share of the group	**8 596**	**9 585**

Dividends received from associated companies and joint ventures

During the year the following dividends were received:

In KUSD	2015	2014*
PT Agro Muko	7 094	11 823
B.D.M. NV	221	264
Total	**7 315**	**12 087**

* The 2014 comparative figures have been restated due to the amendments to IAS 16 and IAS 41 : Property, plant and equipment and Agriculture - bearer plants.

There are no restrictions on the transfers of funds to the group.

26. Change in net working capital

Cash flow from operating activities decreased to a lesser degree than the pre-tax operating profit (KUSD -30 709 compared to KUSD -38 804). This difference is due to the substantially higher level of depreciation from 2015 onward (KUSD +6 638), primarily as a result of the commissioning and concomitant depreciation of two new palm oil extraction mills.

The change in working capital (KUSD -8 062) was primarily attributable to a structural change in the use of this working capital as a result of altered export conditions in Indonesia. Which means that, as of the second quarter of 2015, we have to pay our suppliers for all exports immediately by documentary letters of credit.

27. Financial instruments

Exposure to fluctuations in the market price of core products, currencies, interest rates and credit risk arises in the normal course of the group's business. Financial derivative instruments are used to a limited extend to reduce the exposure to fluctuations in foreign exchange rates and interest rates.

Notes to the consolidated financial statements

Fluctuations in the market price of core products

Structural risk

SIPEF group is exposed to structural price risks of their core products.The risk is primarily related to palm oil and palm kernel oil and to a lesser extent to rubber. A change of the palm oil price of USD 10 CIF per ton has an impact of about KUSD 1 850 (without taking into account the impact of the current export tax in Indonesia) on result after tax.

This risk is assumed to be a business risk.

Transactional risk

The group faces transactional price risks on products sold. The transactional risk is the risk that the price of products purchased from third parties fluctuates between the time the price is fixed with a customer and the time the transaction is settled. This risk is assumed to be a business risk.

Currency risk

Most of the subsidiaries are using the US dollar as functional currency. The group's currency risk can be split into three distinct categories: structural, transactional and translational:

Structural risk

A portion of the group's revenues are denominated in USD, while all of the operations are located outside the USD zone (particularly in Indonesia, Papua New Guinea, Ivory Coast and Europe). Any change in the USD against the local currency will therefore have a considerable impact on the operating result of the company. Most of these risks are considered to be a business risk.

Transactional risk

The group is also subject to transactional risks in respect of currencies, i.e. the risk of currency exchange rates fluctuating between the time the price is fixed with a customer, supplier or financial institution and the time the transaction is settled. This risk, with the exception of naturally covered positions, is not covered since most receivables and payables have a short settlement term.

The pension liabilities in Indonesia are important long term liabilities that are fully payable in IDR. A devaluation or revaluation of 10% of the IDR versus the USD has the following effect on the income statement:

In KUSD	IDR Dev 10%	Book value	IDR Rev 10%
Pension liabilities in Indonesia	11 293	12 422	13 802
Gross impact income statement	1 129		-1 380

The pension liability in Indonesia consists of KUSD 10 020 from fully consolidated subsidiaries and of KUSD 2 402 from equity consolidated companies (*PT Agro Muko* and *PT Timbang Deli*)

On February 16th, 2016 the board of directors has also proposed the payment of KEUR 5 371 (EUR 0.60 gross per ordinary share). In the light of our liquidity and currency policy the exchange risk on the payment of this dividend was covered in three forward exchange contracts for the sale of KUSD 5 489 for KEUR 5 014 (average exchange rate of 0.9135).

- KUSD 5 489 (KEUR 5 014) before the end of the year
- KUSD 0 (KEUR 0) after year end

Sensitivity analysis:
With regard to the cover of the dividend for the end of the year a devaluation or revaluation of 10% of the EUR versus the USD has the following effect on the profit and loss account:

In KUSD	EUR Dev 10%	Book value	EUR Rev 10%
Dividend	4 913	5 459	6 005
Gross Impact income statement	- 546		546

Translational risk
The *SIPEF* group is an international company and has operations which do not use the USD as their reporting currency. When such results are consolidated into the group's accounts the translated amount is exposed to variations in the value of such local currencies against the USD. *SIPEF* group does not hedge against such risk (see accounting policies).As from 1st of January 2007 onwards the functional currency of most of our activities is the same as the presentation currency, this risk has been largely restricted.

Interest rate risk

The group's exposure to changes in interest rates relates to the group's financial debt obligations. At the end of December 2015, the group's net financial assets/(liabilities) amounted to KUSD - 50 521 (2014: KUSD -24 617), of which KUSD 69 649 short term financial liabilities (2014: KUSD 52 276) and KUSD 19 128 net short term cash and cash equivalents (2014: KUSD 27 659).

At the end of December 2015, there are no borrowings with an initial term of more than one year.

Since all of the debt is of a current nature with variable interest rates, we believe a 0.5% change in interest rate will not have a material impact.

Available funds are invested in short term deposits.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a loss. This credit risk can be split into a commercial and a financial credit risk.With regard to the commercial credit risk management has established a credit policy and the exposure to this credit risk is monitored on a continuous basis.

In practice a difference is made between:

In KUSD	2015	2014
Receivables from the sale of palm oil/rubber/tea	22 237	22 897
Receivables from the sale of bananas and plants	564	898
Total	**22 801**	**23 795**

The credit risk for the first category is rather limited as these sales are for the most part immediately paid against presentation of documents. Moreover it concerns a relatively small number of first class buyers: per product about 90% of the turnover is realized with a maximum of 10 clients. For palm oil there are 3 clients who each represent over 30% of the total sales. For rubber and tea there is each time 1 client which represents over 30% of total sales. Contrary to the first category the credit risk for the receivables from the sales of bananas and plants are more important.

For both categories there is a weekly monitoring of the open balances due and a proactive system of reminders. Depreciations are applied as soon as total or partial payments are seen as unlikely. The elements that are taken into account for these appraisals are the lengths of the delay in payment and the creditworthiness of the client.

The receivables from the sales of bananas and plants have the following due date schedule:

In KUSD	2015	2014
Not yet due	452	765
Due < 30 days	32	89
Due between 30 and 60 days	79	0
Due between 60 and 90 days	1	44
Total	**564**	**898**

In 2015 a total of KUSD 657 was recorded as capital loss on receivables in the income statement. The recorded capital loss mainly included impairment of receivables from local clients concerning sundry sales (materials,…), as well as capital losses on the receivables from our smallholders in Papua-new-Guinea.

The capital loss on receivables which was recorded in 2014 (KUSD 888) concerns the write-off of our receivable from our subsidiary *Sograci* as a consequence of the liquidation of this subsidiary.

Liquidity risk

A material and structural shortage in our cash flow would damage both our creditworthiness as well as the trust of investors and would restrict the capacity of the group to attract fresh capital.

The operational cash flow provides the means to finance the financial obligations and to increase shareholder value. The group manages the liquidity risk by evaluating the short term and long term cash flows. The *SIPEF* group maintains an access to the capital market through short and long term debt programs.

The following table gives the contractually determined (not-discounted) cash flows resulting from liabilities at balance sheet date.

2015 - In KUSD	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	More than 5 years
Trade & other liabilities < 1 year							
Trade payables	11 675	-11 675	-11 675				
Advances received	285	- 285	- 285				
Financial liabilities < 1 year							
Current portion of amounts payable after one year							
Financial liabilities	69 649	-69 673	-69 673				
Derivatives	837	- 837	- 837				
Other current liabilities							
Current liabilities	**82 446**	**-82 470**	**-82 470**	**0**	**0**	**0**	**0**

2014 - In KUSD	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	More than 5 years
Trade & other liabilities < 1 year							
Trade payables	20 274	-20 274	-20 274				
Advances received	219	- 219	- 219				
Financial liabilities < 1 year							
Current portion of amounts payable after one year							
Financial liabilities	52 276	-52 284	-52 284				
Derivatives	1 756	-1 756	-1 756				
Other current liabilities							
Current liabilities	**74 525**	**-74 533**	**-74 533**	**0**	**0**	**0**	**0**

In order to limit the financial credit risk *SIPEF* has spread its more important activities over a small number of banking groups with a first class rating for creditworthiness.

In 2015, same as in previous years, there were no infringements on the conditions stated in the credit agreements nor were there any shortcomings in repayments.

Financial instruments measured at fair value in the statement of financial position

Fair values of derivatives are:

In KUSD	2015	2014
Forward exchange transactions	- 837	-1 756
Interest rate swaps		
Fair value (+ = asset; - = liability)	**- 837**	**-1 756**

In accordance with IFRS 13 financial instruments are grouped into 3 levels based on the degree to which the fair value is observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of the forward exchange contracts calculated at the closing value on the 31st of December 2015 were also incorporated in level 2.

The notional amount from the forward exchange contracts amounts to 26 477 KUSD.

Financial instruments per category

The next table gives the financial instruments per category as per end 2015 and end 2014. The carrying amount of the financial assets and liabilities approximates the fair value because of the current nature of the financial instruments, except for the available for sale financial assets, which are valued at cost due to the fact that reliable information is not available.

The financial instruments are measured at level 2.

2015 - In KUSD	Assets available for sale	Loans and receivables	Derivatives	Total carrying amount
			(1)	
Financial assets				
Other investments	3 822			3 822
Other financial assets				0
Receivables > 1 year				
Other receivables				0
Total non-current financial assets	**3 822**	**0**	**0**	**3 822**
Trade and other receivables				
Trade receivables		22 801		22 801
Investments				
Other investments and deposits				0
Cash and cash equivalents		19 128		19 128
Derivatives				0
Total current financial assets	**0**	**41 929**	**0**	**41 929**
Total financial assets	**3 822**	**41 929**	**0**	**45 751**

	Derivatives	Other liabilities	Total carrying amount
		(2)	
Trade and other obligations > 1 year			0
Financial obligations > 1 year (incl. derivatives)			0
Total non-current financial liabilities	**0**	**0**	**0**
Trade & other obligations < 1 year			
Trade payables		11 675	11 675
Advances received		285	285
Financial obligations < 1 year			
Current portion of amounts payable after one year			0
Financial obligations		69 649	69 649
Derivatives	837		837
Total current financial liabilities	**837**	**81 609**	**82 446**
Total financial liabilities	**837**	**81 609**	**82 446**

(1) is technically considered as held for trading under IAS 39
(2) at amortized cost

2014 - In KUSD	Assets available for sale	Loans and receivables	Derivatives	Total carrying amount
			(1)	
Financial assets				
Other investments	3 822			3 822
Other financial assets				0
Receivables > 1 year				
Other receivables				0
Total non-current financial assets	**3 822**	**0**	**0**	**3 822**
Trade and other receivables				
Trade receivables		23 795		23 795
Investments				
Other investments and deposits		80		80
Cash and cash equivalents		27 579		27 579
Derivatives				0
Total current financial assets	**0**	**51 454**	**0**	**51 454**
Total financial assets	**3 822**	**51 454**	**0**	**55 276**

	Derivatives	Other liabilities	Total carrying amount
		(2)	
Trade and other obligations > 1 year			0
Financial obligations > 1 year (incl. derivatives)			0
Total non-current financial liabilities	**0**	**0**	**0**
Trade & other obligations < 1 year			
Trade payables		20 274	20 274
Advances received		219	219
Financial obligations < 1 year			
Current portion of amounts payable after one year			0
Financial obligations		52 276	52 276
Derivatives	1 756		1 756
Total current financial liabilities	**1 756**	**72 769**	**74 525**
Total financial liabilities	**1 756**	**72 769**	**74 525**

(1) is technically considered as held for trading under IAS 39
(2) at amortized cost

The contribution to the net result of the financial insturments per category is presented as follows:

2015 - In KUSD	Assets available for sale	Loans and receivables	Cash	Derivatives	Amortized cost	Total
Revenue						0
Selling, general and administrative expenses						0
Other operating income/(charges)						0
	0	**0**	**0**	**0**	**0**	**0**
Financial income		1	80			81
Financial charges		- 297	- 523			- 820
Derivatives held for trade purposes				919		919
	0	**- 296**	**- 443**	**919**	**0**	**180**

2014 - In KUSD	Assets available for sale	Loans and receivables	Cash	Derivatives	Amortized cost	Total
Revenue						0
Selling, general and administrative expenses						0
Other operating income/(charges)						0
	0	**0**	**0**	**0**	**0**	**0**
Financial income		1	180			181
Financial charges		- 421	- 449			- 870
Derivatives held for trade purposes				-2 742		-2 742
	0	**- 420**	**- 269**	**-2 742**	**0**	**-3 431**

28. Operational leases

The group leases office space, office equipment and vehicles under a number of operating lease agreements. Future lease payments under these non-cancelable operating leases are due as follows:

In KUSD	2015	2014
1 year	298	341
2 years	81	134
3 years	29	90
4 years	2	32
5 years		3
	410	**600**

During the year an amount of KUSD 327 (compared to KUSD 380 in 2014) has been charged in the income statement.

29. Finance leases

In 2010 in the light of further restructuring of the groups' financing the current financial leasing contracts have been terminated.

30. Rights and commitments not reflected in the balance sheet

Guarantees

No guarantees has been issued by third parties as security for the company's account and for the account of subsidiaries during 2015.

The various rights and commitments are comprised of call-options (KUSD -99) and put-options (KUSD 65) on the assets of the insurance sector.

Significant litigation

Nihil

Forward sales

The commitments for the delivery of goods (palm products, rubber, tea and bananas and plants) after the year end fall within the normal delivery period of about 3 months from date of sale. Those sales are not considered as forward sales.

31. Related party transactions

Transactions with directors and members of the executive committee

Key management personnel are defined as the directors and the group's management committee.
The table below shows an overview of total remuneration received:

In KUSD	2015	2014
Directors' fees		
fixed fees	294	293
Short-term employee benefits	2 103	2 124
Resignation payment		
Share based payments	97	101
Post-employment benefits	507	556
Benefits in kind (Company car+ cell phone)	44	90
Total	**3 045**	**3 164**

The amounts are paid in EUR. The amount paid in 2015 amounts to KEUR 2 758 (2014: KEUR 2 394). The increase is mainly related to the increase of remunerations paid to the members of the board of directors, an increase of the salaries of the members of the executive committee and an increase of the variable payments in 2015 compared to 2014.

Starting from the financial year 2007 fixed fees shall be paid to the members of the board of directors, the audit committee and the remuneration committee.

Related party transactions are considered immaterial, except for the rental agreement since 1985 between Cabra NV and *SIPEF* covering the offices and ancillary parking space at Castle Calesberg in Schoten. The annual rent, adjusted for inflation, amounts to KUSD 177 (KEUR 160) and KUSD 71 (KEUR 64) is invoiced for *SIPEF*'s share of maintenance of the buildings, parking space and park area.

SIPEF's relations with board members and management committee members are covered in detail in the "Corporate Governance statement" section.

Other related party transactions

Transactions with related companies are mainly trade transactions and are priced at arms' length. The revenue and expenses related to these transactions are immaterial to the consolidated financial statements as a whole.

Transactions with group companies

Balances and transactions between the group and its subsidiaries which are related parties of the group have been eliminated in the consolidation and are not disclosed in this note. Details of transactions between the group and other related parties (mainly *PT Agro Muko*) are disclosed below.

The following table represents the total of the transactions that have occured during the financial year between the group and the joint venture *PT Agro Muko*, *PT Timbang Deli* and *Verdant Bioscience Singapore PTE LTD* at 100%:

In KUSD	PT Agro Muko	PT Timbang Deli	Verdant Bioscience Singapore
Total sales during the financial year	1 460	371	
Total purchases during the financial year	38 223	1 849	
Total receivables as per 31 December 2015	2 729	2 256	1 566
Total payables as per 31 December 2015	2 455	177	5 150

32. Earnings per share (basic and diluted)

From continuing and discontinued operations	2015	2014*
Basic earnings per share		
Basic earnings per share - calculation (USD)	2.16	5.51
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	19 226	48 967
Denominator: the weighted average number of ordinary shares outstanding	8 880 661	8 889 740
The weighted average number of ordinary shares outstanding is calculated as follows:		
Number of ordinary shares outstanding at January 1	8 889 740	8 889 740
Effect of shares issued / share buyback programs	- 9 079	
The weighted average number of ordinary shares outstanding at December 31	8 880 661	8 889 740
Diluted earnings per share		
Diluted earnings per share - calculation (USD)	2.16	5.51
The diluted earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	19 226	48 967
Denominator: the weighted average number of dilutive ordinary shares outstanding	8 880 661	8 890 552
The weighted average number of dilutive ordinary shares outstanding is calculated as follows:		
The weighted average number of ordinary shares outstanding at December 31	8 880 661	8 889 740
Effect of stock options on issue		812
The weighted average number of dilutive ordinary shares outstanding at December 31	8 880 661	8 890 552

From continuing operations		
Basic earnings per share		
Basic earnings per share - calculation (USD)	2.16	5.51
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	19 226	48 967
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Effect of stock options on issue		812
The weighted average number of dilutive ordinary shares outstanding at December 31	8 880 661	8 890 552

* The 2014 comparative figures have been restated due to the amendments to IAS 16 and IAS 41 : Property, plant and equipment and Agriculture - bearer plants.

33. Restatement IAS 41 revised

In November 2015 the amendments to IAS 16 and IAS 41 Agriculture: bearer plants were endorsed in the EU for periods beginning on or after the 1st of January 2016. Due to these amendments "bearer plants" are again accounted for at historical cost rather than fair value.

SIPEF has opted for early adoption of these standards as of 1 January 2015. As a consequence the consolidated financial statements of the previous periods have been restated.

SIPEF has opted not to value growing agricultural produce of palm oil, rubber and tea at fair value as it grows less costs to sell in accordance with IAS 41.10c as we are of the opinion that all parameters used in any alternative fair value measurement (future productions, determination of the start of the life cycle, cost allocation,...) are clearly unreliable. As a consequence all alternative fair value measurements are also considered clearly unreliable.

Growing biological produce of palm oil, rubber and tea is therefore measured at fair value at the point of harvest in accordance with IAS 41.32.

Below we disclose the impact of the restatement on the income statement, the equity, the net assets and the cash flow:

Effect on the consolidated income statement

	2014		
In KUSD (condensed)	**IAS 41**	**IAS 41R**	**Difference**
Gross Sales	285 899	285 899	0
Cost of Sales	- 201 485	- 206 996	- 5 511
Gross Margin	**84 414**	**78 903**	**- 5 511**
Variation Biological assets	29 937		- 29 937
Planting costs (net)	- 22 308		22 308
Selling, general and administrative expenses	- 25 447	- 25 447	0
Other operating income/(charges)	4 798	7 363	2 565
Operating Result	**71 394**	**60 819**	**- 10 575**
Financial Income	181	181	0
Financial costs	- 870	- 870	0
Exchange variances	- 11	- 11	0
Financial Result	**- 700**	**- 700**	**0**
Profit before tax	**70 694**	**60 119**	**- 10 575**
Tax	- 22 644	- 20 262	2 382
Profit after tax	**48 050**	**39 857**	**- 8 193**
Share of results of associated companies and joint ventures	12 124	12 586	462
Profit for the Period (continuing operations)	**60 174**	**52 443**	**- 7 731**
Profit for the Period (incl discontinued operations)	**60 174**	**52 443**	**- 7 731**
- Non controlling interests	**3 906**	**3 476**	**- 430**
- Equity holders of the parent	**56 268**	**48 967**	**- 7 301**

Effect on the net assets (increase/(decrease) of the net assets)

	31 December 2014		
In KUSD (condensed)	**IAS41**	**IAS41R**	**Difference**
Balance sheet			
Tangible and intangible assets	238 541	238 541	0
Biological assets	328 859	149 459	- 179 400
Investments in associates and joint ventures	73 557	58 835	- 14 722
Financial assets	3 822	3 822	0
Deferred tax assets	3 013	14 832	11 819
Total non-current assets	**647 792**	**465 489**	**- 182 303**
Inventories	26 498	26 498	0
Receivables	41 948	41 948	0
Cash and cash equivalents	27 659	27 659	0
Other current assets	1 839	1 839	0
Assets held for sale	8 845	7 950	- 895
Total current Assets	**106 789**	**105 894**	**- 895**
Total assets	**754 581**	**571 383**	**- 183 198**
Provisions	1 479	1 479	0
Deferred tax liabilities	62 820	29 555	- 33 265
Pension liabilities	10 412	10 412	0
Trade liabilities	40 188	40 188	0
Financial liabilities < 1 year	54 032	54 032	0
Other current liabilities	1 869	1 869	0
Liabilities associated with assets held for sale	428	428	0
Total liabilities	**171 228**	**137 963**	**- 33 265**
(Net impact on) equity			
Attributable to:			
- Non-controlling interests	**35 838**	**22 474**	**- 13 364**
- Equity holders of the parent	**547 515**	**410 946**	**- 136 569**

Effect on the cash flow

In KUSD (condensed)	31 December 2014 IAS 41	IAS 41R	Difference
Cash flow			
Profit before tax	70 694	60 119	- 10 575
Adjusted for:			
Depreciation	15 977	21 488	5 511
Movement in provisions	- 1 366	- 1 366	0
Stock options	424	424	0
Changes in fair value of biological assets	- 7 629		7 629
Other non-cash results	- 939	- 1 659	- 720
Hedge reserves and financial derivatives	2 742	2 742	0
Financial income and charges	445	445	0
Capital loss on receivables	888	888	0
Capital gain on sale of investments			0
Result on disposal of property, plant and equipment	1 149	1 149	0
Result on disposal of financial assets	- 1 786	- 3 631	- 1 845
Cash flow from operating activities before change in net working capital	80 599	80 599	0
Change in net working capital	11 654	11 654	0
Income taxes paid	- 18 516	- 18 516	0
Cash flow from operating activities after tax	**73 737**	**73 737**	**0**
Acquisitions intangible and tangible assets	- 58 380	- 58 380	0
Acquisitions financial assets			0
Operating free cash flow	**15 357**	**15 357**	**0**
Dividends received from associated companies	12 087	12 087	0
Proceeds from sale of assets	- 180	- 180	0
Free cash flow	**27 264**	**27 264**	**0**
Financial income and charges	- 16 855	- 16 855	0
Net increase in investments, cash and cash equivalents	**10 409**	**10 409**	**0**
Net free cash flow	**27 256**	**27 256**	**0**

34. Events after the balance sheet date

On 15 February 2016, a purchase/sale agreement was signed to finalize the sale of *Galley Reach Holdings* at approximately the current net carrying value. No further important events took place after the closure of the 2015 financial year that could have a material effect on the group's development.

35. Recent developments

To the best of our actual knowledge, there are no circumstances or developments, which would have a major impact on the further development of the Group. The board of directors proposes to pay a gross dividend of EUR 0.60 per share payable on 6 July 2016. This corresponds to a payout of 30.84% on the profit, share of the group, and in line with the payout ratio of previous years.

36. Services provided by the auditor and related fees

The statutory auditor of the *SIPEF* group is Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA represented by Dirk Cleymans. The fees for the annual report of *SIPEF* were approved by the general meeting after review and approval of the audit committée and by the board of directors. These fees correspond to an amount of KUSD 105 (against KUSD 111 last year).

For the group, Deloitte has provided services for KUSD 477 in 2015 (against KUSD 610 the year before), of which KUSD 71 (2014: KUSD 141) are for non audit services.

Deloitte.

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Sipef NV

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2015

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Sipef NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated balance sheet shows total assets of 577.108 (000) USD and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 19.226 (000) USD.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Unqualified opinion

In our opinion, the consolidated financial statements of Sipef NV give a true and fair view of the group's net equity and financial position as of 31 December 2015, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Emphasis of Matter

Without prejudice to the unqualified opinion issued above, we draw attention to note 9. Biological assets to the consolidated financial statements where management has determined that the fair value of the growing produce (biological assets in scope of IAS 41), is not reliably measurable. Therefore the growing produce is only valued as an asset at point of harvest. The main biological assets are bearer plants which are in scope of IAS 16 as from 2015 onwards, following early adoption of the amendments to IAS16 and IAS41 related to bearer plants.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Antwerp, 8 April 2016

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Dirk Cleymans

Parent company summarized statutory accounts

The annual accounts of *SIPEF* are given below in summarized form. In accordance with the Belgian Code on Companies, the annual accounts of *SIPEF*, together with the management report and the auditor's report will be deposited with the National Bank of Belgium. These documents may also be obtained on request from:

SIPEF, Calesbergdreef 5, B-2900 Schoten.

Only the consolidated annual financial statements as set forth in the preceding pages present a true and fair view of the financial position and performance of the *SIPEF* group.

The statutory auditor's report is unqualified and certifies that the annual accounts of *SIPEF NV* give a true and fair view of the company's net equity and financial position as of 31 December 2015 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Condensed balance sheet

(after appropriation)

In KEUR	2015	2014
Assets		
Fixed assets	**241 886**	**219 167**
Formation expenses	0	0
Intangible assets	38	33
Tangible assets	431	213
Financial assets	241 417	218 921
Current assets	**40 015**	**30 394**
Amounts receivable after more than one year	0	0
Stocks and contracts in progress	456	462
Amounts receivable within one year	25 777	20 347
Investments	5 277	2 979
Cash at bank and in hand	8 448	6 545
Other current assets	57	61
Total assets	**281 901**	**249 561**
Liabilities		
Equity	**118 469**	**127 253**
Capital	34 768	34 768
Share premium account	16 285	16 285
Reserves	9 314	7 484
Profit/ (loss) carried forward	58 102	68 716
Provisions and deferred taxation	**53**	**64**
Provisions for liabilities and charges	53	64
Creditors	**163 379**	**122 244**
Amounts payable after more than one year	69 162	38 280
Amounts payable within one year	93 827	83 660
Accrued charges and deferred income	390	304
Total liabilities	**281 901**	**249 561**

Condensed income statement

In KEUR	2015	2014
Operating income	187 310	200 597
Operating charges	- 182 682	- 195 903
Operating result	**4 628**	**4 694**
Financial income	2 190	4 282
Financial charges	- 8 302	- 7 618
Financial result	**- 6 112**	**- 3 336**
Result on ordinary activities	**- 1 484**	**1 358**
Extraordinary income	0	260
Extraordinary charges	- 1 929	- 9 800
Extraordinary result	**- 1 929**	**- 9 540**
Result for the period before taxes	**- 3 413**	**- 8 182**
Income taxes	0	0
Result for the period	**- 3 413**	**- 8 182**

Appropriation account

In KEUR	2015	2014
Profit/ (loss) to be appropriated	**65 303**	**79 906**
Profit/ (loss) for the period available for appropriation	- 3 413	- 8 182
Profit/ (loss) brought forward	68 716	88 088
Appropriation account	**65 303**	**79 906**
Transfers to legal reserve	0	0
Transfers to other reserves	1 830	0
Result to be carried forward	58 102	68 716
Dividends	5 371	11 190
Remuneration to directors	0	0

Paul Nellens

°1945 in Swansea – Great Britain

He started painting with watercolours in 1998. Self-taught, he completed watercolour workshops with Elsbeth Veerman, Sonja Craen, Roland Palmaerts, Wim Hertoghs, Martha De Decker and Frank Mulder.

Exhibitions

Atelier 48 in 1999-2000
Rotary Club Antwerpen-Park in 2000-2003-2004-2006
Beeldig Le Paige, Herentals in 2008
Arte Falco, Antwerp in 2007
Huis Hellemans, Edegem in 2010

Selected for

- Papermill Waltercolour contest in 2000
- Watercolour Prize Lions Club Voorkempen in 2001-2002-2003-2004-2005-2006-2014
- Watercolour Exhibition AIB Mol/Antwerp in 2002-2003-2004-2005-2007-2008-2010-2011-2012-2013-2015
- 11th Euregio Contest, pays de Herve in 2006
- Belgian Watercolour Exhibition, Namur in 2007
- Mostra Internazionale Dell'Acquarello, Cremona (Italy) in 2008
- 7th International Watercolour festival, Antwerp in 2010
- ECWS, Turku (Finland) in 2011
- Global Network of Watercolour Painters 2nd Exhibition, Hamamatsu (Japan) in 2012
- ECWS, Cordoba (Spain) in 2014
- Accessible Art Fair Brussels in 2015
- Campuscrack Universiteit Antwerpen in 2015
- 19th European Exposition of Watercolours, Avignon (France) in 2016

Prizes and distinction

2005 Second prize Lions Club Voorkempen
2006 Honourable Mention Lions Club Voorkempen
2014 First prize Lions Club Voorkempen
2015 Second prize Campuscrack Universiteit Antwerpen

Press

2007 Annual Report *SIPEF*
2008 Retrospective Aquarel Instituut van België "30 aquarelsalons"
2009 Magazine Palet, nr. 344, Kees Van Aalst "the Watercolours of Paul Nellens"

Since 2008, core member of the Belgian Institute for Watercolour.

SIPEF

www.sipef.com