IndoAgri

ANNUAL REPORT 2016

FROM SEED TO
SUCCESS

At A Glance

Indofood Agri Resources Ltd. (IndoAgri) is a vertically integrated agribusiness group with activities spanning the entire supply chain from research and development (R&D), seed breeding, oil palm cultivation and milling; as well as the production and marketing of cooking oil, shortening and margarine. Headquartered in Singapore and Jakarta, we are among the largest palm oil producers in Indonesia. Our branded cooking oil, shortening and margarine products together garner a leading share in the domestic market. As a diversified agribusiness group, IndoAgri also engages in the cultivation of sugar cane, rubber and other crops.

Our Vision

To become a leading integrated agribusiness, and one of the world-class agricultural research and seed breeding companies.

Our Value

With **discipline** as the basis of our way of life; we conduct our business with **integrity**; we treat our stakeholders with **respect**; and together we **unite** to strive for **excellence** and continuous **innovation**.

Our Mission

To be a low-cost producer, through high yields and cost-effective and efficient operations.

To continuously improve our people, processes and technology.

Exceed our customers' expectations, whilst ensuring the highest standards of quality.

Recognise our role as responsible and engaged corporate citizens in all our business operations, including sustainable environmental and social practices.

To continuously increase stakeholders' value.

Housing for employees in South Sumatra

Contents

Milestones

2007

- Completed a reverse takeover and listed on the SGX-ST
- Acquired plantation land in South Sumatra and Kalimantan
- Acquired a 58.8% stake in PT PP London Sumatra Indonesia Tbk (Lonsum)
- Enrolled as a Roundtable on Sustainable Palm Oil (RSPO) member

2008

- Diversified into sugar business via 60% stake in PT Laju Perdana Indah (PT LPI)
- Acquired plantation land in South Sumatra and Central Kalimantan

2009

- Acquired plantation land in South Sumatra
- Achieved RSPO-certified Crude Palm Oil (CPO) of 170,000 tonnes

2010

- Divested 8% stake in Lonsum, of which 3.1% was sold to PT Salim Ivomas Pratama Tbk (PT SIMP)

2011

- Listed PT SIMP on the IDX
- Increased RSPO-certified CPO to 195,000 tonnes

2012

- Acquired 26.4% stake in Heliae, a development-stage algae technology solutions company
- Increased RSPO-certified CPO to 248,000 tonnes

2013

- Acquired a 79.7% interest in PT Mentari Pertiwi Makmur (PT MPM), an industrial timber plantation company
- Acquired a 50% stake in Companhia Mineira de Açúcar e Álcool Participações (CMAA), a sugar, ethanol and co-generation company in Brazil
- Formed a 30:70 JV, FP Natural Resources Limited (FPNRL), to invest 34% in Roxas Holdings Inc. (RHI), an integrated sugar business in the Philippines
- Achieved Indonesia Sustainable Palm Oil (ISPO)-certified CPO of 45,000 tonnes

2014

- Formed a 40:60 JV, PT Prima Sarana Mustika (PT PSM), engaging in road construction and the leasing of heavy equipment
- Expanded sugar business via the acquisition of PT Madusari Lampung Indah (PT MLI)
- Increased RSPO-certified CPO to 332,000 tonnes

2015

- Increased RSPO- and ISPO-certified CPO to 377,000 tonnes and 180,000 tonnes, respectively

2016

- Acquired PT Pasir Luhur, a tea plantation company
- Increased RSPO- and ISPO-certified CPO to 388,000 tonnes and 255,000 tonnes, respectively

Corporate Structure

(as at 31 December 2016)

Notes:

- *IndoAgri is 62.8% effectively owned by PT Indofood Sukses Makmur Tbk (PT ISM)*
- *Shareholding percentage is calculated based on total number of issued shares (excluding treasury shares of the Company)*

An oil palm plantation in North Sumatra

OUR PLANTATIONS AND REFINERIES

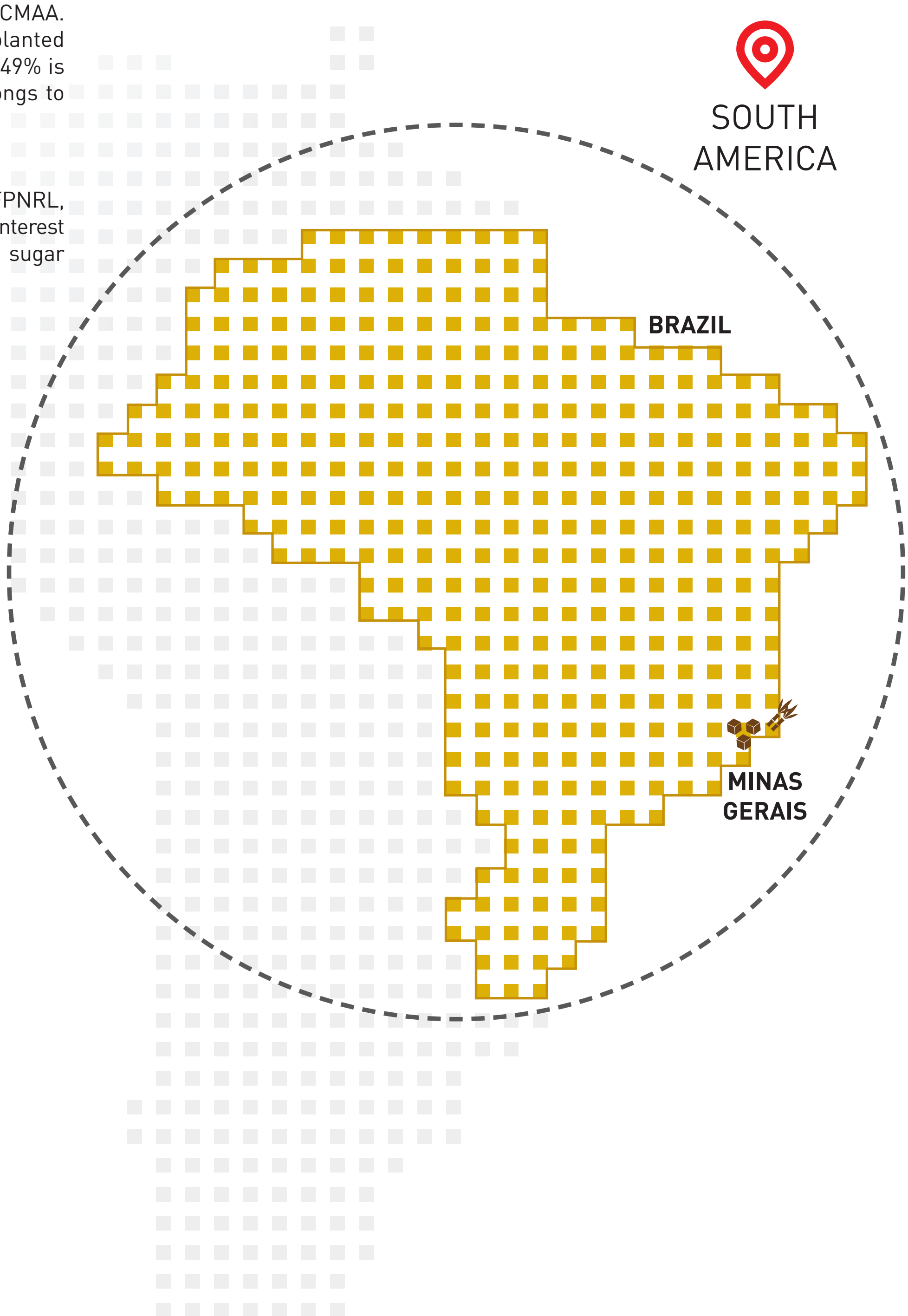
Indonesia
IndoAgri owns strategically located estates and production facilities across Indonesia. The Group's planted area occupies 300,536 hectares. Oil palm is the dominant crop, followed by sugar cane, rubber, timber, cocoa and tea. Our plantations are largely located in Sumatra and Kalimantan, while our refineries are mainly sited at major cities including Jakarta, Medan, Surabaya and Bitung.

Brazil
IndoAgri has a 50% interest in CMAA. CMAA has 53,826 hectares of planted sugar cane in Brazil, of which 49% is company owned and 51% belongs to third parties.

Philippines
IndoAgri has a 30% interest in FPNRL, which in turn holds a 59.7% interest in RHI, the largest integrated sugar business in the Philippines.

Indonesia
247,430
hectares of oil palm

Indonesia
20,115
hectares of rubber



Legend
- Oil Palm
- Sugar Cane
- Rubber
- Timber
- Cocoa
- Tea
- Refinery
- Sugar Mill

Indonesia

13,249 hectares of sugar cane

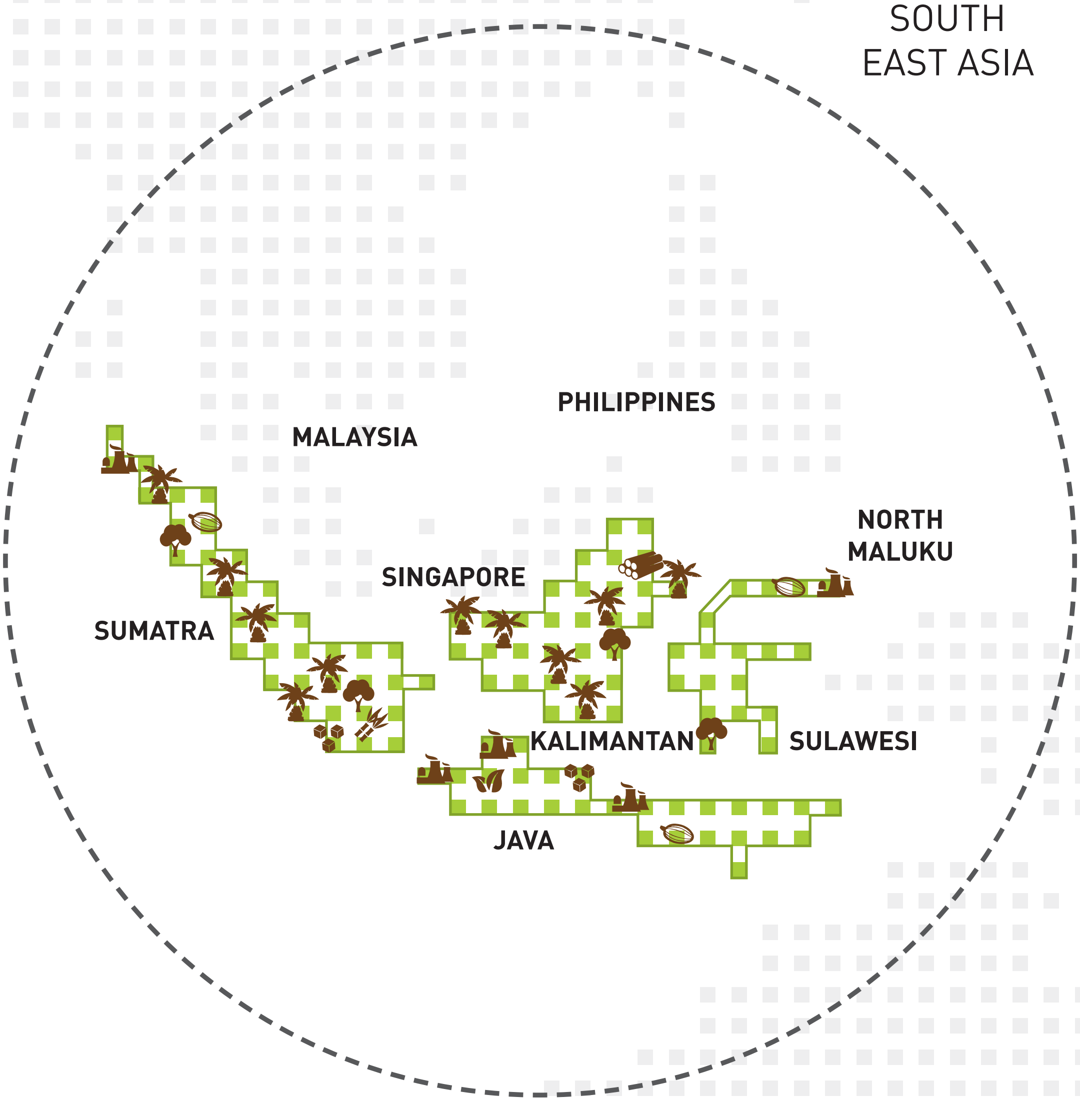
Indonesia

19,742 hectares of other crops

Brazil

53,826 hectares of sugar cane

SOUTH EAST ASIA



Integrating our strengths Expanding our capacities

Annual Production Facilities in Indonesia

24 Palm Oil Mills	5 Refineries	2 Sugar Mills/ Refineries
FFB processing capacity – 6.4M tonnes	CPO processing capacity – 1.4M tonnes	Cane crushing capacity – 2.2M tonnes

Harvesting of FFB at our oil palm estate

Chairman's Statement

DEAR SHAREHOLDERS,

It has been another year of uncertainties globally. Brexit and the election of a new US President are symptomatic of a deeper malaise in Europe and the US. We are beginning to witness the policy shifts arising from these geopolitical changes. The world economy will feel the impact of these tectonic movements. We will not be spared as more questions will be raised about trade, investment and financial disruptions.

China, one of ASEAN's key trading partners, is slowing down as it undergoes the process of rebalancing its economy. The Renminbi has seen some depreciation even as domestic demand for some commodities is lower.

Against this backdrop of a softer global economy and a protectionist trend, a stronger Dollar and a weakened Renminbi could add further pressure on the regional currencies and prolong the volatility in commodity prices. The silver lining is that the Indonesian economy has managed to grow steadily in response to the government's fiscal stimulus in the areas of infrastructure and social security. The central bank's persistent intervention to hold the interest rate steady has kept inflation level at 3.02%. Consumer confidence returned on the back of real wage increases and a stabilised Rupiah. Domestic consumption went up, particularly in the robust consumer goods sector, to support a GDP growth of 5.02% in 2016.

"**IndoAgri is fully committed to be a responsible agribusiness and has been reporting its sustainability efforts since 2012. We are compliant with the RSPO's principles for sustainable palm oil production, and our goal is to certify to RSPO all of IndoAgri's oil palm estates and mills, including those belonging to our plasma smallholders, by 2019.**"

Our Edible Oils and Fats (EOF) Division benefitted from this buoyant market sentiment and reported strong growth in the year. However, the agribusiness industry as a whole has underperformed due to the aftermath of prolonged droughts in 2015 and volatile commodity prices throughout 2016. Our Crude Palm Oil (CPO) production fell by 17% as a result of lower rainfall in 2015 which affected yields in 2016. The bottom line was held up by higher commodity prices of agricultural crops in the second half of the year, improved result from CMAA as well as gains in biological assets and foreign currency exchange.

As our smallholders could be vulnerable to the volatile market conditions, we extended our assistance to them by offering free agronomic advice and training. We also kept essential resources such as seed stocks and fertilisers affordable to the plasma farmers.

The rising cost of labour, coupled with the severe shortage of skilled domestic agricultural workers, is a major cost driver for IndoAgri. We have taken steps, such as investing in skills development and productivity improvement, to mitigate the impact on our operations and profitability.

IndoAgri is fully committed to be a responsible agribusiness and has been reporting its sustainability efforts since 2012. We are compliant with the RSPO's principles for sustainable palm oil production, and our goal is to certify to RSPO all of IndoAgri's oil palm estates and mills, including those belonging to our plasma smallholders, by 2019. The sustainability policy was also updated in early 2017 to meet the new RSPO guidelines. The revised policy will apply to our plasma smallholders who are now capable of complying with the stringent requirements. For sugar cane, we are benchmarked against Bonsucro, the international standard for the sustainable production of sugar cane.

Over the years, IndoAgri has fully supported the respective haze management efforts by Indonesia and Singapore. Besides a strict, no-burning policy in all our plantations, we have implemented a fire safety regime to prevent and extinguish fires within and around the perimeters of our estates in Indonesia. We were fortunate to have a wetter summer in 2016 that doused most of the fires before they could spawn into hot spots. The municipal governments have been proactive in their response as well. Riau, for instance, had sought early assistance by declaring a state of emergency in a region that became dry and fire-prone. The details of our sustainability programmes and activities are covered in the 2016 Sustainability Report.

Growth is projected to pick up gradually in 2017. The International Monetary Fund has forecast a positive economic outlook for Indonesia, with the ongoing fiscal reforms and healthy domestic consumption expected to propel GDP beyond the 5% mark. Commodity prices are expected to rebound, bolstering economic growth further and reducing fiscal deficit. We have been building up organisational and operational capacities in anticipation of the economic recovery, and are well set to capture the growth opportunities.

I am confident that the management team will stay ahead of the curve and guide the Group through challenges generated by technological advances, globalisation and climate change. We are harnessing our resources and experience to make smart and sound policy decisions so that our business will not only be sustainable, it will thrive and deliver greater value to our stakeholders.

I will like to express my deep appreciation to the directors and employees for their invaluable contribution to the company, and my sincere gratitude to our shareholders, customers and partners for their steadfast support. Your unwavering confidence in us has made this a rewarding journey for everyone in IndoAgri.

Edward Lee
Chairman

Fire brigade on one of our Riau estates

CEO's Statement

DEAR SHAREHOLDERS,

The global economy has remained subdued for the most part of 2016. Crop yields and CPO production in Indonesia were significantly affected by the severe El Nino drought the year before. Our nucleus FFB and CPO output fell by 13% and 17% to 2,981,000 tonnes and 833,000 tonnes respectively in 2016. CPO prices only began to react to the lower production by climbing steadily after mid-2016, albeit from a very low base. Prices of other commodities, including sugar and rubber, also rebounded and compensated for the soft commodity prices in the first half of the year.

2016 saw renewed consumer confidence in the Indonesian retail sector. This was mostly due to the stabilised inflation and Rupiah. While the increase in CPO prices did not make up for the production shortfall, the performance of the EOF Division was greatly bolstered by the domestic consumption trend. Sale of consumer cooking oils went up, and together with increasing consumer affluence, added to the growth in demand for branded cooking oils. In particular, the two-litre refill packs for Bimoli did well during the year.

Despite lower palm production, the financial year 2016 closed on a positive note for IndoAgri. The Group's consolidated revenue rose by 5% to Rp14.5 trillion for 2016, and net profit after tax improved from Rp37 billion to Rp792 billion. The improved result was attributable to the recovery of commodity prices, better performance from CMAA, our sugar joint venture in Brazil, and higher gains from biological assets and foreign currency exchange. Barring any unforeseen weather patterns, the CPO output levels should return to normal in the latter half of 2017.

Seizing market opportunities

Our CPO refineries have been running at full capacity in the peak season, to meet increasing demand for cooking oils and margarine. A programme to expand the processing output of our Surabaya refinery by 1,000 tonnes per day was initiated in 2016, with expected completion in the later part of 2017. Given the increasing demand for both cooking oils and margarine, we will need to review further expansion of our refineries beyond 2017.

With seven million consumers joining the ranks of Indonesia's middle class each year, we are keen to create value by diversifying downstream production. The signing of a joint venture agreement with Daitocacao in February 2017 is indicative of our interest. It will allow IndoAgri to enter the manufacturing and marketing of industrial chocolate products, such as chocolate chunks, chips, fillings and coatings, mainly for local confectionary, bakery, ice cream, snacks and cake shops. We expect to commence building the factory in 2017, with commercial production to start in 2019.

As part of the Group's expansion and diversification strategy, our subsidiary Lonsum has acquired a 65% stake in PT Pasir Luhur, a 900-hectare tea plantation in West Java, in February 2016. This will enable us to expand our tea production, and facilitate our entry into the consumer market, as opposed to just selling loose tea in auctions.

"With 18,000 hectares of oil palms coming into maturity in 2016, in addition to another 44,000 hectares of immature estates (or 18% of our planted oil palm area), IndoAgri is assured of volume growth going forward."

Raising agricultural productivity

Research and innovation have remained integral to our strategies for optimal land use. In terms of seed breeding, our focus is to develop high-yielding, disease-resistant oil palm seed varieties, as well as precise progenies suited to the range of climates and soil conditions across our Indonesian estates. To date, over 2,000 high-quality seed progenies have been successfully engineered by our two R&D centres. This has culminated in 11 commercial varieties, of which nine are sold externally, with more and improved varieties in the pipeline.

We are leveraging data analytics to maximise crop yields on a block-by-block basis. Initial studies by our R&D team have shown that there is untapped yield potential when the ideal agronomic conditions are provided tree by tree. The challenge would be to replicate the yields of trial blocks at the estate-level in an efficient and cost-effective way.

We continue to increase the use of drones for field monitoring. Drones are inexpensive, easy to operate and available off-the-shelf. In 2016, we became the first plantation company in Indonesia to use drones instead of aircraft to chemically ripen sugar cane crops. This idea may be adopted for our sugar operations in Brazil. We are also trying out the drones for other purposes, like the application of pesticides.

We have continued to invest in mechanised operations for cane planting, cane harvesting and palm fertilisation. We plan to increase our current fleet of 11 mechanical cane harvesters to 13 in 2017. Although it makes sense to adopt mechanised operations where field topography and conditions permit, it is not yet commercially viable to replace manual harvesting of oil palms with mechanisation. This will, no doubt, be possible one day and that will go on to transform the industry.

Ensuring sustainable operations
The delivery of safe, traceable and high-quality food products remains a key and strategic priority. Our focus has been on attaining the RSPO and ISPO sustainability certifications, and setting realistic and achievable goals. As at end-2016, the Group's total RSPO-certified CPO stood at 388,000 tonnes or 47% of production while its ISPO-certified CPO stood at 255,000 tonnes or 31% of production.

In line with a continuous process of review and improvement, an enhanced version of our Sustainable Palm Oil Policy was launched in February 2017. A commitment not to plant on High Carbon Stock areas is now part of the Policy, which applies equally to our own plantation operations as well as those of our external suppliers. Our goal remains to achieve 100% sustainable palm oil sourcing by 2020, and we continue to invest heavily in training programmes for our own estates and plasma smallholders. Our initial programme to achieve RSPO certification for the 6,525 hectares of plasma plots managed by our 3,356 smallholders is progressing well. The first 318 hectares have been successfully audited at the Stage 2 level, with RSPO certification expected in early 2017. A further 2,433 hectares have passed the Stage 1 audits, and will be progressing to Stage 2 this year.

We have reported the greenhouse gas (GHG) emissions and carbon stock from our operations since 2014 using the RSPO PalmGHG calculator. From 2017, under the revised principles and criteria of the RSPO, GHG emissions and carbon stocks for new plantings will also be monitored. We will incorporate the new requirements as we work towards reducing our GHG emissions.

The Indonesian government has been encouraging factories to be audited under its Program for Pollution Control, Evaluation, and Rating (PROPER). Previously, only invited companies could be rated under the scheme. To date 12 of our palm oil mills, four refineries, two rubber and tea factory have been certified under PROPER.

For a fuller picture of our sustainability efforts and achievements, I would encourage you to read our 2016 Sustainability Report. The brief summary in the "Managing Sustainability" chapter hardly does justice to the efforts of our employees in this highly important area.

Looking ahead
While we are upbeat about 2017, agricultural commodity prices remain uncertain on expected recovery in palm and soybean production, and slower growth in key markets like China. Indonesia remains the second largest consumer of palm oil, supporting our strategy to focus on the domestic market.

Global developments and market conditions will always remain challenging and unpredictable for agricultural commodities, and these circumstances will continue to aggravate the complex mix peculiar to any agribusiness such as the weather, export restrictions, the higher co-relationship between the prices of crude oil and various commodities, and the performance of competing crops such as soybean oil.

Our experienced management team has successfully navigated this complex mix. Their efforts are complemented by our strategy of a diversified and vertically integrated agribusiness with a dominant presence in Indonesia, where our operations continue to be supported by positive market drivers that include good demographics, strong economic fundamentals, and a fast-growing middle class with rising discretionary incomes.

With 18,000 hectares of oil palms coming into maturity in 2016, in addition to another 44,000 hectares of immature estates (or 18% of our planted oil palm area), IndoAgri is assured of volume growth going forward. We will continue to invest in organic growth beginning with two new palm oil mills due for completion in 2017, and another in 2018, to cater to production increases from the newly matured estates.

Appreciation
In closing, I'd like to thank our employees who have supported this journey of growth that has led IndoAgri from seed to success. My personal gratitude to the Board of Directors for their unerring leadership, and our loyal customers and faithful business partners who have stayed with us over the years and made us who we are today.

Mark Julian Wakeford
Chief Executive Officer and Executive Director

Group Performance Review

IndoAgri is a leading agribusiness in Indonesia with a diversified business portfolio. It is vertically integrated with operations spanning across the entire supply chain, from upstream plantation management and cultivation of oil palm to downstream refining, distribution and sales of edible palm oil and other palm-based derivatives. We have a total planted area of 300,536 hectares under cultivation, which includes 247,430 hectares of oil palm, 20,115 hectares of rubber, 13,249 hectares of sugar cane and 19,742 hectares of other crops.

The Plantation Division is IndoAgri's principal business, contributing over 90% to the Group's overall EBITDA in 2016. It owns and operates 24 palm oil mills, four crumb rubber processing facilities, three sheet rubber processing facilities, two sugar mills and refineries, a cocoa mill and a tea mill. The Group's EOF Division owns and operates five CPO refineries across Indonesia.

We have also invested in two overseas sugar operations: a 50-50 joint venture with CMAA in Brazil, and an indirect interest in RHI in the Philippines.

FINANCIAL HIGHLIGHTS

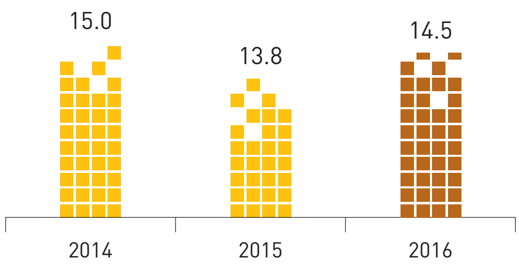
Palm production in 2016 was significantly affected by the severe El Nino in 2015. FFB nucleus and CPO production declined, on a year-on-year basis, by 13% to 2,981,000 tonnes and by 17% to 833,000 tonnes respectively. Despite the lower outputs, our consolidated revenue grew by 5% in the year due mainly to stronger sales from the EOF Division and recovery of agricultural crop prices.

The Group achieved higher profitability in 2016 with the recovery of commodity prices, higher edible oils and fats sales volume, biological assets gain, as well as the strengthening of the rupiah. The Group reported a net profit after tax of Rp792 billion compared to Rp37 billion in the previous year. Core profit, excluding foreign currency effect, biological asset gain and one-off gain, increased by 73% to Rp468 billion on higher operating profit and improved results from CMAA.

FINANCIAL POSITION

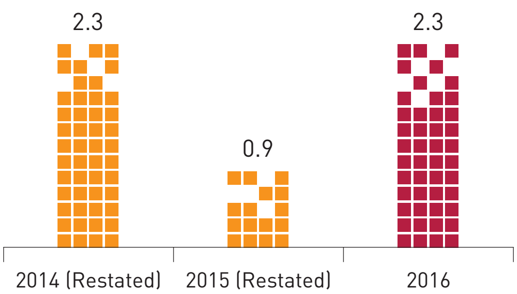
As at end-2016, the Group's total non-current assets of Rp29.7 trillion was slightly higher than the previous year-end.

Revenue
(Rp trillion)

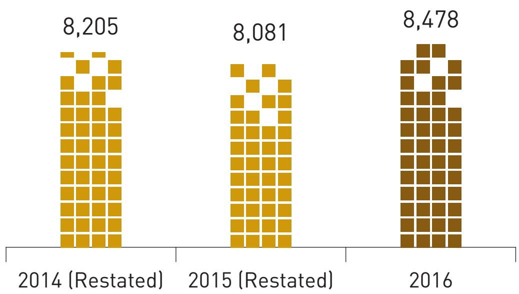


Net Profit/(loss) to Owners of the Company
(Rp trillion)

Profit from Operations
(Rp trillion)



NAV per share
(Rp)



Mechanised fertiliser application and transportation of FFB at our estate in South Sumatra

Transportation of latex to a rubber factory at South Sulawesi

The increase was due to higher plasma receivables and higher carrying value in CMAA, but this was partly offset by lower carrying value of investments in associate companies due to our share of losses, lower advances for projects, and lower deferred tax assets.

Total current assets, valued at Rp6.8 trillion as at end-2016, was also higher by Rp1.2 trillion than the previous year-end. The increase was attributable to higher inventories arising from higher CPO and palm kernel related stocks at the plantation, higher biological assets, higher advances to suppliers for the purchase of raw materials, and significantly higher cash levels arising from higher cash flows generated from operations.

As at end-2016, total current liabilities was Rp4.7 trillion, or 28% lower than the Rp6.5 trillion recorded last year. This reduction in liabilities was due to the refinancing of some of the short-term facilities to long-term loans in the year and lower trade payables. This was partly offset by higher income tax payable and advances from customers for purchases of goods.

Total non-current liabilities was Rp11.0 trillion, or 27% higher than the Rp8.7 trillion recorded in end-2015 as a result of the refinancing of short-term facilities to long-term loans, higher amount due to related parties, and the higher amount set aside for employee benefits, which was estimated based on actuarial calculations in accordance with the Indonesian Labour Law.

CASH FLOWS

The Group generated a higher cash flow of Rp2.0 trillion from operations in 2016, as compared with Rp1.5 trillion in 2015 arising mainly from the recovery of operating performance. During the year, Rp1.6 trillion was used for investing activities, including the addition of fixed assets and bearer plants, advances for plasma projects, and the investment in a tea plantation. These were funded using the cash generated from operations.

In FY2016, the Group reported a positive free cash flow of Rp0.4 trillion compared to a negative free cash flow last year. The Group also maintained its debt level with no additional net cash flow from financing activities in FY2016. As a result, the Group's cash position increased by Rp0.4 trillion to Rp2.4 trillion as at end-2016.

FINANCIAL HIGHLIGHTS

	In Rp billion			In SGD million *		
	2014 Actual Restated **	2015 Actual Restated **	2016 Actual	2014 Actual Restated **	2015 Actual Restated **	2016 Actual
Net Sales	14,963	13,835	14,531	1,551	1,434	1,507
Gross Profit	4,010	2,969	3,489	416	308	362
Gain Arising from Changes in Fair Values of Biological Assets	140	9	219	14	1	23
Profit from Operations	2,258	901	2,263	234	93	235
Net Profit After Tax	1,120	37	792	116	4	82
Profit/(loss) attributable to owners of the Company	661	(48)	507	68	(5)	53
EPS (in Rp)/(in SGD 'cents)	466	(34)	363	4.8	(0.4)	3.8
Current Assets	7,044	5,567	6,754	757	599	726
Fixed Assets	20,784	21,762	21,722	2,235	2,340	2,336
Other Assets	7,243	7,958	8,028	779	856	863
Total Assets	35,071	35,287	36,504	3,771	3,795	3,925
Current Liabilities	6,951	6,451	4,650	748	694	500
Non-Current Liabilities	8,206	8,656	10,975	882	931	1,180
Total Liabilities	15,157	15,107	15,625	1,630	1,625	1,680
Shareholders' Equity	11,629	11,281	11,835	1,251	1,213	1,273
Total Equity	19,913	20,180	20,878	2,141	2,170	2,245
Total Debt	9,817	10,141	10,027	1,056	1,091	1,078
Cash	3,586	1,969	2,405	386	212	259

In Percentage (%)			
Sales Growth	12.7%	(7.5%)	5.0%
Gross Profit Margin	26.8%	21.5%	24.0%
Profit from Operations Margin	15.1%	6.5%	15.6%
Net Profit After Tax Margin	7.5%	0.3%	5.5%
Profit/(loss) attributable to owners of the Company Margin	4.4%	(0.3%)	3.5%
Return on Assets [1]	6.4%	2.6%	6.2%
Return on Equity [2]	5.7%	(0.4%)	4.3%
Current Ratio (times)	1.0	0.9	1.5
Net Debt to Equity Ratio (times) [3]	0.31	0.40	0.37
Total Debt to Total Assets Ratio (times)	0.28	0.29	0.27

1 *Profit from operations divided by total assets*
2 *Profit/(loss) attributable to the owners of the Company divided by shareholders' equity*
3 *Net debt divided by total equity*

* *For ease of reference, 2014 to 2016 Income Statement and Balance Sheet items are converted at exchange rates of Rp9,645/SGD1 and Rp9,299/SGD1, respectively.*
** *The restated figures were related to the adoption of Amendments of FRS 16 and FRS 41 Agriculture – Bearer Plants*

OPERATIONAL HIGHLIGHTS

The table below relates to business operations in Indonesia. For sugar operations outside Indonesia, please refer to page 31 of this annual report.

In Hectares (unless otherwise stated)	2014	2015	2016
Planted Area – Nucleus			
Oil Palm	**246,055**	**246,359**	**247,430**
Mature	185,181	187,400	203,501
Immature	60,874	58,959	43,929
Rubber	**21,697**	**21,338**	**20,115**
Mature	17,711	17,394	16,761
Immature	3,986	3,944	3,354
Sugar Cane	**13,062**	**13,358**	**13,249**
Others	**19,236**	**19,578**	**19,742**
Mature	17,160	17,192	16,801
Immature	2,076	2,386	2,941
Planted Area – Plasma			
Oil Palm and Rubber	**90,149**	**90,316**	**90,463**
Age Maturity of Oil Palm Trees			
Immature	60,874	58,959	43,929
4 – 6 years	14,768	9,693	11,557
7 – 20 years	112,187	116,094	121,318
Above 20 years	58,227	61,612	70,626
Total	246,055	246,359	247,430
Distribution of Planted Areas – Nucleus			
Riau	57,025	56,461	56,464
North Sumatra	39,321	39,278	38,753
South Sumatra	93,562	95,586	96,077
West Kalimantan	28,997	27,050	26,729
East Kalimantan	64,458	65,290	65,041
Central Kalimantan	8,756	8,999	9,263
Java	2,865	2,926	2,929
Sulawesi	5,066	5,043	5,280
Total	300,050	300,633	300,536
Production Volume ('000 Tonnes)			
Total Fresh Fruit Bunch (FFB)	4,372	4,693	3,964
FFB Nucleus	3,259	3,414	2,981
Crude Palm Oil (CPO)	956	1,002	833
Palm Kernel (PK)	218	235	201
PK Related Products [1]	23	43	40
Rubber	18	17	15
Sugar [2]	66	68	65
Sales Volume ('000 Tonnes)			
CPO [3]	957	982	826
Palm Kernel and Related Products [1]	215	230	194
Rubber	16	16	13
Sugar	73	67	66
Oil Palm Seeds ('million)	9	10	10

1 *Comprised of Palm Kernel Oil (PKO) and Palm Kernel Expeller (PKE)*
2 *Comprised of sugar production in South Sumatra, share of sugar produced in Central Java and refined sugar*
3 *Sales to external and internal parties*

Innovating greater growth Optimising opportunities

2016 Oil Palm Production in Indonesia

Total FFB	CPO	Oil Palm Seeds
3.9M tonnes	0.8M tonnes	14.5M

Kertasarie tea plantation at Bandung, West Java

Plantation Review – Palm & Rubber

The Plantation Division manages and cultivates various agricultural crops on IndoAgri's estates, and is responsible for the production and sale of CPO, palm kernels and other palm oil by-products for domestic and international markets.

In 2016, we replanted 1,970 hectares of oil palms, and achieved 1,025 hectares of new nucleus plantings in the estates across South Sumatra and Kalimantan, as compared with 1,641 hectares in the previous year. As at end-2016, the total area of planted oil palm estates covered 247,430 hectares, of which 18% or 43,929 hectares were immature estates. The age of oil palms averaged 14 years.

As at 31 December 2016, the Division owned and operated 24 palm oil mills with a combined annual FFB processing capacity of 6.4 million tonnes.

We also have rubber estates in North and South Sumatra, East Kalimantan and Sulawesi. As at end-2016, the nucleus rubber estates occupied 20,115 hectares, of which 17% or 3,354 hectares were immature estates. The age of rubber trees averaged 16 years. We operate four crumb rubber and three sheet rubber processing facilities on these estates.

The Plantation Division manages two advanced agricultural R&D centres: SumBio in Bah Lias, North Sumatra, and PT SAIN in Pekanbaru, Riau. These centres specialise in high-tech seed breeding programmes and cultivation techniques. They produced a combined output of 14.5 million premium seeds in 2016.

2016 REVIEW

CPO prices, CIF Rotterdam, have recovered from an average of US$615 per tonne in 2015 to US$704 per tonne in 2016 after a downward trend for five successive years. The price recovery was on the back of significantly reduced palm oil production by key producing countries, namely Indonesia and Malaysia, as a result of the severe 2015 El-Nino.

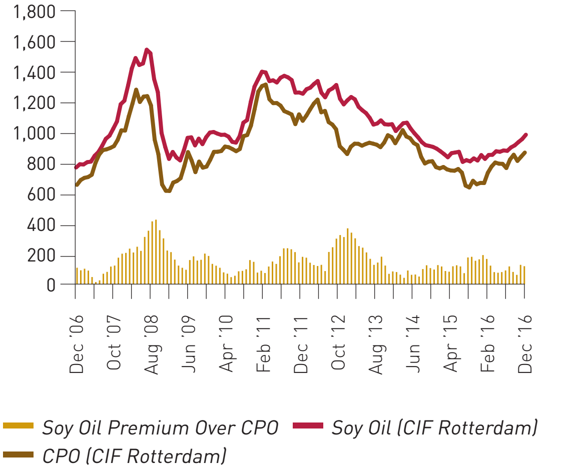
Likewise, the SICOM RSS 3 rubber prices, which have been following a downward trend since 2012, recovered by 6% from an average of US$1,560 per tonne in 2015 to US$1,647 per tonne in 2016. This was due to reduced rubber production as a result of high rainfalls and higher rubber demand by China's tyre industry.

The Plantation Division's total revenue in 2016 declined by 1% to Rp9.1 trillion due to lower sales volume of palm products in the year, despite higher average selling prices of palm products. However, the Division achieved higher profitability on higher selling prices.

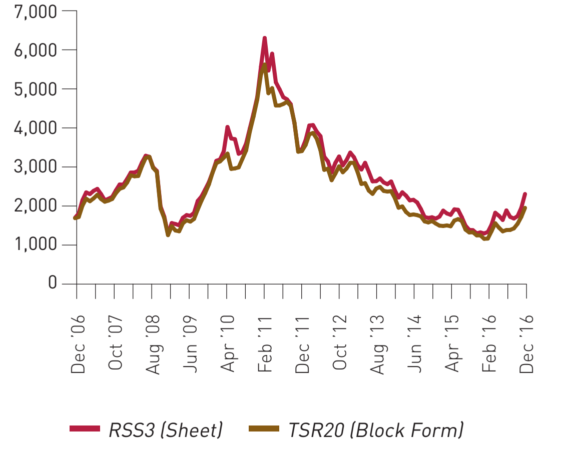
Total FFB production in 2016 declined by 16% as a result of weaker nucleus output and lower external purchases. This led to lower CPO production at 833,000 tonnes. The oil extraction rates was 21.8% in 2016 as compared with 22.2% in 2015.

Rubber production has declined by 12% to 15,000 tonnes as some of the rubber estates were converted into oil palm plantations. We exported 38% of rubber products comprising sheet rubber, crumb rubber and cup lump, and sold the rest in domestic markets.

CPO vs Soy Oil Price
US$/tonne



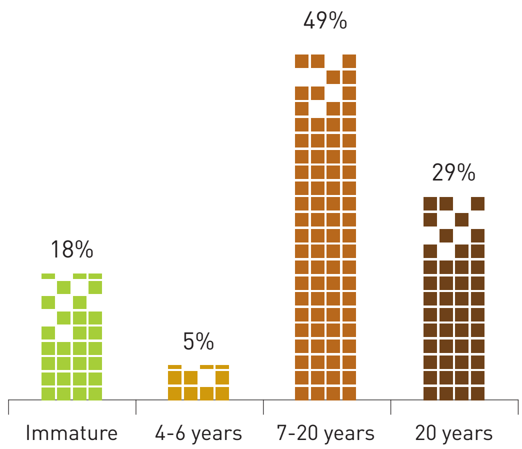
Rubber Prices
US$/tonne



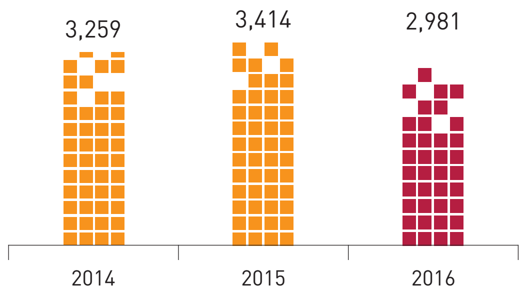
An oil palm nursery in Riau, Sumatra

A rubber tapper is carrying out tapping activity

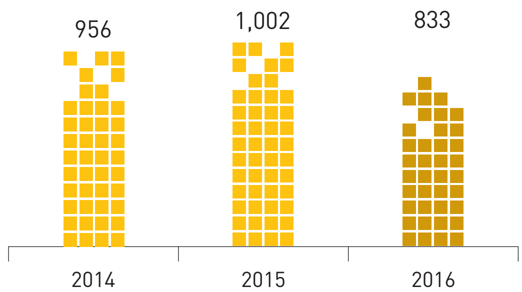
Oil Palm Plantation
Age Profile (247,430 hectares)



FFB Production (Nucleus)
(in '000 mt)



CPO Production
(in '000 mt)



We have revitalised and replanted the cocoa plantation in East Java and North Sulawesi in 2016. These have resulted in close to 20% increase in production.

2017 OUTLOOK

The general trend of agricultural commodity prices will remain unclear. While there is expected recovery in palm and soybean production, this would be offset by slower growth in major markets like China. Palm oil demand in Indonesia will be supported by the 20% biodiesel blending mandate as well as the large and growing domestic consumption. As for rubber, the long-term outlook remains positive with the anticipatory growth in the Chinese and American automotive industries.

The Plantation Division intends to prioritise its capital expenditure allocation on immature estates and progressively replant the older palm trees in North Sumatra and Riau. With higher FFB production projected in the years ahead, we will expand our milling capacities with the construction of a 30 tonnes per hour mill and a 45 tonnes per hour mill in 2017 and a 45 tonnes per hour mill in 2018.

We will optimise our value chain to strengthen our market standing as a "Lower Cost Producer". This will be done through a range of comprehensive and coordinated initiatives to increase yields, improve cost control, and raise productivity on our estates, such as conducting 30-hectare block analyses to enhance crop management and planting densities, optimising fertiliser and herbicide usage, adopting crop management and harvesting best practices to maximise FFB collection and production, maximising asset utilisation, and improving mechanisation to increase efficiency and reduce costs.

Invigorating our assets

Creating value through integration and diversification

2016 Sugar and Ethanol Production

Indonesia	Brazil
Total own Cane	Total Cane
0.9M	3.7M
Sugar 65,000 tonnes	Sugar 266,000 tonnes Ethanol 136,000 m^3

Our sugar mill / refinery in South Sumatra

Plantation Review – Sugar: Indonesia

Packaging of sugar at the sugar refinery in South Sumatra

The Plantation Division's sugar cane estates in South Sumatra and Central Java cater to the growing domestic demand for sugar.

Indonesia's food self-sufficiency policy has imposed strict import quotas on selected commodities, including sugar, to regulate domestic prices from external fluctuations. Import would be restricted when domestic prices fell below the thresholds stipulated by the government. The government raised the sugar floor price to Rp9,100 per kilogramme in 2016. Domestic sugar prices have hovered above international market prices in the year.

2016 REVIEW

The sugar cane estate in South Sumatra is integrated with a 8,000 tonnes of cane per day (TCD) sugar mill and refinery that has an annual capacity of 1.44 million tonnes. In 2016, the South Sumatra estate processed 861,000 tonnes of sugar cane and produced 58,000 tonnes of sugar, as compared with 746,000 tonnes and 58,000 tonnes respectively in the previous year. The flat sugar production was mainly due to high rainfalls in 2016 which affected the sucrose content. The total planted sugar cane area in South Sumatra stood at 13,249 hectares compared to 13,358 hectares in 2015. The lower planted area was due to some replanting in progress, but this was partly offset by 134 hectares of new planting.

In Central Java, we have a 4,000 TCD sugar mill and refinery with an annual capacity of 720,000 tonnes. We provide agricultural advice to local farmers and establish tolling agreements with them where we would extend credits to the smallholders to acquire seed cane, fertilisers and farming equipment and deduct the repayment from their subsequent sales proceeds. In 2016, the Central Java estate processed 316,000 tonnes of sugar cane versus 384,000 tonnes in 2015. The sugar cane came from 5,700 hectares of sugar estates belonging to the 333 farmers under the supply arrangement. A total of 21,000 tonnes of sugar was produced in 2016, compared to 28,000 tonnes in 2015. The Group's share of sugar was 6,600 tonnes.

Revenue from the sale of sugar and molasses increased by 14% to Rp778 billion this year, contributing to 8% of the Plantation Division's total revenue amidst tightened sugar supply, domestic sugar prices in Indonesia recovered. This was further supported by the increase in the sugar floor price from Rp8,900 to Rp9,100 per kilogramme in May 2016.

Operational Highlights

	Unit	2014	2015	2016
Own Plantation:				
Planted Area	Hectares	13,062	13,358	13,249
Sugar Cane Harvested	'000 tonnes	701	746	861
Sugar Production Volume:				
From sugar cane				
– South Sumatra	'000 tonnes	54	58	58
– Java (PT LPI's share)	'000 tonnes	13	10	7
Total	'000 tonnes	66	68	65

2017 OUTLOOK

The government policies, aimed at expanding the sugar cane plantations, increasing production capacities and improving crop yield and productivity, will take time to deliver results. However, strong market demand, coupled with Indonesia's status as a net sugar importer, will likely keep the domestic sugar industry buoyant in 2017.

We will continue to improve on crop management techniques, and draw on our R&D capabilities to develop new breeds of high-yielding seed cane varieties; step up on new plantings, expand the estates and optimise existing production facilities in South Sumatra and Central Java in anticipation of increased demands; and fulfil the vertical integration to achieve full-scale operations and strengthen growth.

MANUFACTURING PROCESS FOR SUGAR

Plantation Review – Sugar: Outside Indonesia

CMAA sugar mill and ethanol plant in Brazil

The Plantation Division has invested in sugar plantations in Brazil and the Philippines. The estate in Brazil is held and managed through a 50% stake in CMAA. The sugar cane grown and harvested by CMAA is used to produce both sugar and ethanol, and the bagasse is used in the co-generation of electricity. These activities are supported by a modern sugar mill in Minas Gerais, Brazil, that has an annual crushing capacity of 3.8 million tonnes of sugar cane.

With great expanse of land for growth, favourable climate, advanced agronomic knowledge and a productive workforce, Brazil possesses all the conditions to be a leading producer of sugar and ethanol. It is, in fact, the world's largest sugar producer and exporter today with 21% of worldwide production and 41% of the global sugar export market. The Brazilians' prodigious ability to keep production costs down has also earned Brazil the reputation as the world's most cost competitive sugar producer, and kept its sugar industry on a steady upward trajectory.

In the Philippines, we have a 30% investment in FP NRL, which is a joint venture company created to invest in RHI, Philippines' largest integrated sugar business. Though FPNRL, IndoAgri has a 59.7% interest in RHI. RHI has three sugar mills, one in Batangas and two in Negros Occidental, with a total processing capacity of 38,500 TCD or an annual capacity of 6.2 million tonnes. This makes RHI the biggest sugar miller in the Philippines, accounting for 17% of the country's entire sugar production. RHI is also the third largest sugar refiner in the Philippines, with a capacity of 18,000 Lkg per day at its Batangas refinery (1 Lkg is equivalent to 50 kg).

RHI has acquired a second ethanol plant with an annual production capacity of 40,000 m^3 in the Negros Occidental region in 2015; and together with the existing ethanol plant, RHI is able to produce a combined capacity of 86,400 m^3 of ethanol each year, making it the largest ethanol producer in the Philippines.

The Philippines is Southeast Asia's third largest sugar producing country with an output of 2.2 million tonnes in 2016. More than 90% of the sugar produced is consumed domestically, with the balance exported primarily to the US, which imposes a quota on sugar imports from the Philippines and Japan.

2016 REVIEW

Sugar No. 11 (CSCE) contract prices rebounded strongly by 38% to end at an average of 18 cents US per pound in 2016, compared to 13 cents US per pound in the previous year. This came after two consecutive years of global sugar deficits due to El Nino effects and the lack of expansion in Brazil.

As at end-2016, CMAA has a planted sugar cane area of 53,826 hectares, of which 49% is owned by CMAA and the other 51% belonging to third parties. A total of 3.7 million tonnes of harvested sugar cane was processed at 97% utilisation rate to produce 266,000 tonnes of raw sugar, 136,000 m^3 of ethanol and 339,000 MWh of electricity.

CMAA reported a lower loss in 2016 due to the recovery of sugar and ethanol prices. IndoAgri's share of CMAA's loss amounted to Rp33 billion, as compared with the loss of Rp172 billion in 2015.

CMAA achieved Bonsucro certification for 373,000 tonnes of sustainable sugar cane which harvested from 4,198 hectares, representing 22.0% and 17.5% of total production and planted area of CMAA's managed sugar cane area.The target is to achieve 100% Bonsucro certification for CMAA managed cane fields by the end of the 2020/2021 harvest season. Bonsucro is a globally recognised sustainability standard and multi-stakeholder non-profit organisation.

In the Philippines, RHI processed 3.0 million tonnes of sugar cane from third party suppliers and produced 252,000 tonnes of raw sugar, 76,000 m^3 of ethanol and 142,000 tonnes of refined sugar in FY2015/16.

Operational Highlights – CMAA

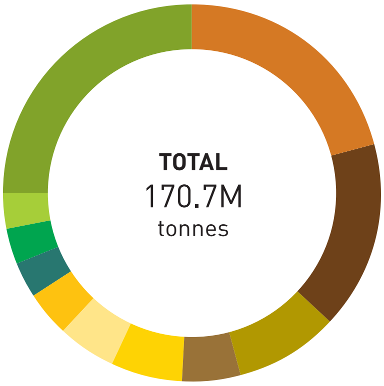
Year Ended March	Unit	2014/ 2015	2015/ 2016	2016/ 2017 *
Planted Area #	Hectares	47,554	52,843	53,826
Harvested Area	Hectares	42,378	45,739	45,953
Cane Crushing	'000 tonnes	3,511	3,703	3,690
Production Volume:				
VHP	'000 tonnes	224	237	266
Ethanol	'000 m^3	145	149	136
Energy	'000 MWh	375	368	339

* *Operation data is for nine months only*
\# *48% of planted area is leased and planted by CMAA. The balance 54% belongs to a third party*

Operational Highlights – RHI

Year Ended September	Unit	2013/ 2014	2014/ 2015	2015/ 2016
Production Volume:				
Tonnes cane milled	'000 tonnes	3,247	2,650	2,994
Raw sugar	'000 tonnes	312	258	252
Refined sugar	'000 tonnes	103	141	142
Ethanol	'000 m^3	32	50	76

World Sugar Production in 2015/16



Brazil	21%
India	16%
EU	9%
China	5%
Thailand	6%
US	5%
Mexico	4%
Russia	3%
Pakistan	3%
Australia	3%
Others	25%

Source: LMC International

2017 OUTLOOK

Global demand for sugar is expected to remain soft in the amidst uncertain global economic developments. Sugar prices will be strongly influenced by the production levels in major sugar-producing economies, like Brazil and India, as well as the demand for ethanol.

We will continue to tap on CMAA's deep experience and knowledge in cane cultivation to improve efficiency and raise outputs. We are also progressively introducing these advanced methodologies and deploying mechanised sugarcane harvesters and planters to our estates in Indonesia to improve productivity and outputs.

Sugar cane

Plantation Review – R&D

Oil palm seeds breeding

The Plantation Division's agronomic research activities are spearheaded by its two R&D centres: SumBio at Bah Lias in North Sumatra, and PT SAIN at Pekanbaru in Riau. In addition, we have a research team based in our sugar plantation in South Sumatra specialising in cane cultivation. The R&D programmes and priorities at these facilities are primarily focused on increasing yields and productivity, improving crop resilience, and enhancing good estate management practices.

We also have an R&D team based in Jakarta for our Edible Oils and Fats business. The outcomes of their combined activities have continued to contribute to IndoAgri's achievements in sustainable production and long-term business competitiveness.

The Group's R&D efforts cover:

- **Plant breeding**, which leverages biotechnology, a diverse germ-plasm base and other advanced cultivation techniques to produce top quality high-yielding disease-resistant oil palm seeds and planting materials. For sugar, we have an extensive selection process for new cane varieties, which then undergo a rigorous five-year selection programme before the new commercial varieties are identified.

- **Soils and hydrology**, which involves soil surveys and analyses, and hydrology studies to improve soil fertility and drainage.

- **Agronomy**, which entails site-specific soil management and crop-cultivation techniques to ensure optimal crop management and planting densities, and fertiliser and herbicide usage on a block-by-block basis.

- **Crop protection**, which emphasises the use of biological and naturally occurring agents for controlling pests and diseases.

- **Data capture and Information management**, which involves accurate data analysis using 2D and 3D maps derived from GPS and ground surveys, and the use of integrated software systems for improved visibility of relevant data across all subsidiaries, refineries and plantations, to aid better management decisions.

Laboratory works for tissue culture at SumBio

- **Product development**, which includes the development of specific formulations of edible oils and fats to meet the diverse requirements of our industrial and retail consumers.

Leading the agricultural R&D efforts are experienced scientists and researchers who are well versed in the latest methodological frameworks underlying the cultivation and the production of premium high-yielding oil palm seeds. Both SumBio and PT SAIN are among 13 recognised oil palm seed producers in Indonesia with the certification and cutting-edge facilities required for the production of high quality planting materials suited to our local climates.

Our R&D efforts for sustainable production include:

- **Soil and water conservation**, specifically the control of soil erosion, cultivation of Legume Cover Crops to improve soil fertility for new plantings, stabilisation of soil on steep slopes and canal banks using Vetiver Systems, and measures to ensure good drainage in low-lying areas and to keep the water table at optimum height for plant growth.

- **Fertiliser management programmes**, which entail a fully integrated strategy to provide site-specific formulations for individual plantation blocks based on the yield target, annual foliar analysis, soil fertility, fertiliser trials, and nutrient release from soil and plant residue. A combination of organic and inorganic fertilisers is used to ensure optimum palm nutrition.

- **Recycling of palm oil mill by-products**, such as empty fruit bunches (EFB) and palm oil mill effluent (POME), which are used together as soil mulch. This has cut our annual requirement for inorganic fertilisers by 14%, while the co-composting of EFB and POME potentially replaces up to 30% of inorganic fertiliser use per year.

- **Integrated pest and disease management**, which includes the use of biological control agents such as barn owls and entomopathogenic microbes. With the effectiveness of our barn owl programme, the use of rodenticides has been discontinued in Riau since 2011. Each year, some 9,500 and 2,000 owlets are produced in our Riau and South Sumatra estates, respectively. This is in addition to the planting of beneficial flowers to attract natural predators. The incidence of crop damage caused by leaf-eating insects is being monitored and analysed using SAP and Web-GIS. This has enabled timely interventions and effective control of all major leaf-eating pests. For the sugar cane estates, the use of biological controls is supported by an extensive programme for the breeding of natural predators such as the black earwigs.

- **Training and collaboration**, which involves deriving new operational solutions through research methodologies, regular inspection visits to the plantations to evaluate field conditions and advise on current agronomy issues, and regular training for estate personnel on the latest agronomic practices for crop protection and soil and crop management.

2016 REVIEW

The Group sold 9.7 million oil palm seeds in 2016 compared to 10.4 million a year ago. Each year, about 200 seeds per hectare would be set aside for the Division's own planting activities, while the majority is sold to external customers. The lower seed sales in 2016, reflects the slowdown in new plantings in Indonesia, which was not offset by replanting.

In line with efforts to develop high-yielding and disease -resistant palm progenies, both PT SAIN and SumBio have initiated cross-breeding programmes for different genetic materials using a process known as introgression. This is to complement and broaden the genetic base of each other's breeding populations for the sustainable production of improved varieties, while retaining the original genetic background and branding.

In 2016, SumBio has introduced a range of pollen sources from Ghana to be hybridised with PT SAIN's Ghana materials to widen the genetic base and to create better quality seed material. These measures demonstrated the Group's commitment to continuous R&D to refine and improve the quality traits of its seed progenies.

To manage the risks posed by counterfeit seed distributors, PT SAIN and SumBio have each developed a process to authenticate and tag their seed products using laser and ultraviolet (UV) printing technology.

To reduce pesticide use, we continued to monitor the progress of trees and shrubs planted along the estate roads to encourage a favourable ecosystem for natural insect predators and parasitoids. We also sprayed entomopathogenic agents including fungi and viruses as biopesticides, and deployed UV light traps to control major leaf-eating caterpillars across our estates. We monitor the spatio-temporal patterns of pest attacks using detailed census data from our SAP system, which enabled us to keep the incidence of crop damage in check.

The use of drone images, along with data feeds from GIS, ground GPS and unmanned aerial vehicles, such as fixed-wing systems and drone quad-copters, supported our precision agronomy objectives. The timely and reliable data harnessed through these tools have enhanced our responsiveness to varying soil and crop conditions, including nutrient status and the prevalence of pests and diseases. This has enabled us to proactively prevent potential agronomic issues and optimise manpower and resource deployment. We are the first company in Indonesia to use drones to chemically ripen the cane in our sugar estates.

R&D has remained at the core of product innovation in catering to the growing demands and discerning tastes of Indonesian consumers. This included customised formulations of cooking oils and specialty fats required by F&B manufacturers and patisseries. In addition, we continue to provide R&D support for the design of cost-efficient and environmentally friendly packaging materials.

High-yielding oil palm seeds produced by SumBio

2017 OUTLOOK

Demand growth driven by rising consumer affluence, growing population size, as well as new planting activities planned for 2017 will provide the impetus for R&D activities. The cultivation of premium, high-yielding oil palm seed materials and improved cane varieties will remain our key R&D focus, along with the deployment of bio-control methods, which enable the biodiversity of our estates to be preserved.

We will continue to fine-tune our agronomic practices and improve our soil and water management programmes in our South Sumatra and Kalimantan estates through the use of highly detailed topographic maps. We will also leverage our mechanisation programmes to improve resource allocation and streamline existing work processes.

Our integrated SAP enterprise resource planning system has enabled us to capture more data points for better visibility of field conditions. We plan to increase the use of data analytics and GIS alongside statistical and census methods to improve the accuracy of yield forecasts.

At the same time, detailed analyses of the physicochemical soil properties across different terrain and agro-climatic environments will enable us to improve site-specific fertiliser recommendations for optimised yields.

Other R&D improvements will include pest and disease management and precision agronomy via improved crop management strategies, planting densities, fertiliser and RSPO-compliant herbicide usage. Such initiatives will deliver higher and more profitable yields per hectare, reduce production costs, and maintain a balanced nutrient programme for sustainable growth and a cleaner environment.

Edible Oils & Fats Review

EOF Division manufactures and markets IndoAgri's downstream products, which include cooking oils, margarine, shortening and other by-products derived from CPO refining and fractionation. The Division owns and operates five refineries located strategically in major Indonesian cities near deep-water ports. The refineries have a total annual CPO processing capacity of 1.4 million tonnes.

Our consumer cooking oils are marketed domestically under the leading brands of Bimoli, Bimoli Spesial, Delima and Happy, while our consumer margarine and shortening are packed and sold under the Palmia and Amanda brands. Bimoli, in particular, is a household name and an award-winning consumer brand. Its accolades include the Indonesia Best Brand Award (Platinum Level) from 2002 to 2016, the Indonesia Customer Satisfaction Award (Diamond Level) from 2000 to 2016 and the Halal Top Brand 2016. It was also ranked among the Most Valuable Indonesian Brands in 2016.

The Division also produces and sells industrial cooking oils directly to the Indofood Group and other F&B manufacturers. Our industrial margarine and shortening are marketed to confectioners, bakeries and other food manufacturers under the Palmia, Simas, Amanda, Malinda and Delima brands.

We supplement our sales and market penetration efforts by leveraging the distribution channels of the Indofood Group. As a result, we have good access to direct sales channels, as well as local and national distributors serving retail outlets across Indonesia.

2016 REVIEW

The EOF Division purchased approximately 844,000 tonnes of CPO during the year, including 61% from our own plantations, for the production of cooking oil and margarine. We also produced and sold small amounts of palm-based derivatives, such as refined, bleached and deodorised (RBD) palm stearin and palm fatty acid distillate.

Revenue from the EOF Division increased by 14% to Rp9.6 trillion in 2016 due mainly to higher sales volume and higher average selling prices of edible oils and fats products. This was supported by increased consumption of branded products in the Indonesia markets. Branded consumer products contributed over half of the Division's revenue, while the improvement in sales volumes was attributed to competitive pricing and heightened marketing activities such as brand campaigns and tactical promotions.

Sales contribution from the EOF Division accounted for 66% of the Group's external sales in 2016 compared to 61% in 2015. The revenue derived from Indonesia was 90%, while the balance came from exports to 27 countries, including China, Singapore, Nigeria, South Korea, East Timor, the Philippines, Malaysia, United Arab Emirates, Sri Lanka, Papua New Guinea and Myanmar.

As part of ongoing efforts to create new products and brand experiences, we introduced Palmia garlic margarine to increase our market share for margarine in Indonesia.

2017 OUTLOOK

In the year ahead, we aim to increase the utilisation rate of our downstream assets by broadening our range of specialty fats products and enhancing our production capabilities to meet rising demand. To capture sales opportunities in Eastern Indonesia, we are expanding the capacity of our Surabaya refinery by 1,000 tonnes per day, with completion scheduled in 4Q 2017.

To supplement these efforts, we will continue to work on new product offerings and implement competitive pricing strategies. We plan to refresh the packaging design of Bimoli Klasik to enhance its consumer appeal.

We will also strengthen our supply chain management to enhance customer service, and work closely with the Indofood Group to widen our market coverage and grow our distribution network.

Our leading brands of cooking oils and margarine

MANUFACTURING PROCESS FROM FFB TO CONSUMER PRODUCTS

Initiating sustainable practices

Protecting and conserving the environment

No of Employees	RSPO – Certified CPO	ISPO – Certified CPO
39,652	388,000 tonnes	255,000 tonnes

A student from a school located in our South Sumatra Estate

Managing Sustainability

IndoAgri is committed to meeting the world's food needs in a sustainable and traceable manner. We continue to achieve this by integrating sustainable practices across our internal processes and supply chain.

The Group's Sustainable Palm Oil Policy guides all of IndoAgri's sustainability programmes. It is applicable to all our palm oil operations, including those of our plasma smallholders and other third parties from whom we purchase CPO supplies. In line with continuous review and improvement, a revised Sustainable Palm Oil Policy was launched in February 2017 and is available at www.indofoodagri.com.

We recognise that agribusinesses are exposed to a constantly and rapidly changing set of risks and opportunities related to the environment, communities and other stakeholders, such as smallholders. Such risks and opportunities must be tackled through well-trained personnel, formal management processes, an open and accountable work culture, and in partnership with our stakeholders. We strive to improve our operational efficiencies and innovations as part of our pledge towards sustainable agriculture, sustainable communities and safer workplaces.

KEY SUSTAINABILITY HIGHLIGHTS IN 2016

- Certified CPO in Indonesia
  - 388,000 tonnes of RSPO-certified production, representing 47% of total production in 2016
  - 255,000 tonnes of ISPO-certified production, representing 31% of total production in 2016
- Certified Sugarcane in Brazil
  - 373,000 tonnes of Bonsucro-certified production, representing 22% of total production from CMAA-owned cane fields in the 2016/2017 harvest season
- Occupational Health and Safety
  - 28 sites awarded 'Gold' under SMK3 certification
- Smallholder Training
  - 25 training days delivered under a pilot programme

KEY SUSTAINABILITY TARGETS

- Achieve RSPO and ISPO certification for all palm oil production, including those of plasma smallholders, by 2019
- Develop HCV rehabilitation plan for each site by 2017
- Phase out paraquat use by end of 2017 (the previous target was 2018)
- Achieve zero fatality in 2017
- Achieve 100% product traceability and sustainable palm oil sourcing by 2020

The full details of our sustainability efforts are published in our Sustainability Report. The report covers IndoAgri's oil palm plantations and processing operations in Indonesia, and is prepared in accordance with the Global Reporting Initiative G4 Sustainability Reporting Guidelines. A copy of the latest Sustainability Report can be downloaded from www.indofoodagri.com.

To support the reporting process, the Group's material sustainability issues were formally identified in 2014 and revalidated at the Executive Committee level in 2015. The materiality of an issue is assessed based on its potential risk and impact on the Group's business, external stakeholders and the environment. The Group's materiality assessments are carried out through internal workshops, peer reviews, engagement with international NGOs and social impact assessments at the site level.

CREATING STAKEHOLDER VALUE

While meeting the growing demand for responsibly produced, high-quality palm oil, we endeavour to create employment opportunities and drive economic and social development in the communities where we operate. IndoAgri's key stakeholder groups are employees, customers, investors, government and civil society organisations and local communities. We engage and collaborate with each of our stakeholder groups through a broad range of targeted activities designed to drive mutually beneficial outcomes.

Stakeholder engagement occurs at different levels of the organisation, across various channels, between individuals and in groups, depending on the relevance and complexity of the issue at hand. For example, each operational site is required to map its key stakeholders. They are also engaged in developing clearly defined programmes aimed at understanding and improving relationships with specific stakeholder groups in their local communities. All engagements are guided by the Group's sustainability principles, and prioritised according to the materiality of the issues at hand.

Our Sustainability Team in Jakarta works closely with the Senior Management, operational units, as well as suppliers to advance IndoAgri's sustainability programmes and projects. Our CEO and Executive Directors are directly involved in advising and overseeing the progress of these efforts to deliver on the Group's policy commitments, and in particular, the procurement and traceability of our raw materials. The Sustainability Team is further aided by a centralised Sustainability Management Information System, which monitors the Group's progress against its targets using real-time data captured from our SAP system.

MANAGING THE MATERIAL SUSTAINABILITY ISSUES

The Group's sustainability management comes under the Sustainability Think Tank, which is led by the CEO. It comprises the Executive Directors of the Group and its principal subsidiaries, and is supported by the Chief Operating Officers, Enterprise Risk Management unit, R&D team and sustainability representatives from all business

A barn owl in our estate in Riau

units. The Sustainability Think Tank meets regularly to review the progress, improvement and direction of the Group's sustainability management efforts relating to environment, social and governance (ESG) issues.

The Board is updated on quarterly basis through the Audit & Risk Management Committee on matters relating to material sustainability risks and concerns. The CEO also updates the Board on sustainability management initiatives, performance against the key ESG issues, material sustainability issues identified by stakeholders, as well as the responses and follow-up measures taken.

To ensure that our sustainability goals are met, the Group relies on competent people who are trained to perform their roles effectively. Each key material issue is managed by teams working under a set of six Sustainability Programmes. Our Sustainability Report outlines the management approach under each programme, including the policies, certification, management systems, standards and other related frameworks. These programmes provide the basis and directions for monitoring each material issue, in compliance with the Group's Sustainable Palm Oil Policy.

SUSTAINABILITY PROGRAMMES

Our **Growing Responsibly** Programme sets out the policy framework for high standards of *corporate governance, transparency*, responsibility and professional integrity, and is underpinned by IndoAgri's Code of Conduct. It guides how we adhere to the principles and guidelines of SGX's Code of Corporate Governance 2012 and other new listing rules on sustainability reporting announced during the year. No lobbying activities took place in 2016 related to commercial agriculture contracts or commercial terms. Our Senior Management is actively and directly involved in the Group's corporate sustainability management practices, and is committed to open and collaborative ways to resolve arising challenges.

Our **Sustainable Agriculture and Products** Programme, which focuses on our production operations, and our **Smallholders** Programme, which aims at our partnerships with plasma and independent farmers, guides IndoAgri's initiatives on environmental performance. Both Programmes were drawn up to improve *carbon management* and mitigate the impacts of climate change by offering clear guidelines on practices and goals relating to forestry, land use, agriculture, transport and waste. While the **Sustainable Agriculture and Products** Programme structures how we work on our estates and production sites with regards to promoting eco-efficiency and protecting high conservation value (HCV) areas, the **Smallholders** Programme focuses on strengthening culture, encouraging information sharing and forging engagement opportunities at the local and community levels, in addition to addressing more complex issues relating to *land, deforestation* and community projects. Crucially, both Programmes help to drive *yield maximisation* and *safety*, as well as improve the Group's *environmental footprint* across its nucleus and plasma estates, refineries and mills. They are further guided by established management practices that have supported regulatory compliance, process efficiency and better productivity.

We aim to obtain our raw materials from sustainable sources, which is in line with RSPO standards. With 61% of the palm oil processed in our refineries coming from our own estates, we have a high degree of influence in maintaining a high standard of food safety, quality and responsibility across our supply chain. Our **Safe and Traceable Products** Programme and **Smallholders** Programme provide the means for better *product traceability* and a structured approach to helping smallholders achieve RSPO and ISPO certification. The Programmes involve active engagements with plasma and third-party *smallholders* (from whom 25% of our total FFB is sourced) to understand how best to manage any social conflicts that may arise, as well as deliver change on the ground. The Programmes, coupled with our focus on product quality and safety, reinforce the approaches outlined in our Policy on Sustainable Palm Oil.

The **Safe and Traceable Products** Programme also serves to guide our processes, procedures and approaches to food safety systems, quality assurance and product labelling. It ensures that all products delivered from our estates, mills, refineries, as well as seed production facilities, are fully traceable, safe and beneficial for human consumption.

As a responsible employer and plantation owner, we are accountable for a high standard of welfare, health, living conditions, civic services and amenities, in addition to providing training and economic opportunities for our employees and their families who live on our estates. Our **Growing Responsibly** Programme offers a systematic approach to compliance in areas such as human resource training and management, stakeholder engagement and risk assessment. Our **Work and Estate Living** Programme complements this by covering the aspects relating to *occupational health* and *safety*, such as SMK3.

Our **Smallholders** Programme and our **Solidarity** Programme guide our social development projects on *human rights* and

A Smart House in South Sumatra Estate

community investment. Relationships with communities and smallholders are strengthened through regular engagement activities under these Programmes, which aim to alleviate conflict over *land rights* and strengthen business continuity, as well as improve community health, enterprise and education. Projects under these Programmes are prioritised based on the findings of social impact assessments.

STAKEHOLDER ENGAGEMENT

Close collaboration with our stakeholders has always been crucial to the Group's success in sustainable palm oil production. Free, Prior and Informed Consent (FPIC) is at the heart of the Sustainable Palm Oil Policy revised in 2017. In promoting Good Agricultural Practices, the Policy demands greater engagement with our key stakeholder groups, namely the employees, customers, investors, government and non-government agencies, suppliers, civil organisations and local communities. As we expand our RSPO- and ISPO-certified production, regular contact with our stakeholders has been an integral part of the process.

Community engagement activities could include HCV assessments and fire prevention work, while employee engagement efforts could cover endeavours to solicit staff feedback and inputs on matters such as safety management systems. Customer and stakeholders engagement is at the core of the Group's initiatives for product safety management, and activities could range from audits and R&D, to marketing and customer satisfaction surveys. We also listen to views from our investors on sustainability by participating in forums such as the United Nations' Principles for Responsible Investment (UNPRI) conference held in Singapore in 2016.

In further compliance with RSPO principles and criteria and improving community relationship, social impact assessments are conducted with local communities and authorities at our estates in order to understand their capacities and concerns. Regarding land ownership, we engage with local communities and governments to discuss new developments based on the FPIC principle. IndoAgri's land conflict resolution mechanism investigates claims and disputes with the involvement of local government, village administrative teams and community elders. A community development forum is held annually to discuss important issues affecting the community and to provide advice to address their needs.

The key issues for each of our stakeholder groups are relatively well known in the palm oil sector. Investors expect a risk-based approach to the management of supply chain resilience and labour conditions, while civil organisations prefer to track and analyse our risks and impact, as well as responses to issues on biodiversity and human rights. Suppliers and farmers are interested in matters pertaining to prices or assistance programmes on yield improvement and safety, while employees require assurance on job security, wages, safety and careers.

More information on how we engage with the respective stakeholder groups in 2016 can be found in our Sustainability Report and online report supplement.

Elementary school students from Smart House in South Sumatra Estate

Enhancing Corporate Governance

Driving accountability and transparency

Offices at our Tanjong Priok Refinery

Board of Directors

MR LEE KWONG FOO, EDWARD
Chairman and Lead Independent Director

Mr Lee spent 36 years in the Singapore Administrative Service (Foreign Service Branch), during which he served as Singapore's High Commissioner in Brunei Darussalem (1984 to 1990), Ambassador to the Philippines (1990 to 1993) and Ambassador to Indonesia (1994 to 2006).

Mr Lee was awarded the Public Administration Medal (Silver) in 1996, the Long Service Medal in 1997, the Public Administration Medal (Gold) in 1998 and the Meritorious Service Medal in 2006 by the Singapore Government. In 1993, the Philippines Government bestowed on him the Order of Sikatuna, Rank of Datu (Grand Cross).

In 2007, the Indonesian Government awarded him the highest civilian honour, the Bintang Jasa Utama (First Class). He is a member of the National University of Singapore President's Advancement Advisory Council.

Mr Lee holds a Masters of Arts degree from Cornell University.

MR LIM HOCK SAN
Vice Chairman and Independent Director

Mr Lim is the President and CEO of United Industrial Corporation Limited and Singapore Land Limited. He is also the Non-Executive Chairman and Independent Director of Gallant Venture Ltd. Mr Lim started his career in 1966 with the then Inland Revenue Department of Singapore. He became an Accountant at Mobil Oil Malaya Sdn Bhd in 1967 before joining the Port of Singapore Authority in 1968, where he served in various management positions. From 1975 to 1992, he was with the Civil Aviation Authority of Singapore and held the position of Director-General.

Mr Lim has a Bachelor of Accountancy degree from the then University of Singapore, a Master of Science (Management) degree from the Massachusetts Institute of Technology and attended the Advanced Management Program at Harvard Business School. He is a Fellow of The Chartered Institute of Management Accountants (UK) and a Fellow and past President of the Institute of Certified Public Accountants of Singapore. He is a recipient of the Singapore Government Meritorious Service Medal, the Public Administration Medal (Gold) and the Public Service Medal.

MR MARK JULIAN WAKEFORD
Chief Executive Officer and Executive Director

Mr Wakeford is the President Director of PT SIMP and PT Lajuperdana Indah, and Director of Lonsum. He started his career with Kingston Smith & Co, a firm of Chartered Accountants in London, England.

Mr Wakeford has been in the plantation industry since 1993, working with plantation companies in Indonesia, Papua New Guinea, Soloman Islands and Thailand. He started his plantation career in Indonesia as the Finance Director of Lonsum in 1993, before moving to Papua New Guinea as the CFO of Pacific Rim Plantations Limited (PRPOL) from 1995 to 1999. In 1999, Mr Wakeford became CEO and Executive Director of PRPOL. PRPOL was sold to Cargill in 2005, Mr Wakeford spent one year with Cargill, before joining the Company in January 2007. He became CEO of the Company in August 2007 and is concurrently a member of Rabobank's Asia Food and Agribusiness Advisory Board.

Mr Wakeford was trained and qualified as a Chartered Accountant in London, England. He also attended the Senior Executive Programme at the London Business School.

MR MOLEONOTO TJANG
Executive Director and Head of Finance and Corporate Services

Mr Tjang is a Director of PT Indofood Sukses Makmur Tbk. He is concurrently a Commissioner of PT Indofood CBP Sukses Makmur Tbk, Vice President Director of PT SIMP and President Commissioner of Lonsum. He started his career in 1984 with Drs. Hans Kartikahadi & Co., a public accounting firm in Jakarta. Before joining the Plantations Division of the Indofood Group as CFO, he has held various management positions in the Plantations Division of the Indofood Group and Salim Plantations Group.

Mr Tjang was awarded a Bachelor of Accountancy degree from the University of Tarumanegara, a Bachelor's degree in Management and a Master of Science degree in Administration & Business Policy from the University of Indonesia. He is a registered accountant in Indonesia.

MR SUAIMI SURIADY
Executive Director and Head Of EOF Division

Mr Suriady is a Director of PT Indofood CBP Sukses Makmur Tbk, where he heads the Snack Food Division. He concurrently serves as Director of PT SIMP. He began his career with an automotive battery distributor, PT Menara Alam Teknik of Astra Group and moved on to join consumer goods manufacturer, Konica Film and Paper.

Mr Suriady was awarded a Master of Business Administration from De Montfort University in the United Kingdom.

MR TJHIE TJE FIE
Non-Executive Director

Mr Tjhie is a Director of PT Indofood Sukses Makmur Tbk. He is concurrently Director of PT Indofood CBP Sukses Makmur Tbk, where he oversees the Beverages Division. He is also the President Commissioner of PT SIMP. He has previously served as a Director of Lonsum and PT Indomiwon Citra Inti and as a Senior Executive of PT Kitadin Coal Mining.

Mr Tjhie was awarded a Bachelor's degree in Accounting from the Perbanas Banking Institute.

MR AXTON SALIM
Non-Executive Director

Mr Axton Salim is a Director of PT Indofood Sukses Makmur Tbk. He is also a Director of PT Indofood CBP Sukses Makmur Tbk, where he heads the Dairy Division and oversees the Beverages Division. He is concurrently a Commissioner of PT SIMP and Lonsum and Non-Executive Director of Gallant Venture Ltd. He also serves as Co-chair of Scaling Up Nutrition (SUN) Business Network Advisory Group and Director of Art Photography Centre Ltd.

Mr Salim was awarded a Bachelor of Science in Business Administration from the University of Colorado, USA.

MR GOH KIAN CHEE
Independent Director

Mr Goh is a Consultant at the National University of Singapore's (NUS) Centre For The Arts. He is also an Independent Director of AsiaMedic Limited.

Mr Goh started his career as an audit trainee with Goldblatt & Co (UK). He joined American International Assurance Pte Ltd in 1981 as an Accounting Supervisor. In 1982, he became a Regional Internal Auditor in Mobil Oil Singapore Pte Ltd and rose to the position of Regional Credit and Insurance Manager in 1987. In 1990, he was seconded to Mobil Petrochemicals International Ltd where he served as Regional Accounting Manager and later, as the Controller of the Asia Pacific region till 2000. Before his present role in NUS, Mr Goh was the Regional Vice President & Controller as well as an Executive Director of John Hancock International Pte Ltd.

Mr Goh has a Bachelor of Arts (Hons) degree in Accounting and Economics from Middlesex University, United Kingdom.

MR HENDRA SUSANTO
Independent Director

Mr Susanto is an audit committee member of PT Indofood Sukses Makmur Tbk, PT Indofood CBP Sukses Makmur Tbk and Lonsum. He began his career as an Account Relationship Manager of Standard Chartered Bank's Corporate Banking division in 1990. He joined PT BNP Lippo Leasing in 1993 as the Head of the Corporate Marketing division. In 1996, he joined PT ING Indonesia Bank as Vice President in the Project and Structured Finance division and was subsequently promoted to Director in the Wholesale Banking division of the bank. Mr Susanto also acted as the Chief Representative of ING Bank N.V. in Indonesia until 2005.

Mr Susanto has a Bachelor of Computer Science degree and a Master of Commerce degree from the University of New South Wales, Australia.

Corporate Information

DIRECTORS

Chairman and
Lead Independent Director
Lee Kwong Foo, Edward

Vice Chairman and
Independent Director
Lim Hock San

Chief Executive Officer and
Executive Director
Mark Julian Wakeford

Executive Director and
Head of Finance and Corporate Services
Moleonoto Tjang

Executive Director and
Head of EOF Division
Suaimi Suriady

Non-Executive Director
Tjhie Tje Fie

Non-Executive Director
Axton Salim

Independent Director
Goh Kian Chee

Independent Director
Hendra Susanto

EXECUTIVE COMMITTEE

Mark Julian Wakeford (Chairman)
Tjhie Tje Fie
Moleonoto Tjang
Suaimi Suriady

AUDIT AND RISK MANAGEMENT COMMITTEE

Goh Kian Chee (Chairman)
Lim Hock San
Hendra Susanto

NOMINATING COMMITTEE

Lee Kwong Foo, Edward (Chairman)
Tjhie Tje Fie
Lim Hock San
Hendra Susanto

REMUNERATION COMMITTEE

Lim Hock San (Chairman)
Tjhie Tje Fie
Goh Kian Chee

REGISTRAR

Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place
Singapore Land Tower #32-01,
Singapore 048623

REGISTERED OFFICE

8 Eu Tong Sen Street
#16-96/97 The Central
Singapore 059818

COMPANY SECRETARIES

Lee Siew Jee, Jennifer
Mak Mei Yook

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

AUDIT PARTNER

Vincent Toong Weng Sum
(Appointed since financial year ended 31 December 2016)

Corporate Governance

The Board of Directors ("**Board**") and Management of Indofood Agri Resources Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") firmly believe that good corporate governance is critical to the sustainability and long-term success of the Group's businesses and performance. The Board is responsible for the corporate governance framework and policies, and is committed to continuously enhance the standards of corporate governance principles and processes so as to drive a culture of accountability and transparency within the Company.

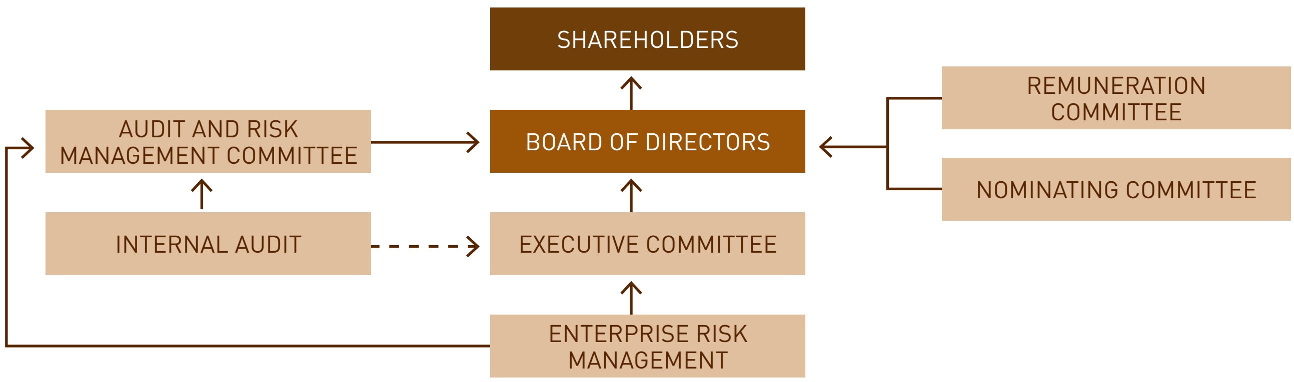
This report sets out the key aspects of the Company's corporate governance framework and practices, with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 ("**2012 Code**"). The Company has complied with all material aspects of the 2012 Code, with exception to Guidelines 4.4, 8.4, 9.2 and 9.3.

For Guideline 4.4, the Nominating Committee ("**NC**") has reviewed the participation and contribution of the current Directors, as well as the number of meetings they have attended in 2016. The NC is satisfied that all the Directors have devoted sufficient time to the affairs of the Company. They have adequately discharged their duties as Directors and provided objective views to the Board and Management. The Board does not see a need at present to stipulate a policy for the maximum number of listed company board representations that a Director may hold.

For Guideline 8.4, the Company does not stipulate a policy for the reclamation of variable incentives. However, the Remuneration Committee ("**RC**") has the discretion not to award or reclaim the variable incentives from Executive Directors and key management personnel in exceptional circumstances involving material misstatement of financial results or misconduct resulting in financial loss to the Company.

As for Guidelines 9.2 and 9.3, the exact remunerations of the Directors and the CEO are not disclosed after the Board and Management have carefully considered the competitive nature of the industry and the potential for such information to be used by competition to undermine the Company's efforts in attracting and retaining talent.

CORPORATE GOVERNANCE STRUCTURE



BOARD MATTERS

Board's Conduct of Its Affairs [Principle 1]
The Board comprises Directors with a wide range of skills and experience in operations management, banking, finance, accounting, risk management, and industry knowledge. The Board has reviewed the qualifications of its Directors and is satisfied that they possess the necessary competencies to lead and govern the Company effectively. A brief biography of each Director is given on pages 46 to 48 of this Annual Report.

Roles and Responsibilities:
The principal functions of the Board are to:

- review the financial performance and condition of the Group;
- approve the Group's strategic plans, key operational initiatives, major investment, divestment and corporate restructuring, as well as major funding decisions;
- identify principal risks of the Group's businesses, and implement systems to manage these risks;
- assume the responsibility of corporate governance;
- establish and maintain exemplary values and standards for the Company; and
- ensure all statutory obligations to shareholders and other stakeholders are understood and met.

Board Approval: The Company has adopted internal guidelines, which set out all matters requiring the Board's approval as specified under the Singapore Exchange Securities Trading Limited's ("**SGX-ST**") Listing Manual. Some of the material items that require the Board's approval would include the Company's strategic and operating plans, quarterly and full-year financial results, dividend matters, issuance of shares, succession plan for the Board and Senior Management such as Chief Executive Officer ("**CEO**"), Chief Financial Officer ("**CFO**") and Chief Operating Officer ("**COO**"), acquisition and divestment of businesses exceeding certain material limits, and all material commitments to term loans, lines of credit and credit support from banks and financial institutions.

Independent Judgement: All the Directors shall exercise independent judgement and make objective decisions that are in the best interest of the Company. This is one of the performance criteria for the peer and self-assessment on the effectiveness of the individual Directors. Based on these assessments for 2016, all the Directors have discharged this duty.

Board Committees: In discharging its responsibilities and fiduciary obligations more effectively, the Board is assisted by the Executive Committee ("**Exco**") and various Board Committees including the Audit and Risk Management Committee ("**AC & RMC**"), the NC and the RC. The Board Committees are actively engaged and play a key role in enhancing corporate governance, improving internal controls and driving the performance of the Group. Each of these Board Committees has clearly defined terms of reference, which set out its duties, authority and accountabilities. The terms of reference are reviewed annually.

The Exco is chaired by Mr Mark Julian Wakeford, and comprises Messrs Tjhie Tje Fie, Moleonoto Tjang and Suaimi Suriady as its members. The Board delegates the Exco certain discretionary limits and authority for business development, investment, divestment, capital expenditure, finance, treasury, budgeting, human resource, and business planning. The Exco is entrusted to execute the business strategies approved in the annual budget and business plan, implement the appropriate accounting systems and other financial controls, put in place a robust risk management framework, monitor compliance to laws and regulations, adopt competitive human resource practices and compensation policies, and ensure that the Group operates within the approved budget.

Board and Board Committee Meetings: All Board, Board Committee and Annual General Meetings ("**AGM**") for the year are scheduled in advance in consultation with the Directors. The Board and Board Committees meet regularly to discuss the Group's business results and performance, strategic decisions and policies, operational matters and governance issues. The Board meets at least four times each year. For the Board Committees, the AC & RMC meets eight times each year, while meetings by the RC and NC are held at least once a year.

The Company's Constitution provides for the Board and Board Committee meetings to be conducted via telephone or any other forms of communication facilities as well as decisions to be made by way of written resolutions. Directors who are unable to attend the Board and Board Committee meetings are provided with the meeting materials, to facilitate follow-ups on any matters covered in the meetings.

The Directors' attendance at the Board and Board Committee meetings held during the financial year ended 31 December 2016 is set out below:

Description	Board	AC & RMC	NC	RC
Number of meetings held in 2016	4	8	1	1
Name of directors	Number of meetings attended			
Lee Kwong Foo, Edward	4	–	1	–
Lim Hock San	2	6	1	1
Mark Julian Wakeford	4	–	–	–
Moleonoto Tjang	4	–	–	–
Suaimi Suriady	4	–	–	–
Tjhie Tje Fie	4	–	1	1
Axton Salim	4	–	–	–
Goh Kian Chee	4	8	–	1
Hendra Susanto	2	7	1	–

Chairman

"–" refers to not applicable

Training and Induction for Directors: The Board recognises the importance of continuous professional development in order to contribute effectively to the Board. All newly appointed Directors are briefed by the respective Chairmen of the Board on key areas and issues. In addition, new Directors are required to undergo orientation and training conducted by the Senior Management to familiarise them with the Group's organisation, business operations, strategic direction, industry trends and developments, governance practices, as well as their statutory and other responsibilities as Directors. There was no new Director appointed in 2016.

The Directors receive continuing education and training in areas pertaining to their duties and responsibilities, corporate governance, and the changes to relevant laws and regulations, such as the SGX-ST Rules, Code of Corporate Governance, Companies Act, as well as changes in financial reporting standards and regulations. The Directors are also invited to attend seminars and trainings organised by the Singapore Institute of Directors ("**SID**") and various professional bodies and organisations to stay abreast of relevant developments and issues in financial, legal, corporate governance and regulatory requirements.

In 2016, some of the Directors participated in the following seminars, workshop and training programmes:

- A Board briefing on regulatory changes, such as changes to the Companies Act and the SGX Listing Manual.
- Briefings by the Group's external auditor to AC and RMC members on the new accounting standards and corporate governance.
- Executive seminars organised by the SID including "Improving Board Risk Oversight Effectiveness", "Understanding the Regulatory Environment in Singapore", "Audit Committee Essentials", "Of Enron, Entanglement and Enlightenment", "Disruptive Technologies for Directors Series – Internet of Things", "Directors' Conference 2016 – Digital Disruption", "Launch of the Board Guide", and "Director Financial Reporting Essentials" to keep the Directors updated on developments relevant to their roles.
- A workshop organised by the National University of Singapore on "Strategic Renewal for Survival and Growth".
- A seminar organised by Pricewaterhouse Coopers LLP on " Preventing another Enron – The Current State of Play".

BOARD COMPOSITION AND GUIDANCE [PRINCIPLE 2]

Board Independence: The Board is required to determine on an annual basis whether a Director is deemed to be independent based on the guidelines in the 2012 Code and the assessment of the NC. The Board is required to take into account the existence of relationships or circumstances that are relevant to its evaluation. The 2012 Code states that the independence of any Director who has served on the Board beyond nine years from the date of his first appointment should be subjected to a more rigorous review. The NC reviews the independence of each Non-Executive Director annually. The results of the assessments conducted in 2017 are disclosed under "Annual Assessment of Directors' Independence".

Board Composition and Size: The Company recognises and views diversity at the Board level as a critical aspect in achieving its strategic objectives and long-term sustainability. The NC ensures a balanced representation at the Board by taking into consideration factors such as the diversity of skills, knowledge, experience, background and age of all the Directors. The NC reviews the Board's composition and succession plans annually to ensure they are commensurate with the Group's business and operations.

As at 31 March 2017, the Board comprises nine Directors, of whom three are Executive Directors, two are Non-Executive Directors and four are Independent Directors. Taking into account the nature and scope of the Company's operations, the Board and the NC concur that the current Board size is appropriate and adequate for effective decision making. Three out of the nine Directors, namely the CEO, Mr Mark Julian Wakeford, and the Executive Directors, Messrs Moleonoto Tjang and Suaimi Suriady, are deemed to have extensive experience in plantation and downstream refinery operations in Indonesia.

	Board of Directors					
Name	**Status**	**Position**	**Exco**	**AC & RMC**	**NC**	**RC**
Lee Kwong Foo, Edward	Lead Independent	Chairman			Chairman	
Lim Hock San	Independent	Vice Chairman		Member	Member	Chairman
Mark Julian Wakeford	Executive	Member	Chairman			
Moleonoto Tjang	Executive	Member	Member			
Suaimi Suriady	Executive	Member	Member			
Tjhie Tje Fie	Non-Executive	Member	Member		Member	Member
Axton Salim	Non-Executive	Member				
Goh Kian Chee	Independent	Member		Chairman		Member
Hendra Susanto	Independent	Member		Member	Member	

Board Information: The Directors receive updates from the Management on relevant business initiatives, industry developments, and matters relating to the Group or the industries in which it operates. The Directors also receive analysts' reports on the Group and other plantation companies from time to time, which provide updates on key issues and developments in the industry, as well as the challenges and opportunities for the Group. As part of ongoing efforts to maximise the effectiveness of the Board, site visits to plantations, mills and factories are arranged periodically for the Directors. Where necessary, the Directors may seek professional advice, either individually or as a group, to support their duties.

Non-Executive Directors' Meetings: The Non-Executive Directors may set aside time at each quarterly meeting to meet without the presence of Management on matters such as Board processes, corporate governance initiatives, succession planning, leadership development and remuneration matters. Such meetings may be scheduled as and when necessary.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER [PRINCIPLE 3]

Separation of Roles: The roles of Chairman and CEO are held by separate persons, each with his own area of responsibilities and accountabilities, to ensure an appropriate balance of power and independence.

The office of the Chairman is assumed by Mr Edward Lee, who is also the Lead Independent Director. He is a Non-Executive Director and is unrelated to the CEO or other members of the Management. As the Chairman, Mr Edward Lee bears the responsibility for the proper functioning of the Board and the effectiveness of its governance processes. The Chairman works closely with the CEO on issues and decisions to be tabled at meetings, and in ensuring that Board members receive accurate and timely information. The Chairman plays an important role in fostering constructive exchanges amongst the shareholders, the Board and Management at the AGM and other shareholder meetings.

Mr Mark Julian Wakeford holds the office of the CEO. His responsibilities include charting and reviewing the corporate directions and strategies, which cover the areas of marketing and strategic alliances, and providing the Company with strong leadership and clear vision. The CEO, supported by the Exco, is responsible for the day-to-day operation and management of the businesses. The CEO is accountable to the Board for all decisions, actions and performance of the Group.

Lead Independent Director: Mr Edward Lee, who chairs the Board and the NC, is the Lead Independent Director. The role of the Lead Independent Director includes meeting with the Non-Executive Directors as and when such meetings are deemed necessary. He is also available to shareholders on matters of concern that cannot be resolved through contact with the Group CEO or Group CFO, or where such contact is deemed inappropriate.

BOARD MEMBERSHIP [PRINCIPLE 4]

Nominating Committee (NC): The NC, chaired by Mr Edward Lee, with Messrs Lim Hock San, Tjhie Tje Fie and Hendra Susanto as members, meets at least once a year to carry out the following duties and functions:

- review the Board succession plans for Directors and Management;
- recommend to the Board all board appointments and re-nomination of Directors in consideration of their respective contribution and performance;
- ensure all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years;
- determine annually whether a Director is independent, according to the 2012 Code;
- assess the ability of a Director to adequately carry out his duties especially when he has multiple board representations;
- decide on the evaluation criteria for the Board's performance; and
- review the professional training and development programmes for the Board.

Appointment of New Directors and Re-nomination of Directors: The NC has the following process of selecting and appointing new Directors and re-nomination of Directors should the need arise:

- review annually the size of the Board and determine that the composition of the Board has a balance of diverse skills, experience and knowledge;
- leverage the help of external sources such as recruitment firms to identify potential candidates in consultation with the controlling shareholders and Management;
- assess the suitability of the potential candidates, and consult with the Board and Management to determine the selection criteria. The considerations include, among others, integrity, diversity of core competencies, knowledge and experience, and the ability to devote time and effort to carry out the role and duties independently and effectively; and
- recommend the best candidate to the Board for approval.

Re-nomination of Directors: The NC is also responsible for the re-nomination of Directors, taking into consideration factors such as their attendance record and participation at Board meetings, preparedness and candour. Pursuant to the Company's Constitution, at each AGM, at least one-third of the Directors shall retire from office by rotation. Existing Directors shall submit themselves for re-nomination and re-election at least once every three years, unless the member is disqualified from holding office. Newly appointed Directors shall submit themselves for re-election at the AGM immediately following the appointment.

Annual Assessment of Director's Independence: The NC reviewed the independence of each Non-Executive Director in February 2017 based on the respective Directors' self-declaration in the Directors' Independence Checklist and their performance on the Board and Board Committees, and was satisfied that the Company had complied with the guidelines of the 2012 Code, which required at least one-third of the Board to be made up of Independent Directors. All the Independent Directors, Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto had been with the Board for more than nine years. The NC was of the view that the four Independent Directors demonstrated independent judgement in the best interests of the Company at the Board and Board Committee meetings. These Directors continued to provide valuable and objective contributions to the Board in the discharge of their Director's duties. The NC deemed that Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto had fulfilled their obligations as Independent Directors. The Board concurred with the assessment of the NC on the independent status of the four Independent Directors.

Annual Assessment of Director's Commitment: For Directors with board representations in other public-listed companies, the NC reviewed whether they would be able to carry out their fiduciary duties as Directors of the Company based on the level of participation and contribution of the respective Directors, as well as the number of meetings they have attended in the year. The NC was satisfied that all the Directors had devoted sufficient time to the affairs of the Company. They adequately discharged their duties as Directors and provided objective views to the Board and Management. The Board did not see a need at present to stipulate a policy for the maximum number of listed company board representations that a Director might hold.

Alternate Directors: The Company has no Alternate Directors on its Board.

BOARD PERFORMANCE [PRINCIPLE 5]

Evaluation of the Board, Board Committees and Directors: To assess the effectiveness of the Board and the Board Committees, as well as the contribution of the Chairman and the respective Directors to the effectiveness of the Board, every Director is required to complete the following appraisal forms annually:

- Board Assessment – This evaluates the effectiveness of the Board in key areas such as governance, leadership and strategy, Board meeting and decision-making, Board performance, development and training, control and risk management, and communication.
- Board Committees Assessment – This evaluates the effectiveness of the AC & RMC, RC and NC based on key criteria recommended by the "Nominating Committee Guide in Singapore".
- Peers Assessment – This evaluates the performance of each Director, including the level of commitment, standard of conduct, competency, training and development, and interaction with Directors, Management and stakeholders.

The NC conducts these assessments to gather constructive feedback on each Director's contribution to the Board and on ways to improve the Board performance. The NC will evaluate the feedback, ascertain key areas for improvement and make suitable recommendations in a consolidated report that the NC Chairman presents to the Board for consideration.

The Board has reviewed the NC's report on the performance of the Board, the Board Committees and the Directors, and is satisfied that they have been effective and met the performance objectives in 2016.

ACCESS TO INFORMATION [PRINCIPLE 6]

The role of the Company Secretary is to provide ready secretarial support to the Board and its various committees, which includes taking minutes of the meetings, ensuring compliance with Board procedures and regulatory requirements, and assisting the Board to implement and strengthen corporate governance policies and processes.

The Company Secretaries for the respective Board and Board Committees are responsible for circulating the schedules of the meetings to the Directors at the beginning of the calendar year. Board papers and related materials, such as financial results, project updates, budgets and forecasts are circulated to the Directors before the meeting and in a timely manner so that they could consider the issues adequately and engage in productive discussions during the meetings.

The Company Secretaries may invite other Management members or external consultants to the meetings to present or advise on specific matters. The Directors have direct and independent access to the Company Secretaries as well as the Management. They are regularly updated on significant developments or events regarding the Group, and may seek professional advice, either individually or as a group, in executing their duties. The cost of such professional advice is borne by the Company.

Company Secretaries: The Company Secretaries attend all Board meetings and is directly accountable to the Board, through the Chairman, on all matters relating to the proper functioning of the Board, including its compliance with the Company's Constitution, the Companies Act, the Securities and Futures Act and the SGX Listing Manual. The Company Secretaries assist the Board to implement and strengthen corporate governance policies and processes. They act as the primary point of contact between the Company and the SGX, and are experienced in legal matters and company secretarial practices. The appointment and removal of the Company Secretaries are subject to the approval of the Board.

REMUNERATION MATTERS

PROCEDURES IN DEVELOPING REMUNERATION POLICIES [PRINCIPLE 7]

Remuneration Committee: The RC is chaired by Mr Lim Hock San, with Messrs Tjhie Tje Fie and Goh Kian Chee as members. All the RC members are Non-Executive Directors. Messrs Lim Hock San and Goh Kian Chee are also Independent Directors. The RC meets at least once a year to review and approve the remuneration package and terms of employment of the Company's Directors and Key Executives.

The RC covers all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses and benefits-in-kind. RC members are refrained from deciding on their own remuneration. For Key Executives, the RC also recommends their termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments, as well as ensures the contracts of service for the Key Executives provide fair and reasonable termination terms which are not overly generous.

The RC consolidates the Directors' fees as a total sum and submits it, along with the other recommendations, to the Board for endorsement before tabling it for shareholders' approval at the AGM. The RC is also empowered to review the human resource management policies of the Group.

LEVEL AND MIX OF REMUNERATION [PRINCIPLE 8]

The remuneration policy seeks to reward the Executive Directors and Key Executives based on their performance and contributions to the Group, and to ensure the remuneration is commercially competitive to attract and retain the right talent.

Remuneration of Independent Directors and Non-Executive Directors: The RC adopts a base fee remuneration model for the Independent Directors. The Chairmen of the Board and Board Committees who are Independent Directors are paid higher fees in view of their greater responsibilities. Independent Directors who are involved in Board Committees are paid additional fees for their services. If the Independent Director is required to travel on behalf of the Company, the Company will reimburse the travel expenses incurred along with a prescribed travel allowance. Non-Executive Directors are not paid a Director's fee.

Remuneration of Executive Directors and Key Executive: The RC approves the framework of remuneration for the Executive Directors and Key Executives. The RC exercises broad discretion and independent judgement, and consults with controlling shareholders to ensure that the compensation amount and remuneration mix are appropriate for the Company and the respective roles. The remuneration mix of the Executive Directors and Key Executives consists of two components: an annual fixed cash component comprising an annual basic salary and other fixed allowances, and an annual variable cash incentive that is directly linked to the performance of the Company, the respective operating unit and the individual.

Appropriate Key Performance Indicators ("**KPI**"), covering the six strategic objectives of crop, cost, condition, people, process and product, are used to assess individual performance and to determine the quantum of annual rewards and cash incentives. In determining the quantum for the variable component of the remuneration, the RC takes into account the extent to which the KPIs have been met. The RC has the discretion not to award or to reclaim the variable incentives from the Executive Directors and Key Executives in exceptional circumstances involving material misstatement of financial results or misconduct resulting in financial loss to the Company. The RC is satisfied that the remuneration is aligned to the performance of the Executive Directors and Key Executives in 2016.

DISCLOSURE ON REMUNERATION [PRINCIPLE 9]

The salary band of every Director and Key Executive is to be duly disclosed with a breakdown, either in percentage or dollar terms, of the remuneration earned as stipulated by the 2012 Code. The exact remuneration of the Directors and the CEO are not disclosed after the Board and Management have carefully considered the competitive nature of the industry and the potential for such information to be used by competition to undermine the Company's efforts in attracting and retaining talent.

Director's Remuneration: The remuneration of the Directors and the CEO, for the financial year ended 31 December 2016 are as follows:

Name of Directors	Fixed / Variable Salary	Directors' Fees
Above S$1,250,000		
Mark Julian Wakeford	100%	–
Moleonoto Tjang	100%	–
Below S$250,000		
Lee Kwong Foo, Edward	–	100%
Lim Hock San	–	100%
Goh Kian Chee	–	100%
Hendra Susanto	–	100%
Tjhie Tje Fie [1]	–	–
Axton Salim [1]	–	–
Suaimi Suriady [1]	–	–

[1] *Remuneration paid by PT ISM or other companies in the PT ISM Group.*

Director's Fee for Independent Directors: The fees paid to the Independent Directors are as follows:

Fees Framework (in S$)	Board	AC & RMC	NC	RC	
Chairman	75,000	30,000	15,000	15,000	
Member	50,000	15,000	10,000	10,000	
Name of Directors	**Board**	**AC & RMC**	**NC**	**RC**	**Total (S$)**
Lee Kwong Foo, Edward	Chairman	–	Chairman	–	90,000
Lim Hock San	Member	Member	Member	Chairman	90,000
Goh Kian Chee	Member	Chairman	–	Member	90,000
Hendra Susanto	Member	Member	Member	–	75,000
Total Fees paid to Independent Directors					**345,000**

Remuneration of Key Executives: The remuneration bands of Key Executives who are not Directors of the Company are similarly disclosed in bands of S$250,000. The total aggregate remuneration paid to the top five key management personnel who are not Directors or the CEO for the financial year ended 31 December 2016 was S$1,862,804.

Remuneration Band	Number of Executives
S$250,000 – S$500,000	5
S$500,000 – S$750,000	2
S$750,000 – S$1,000,000	1

Remuneration of employees who are immediate family members of a Director or the CEO: There was no employee of the Company or its subsidiaries who was an immediate family member of a Director or the CEO and whose remuneration exceeded S$50,000 during the financial year ended 31 December 2016.

Other Remuneration Matters: The Company has no share option scheme.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY [PRINCIPLE 10]

The Board is accountable to the shareholders. It is required to furnish timely information and ensure full disclosure of material information to the shareholders in compliance with legislative and regulatory requirements, including statutory requirements and the requirements under the Listing Manual of the SGX-ST.

RISK MANAGEMENT AND INTERNAL CONTROLS [PRINCIPLE 11]

The Board has overall responsibility for the governance of risk and the oversight of material risks in the Group's business. For the financial year ended 31 December 2016, the AC & RMC assisted the Board to maintain oversight of the Group's risk in financial reporting, and to review the adequacy and effectiveness of the Group's internal control and compliance systems. They also supported the operation and review of the risk management system, including the framework and processes for the identification and management of material risks.

The AC & RMC reports to the Board on the material impact from the findings and its recommendations on risk mitigation measures. The report covers operational, financial and compliance controls, risk management policies and systems. The AC & RMC meets with internal and external auditors four times a year and at least one of these meetings is conducted without the presence of the Management. The AC & RMC also meets with the Enterprise Risk Management (**"ERM"**) team four times a year.

During the financial year 2016, the AC & RMC reviewed and recommended the Group's quarterly and full-year financial statements to the Board for approval and subsequent publication. It also reviewed key control findings from the Internal Audit Department (**"IAD"**) and ERM team, as well as remedial actions recommended by the Management to resolve the discrepancies. The AC & RMC was kept abreast of changes to accounting standards and their impact on the financial statement as reported by the independent external auditor.

The ERM team has worked closely with IAD to manage high-risk areas, ensure accuracy of the risk assessment reports, and enforce risk mitigation controls and strategies. The IAD has performed independent reviews of the risks and controls identified by the ERM team to ensure adequate monitoring and proper resolution. The AC & RMC is satisfied that effective internal controls have been put in place with robust Internal Audit and ERM frameworks to identify, monitor, manage and report material risks affecting the Group.

The Board also reviewed the adequacy and effectiveness of the Company's risk management and internal control systems with the AC & RMC and the ERM team in the year. The Board confirmed, with the AC & RMC's concurrence, that the Group's internal controls were adequate and effective in addressing the financial, operational, compliance and information technology control risks, and risk management system.

In making its assessments, the Board has received assurance from the CEO and the CFO that the financial records were properly maintained to their best knowledge and ability and the financial statements provided a true and fair view of the Group's operations and finances. The Board was also assured that the Company had implemented effective risk management and internal control systems to safeguard stakeholders' interest.

Noting that, as no internal control system or ERM framework can provide absolute assurance against material, judgement or human errors, frauds and other irregularities, the Board deems that the Group's internal control system and ERM framework has provided reasonable assurance against material financial misstatement or loss and is sufficient in safeguarding the Company's assets and shareholders' value.

AUDIT AND RISK MANAGEMENT COMMITTEE [PRINCIPLE 12]

Composition of AC & RMC: The AC & RMC comprises three Independent Directors, including the Chairman, Mr Goh Kian Chee, and members, Messrs Lim Hock San and Hendra Susanto. The AC & RMC possesses expertise in financial management and is fully qualified to discharge its duties and responsibilities as follows:

- review the audit plan, internal accounting controls, audit report, Management letter and Management's response with the external auditor;
- review the quarterly, half-yearly and annual financial statements, focusing on changes in accounting policies and practices, major risk areas, and significant adjustments resulting from the audit, before submitting it to the Board for approval;
- review the on-going concern statement, compliance with applicable accounting standards, and requirements by the SGX, statutes and laws;

- review the effectiveness and adequacy of the Group's internal controls, including financial, operational, and compliance controls and procedures, risk management policies and systems, and co-ordination between the external auditor and the Management;
- review with the external auditor any suspected frauds, irregularities, and infringements of Singapore laws, regulations or the Listing Manual, that would likely have a material impact on the Group's operating results or financial position, and the mitigating measures recommended by the Management;
- review in private and without the presence of the Management, the level of assistance provided by the Management to the external auditor, the resolution of problems and concerns arising from the interim and final audits, and any issues surfaced by the external auditor;
- review Interested Person Transactions;
- review the whistle-blowing system and its effectiveness as a confidential channel for employees to report possible improprieties in financial management and other areas;
- review ERM reports;
- consider the appointment and re-appointment of the external auditor, audit fee, and matters relating to the resignation or dismissal of the external auditor;
- undertake additional reviews and projects requested by the Board, and report its findings and recommendations to the Board; and
- undertake functions and duties as required by Singapore laws, statutes and the Listing Manual.

External Audit: The Board is responsible for recommending and appointing the external auditor, which has to be approved by the shareholders at the AGM. The AC & RMC will assess the performance and quality of the audit annually based on ACRA's Audit Quality Indicators, feedback from the Management, and the objectivity and independence of the external auditor during the audit, and recommend the subsequent re-appointment of the external auditor to the Board. An audit partner can only perform up to five consecutive annual audits according to SGX-ST regulations. The current audit partner from Ernst & Young LLP has been appointed with effect from the financial year ended 31 December 2016.

The AC & RMC will consider the external auditor's findings, and where necessary, seek separate clarification from the Management. In addition, the AC & RMC has discussed the list of key audit matters with both the external auditor and Management, and deems that the list of key audit matters has been appropriately addressed and disclosed in the financial statements. It has also reviewed the audit services provided by the external auditor during the financial year and is satisfied with the quality and impartiality of the audit. In accordance with Rule 1207(6)(a) of the Listing Manual, the audit and non-audit fees paid to the external auditor for its services in the financial year ended 31 December 2016 are disclosed on page 103 of this Annual Report.

The external auditors of the Group's subsidiaries, associated companies and a joint venture are also disclosed on pages 121, 124 and 127 of this Annual Report. The AC & RMC and the Board are satisfied that the appointment of these external auditors for the Group would not compromise the standard and effectiveness of the external auditor for the Company, and are of the opinion that the Company is in compliance with Rules 712 and 716 of the SGX-ST Listing Manual. The AC & RMC has recommended to the Board for Ernst & Young LLP to be re-appointed as the external auditor of the Company, subject to the shareholders' approval at the upcoming AGM.

INTERNAL AUDIT [PRINCIPLE 13]

The IAD is led by Mr Rogers H. Wirawan, who reports directly to the Chairman of the AC & RMC on all internal audit matters. The IAD plans the internal audit schedules in consultation with the Management before submitting the plan to the AC & RMC for approval. The internal audit is conducted in accordance with the guidelines and standards set out in the Professional Practice of Internal Auditing by the Institute of Internal Auditors. As at December 2016, there were 89 staff in the IAD.

The IAD is an independent unit separate from the business and corporate activities that it audits. Its duties and responsibilities with regard to risk management and internal controls are as follows:

- review the risk profile of the Company;
- identify and recommend actions to eliminate or mitigate risks so as to improve the risk profile;
- recommend risk parameters for the Company's operations;
- review risk mitigation efforts and related costs;
- monitor the mitigation efforts and risk parameters; and
- establish and maintain a risk reporting and monitoring framework.

The IAD operates within the framework set out in the Internal Audit Charter and Code of Ethics approved by the Management and the AC & RMC. It implements a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes. As part of the audit plan, IAD performs independent reviews of the risks and controls identified by the ERM team so as to provide additional assurance to the Management, and the AC & RMC is of the view that the key risks and controls are adequately monitored and managed.

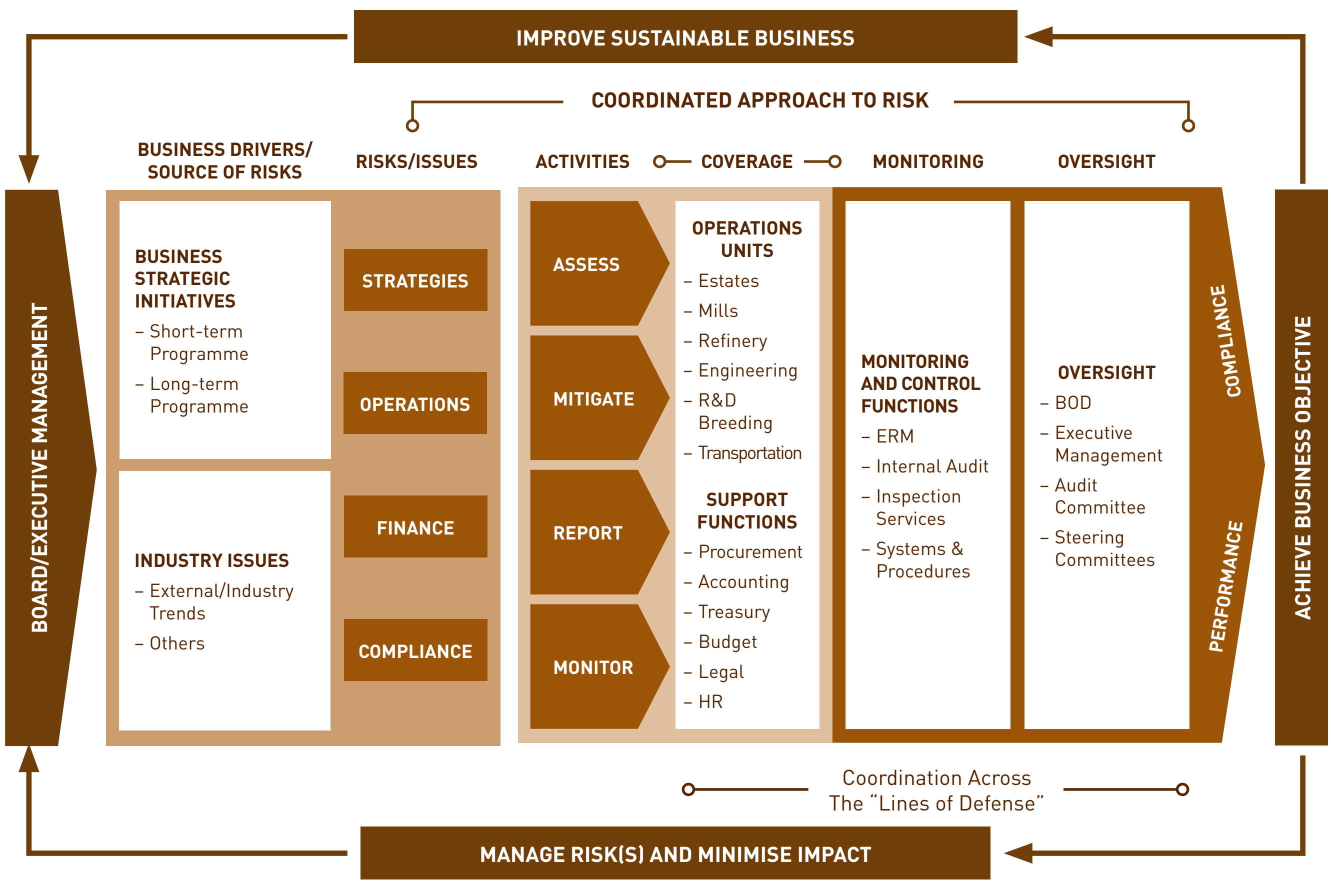
During the year, the IAD adopted a risk-based auditing approach that focused on material internal controls. Audits were conducted on high-risk areas of significant business units. The IAD's key findings and recommendations were presented and discussed at the quarterly meetings with the AC & RMC. Key actions agreed by the Management were subsequently monitored and reviewed by the AC & RMC. The AC & RMC has reviewed the adequacy and effectiveness of the internal audit function and is satisfied with the IAD's performance.

ENTERPRISE RISK MANAGEMENT

The Group operates in a highly volatile, uncertain, complex and ambiguous environment that has become extremely challenging in recent years due to the global economic slowdown, commodity price and currency volatility, geopolitical uncertainties, erratic weather patterns, security threats, regulatory changes on local, national and cross-border levels, intense public scrutiny, aggressive competition, and evolving customer needs.

To mitigate exposure to these and other risks, the Group has set up a comprehensive ERM framework to proactively manage uncertainties across its operations. The framework reinforces the need for good corporate governance, and contributes to the sustainable operation of the Group by proactively preparing the operations and functional units for the challenges in an increasingly tough and competitive business environment.

Integrated Risk Management Framework: The ERM framework underscores the Group's success in effective risk management. It coordinates the "Lines of Defence" across all operating and functional units, which enables the Group to maintain vigilance and oversight of its operations for timely and accurate identification, assessment, mitigation, reporting and monitoring of risks that could have an adverse impact on the business drivers and results.



As part of its commitment to good corporate governance and effective risk management, the Group implemented a Business Continuity Management (**"BCM"**) system in 2013. The BCM is integral to the Group's overall Operational Risk Management strategy to assure the public of the continual provision of products and services during periods of emergency. It focuses on minimizing the impact of emergencies on business operations and establishing a high level of resilience within the Group to continue to support the public during times of distress.

A number of potential disaster scenarios were developed under the BCM programme. Related controls were identified and put in place for each scenario to mitigate and minimise the operational impact. An example of a possible scenario is plantation fire. The control measures included daily monitoring of hotspots based on data from NOAA18 and NASA satellites and observation of fire incidence by designated fire patrol teams; regular fire prevention training and exercises in fire-prone estates; regular maintenance of fire-fighting equipment; construction of sufficient fire monitoring towers; mapping of water sources at the estates; and regular communication with employees, contract workers and local community members about fire safety. Part of this communication effort was to raise awareness on the Group's Zero Burn Policy, which resulted in a significant decrease in the number of fires in 2016 as compared with the previous year.

Significant Risks: The ERM team, in coordination with the respective risk owners and Heads of operating units and supporting departments, conducts a quarterly assessment of the identified risks and effectiveness of the internal controls. It also monitors the progress of the ERM action plan set out by the Management to mitigate risks, and reports significant risks and exposures to the Board and the AC & RMC. The following risks were deemed significant and were closely monitored during the year:

(a) Strategic Risks

- Planning – Inadequate planning and forecasting may limit the Group's ability to anticipate and respond quickly to internal and external changes, make sound and informed decisions, and take advantage of growth opportunities.
- Sustainable Palm Oil – Uncertainty in industry trends and requirements could threaten the Group's ability to ensure sustainable business operations, resulting in an unfavourable perception amongst the stakeholders and the loss of competitive advantage of the Group.
- Land Expansion – Land is a key resource for the Group, and any limitation on the availability or use of land would threaten the Group's ability to grow and achieve its strategic objectives.

(b) Operational Risks

- Pest and Plant Diseases – Infestation of pests and plant diseases could lower crop productivity and potential death of trees.
- Health and Safety – Failure to implement a system of occupational health and safety to protect the employees and workers from accidents and improve their health conditions might expose the Group to fatalities, compensations, liabilities, financial loss and negative business reputation.
- Resource Availability – Inadequate sources of raw materials, fertilisers, equipment, tools, component parts, etc. could threaten the Group's ability to produce quality products on time and at competitive prices.
- Social Conflict – Conflicts with local communities could affect the Group's operations, resulting in limited or controlled access to critical areas, higher operating costs, lower productivity and unsafe work environment.
- Natural Disasters – Disasters such as flooding, drought, earthquake and fire, etc. could result in property damage, stoppage or delay in operations, lower productivity, higher operating costs, and customer dissatisfaction.

(c) Compliance Risks

- Permits, Licenses and Land Ownership – Failure to obtain the appropriate land permits and licenses on time, overlapping ownership issues and third-party claims could result in loss of land rights.
- Tax Compliance and Tax Authority Examination Management – Non-compliance with local or national tax regulations due to failure in identifying and preventing legal risks, or inadequate communication with tax authorities could result in severe penalties.
- Environmental – Non-compliance to environmental laws might expose the Group to regulatory sanctions, public protests, security problems, fines and penalties.

(d) Financial Risks

- Credit – Credit defaults by smallholders could result in potential financial loss.
- Liquidity – Insufficient access to capital could threaten the Group's capacity to grow, execute its business strategies and generate returns.
- Commodity Price and Foreign Exchange – Fluctuation in commodity prices and rupiah exchange rates could have an adverse impact on the Group's financial condition.

WHISTLE-BLOWING POLICY

The Group has put in place a whistle-blowing policy and procedure ("**Policy**"). This Policy provides employees with clearly defined channels and processes through which they could report misconducts, such as suspected frauds, corrupt or unethical practices in strict confidence. The Policy provides an open channel for whistle blowing and protects the identity of the employee making the report to prevent reprisal. All reports will go directly to Exco or AC & RMC for immediate attention. An independent investigation would be conducted by IAD for every case and the appropriate actions taken to resolve the issue. The outcome of each investigation is reported to the AC & RMC on a quarterly basis. The AC & RMC has reviewed and approved the Policy.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS [PRINCIPLE 14 AND 15]

The Company is committed to the regular and timely disclosure of information pertinent to the shareholders. Announcements are made within the prescribed periods through the SGXNET, and where necessary, to the mainstream news media through press releases. All announcements are posted on the Company's Investor Relations (**"IR"**) website and disseminated by email to subscribers as news alerts. The IR website is a key source of investor-related information on the Company presentation slides, annual reports, shares and dividend information, and factsheets, for the investment community. The CEO, CFO and senior management team also conduct quarterly and full-year results briefings, as well as hold conferences and conference calls to communicate important corporate developments and announcements, such as merger and acquisition of companies, to the analysts. Apart from these communication channels, we engage in frequent dialogues with the investing community as a group or individually to facilitate their understanding of the Group's business model and growth strategies. We also conduct road shows and investment conferences to stay in touch with the investing community.

In 2016, the Group has conducted 137 meetings and conference calls to engage and share the Group's business strategies, operational and financial results and business outlooks with the shareholders and analysts. These meetings are largely undertaken by selected members of the Company's Management and Directors. In addition, as part of the engagement with the investing community, key shareholders and analysts were taken on site visits to the Group's plantation operations in North Sumatra.

CODE OF CONDUCT AND COMPANY CULTURE

The Company's Code of Conduct and core values are aligned to those of its parent company, PT ISM. We have implemented PT ISM's Code of Conduct, which comprises two policies on the Company Business Ethics and the Work Ethics of Employees, and PT ISM's core values of Discipline, Integrity, Respect, Unity, Leadership and Innovation in all our subsidiaries and business units. By adopting the same frameworks as PT ISM, we are able to provide a consistent set of guidelines for our employees in their daily interactions with the stakeholders, and to ensure our businesses are conducted in a consistent manner throughout the Group. To ensure the policies on business and work ethics are well understood by the employees, the Code of Conduct is regularly communicated at various staff engagement platforms. Any violation of the Code of Conduct is considered a breach of the employment contract and may lead to sanction or disciplinary action. The Code of Conduct is easily accessible by all employees from the Company's website.

CONDUCT OF SHAREHOLDER MEETINGS [PRINCIPLE 16]

The Company encourages and supports the shareholders' participation at the AGMs. Notice of the AGMs and related information are provided to the shareholders within the prescribed timeline under the listing rules. Shareholders may appoint proxies to attend the AGMs. The AGMs are held at easily accessible venues.

At the AGM held in April 2016, the CEO updated the shareholders on the Group's performance and strategies. The Directors and Management were present to address queries and feedback about the Group. They also used the opportunity to gather shareholders' views and inputs on specific issues. The Company's external auditor also attended the AGM to address queries related to the audit.

All the resolutions were passed by poll voting to enforce shareholders' rights and to reflect shareholding positions. An electronic poll voting system was used to register the number of votes by shareholders who were present at the AGM. An independent party was engaged externally as scrutineer for the poll voting process. The result of each poll, including the number and percentage of votes cast in favour or against the resolution, was immediately computed and presented to the shareholders. The poll voting and proxy voting results were filed with SGX on the same day as the AGM.

DEALING IN THE COMPANY'S SECURITIES

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Group has adopted an Internal Code with regard to dealings in the securities of the Company by its officers. Amongst other restrictions, the Company's officers are specifically prohibited from dealing in the Company's securities on short-term considerations, when they have possession of any unpublished, price-sensitive information about the Company's securities, during the two-week period before the announcement of the Group's quarterly and half-yearly financial results or one month before the announcement of the Group's full-year financial results.

The Directors and employees are expected to observe the insider trading laws at all times, even when dealing in securities outside the prohibited trading periods, and to refrain from short-term dealings in the Company's securities.

Indofood Agri Resources Ltd. & its Subsidiaries Financial Statements

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Indofood Agri Resources Ltd. (the "Company") and its subsidiaries (collectively the "Group") and the balance sheet of the Company for the financial year ended 31 December 2016.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance of the business, changes in equity and cash flows of the Group for the financial year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Lee Kwong Foo, Edward	Chairman
Lim Hock San	Vice Chairman
Mark Julian Wakeford	Chief Executive Officer
Moleonoto Tjang	
Suaimi Suriady	
Tjhie Tje Fie	
Axton Salim	
Goh Kian Chee	
Hendra Susanto	

In accordance with Clause 117 of the Company's Constitution, Lee Kwong Foo, Edward, Lim Hock San and Goh Kian Chee retire and, being eligible, offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following director, who held office at the end of the financial year had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of the year**	**At the end of the year**	**At the beginning of the year**	**At the end of the year**
Ordinary shares of the Company				
Mark Julian Wakeford	300,000	300,000	200,000	200,000

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

OPTIONS

No option to take up unissued shares of the Company or its subsidiaries was granted during the year.

There were no shares issued during the year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries whether granted before or during the year.

There were no unissued shares of the Company or its subsidiaries under option as at the end of the year.

AUDIT COMMITTEE

The Audit Committee performed the functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50. The functions performed by the Audit Committee are described in the Report on Corporate Governance.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Mark Julian Wakeford
Director

Moleonoto Tjang
Director

Singapore
17 March 2017

Independent auditor's report

to the members of Indofood Agri Resources Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

We have audited the financial statements of Indofood Agri Resources Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the consolidated statement of changes in equity, the consolidated statement of comprehensive income, and the consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters (cont'd)

We have identified the following matters as key audit matters:

(i) Impairment assessment of goodwill

FRS 36 requires goodwill to be tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. This annual goodwill impairment test is significant to our audit because the goodwill balance of Rp3,253.6 billion is material to the financial statements and the recoverable value is determined by a value-in-use calculation using a discounted cash flow model which is complex, highly judgemental and subjective. Management engaged an independent valuer to determine the recoverable value of the goodwill only for Lonsum's integrated plantation estates. The plantation estates under Lonsum are identified as a single cash generating unit ("CGU") for impairment testing. The recoverable amount of other goodwills were determined internally by management.

The cash flow model estimates the relevant cash flows which are expected to be generated in the future, and are discounted to the present value by using a discount rate. The estimation of future cash flows requires the use of a number of other significant operational and predictive assumptions, such as fresh fruit bunch yield rate, extraction rate, projected selling price, inflation rate, exchange rate and also factors in the terminal value after the implicit period of 5 years.

We reviewed the independent valuation reports and assessed the expertise, objectivity and competence of the independent valuer. We reviewed the discounted cash flow model to assess the appropriateness of the methodology employed by the valuer and management and the reasonableness of the key assumptions made. We compared the operational assumptions against historical data and trend to assess their reasonableness. We engaged the assistance of our internal valuation specialist to assess the reasonableness of the key predictive assumptions (among others, discount rate, inflation rate, exchange rate, and projected selling price).

We also reviewed the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The Group's disclosures about goodwill are in Note 15 to the financial statements, which explain that changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future.

(ii) Adoption of Amendments to FRS 16, Property, Plant and Equipment and FRS 41, Agriculture: Bearer Plants

As of 1 January 2016, the amendments to FRS 16 Property, Plant and Equipment and FRS 41 Agriculture: Bearer Plants ("Amendments") became effective. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 41. Instead, such bearer plants will be within the scope of FRS 16 and has to be measured at accumulated cost (before maturity) using either the cost model or revaluation model (after maturity). Produce that grows on bearer plants remain within the scope of FRS 41 and continues to be measured at fair value less costs to sell.

We considered the adoption of these amendments to be key audit matter as it resulted in the restatement of comparatives figures associated with the Group's plantation assets.

Bearer plants that were previously accounted for under biological assets have been reclassified to bearer plants in accordance with FRS 16. We obtained an understanding of management's identification of the costs that can be capitalised and have test-checked the accuracy of cost amounts of bearer plants to supporting documents. We assessed the appropriateness of the useful life of the bearer plants by comparing to the industry's practice and reviewed the estimation of remaining useful lives and the computation of amortisation charged.

Key audit matters (cont'd)

(ii) Adoption of Amendments to FRS 16, Property, Plant and Equipment and FRS 41, Agriculture: Bearer Plants (cont'd)

The Group also recognised the fair value of unharvested produce in accordance with FRS 41. We reviewed the management's fair value measurement methodologies, primarily the income approach, used to measure the fair value of the unharvested produce of oil palm and sugarcane. We have also assessed the reasonableness of the significant assumptions used in the valuations. The significant assumptions reviewed included the projected selling prices, production yields, discount rate, inflation rate and exchange rates. For the valuation of unharvested fruit bunches of oil palm, we have further reviewed the actual harvest data subsequent to year end to assess the reasonableness of the quantities applied by management in deriving the fair value of unharvested produce of oil palm at year end. With regards to timber plantations, management appointed an independent valuer to determine the fair value of timber at year end. We have reviewed the independent valuation reports and assessed the capability, objectivity and competence of the independent valuer. We also engaged the assistance of our internal valuation expert to assess the reasonableness of certain key predictive assumptions for sugarcane and timber valuation such as projected selling prices, discounted rates, inflation rates and exchanges rates.

We assessed whether the adjustments to the respective account balances have been made in accordance with the requirements set out in the Amendments. We also assessed the adequacy of the disclosures related to the restated comparative arising from the adoptions of these amendments in Note 2.2(a).

(iii) Recoverability of deferred tax assets arising from tax losses carried forward

FRS 12 allows the recognition of deferred tax asset on operating losses if it is probable that there will be sufficient taxable profits in future against which the tax losses can be utilised. The recognition of deferred tax asset is significant to our audit because the Group has recognised deferred tax asset of Rp1,240.2 billion and out of which Rp823.9 billion relating to unutilised tax losses carried forward, which is material to the financial statements. Additionally, certain subsidiaries continue to report net losses and this raises doubt on whether the related deferred tax assets can be fully recovered in the future years as the tax losses in Indonesia generally expire after 5 years.

The assessment of recoverability of deferred tax asset was undertaken internally by management. We reviewed the key assumptions such as projected selling price, exchange rate and inflation rate used by management in the financial projections used to determine the amount of future taxable profits for the next five years. We reviewed the financial projections to assess the appropriateness of the methodology and reasonableness of the assumptions made. We compared the operational assumptions such as production yield, production cost and extraction rate against historical data and trend to assess their reasonableness. We also engaged the assistance of our internal valuation expert to assess the reasonableness of certain key predictive assumptions.

The Group's disclosures on deferred tax assets are in Note 17 to the financial statements.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the financial statements (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Vincent Toong Weng Sum.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
17 March 2017

Consolidated statement of comprehensive income

For the financial year ended 31 December 2016

	Note	2016 Rp million	2015 Rp million **(Restated)**
Revenue	4	14,530,938	13,835,444
Cost of sales	5	(11,042,202)	(10,866,885)
Gross profit		3,488,736	2,968,559
Selling and distribution expenses		(551,228)	(547,651)
General and administrative expenses		(944,607)	(956,435)
Foreign exchange gain/(loss)		94,188	(289,887)
Other operating income	6	213,826	110,147
Other operating expenses	7	(156,371)	(160,556)
Share of results of associate companies		(67,400)	(60,133)
Share of results of a joint venture		(33,109)	(171,889)
Gain arising from changes in fair value of biological assets	13	219,000	9,338
Profit from operations	8	2,263,035	901,493
Finance income	9	92,124	121,401
Finance expense	10	(665,618)	(694,150)
Profit before tax		1,689,541	328,744
Income tax expense	11	(897,252)	(292,140)
Net profit for the year		792,289	36,604
Profit/(loss) for the year attributable to:			
Owners of the Company		506,540	(48,130)
Non-controlling interests		285,749	84,734
		792,289	36,604
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		28,890	(95,066)
Items that will not be reclassified to profit or loss			
Re-measurement (loss)/gain of employee benefits liability	28	(1,645)	200,012
Income tax effect related to re-measurement gain/(loss) of employee benefits liability	11	411	(50,004)
Share of other comprehensive income/(loss) of associate companies and a joint venture		41,220	(61,815)
Other comprehensive income for the year, net of tax		68,876	(6,873)
Total comprehensive income for the year		861,165	29,731
Total comprehensive income/(loss) attributable to:			
Owners of the Company		591,629	(120,182)
Non-controlling interests		269,536	149,913
Total comprehensive income for the year		861,165	29,731
Earnings per share (in Rupiah)	12		
– basic		363	(34)
– diluted		363	(34)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance sheets

As at 31 December 2016

	Note	Group 31.12.2016 Rp million	31.12.2015 Rp million (Restated)	1.1.2015 Rp million (Restated)	Company 31.12.2016 Rp million	31.12.2015 Rp million
Non-current assets						
Biological assets	13	325,102	360,802	305,299	–	–
Property, plant and equipment	14	21,396,796	21,401,503	20,478,282	43,576	47,232
Goodwill	15	3,253,637	3,253,637	3,253,637	–	–
Claims for tax refund	16	178,704	155,812	148,545	–	–
Deferred tax assets	17	1,240,194	1,378,386	1,141,028	–	–
Investment in subsidiary companies	18	–	–	–	10,533,516	10,533,516
Investment in associate companies	19	1,002,247	1,217,280	416,460	551,139	551,139
Investment in a joint venture	20	751,850	607,051	801,153	–	–
Amount due from a subsidiary	21	–	–	–	730,000	730,000
Advances and prepayments	21	425,917	500,963	746,606	–	36,698
Other non-current receivables	21	1,174,662	844,319	735,539	9	9
Total non-current assets		29,749,109	29,719,753	28,026,549	11,858,240	11,898,594
Current assets						
Inventories	22	2,270,749	1,936,731	1,773,329	–	–
Trade and other receivables	23	1,122,774	1,108,844	1,056,165	78,142	78,752
Advances and prepayments	23	240,215	138,457	165,898	197	509
Prepaid taxes		251,107	221,972	231,179	–	–
Biological assets	13	464,722	191,994	232,165	–	–
Cash and cash equivalents	24	2,404,838	1,969,100	3,585,780	532,896	505,017
Total current assets		6,754,405	5,567,098	7,044,516	611,235	584,278
Total assets		36,503,514	35,286,851	35,071,065	12,469,475	12,482,872
Current liabilities						
Trade and other payables and accruals	25	1,499,716	1,802,866	1,854,311	14,843	13,392
Advances and taxes payable	25	453,672	214,364	203,780	–	–
Interest-bearing loans and borrowings	26	2,481,405	4,398,801	4,749,195	–	1,033,655
Income tax payable		215,515	34,879	144,183	–	27
Total current liabilities		4,650,308	6,450,910	6,951,469	14,843	1,047,074
Net current assets		2,104,097	(883,812)	93,047	596,392	(462,796)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance sheets

As at 31 December 2016

	Note	Group 31.12.2016 Rp million	Group 31.12.2015 Rp million (Restated)	Group 1.1.2015 Rp million (Restated)	Company 31.12.2016 Rp million	Company 31.12.2015 Rp million
Non-current liabilities						
Interest-bearing loans and borrowings	26	7,545,936	5,741,803	5,068,141	1,002,997	–
Amounts due to related parties and other payables	27	569,779	368,882	590,259	–	–
Provision and other liabilities	27	31,086	27,478	25,199	–	–
Employee benefits liabilities	28	1,980,219	1,744,191	1,803,240	–	–
Deferred tax liabilities	17	848,134	773,739	719,283	–	–
Total non-current liabilities		10,975,154	8,656,093	8,206,122	1,002,997	–
Total liabilities		15,625,462	15,107,003	15,157,591	1,017,840	1,047,074
Net assets		20,878,052	20,179,848	19,913,474	11,451,635	11,435,798
Equity attributable to owners of the Company						
Share capital	29	3,584,279	3,584,279	3,584,279	10,912,411	10,912,411
Treasury shares	29	(390,166)	(390,166)	(238,263)	(390,166)	(390,166)
Revenue reserves	30	8,050,399	7,613,506	7,642,884	785,238	769,401
Other reserves	30	590,123	473,237	640,116	144,152	144,152
		11,834,635	11,280,856	11,629,016	11,451,635	11,435,798
Non-controlling interests		9,043,417	8,898,992	8,284,458	–	–
Total equity		20,878,052	20,179,848	19,913,474	11,451,635	11,435,798

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated statement of changes in equity

For the financial year ended 31 December 2016

		Attributable to owners of the Company						
	Note	Share capital Rp million	Treasury shares Rp million	Other reserves Rp million	Revenue reserves Rp million	Total reserves Rp million	Non-controlling interests Rp million	Total equity Rp million
At 1 January 2015 (As previously stated)		**3,584,279**	**(238,263)**	**615,829**	**10,666,852**	**11,282,681**	**9,088,455**	**23,717,152**
Cumulative effect of adopting the Amendments to FRS16 & FRS41		–	–	24,287	(3,023,968)	(2,999,681)	(803,997)	(3,803,678)
At 1 January 2015 (As restated)		**3,584,279**	**(238,263)**	**640,116**	**7,642,884**	**8,283,000**	**8,284,458**	**19,913,474**
Profit/(loss) for the year		–	–	–	(48,130)	(48,130)	84,734	36,604
Other comprehensive income		–	–	(162,677)	90,625	(72,052)	65,179	(6,873)
Total comprehensive income for the year		–	–	**(162,677)**	**42,495**	**(120,182)**	**149,913**	**29,731**
<u>Contributions by and distribution to owners:</u>								
Purchase of treasury shares by the Company	29	–	(151,903)	–	–	–	–	(151,903)
Dividend payments by subsidiary companies		–	–	–	–	–	(218,431)	(218,431)
Dividend payment to Company's shareholders	30	–	–	–	(71,873)	(71,873)	–	(71,873)
Non-controlling interests of acquired subsidiary companies		–	–	–	–	–	7,000	7,000
Acquisition of non-controlling interests		–	–	(4,202)	–	(4,202)	(7,650)	(11,852)
Capital injection from non-controlling interests		–	–	–	–	–	683,702	683,702
Total transactions with owners in their capacity as owners		**–**	**(151,903)**	**(4,202)**	**(71,873)**	**(76,075)**	**464,621**	**236,643**
Balance at 31 December 2015		**3,584,279**	**(390,166)**	**473,237**	**7,613,506**	**8,086,743**	**8,898,992**	**20,179,848**

Other reserves comprise capital reserves of subsidiary companies, gain on sale of treasury shares and foreign currency translation differences.

Consolidated statement of changes in equity

For the financial year ended 31 December 2016

		Attributable to owners of the Company						
	Note	Share capital Rp million	Treasury shares Rp million	Other reserves Rp million	Revenue reserves Rp million	Total reserves Rp million	Non-controlling interests Rp million	Total equity Rp million
At 1 January 2016 (As previously stated)		**3,584,279**	**(390,166)**	**452,154**	**10,743,482**	**11,195,636**	**9,855,945**	**24,245,694**
Cumulative effect of adopting the Amendments to FRS16 & FRS41		–	–	21,083	(3,129,976)	(3,108,893)	(956,953)	(4,065,846)
At 1 January 2016 (As restated)		**3,584,279**	**(390,166)**	**473,237**	**7,613,506**	**8,086,743**	**8,898,992**	**20,179,848**
Profit for the year		–	–	–	506,540	506,540	285,749	792,289
Other comprehensive income		–	–	86,448	(1,359)	85,089	(16,213)	68,876
Total comprehensive income for the year		–	–	**86,448**	**505,181**	**591,629**	**269,536**	**861,165**
Contributions by and distribution to owners:								
Dividend payments by subsidiary companies		–	–	–	–	–	(125,596)	(125,596)
Dividend payment to Company's shareholders	30	–	–	–	(68,288)	(68,288)	–	(68,288)
Non-controlling interests of acquired subsidiary companies		–	–	–	–	–	21	21
Increase of share capital in subsidiary		–	–	727	–	727	–	727
Changes in subsidiary equity		–	–	28,380	–	28,380	464	28,844
Employee share based compensation reserve		–	–	1,331	–	1,331	–	1,331
Total transactions with owners in their capacity as owners		–	–	**30,438**	**(68,288)**	**(37,850)**	**(125,111)**	**(162,961)**
Balance at 31 December 2016		**3,584,279**	**(390,166)**	**590,123**	**8,050,399**	**8,640,522**	**9,043,417**	**20,878,052**

Other reserves comprise capital reserves of subsidiary companies, gain on sale of treasury shares and foreign currency translation differences.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated cash flow statement
For the financial year ended 31 December 2016

	Note	2016 Rp million	2015 Rp million (Restated)
Cash flows from operating activities			
Profit before taxation		1,689,541	328,744
Adjustments for:			
Depreciation and amortisation	8	1,402,187	1,315,701
Realisation of deferred costs	13	180,254	176,578
Unrealised foreign exchange (gain)/loss		(121,030)	318,732
Gain arising from changes in fair value of biological assets		(219,000)	(9,338)
Provision for uncollectible and changes in amortised cost of plasma receivables	31(a)	7,118	42,378
Write-off of property, plant and equipment	7	1,861	1,253
Gain on disposal of property, plant and equipment	6	(2,430)	(1,590)
Provision for unrecoverable advances	7	56,456	–
Allowance for decline in market value and obsolescence of inventories	5,22	65,171	3,189
Changes in provision for asset dismantling costs	7,27	3,608	2,280
Changes in estimated liability for employee benefits		307,017	223,757
Changes in fair value of long-term receivables		(567)	(156)
Provision of allowance of doubtful debts		118	–
Share of results of associate companies		67,400	60,133
Loss on significance influence over an associate	19	9,071	–
Share of results of a joint venture		33,109	171,889
Finance income	9	(92,124)	(121,401)
Finance expense	10	665,618	694,150
Operating cash flows before changes in working capital		4,053,378	3,206,299
Changes in working capital:			
(Increase)/decrease in other non-current receivables		(127,851)	15,509
Increase in other current assets		(138,260)	(172,797)
Increase in inventories		(399,189)	(166,592)
Increase in trade and other receivables		(204,610)	(38,922)
(Increase)/decrease in advances and prepayments		(108,975)	18,727
Increase in prepaid taxes, advances and taxes payable		226,395	10,819
Decrease in trade and other payables and accruals		(182,882)	(118,314)
Cash flows from operations		3,118,006	2,754,729
Interest received		91,454	143,504
Interest paid		(637,274)	(698,882)
Income tax paid		(503,616)	(653,798)
Net cash flows from operating activities		2,068,570	1,545,553

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated cash flow statement

For the financial year ended 31 December 2016

	Note	2016 Rp million	2015 Rp million (Restated)
Cash flows from investing activities			
Additions to property, plant and equipment		(1,281,259)	(1,820,509)
Additions to biological assets	13	(34,096)	(922)
Increase in plasma receivables	31(a)	(189,696)	(182,062)
Proceeds from disposal of property, plant and equipment		6,092	3,578
Advances for projects and purchases of fixed assets		(101,019)	(223,086)
Investment in associate companies		–	(757,006)
Investment in a joint venture		–	(189,541)
Capital reduction in an associate company	19	30,960	–
Acquisition of a subsidiary, net of cash acquired	18	(54,996)	–
Acquisitions of non-controlling interests	18	–	(11,854)
Net cash flows used in investing activities		(1,624,014)	(3,181,402)
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		4,129,767	4,309,771
Repayment of interest-bearing loans and borrowings		(4,143,253)	(4,318,628)
Net proceeds from amount due to related parties		202,805	35,475
Dividend payments by subsidiaries to non-controlling interests		(125,596)	(218,431)
Acquisition of treasury shares	29	–	(151,903)
Dividend payment to Company's shareholders	30	(68,288)	(71,873)
Capital contributions from non-controlling shareholders		7,000	387,689
Net cash flows from/(used in) financing activities		2,435	(27,900)
Net increase/(decrease) in cash and cash equivalents		446,991	(1,663,749)
Effect of changes in exchange rates on cash and cash equivalents		(11,253)	47,069
Cash and cash equivalents at the beginning of the financial year		1,969,100	3,585,780
Cash and cash equivalents at the end of the financial year	24	2,404,838	1,969,100

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

Indofood Agri Resources Ltd. (the "Company") is a public limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The registered office and principal place of business of the Company is located at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818.

The Group is a vertically-integrated agribusiness group, with its principal activities comprising research and development, oil palm seed breeding, cultivation of oil palm plantations, production and refining of crude palm oil ("CPO"), cultivation of rubber, sugar cane and industrial timber plantations and marketing and selling these end products. The Group is also involved in managing and cultivating small portions of cocoa, coconut and tea plantations, and marketing and selling the related products.

These activities are carried out through the Company's subsidiary and associate companies. The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiary companies are set out in Note 18 to the financial statements.

PT Indofood Sukses Makmur Tbk ("PT ISM"), incorporated in Indonesia, and First Pacific Company Limited, incorporated in Hong Kong, are the penultimate and ultimate parent company of the Company, respectively. The immediate holding company is Indofood Singapore Holdings Pte Ltd, incorporated in Singapore.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Indonesian Rupiah ("Rp") and all values are rounded to the nearest million (Rp million) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have material impact on the financial performance or position of the Group and the Company except those that describe below:

(a) Amendment to FRS 16 and FRS 41 Agriculture: Bearer plants

Under the amendments introduced, biological assets that meet the definition of bearer plants are no longer required to be accounted for at fair value under FRS 41 Agriculture. Instead, bearer plants are accounted for under FRS 16 Property, Plant and Equipment at accumulated costs before they mature, and using either the cost model or revaluation model after they mature. Agricultural produce growing on bearer plants continues to remain within the scope of FRS 41 and is measured at fair value less costs to sell.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

(a) Amendment to FRS 16 and FRS 41 Agriculture: Bearer plants (cont'd)

Bearer plants are living plants used in the production or supply of agricultural produce; are expected to bear produce for more than one period; and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. The Group's bearer plants comprise mainly oil palm, rubber and sugar cane plantations as disclosed in Note 14.

Prior to the adoption of the Amendments on 1 January 2016, the Group has recognised and measured collectively the bearer plants together with the produce as one unit of biological assets (presented under non-current assets in the balance sheets) using the fair value model where changes to their fair value less costs to sell at each reporting date were recognised in profit or loss in the respective periods.

Pursuant to the Amendments, the Group elected to account for its bearer plants using the cost model under FRS 16. Immature bearer plants are accounted for at accumulated cost until they become mature and ready to bear produce for the Group. Mature bearer plants are accounted for at cost less accumulated depreciation and impairment.

Timber plantations of the Group does not fulfill the criteria of bearer plants. As such, upon the first time adoption of these amendments, the Group's biological assets comprise timber plantations and agriculture produce of the bearer plants, which primarily comprise of oil palm and sugar cane.

Unharvested agriculture produce that grows on bearer plants are treated as biological assets within the scope of FRS 41 and are recognised and measured at fair value less costs to sell with the resulting gain or loss recognised in profit or loss in the respective periods. The accounting policies for bearer plants and the biological assets (produce) are detailed in Note 2.7(a) and Note 2.8 respectively.

The impact to the Group's financial statements line items from the retrospective first time adoption of the Amendments are disclosed in the table below:

	As restated 2015* Rp million	Restatement amount 2015 Rp million	As previously reported 2015 Rp million
Consolidated statement of comprehensive income			
Cost of sales	(10,863,698)	(378,749)	(10,484,949)
Gain/(loss) arising from changes in fair values of biological assets	9,338	29,189	(19,851)
Income tax expense	(311,587)	87,390	(398,977)

* *The restated figures for 2015 excluded the reclassifications to conform with prior year presentation. The comparative figures arising from the adoption of Amendments to FRS 16 and FRS 41 and some reclassifications to conform to full year's presentation are disclosed in Note 37.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

(a) Amendment to FRS 16 and FRS 41 Agriculture: Bearer plants (cont'd)

Balance Sheet	**As restated** Rp million	**Restatement amount** Rp million	**As previously reported** Rp million
As at 31 December 2015			
Non-current assets			
Biological assets	360,802	(15,518,138)	15,878,940
Property, plant and equipment	21,401,503	9,905,019	11,496,484
Deferred tax assets	1,378,386	(11,948)	1,390,334
Current assets			
Biological assets	191,994	191,994	–
Non-current liabilities			
Deferred tax liabilities	773,739	(1,367,227)	2,140,966
Equity			
Revenue reserves	7,613,506	(3,129,976)	10,743,482
Other reserves	473,237	21,083	452,154
Non-controlling interests	8,898,992	(956,953)	9,855,945
As at 31 December 2014			
Non-current assets			
Biological assets	305,299	(14,755,347)	15,060,646
Property, plant and equipment	20,478,282	9,451,613	11,026,669
Deferred tax assets	1,141,028	(11,949)	1,152,977
Current assets			
Biological assets	232,165	232,165	–
Non-current liabilities			
Deferred tax liabilities	719,283	(1,279,841)	1,999,124
Equity			
Revenue reserves	7,642,884	(3,023,968)	10,666,852
Other reserves	640,116	24,287	615,829
Non-controlling interests	8,284,458	(803,997)	9,088,455

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

(b) *Amendment to FRS 1 Presentation of Financial Statement: disclosure initiative*

Upon the first time adoption of this amendment, the Group applied the following clarifications:

- materiality requirements in FRS 1
- specific line items in the statement of comprehensive income and the balance sheets may be disaggregated, and
- the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments were only affecting presentation and disclosures in the consolidated financial statements of the Group.

The amendments also clarified that entities have flexibility as to the order in which they present the notes to financial statements, such as in accordance with the prominence of certain accounts and transactions. However, the management considered such option would not give substantially better information to the user of the consolidated financial statements of the Group and accordingly opted not to change the presentation and structure of the consolidated financial statements of the Group.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 7 Disclosure Initiative	1 January 2017
Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 109 Financial Instruments	1 January 2018
FRS 116 Leases	1 January 2019
Amendments to FRS 110 & FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

<u>FRS 115 *Revenue from Contracts with Customers*</u>

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

FRS 115 *Revenue from Contracts with Customers* (cont'd)

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently evaluating the impact of the changes and assessing whether the adoption of FRS 115 will have an impact on the Group and plans to adopt the standard on the required effective date.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

The Group currently measures its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group applies FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls are lost;
– Derecognises the carrying amount of any non-controlling interest;
– Derecognises the cumulative translation differences recorded in equity;
– Recognises the fair value of the consideration received;
– Recognises the fair value of any investment retained;
– Recognises any surplus or deficit in profit or loss;
– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The Group's consolidated financial statements are presented in Indonesian Rupiah ("Rp"), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Foreign currency (cont'd)

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into Rp at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.7 Property, plant and equipment

(a) Bearer Plants

The Group adopted the Amendments to FRS 16 and FRS 41 Agriculture: bearer plants with effect from 1 January 2016. Pursuant to the amendments, biological assets that meet the definition of bearer plants are no longer required to be accounted for at fair value under FRS 41 Agriculture. Instead, bearer plants are accounted for under FRS 16 Property, Plant and Equipment at accumulated costs before they mature, and using either the cost model or revaluation model after they mature. The Group has applied the Amendments retrospectively on 1 January 2016 as required by its transitional provisions.

Bearer plants are living plants used in the production or supply of agricultural produce; they are expected to bear produce for more than one period; and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

The Group's bearer plants comprise mainly oil palm, rubber and sugar cane plantations. The Group elected to account for its bearer plants using the cost model under FRS 16. Immature bearer plants are accounted for at accumulated cost, which consist mainly of the accumulated cost of land clearing, planting, fertilizing, up-keeping and maintaining the plantations, and allocations of indirect overhead costs up to the time the trees become commercially productive and available for harvest. Costs also include capitalised borrowing costs and other charges incurred in connection with the financing of the development of immature plantations. Immature plantations are not amortised.

Immature plantations are reclassified to mature plantations when they are commercially productive and available for harvest. In general, an oil palm plantation takes about 3 to 4 years to reach maturity from the time of planting the seedlings, while a rubber plantation takes about 5 to 6 years to reach maturity. A sugar cane plantation takes about a year to reach maturity, and can be harvested for an average of 4 times after the initial planting.

Mature plantations are stated at cost, and are amortised using the straight-line method over their estimated useful lives of the primary bearer plants as follows:

• Oil palm plantations	25 years
• Rubber plantations	25 years
• Sugar cane plantations	4 years

The carrying amounts of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be fully recoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Property, plant and equipment (cont'd)

(a) Bearer Plants (cont'd)

The carrying amount of an item of bearer plants is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is directly included in the profit or loss when the item is derecognised.

The assets useful lives and amortisation method are reviewed at each year end and adjusted prospectively if necessary.

Upkeep and maintenance costs are recognised in profit or loss when they are incurred. The cost of major renovation and restoration is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and is depreciated over the remaining useful life of the related asset.

(b) Other Property, Plant and Equipment

All other property, plant and equipment are initially recognised at cost, which comprises its purchase price and any costs directly attributable in bringing the asset to its working condition and to the location where it is intended to be used. Such cost also includes initial estimation at present value of the costs of dismantling and removing items of property, plant and equipment in certain CPO refinery and fractionation plants and margarine plants of the Group located in rented sites, costs of restoring the said rented sites, as well as costs of replacing part of such property, plant and equipment when that cost is incurred, if the recognition criteria are met.

Subsequent to initial recognition, property, plant and equipment are carried at cost less any subsequent accumulated depreciation and impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

• Land use rights	6 to 40 years
• Buildings and improvements	10 to 25 years
• Plant and machinery	4 to 20 years
• Heavy equipment, transportation equipment and vessel	5 to 20 years
• Furniture, fixtures and office equipment	4 to 10 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

Repairs and maintenance costs are taken to the profit or loss when they are incurred. The cost of major renovation and restoration is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and is depreciated over the remaining useful life of the related asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Biological assets

With effect from 1 January 2016, biological assets that meet the definition of bearer plants are no longer within the scope of FRS 41 but FRS 16 will apply instead. However, the agriculture produce of the bearer plants are still within the scope of FRS 41.

Under these amended requirements, only timber plantations of the Group does not fulfill the criteria of bearer plants. As such, upon the first time adoption of these amendments, the Group's biological assets comprise timber plantations and agriculture produce of the bearer plants, which primarily comprise of oil palm and sugar cane.

The Group recognised the fair value of biological assets in accordance with FRS 41. Biological assets are stated at fair value less costs to sell. Gains or losses arising on initial recognition of biological assets and from the change in fair value of biological assets at each reporting date are recognised in the profit or loss for the period in which they arise.

The Group adopted the income approach to measure the fair value of the biological assets. For the valuation of unharvested produce of oil palm and rubber trees, the Group has applied the actual harvest data subsequent to year end to derive the fair value of unharvested produce of oil palm and rubber trees at year end. For the valuation of sugar cane, the Group has applied discounted cash flow models to derive its fair value.

For timber plantations, the Group appoints an independent valuer to determine the fair value of timber at year end and any resultant gains or losses arising from the changes in fair values is recognised in the profit or loss. The independent valuer adopts the income approach for the fair valuation of timber using a discounted cash flow model. The cash flow models estimate the relevant future cash flows which are expected to be generated in the future, and are discounted to the present value by using a discount rate. Please refer to Note 13 for more information.

2.9 Plasma receivables

Plasma receivables represent the accumulated costs to develop plasma plantations which are currently being financed by banks and self-financed by certain subsidiaries. Upon obtaining financing from the bank, the said advances will be offset against the corresponding funds received from rural cooperatives unit (Koperasi Unit Desa or the "KUD"). For certain plasma plantations, the loans obtained from the bank are under the related subsidiaries' (acting as nucleus companies) credit facility. When the development of plasma plantation is substantially completed and ready to be transferred or handed-over to plasma farmers, the corresponding investment credit from the bank transferred to the plasma farmers.

Plasma receivables also include advances to plasma farmers for topping up the loan interest and instalment payments to banks, and advances for fertilizers and other agriculture supplies. These advances shall be reimbursed by the plasma farmers.

Plasma receivables are classified as loans and receivables under FRS 39. The accounting policy for financial instruments is set out in Note 2.15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(c) Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

Following initial recognition of the development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project on a straight line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGUs") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of ten years. For longer periods, a long term growth rate is calculated and applied to projected future cash flows after the tenth year.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each annual reporting period as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss for an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset previously. Such reversal is recognised in the profit or loss.

2.12 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.13 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investment in associates using the equity method from the date on which it becomes an associate.

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Associates (cont'd)

Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associates and, therefore is the profit or loss after tax and non-controlling interest in the subsidiaries of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

2.14 Joint venture

A joint venture is a contractual arrangement whereby two or more parties have joint control and provides the right to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises its interest in the joint venture as an investment and accounts for the investment using the equity method from the date on which it becomes a joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the period in which the investment is acquired.

The financial statements of the joint venture are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of joint control over the joint venture, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(b) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.16 Impairment of financial assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banks, and short term deposits with an original maturity of 3 months or less at the time of placements and are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

Cash and cash equivalents carried in the consolidated balance sheet are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.15.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted-average method.

Cost incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials, goods in transit, spare parts and factory supplies	– purchase cost; and
Finished goods and work in progress	– cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Certain subsidiaries in the Group have defined contribution retirement plans covering all of its qualified permanent employees. The Group's contributions to the funds are computed at 10.0% and 7.0% of the basic pensionable income for staff and non-staff employees, respectively. The related liability arising from the difference between the cumulative funding since the establishment of the program and the cumulative pension costs charged to the profit or loss during the same period is recognised as employee benefits liabilities in the consolidated balance sheet.

(b) Defined benefit plans

The Group also provides additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labour Law No.13/2003 (the "Labour Law"). The said additional provisions, which are unfunded, are estimated by actuarial calculations using the projected unit credit method.

The estimated liability for employee benefits is the aggregate of the present value of the defined benefit obligations at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Employee benefits (cont'd)

(b) Defined benefit plans (cont'd)

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability; and
- Remeasurements of the net defined benefit liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time, which is determined by applying the discount rate to the net defined benefit liability. Net interest on the net defined benefit liability is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

2.23 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(c).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 *Leases (cont'd)*

(c) Land use rights

Land leases are considered finance leases since the arrangements transfer the substantial risks and rewards incidental to ownership of the land. As such, land leases are presented as part of property, plant and equipment.

Included as part of the land leases are the costs associated with the legal transfer or renewal of land right title, such as legal fees, land survey and re-measurement fees, taxes and other related expenses.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term ranging from 8 to 40 years.

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sales arising from physical delivery of CPO, palm kernel ("PK"), palm-based products, copra-based products, edible oils and other agricultural products is recognised when significant risks and rewards of ownership of goods are transferred to the buyer, which generally coincide with their delivery and acceptance.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental and storage income

Rental and storage income is recognised on a straight-line basis over the lease terms on an ongoing basis.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.25 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Taxes (cont'd)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Taxes (cont'd)

(c) Value-added tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of VAT except:

– Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.28 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights relating to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.29 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Allowance for doubtful debts

Individual assessment

The Group evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Group uses judgement, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific allowance against amount due from such customers to reduce its receivable to the amount the Group expects to collect. These specific allowances are re-evaluated and adjusted as additional information received affects the amounts of allowance for doubtful debts.

Collective assessment

If the Group determines that no objective evidence of impairment exists for individually assessed trade receivables, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The characteristics chosen are relevant to the estimation of future cash flows for groups of such trade receivables by being indicative of the customers' ability to pay all amounts due. Future cash flows in a group of trade receivables that are collectively evaluated for impairment are estimated on the basis of historical loss experience for the trade receivables with credit risk characteristics similar to those in the group.

The carrying amount of the Group's trade receivables before allowance for doubtful debts as at 31 December 2016 is Rp1,012.1 billion (2015: Rp810.1 billion). Further details are disclosed in Note 23.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Goodwill impairment

Application of acquisition method requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities acquired, including intangible assets. Certain business acquisitions of the Group have resulted in goodwill, which is not amortised but subject to impairment testing, and whenever circumstances indicate that the carrying amount of the cash-generating unit where the goodwill was allocated into may be impaired.

Determining the fair values of biological assets, property, plant and equipment, and other non-current assets of the acquirees at the date of business combination, requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial information.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(a) Goodwill impairment (cont'd)

Future events could cause the Group to conclude that the assets are impaired. The preparation of estimated future cash flows involves significant estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in its assumptions may materially affect its assessment of recoverable values and may lead to impairment charge in the future.

Impairment review is performed when certain impairment indication is present. In the case of goodwill, such assets are subject to annual impairment test and whenever there is an indication that such asset may be impaired. Management has to use its judgement in estimating the recoverable value.

The carrying amount of the Group's goodwill as at 31 December 2016 is Rp3,253.6 billion (2015: Rp3,253.6 billion). Further details are disclosed in Note 15.

(b) Pension and employee benefits

The determination of the Group's obligations and cost for pension and employee benefits liabilities is dependent on its selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turnover rate, disability rate, retirement age and mortality rate. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in other comprehensive income as and when they occur. While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Group's actual experiences or significant changes in the Group's assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense.

The carrying amount of the Group's employee benefits liabilities as at 31 December 2016 is Rp1,980.2 billion (2015: Rp1,744.2 billion). The key assumptions applied in the determination of pension and employee benefits liabilities including a sensitivity analysis, are disclosed and further explained in Note 28.

(c) Depreciation of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 4 to 40 years. These are common life expectancies applied in the industries where the Group conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Group's property, plant and equipment as at 31 December 2016 is disclosed in Note 14.

(d) Biological assets

The Group recognises its timber plantations and agriculture produce of bearer plants at fair value less costs to sell, which requires the use of accounting estimates and assumptions.

The Group adopts the income approach to measure the fair value of unharvested produce of bearer plants and timber plantations. The significant assumptions applied to determine the fair value of biological assets included the projected selling prices, production yields, discount rate, inflation rate and exchange rates. For the valuation of unharvested fruit bunches of oil palm, the Group has applied the actual harvest data subsequent to year end to derive the fair value of unharvested produce of oil palm at year end. For the valuation of sugar cane and timber, the Group has applied discounted cash flow models to derive its fair value.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(d) Biological assets (cont'd)

The amount of changes in fair values would differ if there are changes to the assumptions used. Any changes in fair values of these agriculture produces would affect the Group's profit or loss and equity. The carrying amount of the Group's biological assets as at 31 December 2016 (under Non-current assets and Current assets) is Rp789.8 billion (2015: Rp552.8 billion). The key assumptions applied in the determination of fair value of biological assets including a sensitivity analysis, are disclosed and further explained in Note 13.

(e) Income tax

Significant judgement is involved in determining provision for income tax. Uncertainties exist with respect to the interpretation of tax regulations, changes in tax laws, and the amount and timing of future taxable income which requires future adjustments to tax income and expense already recorded. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected income tax issues based on estimates of whether additional income taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax in the year in which such decision is made by the taxation authority. The carrying amount of the Group's tax payables as at 31 December 2016 is Rp215.5 billion (2015: Rp34.9 billion).

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying amount of the Group's deferred tax assets as at 31 December 2016 is Rp 1,240.2 billion (2015: Rp1,378.4 billion). Further details are disclosed in Note 17.

(f) Allowance for decline in market value of inventories and obsolescence of inventories

Allowance for decline in market value of inventories and obsolescence of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to be incurred for their sales. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Group's inventories as at 31 December 2016 is Rp2,270.7 billion (2015: Rp1,936.7 billion). Further details are disclosed in Note 22.

(g) Allowance for uncollectible plasma receivables

The Group evaluates the excess of accumulated development costs over the banks' and Group's funding on the amount committed by the plasma farmers. In such cases, the Group uses judgement, based on available facts and circumstances, to record allowance for uncollectible plasma receivables. These provisions are re-evaluated and adjusted as additional information received. The net carrying amount of the Group's plasma receivables as of 31 December 2016 and 2015 is disclosed in Notes 21 and 23.

4. REVENUE

Revenue mainly comprise of net sales of palm oil, rubber, sugar, edible oils, and other agricultural products.

During the years ended 31 December 2016 and 2015, sales of edible oils and fats products to PT Indofood CBP Sukses Makmur Tbk (a related company) amounting to Rp1,665.2 billion, represented 11.46% of total consolidated revenue (2015: Rp1,526.3 billion, represented 11.03%).

5. COST OF SALES

	Note	Group 2016 Rp million	2015 Rp million (Restated)
Raw materials used		4,893,304	4,243,424
Harvesting, upkeep and cultivation costs		1,990,655	2,171,239
Manufacturing and other overhead expenses		3,306,781	3,297,307
Cost of inventories recognised as expenses	22	786,291	1,151,726
Allowance for decline in market value and obsolescence of inventories	22	65,171	3,189
Total		11,042,202	10,866,885

6. OTHER OPERATING INCOME

	Note	Group 2016 Rp million	2015 Rp million (Restated)
Sundry sales of oil palm seedlings		5,977	8,659
Management fee income		7,052	6,968
Rental income		4,607	6,657
Sale of green palm certificates		9,234	9,232
Gain on disposal of property, plant and equipment		2,430	1,590
Sale of scraps		633	2,973
Sale of palm kernel shells		12,555	18,739
Net difference in offsetting financial asset and liability (settlement of contracts)	31(f)	107,308	–
Adjustment arising from loss on significant influence over an associate	19	28,231	–
Others		35,799	55,329
Total		213,826	110,147

7. OTHER OPERATING EXPENSES

	Note	Group 2016 Rp million	2015 Rp million (Restated)
Plasma plantation charges and allowance for impairment		41,043	92,894
Write-off of property, plant and equipment		1,861	1,253
Amortisation of deferred charges		22,302	27,890
Changes in provision for assets dismantling costs	27	3,608	2,280
Tax assessments results		3,004	14,013
Provision for unrecoverable advances		56,456	–
Others		28,097	22,226
Total		156,371	160,556

8. PROFIT FROM OPERATIONS

The following items have been included in arriving at profit from operations:

	Note	Group 2016 Rp million	Group 2015 Rp million (Restated)
Depreciation of property, plant and equipment	14	1,365,518	1,279,996
Amortisation of other non-current assets		36,669	35,705
Employee benefits expense	28	2,951,565	2,943,610
Research and development costs		35,188	37,800
Operating lease rentals	31(b)	22,062	17,063
Audit fees:			
Auditors of the Company		1,795	1,611
Other auditors		15,230	14,163
Non-audit fees:			
Auditors of the Company		29	29
Other auditors		126	126

Presentation of expenses recognised in the consolidated statement of comprehensive income based on function is as follows:

	Note	Group 2016 Rp million	Group 2015 Rp million (Restated)
Revenue	4	14,530,938	13,835,444
Cost of sales	5	(11,042,202)	(10,866,885)
Gross profit		3,488,736	2,968,559
Selling and distribution costs		(551,228)	(547,651)
General and administrative expenses		(944,607)	(956,435)
Other operating income		468,252	119,485
Other operating expenses		(156,371)	(201,255)
Share of results of associate companies		(67,400)	(60,133)
Share of results of a joint venture		(33,109)	(171,889)
Finance income		150,886	121,401
Finance expense		(665,618)	(943,338)
Profit before tax		1,689,541	328,744
Income tax expense	11	(897,252)	(292,140)
Net profit for the year		792,289	36,604

9. FINANCE INCOME

	Group	
	2016	**2015**
	Rp million	Rp million **(Restated)**
Interest on current accounts and short term deposits	90,826	113,005
Others	1,298	8,396
Total	92,124	121,401

10. FINANCE EXPENSE

	Group	
	2016	**2015**
	Rp million	Rp million
Interest expense on:		
– Bank loans	623,296	642,646
– Others	26,897	32,148
Bank charges	15,425	19,356
Total	665,618	694,150

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group	
	2016	**2015**
	Rp million	Rp million **(Restated)**
Consolidated statement of comprehensive income:		
Current income tax		
– Current year income tax	634,791	508,915
– Adjustments in respect of previous years	49,460	16,133
	684,251	525,048
Deferred income tax (Note 17)		
– Current year deferred income tax	(79,475)	(334,706)
– Adjustments in respect of previous years	292,476	101,798
	213,001	(232,908)
Total	897,252	292,140

11. INCOME TAX EXPENSE (CONT'D)

	Group	
	2016	**2015**
	Rp million	Rp million **(Restated)**
<u>Charged to other comprehensive income</u>		
Deferred tax related to items recognised in other comprehensive income:		
Re-measurement gain/(loss) of employee benefits liability	411	(50,004)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 is as follows:

	Group	
	2016	**2015**
	Rp million	Rp million **(Restated)**
Profit before tax as per consolidated statement of comprehensive income	1,689,541	328,744
Income tax expense at the applicable tax rate	384,723	117,974
Income already subjected to final tax	(19,809)	(18,745)
Income not subject to taxation	(19,373)	(7,067)
Non-deductible expenses	209,775	82,047
Adjustments in respect of previous years	341,936	117,931
Income tax expense recognised in the consolidated statement of comprehensive income	897,252	292,140

For the years ended 31 December 2016 and 2015, the corporate tax rates for companies in Singapore and Indonesia were 17% and 25% respectively.

A subsidiary in Indonesia applies 20% (2015: 20%) tax rate instead of the normal tax rate of 25% (2015: 25%) in computing its income tax expense for the reporting period due to its fulfilment to qualify for a reduced corporate income tax rate.

Adjustments in respect of previous years largely related to the underprovision of corporate income tax in respect of previous years and provision/write-off of unutilised tax losses carried forward in which deferred tax assets were recognised.

12. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group		
	As at 31 December 2016 Rp million	**As at 31 December 2015** Rp million **(Restated)**	**As at 1 January 2015** Rp million **(Restated)**
Profit/(loss) attributable to owners of the Company	506,540	(48,130)	660,650
	No. of shares	**No. of shares**	**No. of shares**
Weighted average number of ordinary shares for basic earnings per share computation*	1,395,904,530	1,395,904,530	1,417,282,830

* *The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.*

There were no dilutive potential ordinary shares as at 31 December 2016 and 2015.

13. BIOLOGICAL ASSETS

Biological assets primarily comprise timber plantations, and agriculture produce of bearer plants. The carrying amount of the Group's biological assets as at 31 December 2016 is Rp789.8 billion (2015: Rp552.8 billion).

Fair values of biological assets

<u>Biological assets under Non-current assets – Timber Plantations</u>

For timber plantations, the Group appointed an independent valuer to determine the fair value of timber annually and any resultant gains or losses arising from the changes in fair values is recognised in the profit or loss. The independent valuer adopted the income approach for the fair valuation of timber using a discounted cash flow model. The cash flow models estimate the relevant future cash flows which are expected to be generated in the future, and are discounted to the present value by using a discount rate.

13. BIOLOGICAL ASSETS (CONT'D)

The key assumptions applied are as follows:

(i) Timber tree is available for harvest only once about 8 years after initial planting.

(ii) Discount rate used represents the asset specific rate for the Group's timber plantations operations which are applied in the discounted future cash flows calculation.

(iii) The projected selling price of logs over the projection period are based on actual domestic price of the produce which is extrapolated based on changes of plywood log price published by World Bank.

The movements for timber plantations are as follows:

	Group	
	As at 31 December 2016 Rp million	**As at 31 December 2015** Rp million **(Restated)**
At fair value		
At 1 January	360,802	305,299
Additions	34,096	922
Reclassifications	936	1,583
Decreases due to harvest	(32,596)	–
(Loss)/gain arising from changes in fair value of biological assets	(38,136)	52,998
At 31 December	325,102	360,802

<u>Biological assets under Current assets – Agriculture produce of bearer plants</u>

The Group adopted the income approach to measure the fair value of the produce of bearer plants which mainly comprise of oil palm and sugar cane. For the valuation of unharvested produce of oil palm, the Group has further applied the actual harvest data subsequent to year end to derive the fair value of unharvested produce of oil palm at year end.

The key assumptions applied on the fair value of fruit bunches are as follows:

(i) Estimated volume of subsequent harvest as of reporting date.

(ii) Selling price of fresh fruit bunches based on the market price at year end.

The key assumptions applied on the fair value of sugarcane are as follows:

(i) Cane tree is available for annual harvest for 12 months after initial planting.

(ii) Discount rate used represents the asset specific rate for the cane produce which is applied in the discounted future cash flows calculation.

(iii) The projected selling price of sugar over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank or the minimum sugar price imposed by the Ministry of Trade of Indonesia, whichever is higher.

13. BIOLOGICAL ASSETS (CONT'D)

The movements for agriculture produce of bearer plants, which comprise mainly oil palm and sugar cane are as follows:

	Group	
	As at 31 December 2016 Rp million	**As at 31 December 2015** Rp million **(Restated)**
At fair value		
At 1 January	191,994	232,165
Additions	163,250	180,067
Decreases due to harvest	(147,658)	(176,578)
Gain/(loss) arising from changes in fair value of biological assets	257,136	(43,660)
At 31 December	464,722	191,994

The fair value of agriculture produce harvested in 2016 were Rp2.4 trillion (2015: Rp1.8 trillion).

Key inputs to valuation on biological assets

Range of quantitative unobservable inputs used in determining the fair values of the biological assets are as follows:

	Range of quantitative inputs		
Inputs (Hierarchy)	**Oil palm**	**Sugar cane**	**Timber**
Discount rate (Level 2)	–	12.10% (2015:11.70%)	8.98% (2015: 9.33%)
Price of processed agriculture produce:			
- Level 2	Rp1,856/kg (2015:Rp1,140/kg)	–	–
- Level 3	–	Rp573,742/tonne (2015:Rp506,540/tonne)	Rp541,279 to Rp1,470,100/m^3 (2015:Rp529,687 to Rp590,712/m^3)
Average production yield of agriculture produce:			
- Level 2	14.6 tonnes/hectare (2015: 18.2 tonnes/hectare)	–	–
- Level 3	–	71 tonnes/hectare (2015: 60 tonnes/hectare)	129 m^3/hectare (2015: 172 m^3/hectare)
Exchange rate (Level 3)	–	Rp13,300 to Rp13,600/US$1 (2015: Rp13,500 to Rp13,900/US$1)	
Inflation rate (Level 3)	–	3.50% to 4.00% (2015: 3.50% to 4.70%)	

13. BIOLOGICAL ASSETS (CONT'D)

The narrative sensitivity analysis of unobservable inputs used in determining the fair values of the biological assets are as follows:

Inputs (Hierarchy)	Sensitivity of the inputs to the fair value
Discount rate (Level 2)	An increase / (decrease) in the discount rate will cause a (decrease)/ increase in the fair value of biological assets.
Price of processed agriculture produce (Level 2/3)	An increase / (decrease) in the commodity prices would result in an increase / (decrease) in the fair value of biological assets.
Production yield (Level 3)	An increase / (decrease) in production yields would result in an increase / (decrease) in the fair value of biological assets.
Exchange rate (Level 3)	An increase / (decrease) in the exchange rate would result in an increase / (decrease) in the fair value of biological assets.
Inflation rate (Level 3)	An increase / (decrease) in the inflation rate would result in a (decrease) / increase in the fair value of biological assets.

Areas of the Group's biological assets:

Total area of timber plantations as at 31 December 2016 is 16,191 hectares (2015: 16,216 hectares) (unaudited).

Physical quantities of agriculture produces:

Agriculture produce harvested during the financial year	Bearer plants from which produce harvested	2016 (in '000 tonnes) (unaudited)	2015 (in '000 tonnes) (unaudited)
Fresh fruit bunches	Oil palm plantations	2,981	3,414
Sugar cane	Cane plantations	861	746

14. PROPERTY, PLANT AND EQUIPMENT

Group	Land use rights Rp million	Bearer plants Rp million (Restated)	Buildings and improvements Rp million	Plant and machinery Rp million	Heavy equipment, transportation equipment and vessels Rp million	Furniture, fixtures and office equipment Rp million	Total Rp million (Restated)
Cost							
At 31 December 2014 and 1 January 2015	2,474,964	12,493,241	6,052,907	4,758,883	1,773,027	343,629	27,896,651
Additions	68,639	868,393	904,400	285,855	88,128	31,516	2,246,931
Reclassification	(117)	(29,629)	(152,080)	148,496	6,182	(5,452)	(32,600)
Disposals and write-off	–	(6,780)	(1,658)	(13,234)	(9,219)	(1,354)	(32,245)
At 31 December 2015 and 1 January 2016	2,543,486	13,325,225	6,803,569	5,180,000	1,858,118	368,339	30,078,737
Additions	26,395	744,163	404,398	169,169	52,318	17,026	1,413,469
Additions through business combination	54,228	536	245	–	–	8	55,017
Reclassification	–	(77,269)	(75,709)	39,083	27,378	387	(86,130)
Disposals and write-off	–	(20,087)	(7,229)	(21,405)	(8,345)	(4,130)	(61,196)
At 31 December 2016	2,624,109	13,972,568	7,125,274	5,366,847	1,929,469	381,630	31,399,897
Accumulated depreciation							
At 31 December 2014 and 1 January 2015	563,467	3,041,629	1,015,362	1,696,644	875,049	226,218	7,418,369
Depreciation charge for the year	70,302	378,745	289,713	331,150	165,019	45,067	1,279,996
Reclassification	–	–	(80)	4,345	2,366	(5,047)	1,584
Disposals and write-off	–	(168)	(993)	(12,162)	(8,126)	(1,266)	(22,715)
At 31 December 2015 and 1 January 2016	633,769	3,420,206	1,304,002	2,019,977	1,034,308	264,972	8,677,234
Depreciation charge for the year	71,806	411,216	336,923	340,760	160,999	43,814	1,365,518
Reclassification	–	(107)	2,718	(2,280)	2,586	226	3,143
Disposals and write-off	–	(3,931)	(5,683)	(20,744)	(8,345)	(4,091)	(42,794)
At 31 December 2016	705,575	3,827,384	1,637,960	2,337,713	1,189,548	304,921	10,003,101
Net carrying amount							
At 31 December 2015	1,909,717	9,905,019	5,499,567	3,160,023	823,810	103,367	21,401,503
At 31 December 2016	1,918,534	10,145,184	5,487,314	3,029,134	739,921	76,709	21,396,796

Vessels are presented within the class of Heavy equipment and transportation equipment due to its similar nature of use, which is for the transportation of the Group's commodities.

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Buildings and improvements Rp million	Furniture, fixtures and office equipment Rp million	Total Rp million
Company			
Cost			
At 1 January 2015	74,049	527	74,576
Additions	–	14	14
At 31 December 2015 and 1 January 2016	74,049	541	74,590
Additions	–	31	31
At 31 December 2016	74,049	572	74,621
Accumulated depreciation			
At 1 January 2015	23,250	408	23,658
Depreciation charge for the year	3,628	72	3,700
At 31 December 2015 and 1 January 2016	26,878	480	27,358
Depreciation charge for the year	3,629	58	3,687
At 31 December 2016	30,507	538	31,045
Net carrying amount			
At 31 December 2015	47,171	61	47,232
At 31 December 2016	43,542	34	43,576

Assets under construction

Property, plant and equipment of the Group as at 31 December 2016 included immature bearer plants in the course of cultivation, and building and machinery in the course of construction amounting to Rp4,292.1 billion (2015: Rp5,342.0 billion).

Bearer plants

The Group's bearer plants comprise mainly oil palm, rubber and sugar cane plantations.

Fully depreciated assets still in use

As at 31 December 2016, the cost of the Group's property, plant and equipment that have been fully depreciated but still in use amounting to Rp1,477.7 billion (2015: Rp1,323.4 billion), which mainly comprise of bearer plants, buildings and improvements, plant and machinery, heavy equipment and transportation equipment.

Capitalisation of borrowing costs

During the year ended 31 December 2016, borrowing costs capitalised by certain subsidiaries to their immature bearer plants under cultivation, and building and machineries under constructions amounted to Rp161.4 billion (2015: Rp160.2 billion) based on capitalisation rates ranging from 7.29% to 11.36% (2015: 8.01% to 11.67%).

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets under finance lease

Land use rights

The Group has land use rights with terms ranging from 6 to 40 years which will expire between 2017 to 2051. The cost incurred in obtaining the land use rights are depreciated in a manner that reflects the benefits to be derived from them. The management also believes that these land use rights can be renewed/extended upon expiration.

The Group's bearer plants are planted and managed on the area which have obtained Rights to Cultivate (Hak Guna Usaha or the HGU), or have obtained location permits and in the process of obtaining HGU.

The net carrying amount of land use rights to be amortised at the end of the reporting period is as follows:

	Group	
	2016	**2015**
	Rp million	Rp million
Amount to be amortised		
– Not later than one year	69,371	71,003
– Later than one year but not later than five years	277,326	274,840
– Later than five years	1,571,837	1,563,874
	1,918,534	1,909,717

15. GOODWILL

	Group	
	2016	**2015**
	Rp million	Rp million
At 1 January/31 December	3,253,637	3,253,637

Goodwill arising from business combination was allocated to the following cash-generating units ("CGU") for impairment testing:

	2016	2015
Integrated plantation estates of Lonsum	2,909,757	2,909,757
Plantation estates of PT GS	8,055	8,055
Plantation estates of PT MPI	2,395	2,395
Plantation estates of PT SBN	234	234
Plantation estates of PT KGP	29,140	29,140
Integrated plantation estates of PT CNIS	7,712	7,712
Plantation estates of PT LPI	37,230	37,230
Plantation estates and research facility of PT SAIN	113,936	113,936
Plantation estates of PT RAP	3,388	3,388
Plantation estates of PT JS	1,533	1,533
Integrated plantation estates of PT MISP	34,087	34,087
Plantation estates of PT IBP	8,319	8,319
Plantation estates of PT SAL	86,996	86,996
Plantation estates of PT WKL	4,750	4,750
Plantation estates of PT MLI	6,105	6,105
Total	3,253,637	3,253,637

15. GOODWILL (CONT'D)

Goodwill was tested for impairment as at 31 October 2016 and 2015. As at 31 December 2016 and 2015, there was no significant change in the assumptions used by management that could have a significant impact in determining the recoverable value of the goodwill.

No impairment loss was recognised as at 31 October 2016 and 2015 as the recoverable amounts of the goodwill were in excess of their respective carrying values. The summary of impairment testing on the goodwill is disclosed in the succeeding paragraphs.

Except for goodwill allocated to the plantation estates of Lonsum, PT LPI, PT IBP and PT SBN, the recoverable value of the goodwill allocated to all other plantation estates as at 31 October 2016 was determined based on fair value less costs of disposal ("FVLCD"), using discounted cash flow method. The FVLCD derived is categorised under Level 3 of the fair value hierarchy.

The recoverable value of the goodwill allocated to the plantation estates of Lonsum, PT LPI, PT IBP and PT SBN has been determined based on value-in-use calculations.

The following key assumptions had been used:

		Pre-tax discount rate		Growth rate after forecast period	
Cash generating units	**Carrying amount of goodwill**	**31 October 2016**	**31 October 2015**	**31 October 2016**	**31 October 2015**
Recoverable amount assessment based on value-in-use					
Integrated plantation estates of Lonsum	2,909,757	13.37%	14.73%	5.15%	5.30%
Plantation estates of PT LPI	37,230	11.91%	13.61%	5.15%	5.30%
Plantation estates of PT IBP	8,319	14.09%	15.47%	5.15%	5.30%
Plantation estates of PT SBN	234	14.16%	15.20%	5.15%	5.30%
Sub-total	**2,955,540**				
Recoverable amount assessment based on FVLCD					
Plantation estates of PT GS	8,055	14.93%	16.18%	5.15%	5.30%
Plantation estates of PT MPI	2,395	14.63%	15.66%	5.15%	5.30%
Plantation estates of PT KGP	29,140	14.83%	15.82%	5.15%	5.30%
Integrated plantation estates of PT CNIS	7,712	14.44%	15.84%	5.15%	5.30%
Plantation estates and research facility of PT SAIN	113,936	15.35%	16.54%	5.15%	5.30%
Plantation estates of PT RAP	3,388	14.21%	15.60%	5.15%	5.30%
Plantation estates of PT JS	1,533	14.11%	15.21%	5.15%	5.30%
Integrated plantation estates of PT MISP	34,087	15.14%	16.46%	5.15%	5.30%
Plantation estates of PT SAL	86,996	9.70%	11.03%	5.15%	5.30%
Plantation estates of PT WKL	4,750	9.27%	9.27%	5.15%	5.30%
Plantation estates of PT MLI	6,105	12.76%	14.19%	5.15%	5.30%
Sub-total	**298,097**				
Grand total	**3,253,637**				

15. GOODWILL (CONT'D)

The recoverable value calculation of the CGU applied a discounted cash flow model based on cash flow projections covering a period of 10 years for plantation estates in early development stage and 5 years for established plantations.

The primary selling prices used in the cashflow model are projected prices of CPO, rubber, sugar and logs. The projected prices of the CPO are based on the World Bank forecasts for the projection period. The projected prices of rubber (RSS1 and other rubber products of the Group) over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank. The sugar prices used in the projection are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank or the minimum sugar price imposed by the Ministry of Trade of Indonesia, whichever is higher. The projected prices of logs are based on the actual domestic price of the produce which are extrapolated based on changes of plywood log price published by the World Bank.

The cash flows beyond the projected periods are extrapolated using the estimated terminal growth rate indicated above. The terminal growth rate used does not exceed the long-term average growth rate of the industry in countries where the entities operate. The discount rate applied to the cash flow projections is derived from the weighted average cost of capital of the respective CGUs.

Changes to the assumptions used by the management to determine the recoverable value, in particular the discount and terminal growth rate, can have significant impact on the results of the assessment. Management is of the opinion that no reasonably possible change in any of the key assumptions stated above would cause the carrying amount of the goodwill for each of the CGU to materially exceed their respective recoverable value, except for the following CGUs:

		Impairment loss	
CGU	**Reasonably possible changes on key assumptions that would cause the CGU starts to be impaired**	**Further change in key assumptions**	**Further impairment loss to be recognised for the assigned change of key assumptions**
Plantation estate of KGP	CPO price: 3.3% lower	0.1%	Rp 4.6 billion

Management believes that there were no indicators of impairment existed on the above-mentioned goodwill for the year ended 31 December 2016 that required the Group to perform impairment tests of goodwill other than the annual tests.

16. CLAIMS FOR TAX REFUND

Claims for tax refund represent (*a*) advance tax payment made by each entity within the Group which is creditable against their respective corporate income tax payable; and (*b*) tax assessments being appealed to the taxation authorities.

17. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group	
	2016 Rp million	**2015** Rp million **(Restated)**
Deferred tax assets		
Property, plant and equipment	(294,831)	(294,876)
Biological assets	19,779	21,112
Allowance for impairment and amortised costs adjustments of plasma receivables	88,392	95,217
Allowance for employees benefit expenses	40,785	43,874
Allowance for decline in market value and obsolescence of inventories	18,847	11,043
Allowance for unrecoverable advance	4,939	–
Employee benefits liabilities	468,871	428,793
Deferred inter-company profits	68,887	41,728
Tax losses carry forward	823,883	1,030,698
Others	642	797
Total	1,240,194	1,378,386
Deferred tax liabilities		
Property, plant and equipment	(702,612)	(713,636)
Biological assets	(164,852)	(52,896)
Allowance for impairment and amortised costs adjustments of plasma receivables	8,980	381
Allowance for employees benefit expenses	77	184
Allowance for decline in market value and obsolescence of inventories	8,479	31
Employee benefits liabilities	17,586	(32)
Withholding tax on distributable profit of foreign subsidiaries	(15,819)	(7,772)
Others	27	1
Total	(848,134)	(773,739)

For purposes of presentation in the consolidated balance sheet, the asset or liability classification of the deferred tax effect of each of the above temporary differences is determined based on the net deferred tax position (net assets or net liabilities) on a per entity basis.

Deferred tax assets and liabilities cover the future tax consequences attributable to differences between the financial and tax reporting bases of assets and liabilities and the benefits of tax loss carry forwards.

17. DEFERRED TAX (CONT'D)

Deferred tax income or expense recognised in consolidated statement of comprehensive income

	Group	
	2016 Rp million	**2015** Rp million **(Restated)**
Deferred income tax movements:		
Property, plant and equipment	(11,070)	(25,727)
Biological assets	113,293	2,336
Allowance for impairment and amortised costs adjustments of plasma receivables	(1,774)	(10,450)
Write-back for allowance of decline in market value and obsolescence of inventories	(16,253)	(783)
Employee benefits liabilities	(57,286)	(33,440)
Deferred inter-company profits	(27,159)	1,146
Provision for employee benefits expense	3,196	931
Allowance for unrecoverable advances	(4,939)	–
Tax losses carry forward	206,817	(149,982)
Withholding tax on distributable profit of foreign subsidiaries	8,047	(16,979)
Others	129	40
Net deferred tax benefit reported in the consolidated statement of comprehensive income (Note 11)	213,001	(232,908)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses amounting to Rp4,502.0 billion (2015: Rp4,882.7 billion) that are available for offset against future taxable profits for up to five years from the date the losses were incurred as the tax losses in Indonesia generally expire after 5 years. Deferred tax benefits of Rp300.8 billion (2015: Rp190.0 billion) attributable to Rp1,203.2 billion (2015: Rp760.0 billion) of these tax losses were not recognised as the recoverability was considered not probable.

Unrecognised temporary differences relating to investments in subsidiaries

The Group has not recognised deferred tax liability of Rp597.2 billion (2015: Rp562.7 billion) as at 31 December 2016 in respect of undistributed profits of subsidiaries because the distribution is controlled and there is currently no intention for the profits to be remitted to Singapore.

Unrecognised temporary differences relating to unremitted foreign-sourced interest income

The Group has not recognised deferred tax liability of Rp93.8 billion (2015: Rp76.0 billion) as at 31 December 2016 in respect of unremitted foreign-sourced interest income as the Group has control over the remittance and there is currently no intention for the income to be remitted to Singapore.

18. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2016 Rp million	**2015** Rp million
Shares, at cost	10,533,516	10,533,516

The Group held less than 50% effective shareholdings in certain subsidiaries but owned, directly and indirectly, more than half of the voting power in these subsidiaries.

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) *Composition of the Group*

The Group has the following investment in subsidiaries:

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2016	Effective percentage of equity held % 2015	Principal activities
Name (Abbreviated name)				
Held by the Company				
PT Salim Ivomas Pratama Tbk (PT SIMP) [2]	Indonesia	73.46	73.46	Ownership of oil palm plantations, mills and production of cooking oil, margarine, shortening, and other related products
IFAR Brazil Pte. Ltd. [1]	Singapore	100.00	100.00	Investment holding
IndoAgri Brazil Participações Ltda*	Brazil	100.00	100.00	Investment holding
Held by PT Salim Ivomas Pratama Tbk				
IndoInternational Green Energy Resources Pte. Ltd. (IGER) [1]	Singapore	44.08	44.08	Investment holding
PT Indoagri Inti Plantation (PT IIP) [2]	Indonesia	72.73	72.73	Investment holding, management services and transportation
Silveron Investments Limited (SIL) [3]	Mauritius	73.46	73.46	Investment holding
PT Kebun Mandiri Sejahtera (PT KMS) [3]	Indonesia	68.64	68.64	Ownership of rubber and oil palm plantations
PT Manggala Batama Perdana (PT MBP) *	Indonesia	73.46	73.46	Non-operating
PT Sarana Inti Pratama (PT SAIN) [3]	Indonesia	73.45	73.45	Investment, research, management and technical services, oil palm seed breeding, and ownership of oil palm plantations
PT Mentari Subur Abadi (PT MSA) [3]	Indonesia	21.87	21.87	Investment and ownership of oil palm plantations
PT Mega Citra Perdana (PT MCP) [4]	Indonesia	21.83	21.83	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN) [3]	Indonesia	21.91	21.91	Ownership of oil palm plantations

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Composition of the Group (cont'd)

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2016	2015	Principal activities
Held by PT Salim Ivomas Pratama Tbk (cont'd)				
PT Lajuperdana Indah (PT LPI) [2]	Indonesia	22.44	22.44	Ownership of sugar cane plantations and sugar mills/ refineries
PT Mitra Inti Sejati Plantation (PT MISP) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill
PT PP London Sumatra Indonesia Tbk (Lonsum) [2]	Indonesia	43.72	43.72	Business of breeding, planting, milling and selling of oil palm products, rubber and other crops
PT Cakra Alam Makmur (PT CAM) [3]	Indonesia	73.46	73.46	Ownership of bulking facilities
PT Hijaupertiwi Indah Plantations (PT HPIP) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Cangkul Bumisubur (PT CBS) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Samudera Sejahtera Pratama (PT SSP) [3]	Indonesia	73.46	73.46	Transportation service
PT Kebun Ganda Prima (PT KGP) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Riau Agrotama Plantation (PT RAP) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill
PT Citra Kalbar Sarana (PT CKS) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Jake Sarana (PT JS) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Pelangi Inti Pertiwi (PT PIP) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Mentari Pertiwi Makmur (PT MPM) [7]	Indonesia	58.53	58.53	Investment holding
PT Citranusa Intisawit (PT CNIS) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Composition of the Group (cont'd)

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2016	2015	Principal activities
Held by IndoInternational Green Energy Resources Pte. Ltd.				
PT Mentari Subur Abadi (PT MSA) [3]	Indonesia	22.20	22.20	Investment and ownership of oil palm plantations and mill
PT Mega Citra Perdana (PT MCP) [4]	Indonesia	22.25	22.25	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN) [3]	Indonesia	22.17	22.17	Ownership of oil palm plantations
PT Lajuperdana Indah (PT LPI) [2]	Indonesia	22.72	22.72	Ownership of sugar cane plantations and sugar mills/ refineries
Held by PT Indoagri Inti Plantation				
PT Gunung Mas Raya (PT GMR) [2]	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT Indriplant (PT IP) [2]	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT Serikat Putra (PT SP) [2]	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT Cibaliung Tunggal Plantations (PT CTP) [2]	Indonesia	72.00	72.00	Ownership of oil palm plantations
Held by PT Serikat Putra				
PT Intimegah Bestari Pertiwi (PT IBP) [3]	Indonesia	72.01	72.01	Ownership of oil palm plantations
PT Kencana Subur Sejahtera (PT KSS) [8]	Indonesia	72.01	72.01	Macronutrients mix fertilizer industry
PT Pratama Citra Gemilang (PT PCG) [8]	Indonesia	72.01	72.01	Prefabrication industry
Held by Silveron Investments Limited				
Asian Synergies Limited (ASL) [3]	British Virgin Islands	73.46	73.46	Investment holding

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Composition of the Group (cont'd)

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2016	2015	Principal activities
Held by PT Mentari Subur Abadi				
PT Agro Subur Permai (PT ASP) [3]	Indonesia	44.07	44.07	Ownership of oil palm plantations
Held by PT Mega Citra Perdana				
PT Gunta Samba (PT GS) [4]	Indonesia	44.07	44.07	Ownership of oil palm plantations
PT Multi Pacific International (PT MPI) [4]	Indonesia	44.08	44.06	Ownership of oil palm plantations
Held by PT PP London Sumatra Indonesia Tbk				
PT Multi Agro Kencana Prima (PT MAKP) [5]	Indonesia	43.71	43.71	Rubber mill and trading
Lonsum Singapore Pte. Ltd. (LSP) [6]	Singapore	43.72	43.72	Trading and marketing
PT Tani Musi Persada (PT TMP) [5]	Indonesia	43.68	43.68	Ownership of oil palm plantations
PT Sumatra Agri Sejahtera (PT SAS) [5]	Indonesia	43.71	43.71	Ownership of oil palm plantations
PT Tani Andalas Sejahtera (PT TAS) [5]	Indonesia	39.35	39.35	Ownership of oil palm plantations
Agri Investment Pte. Ltd. (AIPL) [6]	Singapore	43.72	43.72	Investment holding
PT Wushan Hijau Lestari (PT WHL) [3]	Indonesia	28.41	28.41	Agriculture, forestry, fishing and trading
Held by PT Mentari Pertiwi Makmur				
PT Sumalindo Alam Lestari (PT SAL) [7]	Indonesia	58.53	58.53	Development of industrial timber plantations
Held by PT Sumalindo Alam Lestari and PT Mentari Pertiwi Makmur				
PT Wana Kaltim Lestari (PT WKL) [7]	Indonesia	58.53	58.53	Development of industrial timber plantations

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) *Composition of the Group (cont'd)*

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2016	2015	Principal activities
Held by Lonsum Singapore Pte. Ltd.				
Sumatra Bioscience Pte. Ltd. (SBPL) [6]	Singapore	43.72	43.72	Non-operating
Held by PT Lajuperdana Indah				
PT Madusari Lampung Indah (PT MLI) [8]	Indonesia	45.16	45.16	Ownership of sugar cane plantations
Held by PT Wushan Hijau Lestari				
PT Perusahaan Perkebunan, Perindustrian dan Perdagangan Umum Pasir Luhur (PT PL) [3]	Indonesia	28.41	–	Trading, agricultural, industrial and agency/ representative

* *Not required to be audited in the country of incorporation*

Audited by:
1 *Ernst & Young LLP, Singapore*
2 *Purwantono, Sungkoro & Surja, Indonesia (member firm of Ernst & Young Global)*
3 *Hendrawinata Eddy & Siddharta, Indonesia*
4 *Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia (member firm of Grant Thornton International)*
5 *Aria Kanaka, Indonesia (member firm of Parker Randall)*
6 *Saw Meng Tee & Partners PAC, Singapore*
7 *Anwar, Sugiharto & Rekan, Indonesia*
8 *Jimmy Budhi & Rekan, Indonesia*

(b) *Interest in a subsidiary with material non-controlling interest (NCI)*

The Group has the following subsidiary that has NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest %	Profit allocated to NCI during the reporting period Rp million	Accumulated NCI at the end of reporting period Rp million	Dividends paid to NCI Rp million
31 December 2016:					
PT SIMP	Indonesia	26.54	285,749	9,043,417	125,596
31 December 2015: (Restated)					
PT SIMP	Indonesia	26.54	84,734	8,898,992	218,431

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) Summarised financial information about a subsidiary with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of the subsidiary with material non-controlling interests is as follows:

	PT SIMP[1]		
	As at 31 December 2016 Rp million	**As at 31 December 2015** Rp million **(Restated)**	**As at 1 January 2015** Rp million **(Restated)**
Summarised balance sheet			
Current			
Assets	6,214,972	5,055,490	6,146,696
Liabilities	(4,646,657)	(5,414,672)	(6,945,698)
Net current liabilities	1,568,315	(359,182)	(799,002)
Non-current			
Assets	28,014,462	28,044,483	26,371,996
Liabilities	(10,686,337)	(9,378,321)	(7,981,579)
Net non-current assets	17,328,125	18,666,162	18,390,417
Net assets	18,896,440	18,306,980	17,591,415
Summarised statement of comprehensive income			
Revenue	14,530,938	13,835,444	
Profit before income tax	1,684,557	539,417	
Income tax expense	(872,190)	(278,246)	
Profit after tax	812,367	261,171	
Other comprehensive (loss)/income	(41,582)	164,331	
Total comprehensive income	770,785	425,502	
Other summarised information			
Net cash flows from operations	2,024,206	1,492,584	

[1] *The financial information of PT SIMP is based on the FRS consolidated financial statements of PT SIMP and its subsidiaries. The list of subsidiaries held under PT SIMP is disclosed in Note 18 (a).*

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(d) Acquisition of non-controlling interests by the Company

In 2015, the Company acquired 7,570,300 of Lonsum shares by way of market purchases on Indonesia Stock Exchange for Rp11.9 billion.

(e) Acquisition of a subsidiary

PT Pasir Luhur ("PT PL")

In January 2016, PT WHL, a subsidiary of Lonsum entered into an agreement to acquire 99.97% interest in PT PL for a cash consideration of Rp55.0 billion. PT PL owns a tea plantation in West Java. Upon the completion of the transaction on 29 February 2016, PT PL has become a subsidiary of the Group.

The fair value of the identifiable assets and liabilities of PT PL as at the date of acquisition on 29 February 2016 were as follows:

	Rp million
Assets	
Cash and bank	4
Property, plant and equipment	55,017
Liabilities	55,021
Shareholders' loan	(6,081)
Total identifiable net assets at fair values	48,940
Non-controlling interests measured at the proportionate share of the net assets	(21)
Purchase consideration transferred	48,919
Cash of the acquired subsidiary	(4)
Shareholders' loan	6,081
Net cash outflow on acquisition of control	54,996

From the date of acquisition, PT PL did not contribute any revenue, but contributed loss of Rp0.4 billion to the profit before tax of the Group. If the business combination had taken place on 1 January 2016, consolidated profit before tax of the Group for the year ended 31 December 2016 would have been Rp1,689.1 billion.

19. INVESTMENT IN ASSOCIATE COMPANIES

The Group's investments in associate companies are summarised below:

	Group	
	2016 Rp million	**2015** Rp million
<u>Associate companies which are strategic to the Group activities</u>		
FP Natural Resources Limited	509,219	554,286
Heliae Technology Holdings, Inc	–	132,946
Asian Assets Management Pte Ltd	487,244	523,413
PT Prima Sarana Mustika	5,784	6,635
	1,002,247	1,217,280

19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

	Group 2016 Rp million	Group 2015 Rp million
Cost of investment, at cost	1,045,503	1,431,967
Share of results and other comprehensive loss of associate companies	(98,146)	(341,880)
Foreign currency translation	54,890	127,193
Carrying value of investment in associate companies	1,002,247	1,217,280

Name of associate	Country of incorporation	Effective percentage of equity held % 2016	Effective percentage of equity held % 2015	Principal activities
Held by the Company				
FP Natural Resources Limited (FPNRL) [i]	British Virgin Islands	30.00	30.00	Investment holdings
Held by Agri Investment Pte Ltd (AIPL)				
Heliae Technology Holdings, Inc (Heliae) [ii]	USA	–	8.93*	Agricultural technology and cultivation business
Held by PT PP London Sumatra Indonesia Tbk (Lonsum)				
Asian Assets Management Pte. Ltd. (AAM) [iii]	Singapore	21.85	21.85	Investment holdings
Held by PT Salim Ivomas Pratama Tbk (PT SIMP)				
PT Prima Sarana Mustika (PT PSM) [iv]	Indonesia	29.38	29.38	Construction services, rental of heavy equipment and trading of agriculture equipment

* *The Group held less than 20% effective shareholdings in certain associates but owned, directly and indirectly, more than 20% shareholdings in these associates.*

(i) *Audited by Ernst & Young (HK)*
(ii) *Audited by PricewaterhouseCoopers LLP, Arizona*
(iii) *Audited by Pinebridge LLP*
(iv) *Audited by Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia (member firm of Grant Thornton International)*

FP Natural Resources Limited ("FPNRL")

FPNRL is an investment holding company which in turn owns 59.7% and 100% interest in Roxas Holdings Inc ("RHI") and First Coconut Manufacturing Inc.("FCMI") respectively. RHI is engaged in processing of sugar cane for the production and marketing of sugar and ethanol in the Philippines. FCMI is a newly set up entity in February 2015 to serve as the Group's expansion into the coconut market in the Philippines.

During the financial year, FPNRL disposed its investment of 16.4% in Victoria Milling Company Inc. ("VMCI"), a sugar refinery in Negros Occidental, Phillipines.

19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

Heliae Technology Holdings, Inc. ("Heliae")

Heliae is a private entity engaged in technology and production solutions for the algae industry.

Loss of significant influence

As of 30 September 2016, percentage of ownership of AIPL in Heliae had been diluted to 17.36% (2015: 20.42%) due to additional capital contributions from the other shareholders of Heliae during the financial year.

Based on Investor Rights Agreement, AIPL loss its right to nominate a representative director at Heliae's Board which made AIPL lose significant influence in Heliae. Subsequently, the Group discontinued the application of equity accounting and recorded the investment in Heliae as available-for-sale financial asset at fair value by using a discounted cash flow model. The available-for-sale financial asset amounted to Rp60.0 billion is presented as part of "Other non-current assets" in the Balance Sheets of the Group.

The following describes detail of AIPL's investment in HTHI:

	2016 Rp million	**2015** Rp million
Cost of investment	355,504	355,504
Accumulated share of results	(323,708)	(278,928)
Exchange differences	37,302	56,370
Loss of significant influence	(9,071)	–
Reclassification to available-for-sale financial asset (Note 21)	(60,027)	–
Carrying value of investment	–	132,946

The cumulative foreign exchange differences relating to investment in Heliae amounting to Rp37.3 billion which were previously recognised in other comprehensive income, was reclassified to profit or loss upon the loss of the significant influence.

Asian Assets Management Pte. Ltd.("AAM")

In June 2015, Lonsum and a subsidiary of PT ISM, PT Indofood CBP Sukses Makmur Tbk jointly invested 100% equity interest in AAM, whereby each entity subscribed for 56,700,000 of new shares representing 50% equity interest in AAM for a consideration of US$39.0 million (approximately Rp519 billion). AAM became a-50% associate company of Lonsum. AAM is a private limited company incorporated and domiciled in Singapore, which in turn owns 100% equity interest in PT Aston Inti Makmur, an Indonesian-incorporated company engages in the property business and operates an office building.

In March 2016, AAM reduced its capital by US$4.6 million (equivalent to Rp61.9 billion) and returned US$2.3 million (equivalent to Rp31.0 billion) to each shareholder. The carrying value of the investment in AAM as at 31 December 2016 is Rp487.2 billion (2015: Rp523.4 billion).

PT Prima Sarana Mustika ("PT PSM")

In January 2015, PT Wahana Inti Selaras ("PT WIS"), a related party, and PT SIMP established PT PSM with a total issued and fully paid share capital of Rp15 billion. PT SIMP's capital contribution was Rp5.8 billion (2015: Rp6.6 billion) representing 40% interest in PT PSM. PT PSM is engaged primarily in the development of plantations' infrastructures, land clearing, rental services of heavy equipment, transportation and trading of agricultural equipments.

19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

PT Prima Sarana Mustika ("PT PSM") (cont'd)

The summarised financial information in respect of FPNRL and AAM, based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	FPNRL		AAM	
	2016 Rp million	**2015** Rp million	**2016** Rp million	**2015** Rp million
Current assets	1,769,011	1,494,716	92,153	140,268
Non-current assets	5,094,206	6,112,868	954,899	991,099
Total assets	6,863,217	7,607,584	1,047,052	1,131,367
Current liabilities	2,111,736	2,892,784	6,571	8,461
Non- current liabilities	2,048,520	1,712,456	65,993	75,988
Total liabilities	4,160,256	4,605,240	72,564	84,449
Net assets	2,702,961	3,002,344	974,488	1,046,918
Proportion of the Group's ownership	30.00%	30.00%	50.00%	50.00%
Group's share of net assets	810,888	900,703	487,244	523,459
Foreign currency translation	(301,669)	(346,417)	–	(46)
Carrying amount of the investment	509,219	554,286	487,244	523,413

Summarised statement of comprehensive income

	FPNRL		AAM	
	2016 Rp million	**2015** Rp million	**2016** Rp million	**2015** Rp million
Revenue	3,370,093	2,606,658	–	–
Profit/ (loss) after tax	573	(10,046)	(11,590)	8,178
Other comprehensive loss for the year	(119,618)	(104,916)	–	–

The aggregate information of the Group's cost of investments in associate companies that are not individually material are as follows:

	Group	
	2016 Rp million	**2015** Rp million
Share of loss after tax and other comprehensive loss	(216)	(278,293)

20. INVESTMENT IN A JOINT VENTURE

The Group has 50% (2015: 50%) interest in a jointly-controlled entity, Companhia Mineira de Açúcar e Álcool Participações ("CMAA") that is held through the Company's wholly-owned subsidiaries, IFAR Brazil Pte Ltd and IndoAgri Brazil Participações Ltda.

The joint venture is incorporated in Brazil and is a strategic venture. The Group jointly controls the venture with the other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

The joint venture company is engaged in the cultivation and processing of sugar cane for the production and marketing of sugar and ethanol, as well as co-generation of electric power from sugar cane bagasse in Brazil.

On acquisition of CMAA in June 2013, the Group completed a Purchase Price Allocation ("PPA") exercise in 2015 to identify any intangible assets and/or goodwill from the acquisition. As at 31 December 2016, goodwill amounting to Rp298.3 billion has been determined and included in the carrying amount of the investment.

The external auditor of CMAA is KPMG Auditores Independentes.

	Group	
	2016	**2015**
	Rp million	Rp million
Cost of investment in a joint venture (including acquisition related costs)	878,614	878,614
Share of results and other comprehensive loss of a joint venture	(65,109)	(115,952)
Foreign currency translation	(61,655)	(155,611)
Carrying value of investment in a joint venture	751,850	607,051

Summarised financial information in respect of CMAA based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Group	
	2016	**2015**
	Rp million	Rp million
Cash and cash equivalents	124,343	173,610
Other current assets	1,222,495	778,568
Current assets	1,346,838	952,178
Non-current assets	2,444,326	2,396,215
Total assets	3,791,164	3,348,393
Current liabilities	2,104,562	1,805,826
Total non-current liabilities	1,084,013	1,069,900
Total liabilities	3,188,575	2,875,726
Net assets	602,589	472,667
Proportion of the Group's ownership	50.0%	50.0%
Group's share of net assets	301,295	236,334
Acquisition costs capitalised	52,405	52,405
Goodwill on acquisition	298,336	298,336
Foreign currency translation	99,814	19,976
Carrying value of the investment	751,850	607,051

20. INVESTMENT IN A JOINT VENTURE (CONT'D)

Summarised statement of comprehensive income

	Group	
	2016 Rp million	**2015** Rp million
Revenue	2,352,246	1,861,777
Depreciation and amortisation	(318,124)	(341,436)
Interest income	99,248	22,289
Interest expense	(646,690)	(332,716)
Other operating expenses	(1,591,499)	(1,494,414)
Loss before tax	(104,819)	(284,500)
Income tax expense	29,360	(24,318)
Loss after tax	(75,459)	(308,818)
Other comprehensive loss	(15,619)	(42,062)
Total comprehensive loss	(91,078)	(350,880)

21. OTHER NON-CURRENT ASSETS

		Group		Company	
	Note	**2016** Rp million	**2015** Rp million	**2016** Rp million	**2015** Rp million
Non-current:					
Non-financial assets					
Advances		308,133	416,398	–	36,698
Prepayments		10,829	6,984	–	–
Others		106,955	77,581	–	–
Total advances and prepayments		425,917	500,963	–	36,698
Financial assets					
Amount due from a subsidiary		–	–	730,000	730,000
Loans to employees		26,361	33,070	–	–
Available-for-sale financial asset	19	60,027	–	–	–
Plasma receivables	31(a)	1,064,600	785,773	–	–
Deposits		23,674	25,476	9	9
Total other non-current receivables		1,174,662	844,319	730,009	730,009
Total other non-current assets		1,600,579	1,345,282	730,009	766,707

Amount due from a subsidiary

Amount due from a subsidiary is non-trade related, unsecured, bears interest at long-term commercial lending rates, repayable in November 2020 and is to be settled in cash.

Advances and deposits

Advances and deposits mainly relate to utility and rental deposits, advance payments for land and payments made to suppliers and contractors in relation to the purchases of capital equipment and services.

21. OTHER NON-CURRENT ASSETS (CONT'D)

Loans to employees

The Group provides non-interest bearing loans to officers and employees subject to certain terms and criteria. Such loans, which are being collected through monthly salary deductions over five years, from the date of the loan, are carried at amortised cost using effective interest method, with discount rate of 7.58% in 2016 (2015: 8.74%) per annum.

22. INVENTORIES

	Note	Group 2016 Rp million	Group 2015 Rp million
Balance sheet:			
Raw materials		694,957	685,041
Finished goods		1,164,560	783,637
Spare parts and factory supplies		411,232	468,053
Total inventories at the lower of cost and net realisable value		2,270,749	1,936,731
Consolidated statement of comprehensive income:			
Inventories recognised as an expense in cost of sales, net	5	786,291	1,151,726
Inclusive of the following charges:			
– Allowance for decline in market value and obsolescence of inventories		70,115	24,871
– Reversal of decline in market value and obsolescence of inventories		(4,944)	(21,682)
	5	65,171	3,189

23. RECEIVABLES

	Note	Group 2016 Rp million	Group 2015 Rp million	Company 2016 Rp million	Company 2015 Rp million
Current:					
Financial assets					
Trade receivables					
Third parties		506,916	394,978	–	–
Related parties		505,154	415,133	–	–
Provision for impairment of trade receivables		(53)	–	–	–
Other receivables					
Plasma receivables	31(a)	14,412	9,860	–	–
Loans to employees		8,637	9,351	–	–
Subsidiary companies		–	–	75,712	76,677
Related parties		1,568	779	–	–
Claims from contractors		–	119,026	–	–
Tax recoverable		12,516	–	–	–
Others		73,624	159,717	2,430	2,075
Total trade and other receivables		1,122,774	1,108,844	78,142	78,752

23. RECEIVABLES (CONT'D)

	Group		Company	
	2016	2015	2016	2015
	Rp million	Rp million	Rp million	Rp million
Non-financial assets				
Advances and prepayments				
Advances to suppliers	220,522	111,546	–	–
Prepayments	19,693	26,911	197	509
Total advances and prepayments	240,215	138,457	197	509
Total receivables	1,362,989	1,247,301	78,339	79,261

Trade receivables are non-interest bearing and are generally on 1 to 35 days' terms. All trade receivables will be settled in cash. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group's trade receivables relate to a large number of diversified customers, there is no concentration of credit risk.

Other receivables from related parties and receivables from subsidiary companies are unsecured, interest-free and are generally settled within the next 12 months in cash.

The Group and Company's receivables denominated in foreign currencies are as follows:

	Group		Company	
	2016	2015	2016	2015
	Rp million	Rp million	Rp million	Rp million
US Dollars	57,741	99,486	65,359	66,286
Others	715	8,686	4,560	3,497

Receivables that are past due but not impaired

The Group has trade receivables amounting to Rp338.2 billion (2015: Rp282.6 billion) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2016	2015
	Rp million	Rp million
Overdue but not impaired:		
1 – 30 days	272,779	233,458
31 – 60 days	17,243	33,128
61 – 90 days	13,111	1,872
More than 90 days	35,038	14,157
	338,171	282,615

23. RECEIVABLES (CONT'D)

Advances to suppliers

Advances to suppliers represent advance payments to suppliers and contractors in relation to the following purchases:

	Group	
	2016	**2015**
	Rp million	Rp million
Raw materials	173,108	51,954
Factory supplies, spare parts and others	47,414	59,592
	220,522	111,546

Advances to suppliers are unsecured, interest-free and obligations of the suppliers are expected to be fulfilled within the next 12 months.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	Rp million	Rp million	Rp million	Rp million
Cash at bank and in hand	756,456	826,357	4,927	37,104
Short term deposits	1,648,382	1,142,743	527,969	467,913
Cash and cash equivalents	2,404,838	1,969,100	532,896	505,017

Cash and cash equivalents denominated in foreign currencies are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	Rp million	Rp million	Rp million	Rp million
US Dollars	414,941	475,915	1,432	24,848
Singapore Dollars	2,723	9,623	2,078	9,040
Others	2,903	1,957	–	–

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods ranging from one day to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Short term deposits denominated in US dollars and Rupiah earned interest at annual rates between 1.25% to 1.50% (2015: 0.50% to 3.00%) and 4.75% to 9.60% (2015: 5.00% to 10.25%), respectively.

25. PAYABLES

	Group		Company	
	2016 Rp million	2015 Rp million	2016 Rp million	2015 Rp million
Current				
Financial liabilities				
Trade payables				
Third parties	570,760	786,400	–	–
Related parties	26,218	26,115	–	–
Other payables and accruals				
Third parties	284,292	499,523	451	9
Due to a parent company	39,048	23,795	–	–
Related parties	7,970	14,100	–	–
Accrued operating expenses	339,019	228,240	14,392	13,383
Total trade and other payables and accruals	1,267,307	1,578,173	14,843	13,392
Short-term employee benefits liabilities	232,409	224,693	–	–
Total	1,499,716	1,802,866	14,843	13,392
Non-financial liabilities				
Advances from customers	426,469	170,980	–	–
Taxes payable	27,203	43,384	–	–
Total advances and taxes payable	453,672	214,364	–	–
Total payables	1,953,388	2,017,230	14,843	13,392

Trade payables are normally settled on 1 to 60 days credit payment terms. These amounts are unsecured and will be settled in cash. The carrying amounts of the Group's trade payables, other payables and accruals approximate their fair values.

Payables to a parent company and other payables to related parties are unsecured, repayable on demand and non-interest bearing. These amounts will be settled in cash.

Advances from customers represent advance payments relating to future sales of finished goods. These advances are trade in nature, unsecured, interest-free, and the obligations to the customers are expected to be fulfilled within the next 12 months.

The Group and Company's payables denominated in foreign currencies are as follows:

	Group		Company	
	2016 Rp million	2015 Rp million	2016 Rp million	2015 Rp million
US Dollars	12,434	265,785	–	–
Euro	1,326	5,641	–	–
Singapore Dollars	19,692	17,597	14,843	13,392
Others	2,411	1,612	–	–

26. INTEREST-BEARING LOANS AND BORROWINGS

Current loans and borrowings

Description of credit facility	End of availability period	Amount 2016	Amount 2015
Rupiah			
Subsidiaries			
Unsecured facility from PT Bank Mandiri (Persero) Tbk	June 2017	900,000	1,248,000
Unsecured facility from PT Bank Central Asia Tbk	December 2017	325,000	330,000
Secured facilities from PT Bank Rabobank International Indonesia[1) 2)]	July 2017	157,600	157,600
Secured facility from PT Bank DBS Indonesia[2)]	September 2017	700,000	171,000
Secured facility from PT Bank Central Asia Tbk[2)]	March and December 2017	103,000	387,000
Sub-total		2,185,600	2,293,600
US Dollar			
The Company			
Unsecured facility from Sumitomo Mitsui Banking Corporation, Singapore	May 2016	–	1,033,655
Subsidiaries			
Unsecured facility from Citibank N.A., Jakarta	March 2017[1)]	–[3)]	481,101
Sub-total		–	1,514,756
Total short-term loans		2,185,600	3,808,356
Current portion of long-term loans		295,805	590,445
Total		**2,481,405**	**4,398,801**

1) *These credit facilities are denominated in US Dollar currency but can be drawdown in Rupiah currency.*
2) *Corporate guarantee from PT SIMP in proportion to its equity ownership in the respective subsidiary.*
3) *This loan was fully repaid in November 2016 but the credit facility is still available until March 2017.*

Effective interest rates

The short-term loans denominated in Rupiah bear yearly interest rates ranging from 5.65% to 10.75% (2015: 8.50% to 10.75%) for the year ended 31 December 2016. The credit facilities denominated in US Dollar bear interest rates ranging from 1.93% to 2.13% (2015: 1.64% to 2.11%).

Covenants

The above-mentioned credit agreements obtained by the subsidiaries are subject to several negative covenants, include among others, to merge or consolidate with other entity; to change the Constitution; to reduce their share capital; making new investments and capital expenditures in excess of certain thresholds; to sell or dispose off significant portion of their assets used in the operations; as well as granting/obtaining credit facilities to/from other parties which would affect their ability to perform their obligation under the related credit agreements. The subsidiaries are also required to maintain certain financial ratios.

26. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

Compliance with loan covenants

As at 31 December 2016, the Group has complied with all of the covenants of the above-mentioned short-term loans as stipulated in the respective loan agreements. While as of 31 December 2015, the Group has either complied with all of the covenants of the above-mentioned short-term loans as stipulated in the respective loan agreements or obtained necessary waivers as required.

Non-current loans and borrowings

Description of credit facility	Schedule of installment and maturities	Amount 2016	Amount 2015
Rupiah			
Subsidiaries			
Loan for refinancing and investment			
Secured facility from PT Rabobank International Indonesia[1]	Quarterly until December 2017	50,000	75,000
Unsecured facility from PT Bank Permata Tbk	Quarterly until December 2018	7,201	14,475
Secured facility from PT Bank Sumitomo Mitsui Indonesia[1]	March 2019	700,000	–
Secured facility from PT Bank Central Asia Tbk[1]	Quarterly until December 2027	4,434,187	4,212,016
Secured facility from PT Bank Rakyat Indonesia (Persero) Tbk[2]	–	9,746[3]	15,496[3]
Secured facility from PT Bank DBS Indonesia[1]	–	–[4]	136,000
Sub-total		5,201,134	4,452,987
US Dollar			
The Company			
Loans for refinancing and investment			
Unsecured facility from Sumitomo Mitsui Banking Corporation, Singapore	May 2019	1,002,997	–
Subsidiaries			
Loans for refinancing, investment and working capital			
Unsecured facility from Sumitomo Mitsui Banking Corporation, Singapore	October 2018	1,343,600	1,379,500
Secured facility from PT Bank UOB Indonesia (2015: United Overseas Bank Limited, Singapore) [1] [5]	Quarterly until November 2019	362,772	413,850
Secured facility from DBS Bank Ltd., Singapore[1]	–	–[6]	140,709
Sub-total		2,709,369	1,934,059
Total		7,910,503	6,387,046
Less deferred charges on bank loan		68,762	54,798
Less current portion		295,805	590,445
Total		**7,545,936**	**5,741,803**

26. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

[1] *Corporate guarantee from the PT SIMP in proportion to its equity ownership in the subsidiary.*
[2] *For plasma investment credit facilities: land rights under the name of the plasma farmers as the members KUD, plasma plantations and infrastructures, and corporate guarantee from a subsidiary.*
[3] *This loan will be offset with the related plasma receivables when the plasma plantations are handed over to the plasma farmers.*
[4] *This loan was fully repaid in January 2016, earlier than the scheduled payment.*
[5] *In December 2016, United Overseas Bank Limited, Singapore transferred all the outstanding loans and credit facility of a subsidiary to PT Bank UOB Indonesia*
[6] *This loan was fully repaid in December 2016 earlier than the schedule payment.*

Effective interest rates

The long-term loans denominated in US Dollar and Rupiah bear yearly interest rates ranging from 1.57% to 4.28% and 7.66% to 10.80%, respectively, for the year ended 31 December 2016 (2015: 1.57% to 3.41% and from 8.03% to 11.15%).

Covenants

The above-mentioned credit agreements obtained by the Group provides for several negative covenants for the subsidiaries, include among others, to pledge their assets to other parties (except for the existing assets already pledged as at the credit agreement date); to lend money to unaffiliated parties; to merge or consolidate with other entity unless the subsidiaries will be the surviving legal entity; to change the current course of their businesses; to reduce their share capital; making new investments and capital expenditures in excess of certain threshold; to sell or dispose off significant portion of their assets used in the operations in excess of certain thresholds; to change their legal status; to pay dividends exceeding 50% of the previous year net profit; as well as to obtain credit facilities from other parties which would affect their ability to perform their obligation under the related credit agreements. The subsidiaries are also required to maintain certain financial ratios.

Compliance with loan covenants

As at 31 December 2016, the Group has complied with all of the covenants of the above-mentioned short-term loans as stipulated in the respective loan agreements. While as of 31 December 2015, the Group has either complied with all of the covenants of the above-mentioned short-term loans as stipulated in the respective loan agreements or obtained necessary waivers as required.

S$500 million Euro Medium Term Note (the "MTN")

In September 2013, the Company established a 5-year S$500 million Euro MTN Programme. Under the Programme, the Company may from time to time issue notes (the "Notes") in series or tranches. Each series or tranche of Notes may be issued in any currency, in various amounts and tenors, and may bear interest at a fixed, floating, variable or hybrid rates (as applicable), as agreed between the Company and the relevant dealer(s).

As at 31 December 2016 and 2015, the Company has not issued any Notes under the programme.

27. OTHER NON-CURRENT PAYABLES

	Group	
	2016	**2015**
	Rp million	Rp million
Non-current:		
Financial liabilities		
Due to related parties	542,099	338,794
Others	27,680	30,088
Total amount due to related parties and other payables	569,779	368,882
Non-financial liabilities		
Provision for assets dismantling costs	31,086	27,478
Total other non-current payables	600,865	396,360

27. OTHER NON-CURRENT PAYABLES (CONT'D)

The amounts due to related parties represents loans provided to the subsidiaries by their non-controlling shareholders, which are not expected to be repaid within 3 years and unsecured.

Provision for assets dismantling costs

Provision for assets dismantling costs represents estimated liabilities for the costs to dismantle, remove and restore the sites of refinery, fractionation and margarine plants located in Jakarta and Surabaya, Indonesia. Gain/(loss) arising from changes in estimates of provision for asset dismantling costs are presented as part of "Other Operating Income" and "Other Operating Expenses" accounts in profit or loss, as shown in Note 6 and 7. The resulting outflows of economic benefits of this provision are expected to take place in 2019, 2021 and 2032.

The movement in provision for assets dismantling costs is:

		Group	
	Note	**2016** Rp million	**2015** Rp million
Balance at 1 January		27,478	25,198
Changes in present value due to the passage of time and changes in discount rates	7	3,608	2,280
Balance at 31 December		31,086	27,478

28. EMPLOYEE BENEFITS

Certain subsidiaries of the Group have defined benefit retirement plans covering substantially all of their qualified permanent employees.

The Group's contributions to the funds are computed at 10.0% and 7.0% of the basic pensionable income for staff and non-staff employees, respectively.

On top of the benefits provided under the above-mentioned defined benefit retirement plans, the Group has also recorded additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to the qualified employees, as required under the labor law in Indonesia. The amounts of such additional provisions were determined based on actuarial computations prepared by an independent firm of actuaries using the "Projected Unit Credit" method.

		Group	
	Note	**2016** Rp million	**2015** Rp million
Employee benefits expenses (including directors):			
Wages and salaries		2,567,247	2,647,537
Provision for employee benefits		307,019	223,757
Contribution to defined contribution pension plan		19,382	19,369
Training and education		57,917	52,947
	8	2,951,565	2,943,610

As at 31 December 2016, the balance of the related actuarial liability for employee benefits is presented as "Employee benefits liabilities" in the consolidated balance sheet.

28. EMPLOYEE BENEFITS (CONT'D)

Changes in the defined benefit obligations are as follows:

	Group 2016 Rp million	Group 2015 Rp million
Benefit obligation at 1 January	1,744,191	1,803,240
Benefits paid	(72,636)	(82,794)
Changes charged to profit or loss		
Current service cost	148,496	134,062
Past service cost	–	(49,312)
Interest cost on benefit obligations	156,993	144,316
Net actuarial loss/(gain) recognised during the year	1,530	(5,152)
Gains on curtailments and settlements	–	(157)
Sub-total	307,019	223,757
Re-measurement loss/(gain) in other comprehensive income		
Actuarial changes arising from changes in financial assumptions	(2,567)	(135,545)
Experience adjustments	4,212	(64,467)
Sub-total	1,645	(200,012)
Benefit obligation at 31 December	1,980,219	1,744,191

The principal assumptions used in determining post-employment obligations for the Group's plan are as follows:

Annual discount rate	:	8.5% (2015: 9.0%)
Future annual salary increase	:	8.5% (2015: 9.0%)
Annual employee turnover rate	:	6.0% (2015: 6.0%) for employees under the age of 30 years and linearly decrease until 0% at the age of 52 years
Disability rate	:	10% (2015: 10%) from mortality rate
Mortality rate reference	:	Indonesian Mortality Table ("IMT") 2011 (2015: IMT 2011)
Retirement age	:	55 years (2015: 55 years)

Sensitivity analysis to the principal assumptions used in determining employee benefits obligations are as follows:

	Quantitative sensitivity analysis	
Assumptions	**Increase / (decrease)**	**(Decrease) / increase in the net employee benefits liabilities** Rp million
31 December 2016		
Annual discount rate	100/ (100) basis points	(151,372) / 172,596
Future annual salary increase	100/ (100) basis points	178,069 / (157,727)
31 December 2015		
Annual discount rate	100/ (100) basis points	(136,363) / 155,459
Future annual salary increase	100/ (100) basis points	156,887 / (139,421)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

28. EMPLOYEE BENEFITS (CONT'D)

The following payments are expected contributions to the defined benefit plan obligation in future years:

	2016 Rp million	2015 Rp million
Within the next 12 months	93,548	70,053
Between 1 and 2 years	170,630	88,452
Between 2 and 5 years	297,723	855,217
Beyond 5 years	16,518,745	21,191,564
Total expected payments	17,080,646	22,205,286

The average duration of the defined benefit plan obligation at the end of the reporting period is 12.3 years (2015: 13.4 years).

29. SHARE CAPITAL AND TREASURY SHARES

(a) *Share capital*

	Group			
	2016		2015	
	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	1,447,782,830	3,584,279	1,447,782,830	3,584,279

	Company			
	2016		2015	
	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	1,447,782,830	10,912,411	1,447,782,830	10,912,411

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote per share without restriction. The ordinary share has no par value.

(b) *Treasury shares*

	Company			
	2016		2015	
	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	51,878,300	390,166	51,878,300	390,166

Treasury shares relate to ordinary shares of the Company that is held by the Company.

In 2015, the Company acquired 21,378,000 treasury shares in the share capital of the Company by way of market purchases on the SGX-ST. The shares were purchased for Rp151.9 billion and is presented as a component within shareholders' equity.

30. RESERVES

(a) ***Revenue reserves***

	Company 2016 Rp million	Company 2015 Rp million
Retained earnings :		
Balance at 1 January	769,401	700,244
Dividends	(68,288)	(71,873)
Profit for the year	84,125	141,030
Balance at 31 December	785,238	769,401

(b) ***Other reserves***

	Company 2016 Rp million	Company 2015 Rp million
Other reserves:		
Balance at 1 January and 31 December	144,152	144,152

Other reserve of the Company pertains to the gain on sale of treasury shares in the previous financial year.

Movement in the reserves of the Group are shown in the Consolidated statement of changes in equity.

(c) ***Dividends***

	Company 2016 Rp million	Company 2015 Rp million
Declared and paid during year:		
Dividends on ordinary shares:		
– Final tax exempt (one-tier) dividend for 2015: 0.50 Singapore cents (2014: 0.52 Singapore cents) per share	68,288	71,873
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the forthcoming AGM:		
– Final tax exempt (one-tier) dividend for 2016: 0.65 Singapore cents (2015: 0.50 Singapore cents) per share	84,373	68,057

31. COMMITMENTS AND CONTINGENCIES

(a) Plasma receivables

The Indonesian government requires oil palm plantation companies to develop new plantations together with the local small landholders. This form of assistance to local small landholders is generally known as the "Plasma Scheme". Once developed, the plasma plantations are transferred to the small landholders who then operate the plasma plantations under the supervision of the developer. In line with this requirement, certain subsidiary companies of the Group have commitments to develop plantations under the Plasma Scheme. The funding for the development of the plantations under the Plasma Scheme is provided by the designated banks and/or by the subsidiary companies. This includes the subsidiary companies providing corporate guarantees for the loans advanced by the banks.

When the plasma plantations start to mature, the plasma farmers are obliged to sell all their harvests to the subsidiary companies and a portion of the resulting proceeds will be used to repay the loans from the banks or the subsidiary companies. In situations where the sales proceeds are insufficient to meet the repayment obligations to the banks, the subsidiary companies also provide temporary funding to the plasma farmers to develop the plasma plantations and to repay the instalment and interest payments to the banks. The plasma farmers will repay the temporary funding to the subsidiary companies once the plantations have positive cash flows.

The loans advanced by the banks under the Plasma Scheme are secured by the sales proceeds of fresh fruit bunches ("FFB") of the respective plasma plantations and corporate guarantees from certain subsidiary companies for a maximum amount of Rp805.3 billion (2015: Rp941.1 billion) as at 31 December 2016.

The Group recorded an allowance for uncollectible plasma receivables in its consolidated balance sheet amounting to Rp153.1 billion (2015: Rp160.1 billion). Based on a review of the plasma receivables of each project as at 31 December 2016, management believes that the above-mentioned allowance for uncollectible plasma receivables is sufficient to cover possible losses arising from the uncollectible plasma receivables.

An analysis of the movement in allowance for uncollectible plasma receivables is as follows:

	Group	
	2016 Rp million	**2015** Rp million
At 1 January	160,135	160,931
Write-off	–	(561)
Reversal of allowance	(7,022)	(235)
At 31 December	153,113	160,135

31. COMMITMENTS AND CONTINGENCIES (CONT'D)

(a) *Plasma receivables (cont'd)*

The accumulated development costs net of funds received are presented as Plasma receivables in the consolidated balance sheet and in the Plantations segment. An analysis of the movement in the plasma receivables is as follows:

	Note	Group 2016 Rp million	Group 2015 Rp million
Balance at 1 January		795,633	625,598
Allowance for uncollectible and loss arising from changes in amortised costs of plasma receivables		(7,118)	(42,378)
Additional net investment		189,696	182,062
Reclassifications		100,801	30,351
Balance at 31 December	21,23	1,079,012	795,633

(b) *Operating lease commitments*

As lessee

The Group has entered into commercial leases to lease land and buildings, equipment and transportation equipment. These non-cancellable operating leases have remaining lease terms from 1 to 3 years. Operating lease payments recognised in the statement of comprehensive income in 2016 amounted to Rp22.1 billion (2015: Rp17.1 billion).

Future minimum lease payments under non-cancellable operating leases at the end of the reporting period are as follows:

	2016 Rp million	2015 Rp million
Within one year	15,117	19,533
After one year but not more than five years	241	7,979
	15,358	27,512

As lessor

The Group has entered into a short-term commercial lease on its storage tanks. Operating lease income recognised in the Consolidated statement of comprehensive income for the financial year ended 31 December 2016 amounted to Rp4.3 billion (2015: Rp9.1 billion).

31. COMMITMENTS AND CONTINGENCIES (CONT'D)

(c) *Sales commitments*

As at 31 December 2016, the Group has sales commitments to deliver the following products to local and overseas customers within the next three months:

	2016 (Tonnes)	2015 (Tonnes)
Palm products	37,053	46,636
Rubber	1,143	595
Tea	137	126
Cocoa	129	143
Total	38,462	47,500

As at 31 December 2016, Lonsum also has sales commitments to deliver 122,225 (2015: 1,075,153) of oil palm seeds to third party domestic customers within one month after the reporting date.

(d) *Commitments for capital expenditures*

As of 31 December 2016, capital expenditure contracted for but not recognised in the financial statements relating to purchase of property, plant and equipment as well as development of plantations amounting to Rp471 billion, US$5.1 million, and JP¥ 23.5 million, and EUR 233,090 (2015: Rp806 billion, US$7.9 million, and JP¥ 58.4 million).

(e) *Settlement of contracts*

In 2008, a subsidiary entered into a Supply Agreement with a contractor in China to supply machinery and equipments for a sugar factory with a contract value of US$84.3 million. The subsidiary also entered into a Construction Agreement with a contractor under the same group to construct a sugar factory with a contract value of US$33.7 million.

The contractor failed to fulfill its obligations under the Construction Agreement, forcing the subsidiary to perform remedial works to make the plant ready for use up to the intended capacity. In December 2016, the subsidiary and the contractors agreed to offset the claim receivables arising from the said remedial works with the related retention payables by the subsidiary, the net difference of Rp107.3 billion was recorded as part of "Other Operating Income" in Note 6.

32. RELATED PARTY TRANSACTIONS

In addition to those related party information disclosed elsewhere in the relevant notes to the consolidated financial information, the following transactions between the Group and related parties took place during the financial year at terms agreed between the parties during the financial year:

Nature of transactions	Year	A shareholder of the Group Rp million	Related companies Rp million	Other related parties Rp million
Sales of goods	2016	1,587	3,424,550	1,151,516
	2015	1,179	3,010,599	842,030
Purchases of packaging materials	2016	–	114,150	–
	2015	–	62,133	–
Purchases of services, transportation equipment and spare parts	2016	–	9,351	17,710
	2015	–	9,009	22,850
Royalty fee expenses	2016	7,181	–	–
	2015	6,107	–	–
Pump services expenses	2016	–	–	8,216
	2015	–	–	5,828
Rental expenses	2016	–	–	57,431
	2015	–	–	34,349
Insurance expenses	2016	–	–	26,739
	2015	–	–	32,466
Other operating income	2016	–	3,687	50
	2015	–	3,981	50

Compensation of key management personnel of the Group

	2016 Rp million	2015 Rp million
Salaries and short-term employee benefits	189,694	177,661
Termination benefits	1,553	10,976
Post-employment benefits	9,243	15,211
Total compensation paid to the key management personnel	200,490	203,848
Comprise amounts paid to :		
– Directors of the Company	74,639	79,689
– Other key management personnel	125,851	124,159
	200,490	203,848

33. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

The Group measures non-financial assets, such as biological assets, at fair value at each reporting date.

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

– Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following table provides the fair value hierarchy of the Group's assets and liabilities in accordance with the level of inputs to valuation techniques used to measure fair value:

	Quoted prices in active markets for identical assets (Level 1) Rp million	Significant other observable inputs (Level 2) Rp million	Significant unobservable inputs (Level 3) Rp million
As at 31 December 2016			
Recurring fair value measurements			
Biological assets- timber plantations (Note 13)	–	–	325,102
Biological assets- agriculture produce (Note 13)	–	217,837	246,885
Available-for-sale financial asset (Note 21)	–	–	60,027
As at 31 December 2015			
Recurring fair value measurements			
Biological assets- timber plantations (Note 13)	–	–	360,802
Biological assets- agriculture produce (Note 13)	–	26,686	165,308

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

33. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) *Valuation policy*

The Group's financial reporting team in charge of valuation ("Valuation Team") determines the policies and procedures for recurring fair value measurement, such as biological assets and fair value (less costs of disposal) of CGUs (for goodwill impairment test purpose).

External valuers are involved for valuation of significant assets. Involvement of external valuers is decided annually by the Valuation Team after discussion with and approval by the Group's executive directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Valuation Team decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use.

The Valuation Team, in conjunction with the Group's external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable. On an interim basis, the Valuation Team and the Group's external valuers present the valuation results to the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations as well as the integrity of the model and reasonableness of the key inputs.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(c) *Financial instruments carried at fair value or amortised cost*

Plasma receivables and long-term loans to employees are carried at amortised cost using the effective interest method and the discount rates used are the current market incremental lending rate for similar types of lending. The effective yearly interest rates were ranging from 7.58% to 12.00% (2015: 8.74% to 12.00%) for the year ended 31 December 2016.

The fair value of available-for-sale financial asset was estimated using income approach based on discounted cash flows of Heliae for five years plus terminal value after the forecast period.

The significance of the unobservable inputs used in the fair value measurement of available-for-sale financial asset is categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2016 are as shown below:

		Sensitivity analysis	
Unobservable inputs	**Quantitative inputs**	**Sensitivity used**	**Increase/(decrease) to fair value** Rp million
Discount rate	14.44%	50 basis points	(9,800)/10,760
Growth rate after forecast period	2.20%	5 basis points	763/(757)

The carrying amounts of cash and cash equivalents, current trade and other receivables, current trade and other payables and accruals, and current/short-term bank loans and borrowings are the approximations of their fair values because they are mostly short-term in nature.

The carrying amounts of long-term loans and borrowings and due to related parties with floating interest rates are the approximations of their fair values as they are re-priced frequently.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, market risk (including currency risk and commodity price risk), credit risk and liquidity risk. The Audit and Risk Management Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in financial instruments shall be undertaken.

The following sections provide details regarding the Group and Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk mainly arises from loans and borrowings for working capital and investment purposes. There are no loans and borrowings of the Group at fixed interest rates.

For working capital loans and borrowings, the Group may seek to mitigate its interest rate risk by passing it on to its customers.

Sensitivity analysis for interest rate risk

As at 31 December 2016, had the interest rates of the loans and borrowings been 50 basis points higher/lower (2015: 50 basis points higher/lower) with all other variables held constant, profit before tax for the year ended 31 December 2016 would have been Rp8.2 billion (2015: Rp6.1 billion) lower/higher accordingly, mainly as a result of higher/lower interest charge on the loans and borrowings with floating interest rates.

(b) Foreign currency risk

The Group's reporting currency is Indonesian Rupiah. The Group faces foreign exchange risk as its borrowings, export sales and the costs of certain key purchases which are either denominated in the United States dollars or whose price is significantly influenced by their benchmark price movements in foreign currencies (mainly US Dollar) as quoted on international markets. To the extent that the revenue and purchases of the Group are denominated in currencies other than Indonesian Rupiah, and are not evenly matched in terms of quantum and/or timing, the Group has exposure to foreign currency risk.

The Group does not have any formal hedging policy for foreign exchange exposure. Whenever possible, the Group seeks to maintain a natural hedge through the matching of liabilities against assets in the same currency to minimise foreign exchange exposure.

As at 31 December 2016, had the exchange rate of Rupiah against US Dollar depreciated/appreciated by 10% (2015: 10%) with all other variables held constant, profit before tax for the year ended 31 December 2016 would have been Rp218.4 billion (2015: Rp308.6 billion) lower/higher, mainly as a result of foreign exchanges gains/losses on the translation of cash and cash equivalents, trade receivables, interest-bearing loans and borrowings and trade payables denominated in US Dollar.

(c) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of the Group's financial instrument will fluctuate because of changes in market prices. The Group is exposed to commodity price risk due to certain factors, such as weather, government policy, level of demand and supply in the market and the global economic environment. Such exposure mainly arises from its purchase of CPO where the profit margin on sale of its finished products may be affected if the cost of CPO (which is the main raw material used in the refinery plants to manufacture cooking oils and fats products) increases and the Group is unable to pass such cost increases to its customers.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Commodity price risk (cont'd)

During 2016 and 2015, it is, and has been, the Group's policy that no hedging in financial instruments shall be undertaken.

The Group's policy is to minimise the risks of its raw material costs arising from the fluctuations in the commodity prices by increasing self-sufficiency in CPO for the refinery operations (through the purchase of CPO from the Group's own plantations).

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group has credit risk arising from the credit granted to its customers and plasma farmers and placement of current accounts and deposits in the banks.

Other than as disclosed below, the Group has no concentration of credit risk.

Cash and cash equivalents

Credit risk arising from placements of current accounts and deposits is managed in accordance with the Group's policy. Such limits are set to minimise the concentration of credit risk and therefore mitigate financial loss through potential failure of the banks.

Trade receivables

The Group has policies in place to ensure that sales of products are made only to creditworthy customers with proven track record or good credit history. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. For export sales, the Group requires cash against the presentation of documents of title. For domestic sales, the Group may grant its customers credit terms from 1 to 35 days from the issuance of invoice. The Group has policies that the limit amount of credit exposure to any particular customer, such as, requiring sub-distributors to provide bank guarantees. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts.

When a customer fails to make payment within the credit terms granted, the Group will contact the customer to act on the overdue receivables. If the customer does not settle the overdue receivable within a reasonable time, the Group will proceed to commence legal proceedings. Depending on the Group's assessment, specific provisions may be made if the debt is deemed uncollectible. To mitigate credit risk, the Group will cease the supply of all products to customers in the event of late payment and/or default. See Note 23 for details.

Plasma Receivables

As disclosed in Notes 2.9 and 31(a), plasma receivables represent costs incurred for plasma plantation development which include costs for plasma plantations funded by the banks and temporarily self funded by the subsidiaries awaiting banks' funding.

Plasma receivables also include advances to plasma farmers for topping up loan instalments to the banks, advances for fertilisers and other agriculture supplies. These advances shall be reimbursed by the plasma farmers and the collateral in form of titles of ownership of the plasma plantations will be handed over to the plasma farmers once the plasma receivables have been fully repaid.

The Group through partnership scheme also provides technical assistance to the plasma farmers to maintain the productivity of plasma plantations as part of the Group's strategy to strengthen relationship with plasma farmers which is expected to improve the repayments of plasma receivables.

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of maturities in its financial assets and liabilities. The Group manages its liquidity profile to be able to finance its capital expenditure and service its maturing debts by maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and borrowings and equity market issues.

The table below summarises the maturity profile of the Group's financial liabilities at the end of reporting period based on contractual undiscounted repayment obligations:

	One year or less Rp million	**One to five years** Rp million	**More than 5 years** Rp million	**Total** Rp million
Group				
As at 31 December 2016				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	117,914	5,180,930	3,627,536	8,926,380
Other payables (non-current)	31,139	604,377	–	635,516
Trade and other payables and accruals	1,278,499	–	–	1,278,499
Current interest-bearing loans and borrowings	3,047,763	1,002,997	–	4,050,760
Total undiscounted financial liabilities	4,475,315	6,788,304	3,627,536	14,891,155
As at 31 December 2015				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	83,298	6,168,108	750,870	7,002,276
Other payables (non-current)	369,015	–	–	369,015
Trade and other payables and accruals	1,589,009	–	–	1,589,009
Current interest-bearing loans and borrowings	4,951,167	–	–	4,951,167
Total undiscounted financial liabilities	6,992,489	6,168,108	750,870	13,911,467

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Liquidity risk (cont'd)

Undiscounted loans and borrowings with floating rates had been determined with reference to the applicable rates as at balance sheet dates.

	One year or less Rp million	**One to five years** Rp million	**More than 5 years** Rp million	**Total** Rp million
Company				
As at 31 December 2016				
Financial liabilities:				
Trade and other payables and accruals	14,843	–	–	14,843
Current interest-bearing loans and borrowings	6,368	1,002,997	–	1,009,365
Total undiscounted financial liabilities	21,211	1,002,997	–	1,024,208
As at 31 December 2015				
Financial liabilities:				
Trade and other payables and accruals	13,392	–	–	13,392
Current interest-bearing loans and borrowings	1,044,222	–	–	1,044,222
Total undiscounted financial liabilities	1,057,614	–	–	1,057,614

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

Certain subsidiary companies are required to comply with loan covenants imposed by their lenders, such as maintaining the level of existing share capital. This externally imposed requirement has been complied with by the relevant subsidiary companies for the financial year ended 31 December 2016 and 2015. Additionally, certain subsidiary companies in Indonesia are required by the Corporate Law to maintain a non-distributable reserve until it reaches 20% of the issued and paid share capital. This externally imposed capital requirement will be complied by the relevant subsidiary companies by their next annual general meeting.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

The Group monitors capital using gearing ratios, by dividing net loans and borrowings with total equity. The Group's policy is to keep the gearing ratio within the range of gearing ratios of leading companies in similar industry in Indonesia in order to secure access to finance at a reasonable cost.

35. CAPITAL MANAGEMENT (CONT'D)

	2016 Rp million	2015 Rp million (Restated)
Non-current interest-bearing loans and borrowings	7,545,936	5,741,803
Current interest-bearing loans and borrowings	2,481,405	4,398,801
	10,027,341	10,140,604
Less : Cash and cash equivalents	(2,404,838)	(1,969,100)
Net debts	7,622,503	8,171,504
Total equity	20,878,052	20,179,848
Gearing ratio	37%	40%

36. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

Plantations segment

Plantations segment is mainly involved in the development and maintenance of oil palm, rubber and sugar cane plantations and other business activities relating to palm oil, rubber and sugar cane processing, marketing and selling. This segment is also involved in the cultivation of cocoa, coconut, tea and industrial timber plantations.

Edible oils and fats segment

Edible oils and fats segment produces, markets and sells edible oil, margarine, shortening and other related products and its derivative products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income), foreign exchange gains/losses and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between business segments are based on terms agreed between the parties. Segment revenues, segment expenses and segment results include transfers between business segments. Those transfers are eliminated for purposes of consolidation.

Others/eliminations for segment assets and liabilities relates primarily to eliminations between inter-segment receivables and payable, and the Company's asset and liabilities.

36. SEGMENT INFORMATION (CONT'D)

The following table presents revenue and profit and certain asset and liability information regarding the Group's business segments:

Business segments

	Plantations	Edible oils and fats	Others/ eliminations	Total
	Rp million	Rp million	Rp million	Rp million
Year ended 31 December 2016				
Revenue				
Sales to external customers	4,964,597	9,566,341	–	14,530,938
Inter-segment sales	4,111,365	43,080	(4,154,445)	–
Total sales	9,075,962	9,609,421	(4,154,445)	14,530,938
Share of results of associate companies	(50,840)	–	(16,560)	(67,400)
Share of results of a joint venture	–	–	(33,109)	(33,109)
Segment results	2,156,075	257,058	(143,777)	2,269,356
Net finance expense				(573,494)
Foreign exchange gain				94,188
Profit before tax				1,689,541
Income tax expense				(897,252)
Net profit for the year				792,289
Assets and liabilities				
Segment assets	27,418,240	3,683,555	478,077	31,579,872
Goodwill	3,253,637	–	–	3,253,637
Prepaid taxes				251,107
Deferred tax assets				1,240,194
Claims for tax refund				178,704
Total assets				36,503,514
Segment liabilities	3,223,751	1,897,839	(856,219)	4,265,371
Unallocated liabilities				10,296,442
Deferred tax liabilities				848,134
Income tax payable				215,515
Total liabilities				15,625,462
Other segment information:				
Investment in associate companies	493,028	–	509,219	1,002,247
Capital expenditure	1,546,081	39,714	31	1,585,826
Depreciation and amortisation	1,280,543	117,957	3,687	1,402,187
Loss from changes in fair value of biological assets	219,000	–	–	219,000
Provision for employee benefits	256,354	50,663	–	307,017

36. SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

	Plantations Rp million (Restated)	Edible oils and fats Rp million (Restated)	Others/ eliminations Rp million (Restated)	Total Rp million (Restated)
Year ended 31 December 2015				
Revenue				
Sales to external customers	5,418,895	8,416,549	–	13,835,444
Inter-segment sales	3,730,115	2,849	(3,732,964)	–
Total sales	9,149,010	8,419,398	(3,732,964)	13,835,444
Share of results of associate companies	(55,442)	–	(4,691)	(60,133)
Share of results of a joint venture	–	–	(171,889)	(171,889)
Segment results	1,244,868	227,572	(49,038)	1,423,402
Net finance expense				(572,749)
Foreign exchange losses				(289,887)
Profit before tax				328,744
Income tax expense				(292,140)
Net profit for the year				36,604
Assets and liabilities				
Segment assets	26,388,832	3,513,977	374,235	30,277,044
Goodwill	3,253,637	–	–	3,253,637
Prepaid taxes				221,972
Deferred tax assets				1,378,386
Claims for tax refund				155,812
Total assets				35,286,851
Segment liabilities	3,105,147	1,940,172	(922,677)	4,122,642
Unallocated liabilities				10,175,743
Deferred tax liabilities				773,739
Income tax payable				34,879
Total liabilities				15,107,003
Other segment information:				
Investment in associate companies	662,994	–	554,286	1,217,280
Capital expenditure	2,369,206	51,430	14	2,420,650
Depreciation and amortisation	1,192,578	119,445	3,678	1,315,701
Loss from changes in fair value of biological assets	9,338	–	–	9,338
Provision for employee benefits	173,092	50,665	–	223,757

36. SEGMENT INFORMATION (CONT'D)

Geographical segments

The following table presents sales to customers based on the geographical location of the customers:

	2016 Rp million	2015 Rp million
Region		
Indonesia	13,515,784	12,649,116
Singapore	197,085	410,142
China	363,225	278,578
Nigeria	114,161	153,435
Malaysia	23,619	22,801
Philippines	44,339	53,759
Timor Leste	68,744	68,031
Others (each below Rp50.0 billion)	203,981	199,582
Segment revenue	14,530,938	13,835,444

The Group's capital expenditure and segment assets are primarily incurred and located in Indonesia.

37. COMPARATIVE FIGURES

The comparative figures have been restated upon the adoption of Amendments to FRS 16 and FRS 41 Agriculture: bearer plants which took effect from 1 January 2016 as disclosed in Note 2.2 and some reclassifications to conform to full year's presentation. The impact to the Group's financial statements line items from the retrospective application and reclassifications are per below:

Statement of comprehensive income	As restated FY15 Rp million	As previously reported FY15 Rp million
Cost of sales	(10,866,885)	(10,484,949)
Other operating income	110,147	131,828
Other operating expenses	(160,556)	(185,424)
Financial income	121,401	140,848
Gain/ (loss) arising from changes in fair values of biological assets	9,338	(19,851)
Income tax expense	(292,140)	(398,977)

37. COMPARATIVE FIGURES (CONT'D)

Balance Sheet	As restated 31/12/2015 Rp million	As previously reported 31/12/2015 Rp million	As restated 01/01/2015 Rp million	As previously reported 01/01/2015 Rp million
Non-current assets				
Biological assets	360,802	15,878,940	305,299	15,060,646
Property, plant and equipment	21,401,503	11,496,484	20,478,282	11,026,669
Deferred tax assets	1,378,386	1,390,334	1,141,028	1,152,977
Current assets				
Biological assets	191,994	–	232,165	–
Non-current liabilities				
Deferred tax liabilities	773,739	2,140,966	719,283	1,999,124
Equity				
Revenue reserves	7,613,506	10,743,482	7,642,884	10,666,852
Other reserves	473,237	452,154	640,116	615,829
Non-controlling interests	8,898,992	9,855,945	8,284,458	9,088,455

38. EVENT OCCURRING AFTER THE REPORTING PERIOD

On 2 February 2017, a subsidiary of the Group, PT SIMP entered into a "Joint Venture Agreement" with a third party, Daitocacao Co., Ltd., to establish PT Indoagri Daitocacao ("Indoagri Daitocacao") under the laws of Indonesia with the percentage of ownership at 51% and 49% respectively. The principal activities of Indoagri Daitocacao are those relating to manufacturing and marketing of chocolate for industrial use. The total authorised capital amounted to US$60,000,000 and the paid up capital amounted to US$32,000,000, consist of 320,000 shares at the nominal value of US$10 per share.

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 17 March 2017.

Interested Person Transactions

Interested person transactions ("IPT') carried out during the financial year ended 31 December 2016 pursuant to the Shareholders' Mandate obtained under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") by the Group are as follows:

	Aggregate value of all Interested person transactions (excluding transactions less than S$100,000)	
Name of Interested Person	Rp 'billion	USD 'million
PT ISM Group		
• Sales of cooking oil, margarine and others	3,430	–
• Purchase of goods and services	129	–
Salim Group		
• Sales of cooking oil, seeds and material	1,166	–
• Purchases of goods and services	529	–
• Shareholder loans	1,398	–
• Corporate guarantees	3,094	18

Save as disclosed above, there were no additional Interested Person Transactions (excluding transactions of less than S$100,000 each) entered into during the financial year under review pursuant to Rule 907 of the Listing Manual of the SGX-ST.

Plantation Locations

No.	Company	Estate Name	District	Province	Description
1	Salim Ivomas Pratama Tbk	Kayangan	Rokan Hilir	Riau	Oil Palm
		Kencana	Rokan Hilir	Riau	Oil Palm
		Sungai Dua	Rokan Hilir	Riau	Oil Palm
		Balam	Rokan Hilir	Riau	Oil Palm
2	Cibaliung Tunggal Plantations	Cibaliung	Rokan Hilir	Riau	Oil Palm
3	Gunung Mas Raya	Sungai Rumbia 1	Rokan Hilir	Riau	Oil Palm
		Sungai Rumbia 2	Rokan Hilir	Riau	Oil Palm
		Sungai Bangko 1	Rokan Hilir	Riau	Oil Palm
4	Indriplant	Napal	Indragiri Hulu	Riau	Oil Palm
5	Serikat Putra	Lubuk Raja	Pelalawan	Riau	Oil Palm
		Bukit Raja	Pelalawan	Riau	Oil Palm
6	Mentari Subur Abadi	Muara Merang	Musi Banyuasin	South Sumatra	Oil Palm
		Mangsang	Musi Banyuasin	South Sumatra	Oil Palm
		Karang Agung	Musi Banyuasin	South Sumatra	Oil Palm
		Hulu Merang	Musi Banyuasin	South Sumatra	Oil Palm
7	Swadaya Bhakti Negaramas	Pulai Gading	Musi Banyuasin	South Sumatra	Oil Palm
		Muara Medak	Musi Banyuasin	South Sumatra	Oil Palm
8	Sarana Inti Pratama	Lindai	Kampar	Riau	Oil Palm (Breeding)
9	Citranusa Intisawit	Kedukul	Sanggau	West Kalimantan	Oil Palm
10	Kebun Ganda Prima	Kembayan	Sanggau	West Kalimantan	Oil Palm
11	Riau Agrotama Plantation	Nanga Silat	Kapuas Hulu	West Kalimantan	Oil Palm
		Kapuas	Kapuas Hulu	West Kalimantan	Oil Palm
12	Citra Kalbar Sarana	Sepauk	Sintang	West Kalimantan	Oil Palm
13	Jake Sarana	Sekubang	Sintang	West Kalimantan	Oil Palm
14	Agrosubur Permai	Manis	Kapuas	Central Kalimantan	Oil Palm
15	Kebun Mandiri Sejahtera	Mariangau	Pasir Utara	East Kalimantan	Oil Palm
		Penajam	Pasir Utara	East Kalimantan	Rubber
16	Gunta Samba	Ampanas	Kutai Timur	East Kalimantan	Oil Palm
		Pengadan	Kutai Timur	East Kalimantan	Oil Palm
		Elang	Kutai Timur	East Kalimantan	Oil Palm
17	Multi Pacific International	Peridan	Kutai Timur	East Kalimantan	Oil Palm
		Kerayaan	Kutai Timur	East Kalimantan	Oil Palm
		Cipta Graha	Kutai Timur	East Kalimantan	Oil Palm
		Muara Bulan	Kutai Timur	East Kalimantan	Oil Palm
		Baay	Kutai Timur	East Kalimantan	Oil Palm
18	Mitra Intisejati Plantation	Bengkayang	Sambas	West Kalimantan	Oil Palm
19	Hijaupertiwi Indah Plantations	Lupak Dalam	Kapuas	Central Kalimantan	Oil Palm
		Bunga Tanjung	Kapuas	Central Kalimantan	Oil Palm
		Kuala Kapuas	Kapuas	Central Kalimantan	Oil Palm
20	Cangkul Bumisubur	Bumi Subur	Musi Banyuasin	South Sumatra	Oil Palm
		Bukit Indah	Musi Banyuasin	South Sumatra	Oil Palm
21	Pelangi Intipertiwi	Mancang	Musi Banyuasin	South Sumatra	Oil Palm
22	Intimegah Bestari Pertiwi	Sungai Ampalau	Musi Banyuasin	South Sumatra	Oil Palm
		Megah Abadi	Musi Banyuasin	South Sumatra	Oil Palm
23	PP London Sumatra Indonesia Tbk	Begerpang	Deli Serdang	North Sumatra	Oil Palm
		Sei Merah	Deli Serdang	North Sumatra	Oil Palm
		Rambong Sialang	Serdang Bedagai	North Sumatra	Oil Palm
		Bungara	Langkat	North Sumatra	Oil Palm
		Turangie	Langkat	North Sumatra	Oil Palm

No.	Company	Estate Name	District	Province	Description
23	PP London Sumatra Indonesia Tbk	Pulo Rambong	Langkat	North Sumatra	Oil Palm
		Bah Lias	Simalungun	North Sumatra	Oil Palm & Cocoa
		Bah Bulian	Simalungun	North Sumatra	Oil Palm
		Dolok	Batubara	North Sumatra	Oil Palm
		Gunung Malayu	Asahan	North Sumatra	Oil Palm
		Sibulan	Serdang Bedagai	North Sumatra	Oil Palm & Rubber
		Sei Rumbiya	Labuhan Batu Selatan	North Sumatra	Oil Palm & Rubber
		Tirta Agung	Musi Banyuasin	South Sumatra	Oil Palm
		Budi Tirta	Musi Banyuasin	South Sumatra	Oil Palm
		Suka Damai	Musi Banyuasin	South Sumatra	Oil Palm
		Sei Punjung	Musi Banyuasin	South Sumatra	Oil Palm
		Suka Bangun	Musi Banyuasin	South Sumatra	Oil Palm
		Bangun Harjo	Musi Banyuasin	South Sumatra	Oil Palm
		Riam Indah	Musi Rawas Utara	South Sumatra	Oil Palm
		Sei Lakitan	Musi Rawas & Musi Rawas Utara	South Sumatra	Oil Palm
		Sei Gemang	Musi Rawas Utara	South Sumatra	Oil Palm
		Gunung Bais	Musi Rawas	South Sumatra	Oil Palm
		Mentari Kulim	Musi Rawas	South Sumatra	Oil Palm
		Kelingi Lestari	Musi Rawas	South Sumatra	Oil Palm
		Sei Kepayang	Musi Rawas Utara	South Sumatra	Oil Palm
		Ketapat Bening	Musi Rawas Utara	South Sumatra	Oil Palm
		Belani Elok	Musi Rawas Utara	South Sumatra	Oil Palm
		Batu Cemerlang	Musi Rawas Utara	South Sumatra	Oil Palm
		Bukit Hijau	Musi Rawas Utara	South Sumatra	Oil Palm
		Terawas Indah	Musi Rawas	South Sumatra	Oil Palm
		Arta Kencana	Lahat	South Sumatra	Oil Palm
		Kencana Sari	Lahat	South Sumatra	Oil Palm
		Isuy Makmur	Kutai Barat	East Kalimantan	Oil Palm
		Pahu Makmur	Kutai Barat	East Kalimantan	Oil Palm
		Kedang Makmur	Kutai Barat	East Kalimantan	Oil Palm
		Jelau Makmur	Kutai Barat	East Kalimantan	Oil Palm
		Seniung Makmur	Kutai Barat	East Kalimantan	Oil Palm
		Tanjung Makmur	Kutai Barat	East Kalimantan	Oil Palm
		Tulung Gelam	Ogan Komering Ilir	South Sumatra	Rubber
		Kubu Pakaran	Ogan Komering Ilir	South Sumatra	Rubber
		Bebah Permata	Ogan Komering Ilir	South Sumatra	Rubber
		Balombissie	Bulukumba	South Sulawesi	Rubber
		Palang Isang	Bulukumba	South Sulawesi	Rubber
		Pungkol	Minahasa	North Sulawesi	Cocoa
		Kertasarie	Bandung	West Java	Tea
		Treblasala	Banyuwangi	East Java	Cocoa
24	Lajuperdana Indah	Komering Sugar	Ogan Komering Ulu Timur	South Sumatra	Sugar Cane
25	Madusari Lampung Indah	Madusari	Ogan Komering Ulu Timur	South Sumatra	Sugar Cane
26	Sumatindo Alam Lestari	–	Berau/Kutai Timur	East Kalimantan	Industrial Timber
27	Wana Kaltim Lestari	–	Berau	East Kalimantan	Industrial Timber

STATISTICS OF SHAREHOLDINGS

As at 15 March 2017

Number of Issued Shares	:	1,447,782,830
Number of Issued Shares (excluding Treasury Shares)	:	1,395,904,530 ordinary shares
Number/Percentage of Treasury Shares	:	51,878,300 (3.58%)
Class of Shares	:	Ordinary Shares
Voting Rights (excluding Treasury Shares)	:	1 vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 – 99	17	0.22	291	0.00
100 – 1,000	701	8.84	462,748	0.03
1,001 – 10,000	4,451	56.16	26,371,060	1.89
10,001 – 1,000,000	2,733	34.48	125,160,062	8.97
1,000,001 and above	24	0.30	1,243,910,369	89.11
Total excluding treasury shares	**7,926**	**100.00**	**1,395,904,530**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NUMBER OF SHARES	%**
1	UOB KAY HIAN PRIVATE LIMITED	1,021,665,430	73.19
2	CITIBANK NOMINEES SINGAPORE PTE LTD	66,791,153	4.78
3	HSBC (SINGAPORE) NOMINEES PTE LTD	33,418,609	2.39
4	DBS NOMINEES (PRIVATE) LIMITED	23,793,254	1.70
5	RAFFLES NOMINEES (PTE) LIMITED	18,202,133	1.30
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	14,956,116	1.07
7	DBSN SERVICES PTE. LTD.	7,427,461	0.53
8	PHILLIP SECURITIES PTE LTD	7,071,891	0.51
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,722,862	0.48
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	6,487,000	0.46
11	CIMB SECURITIES (SINGAPORE) PTE. LTD.	5,263,963	0.38
12	OCBC SECURITIES PRIVATE LIMITED	5,070,915	0.36
13	NOMURA SINGAPORE LIMITED	4,305,000	0.31
14	CILIANDRA FANGIONO OR FANG ZHIXIANG	3,848,000	0.28
15	DB NOMINEES (SINGAPORE) PTE LTD	3,406,846	0.24
16	SCS TRUST PTE LTD	3,000,000	0.21
17	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,059,700	0.15
18	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	2,013,400	0.14
19	RHB SECURITIES SINGAPORE PTE. LTD.	1,836,100	0.13
20	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	1,564,936	0.11
	Total	**1,238,904,769**	**88.72**

** *Percentage is calculated based on 1,395,904,530 (excluding treasury shares of the Company).*

LIST OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

Name of Substantial Shareholder	Number of shares held			
	Direct Interest	Deemed Interest	Total Interest	Shareholding %**
Indofood Singapore Holdings Pte. Ltd. ("**ISHPL**")	998,200,000	–	998,200,000	71.51
PT Indofood Sukses Makmur Tbk ("**PT ISM**")[1]	39,560,830	998,200,000	1,037,760,830	74.34
CAB Holdings Limited ("**CAB**")[2]	–	1,037,760,830	1,037,760,830	74.34
First Pacific Company Limited ("**First Pacific**")[3]	–	1,037,760,830	1,037,760,830	74.34
First Pacific Investments Limited ("**FPIL**")[4]	1,125,344	1,037,760,830	1,038,886,174	74.42
First Pacific Investments (B.V.I.) Limited ("**FPIL BVI**")[4]	882,444	1,037,760,830	1,038,643,274	74.40
Salerni International Limited ("**Salerni**")[4] [5]	–	1,038,643,274	1,038,643,274	74.41
Asian Capital Finance Limited ("**ACFL**")[6]	–	1,038,886,174	1,038,886,174	74.42
Anthoni Salim[7]	–	1,039,768,618	1,039,768,618	74.49

Notes:

** *Percentage is calculated based on 1,395,904,530 (excluding treasury shares of the Company).*

(1) *PT ISM is a holding company of ISHPL with an interest of approximately 83.84% of the total number of issued shares in ISHPL. Accordingly, PT ISM is deemed to be interested in the Shares held by ISHPL.*

(2) *CAB owns more than 50% of the issued share capital of PT ISM. Accordingly, CAB is deemed to be interested in the Shares held by ISHPL and PT ISM.*

(3) *First Pacific owns 100% of the issued share capital of CAB. Accordingly, First Pacific is deemed to be interested in the Shares held by ISHPL and PT ISM.*

(4) *FPIL, together with FPIL BVI, collectively own not less than 20% of the issued share capital of First Pacific. Accordingly, FPIL, FPIL BVI and Salerni are deemed to be interested in the Shares held by ISHPL and PT ISM.*

(5) *Salerni owns more than 50% of the issued share capital of FPIL BVI. Accordingly, Salerni is deemed to be interested in the Shares held by ISHPL, PT ISM and FPIL BVI.*

(6) *ACFL owns more than 50% of the issued share capital of FPIL. Accordingly, ACFL is deemed to be interested in the Shares held by ISHPL, PT ISM and FPIL.*

(7) *Mr Anthoni Salim owns 100% of the issued share capital of Salerni and ACFL. Accordingly, Mr Anthoni Salim is deemed interested in the Shares held by ISHPL, PT ISM, FPIL and FPIL BVI.*

PUBLIC FLOAT

Based on the information available to the Company as at 15 March 2017, approximately 25.48% of the issued ordinary shares of the Company is held by the public. Therefore, the public float requirement under Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Notice of Annual General Meeting

(Company Registration No. 200106551G)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Swissôtel Merchant Court Singapore, Merchant Court Ballroom, Section B, 20 Merchant Road, Singapore 058281, on Thursday, 27 April 2017 at 3.00 p.m., to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' statement and audited financial statements for the year ended 31 December 2016 and the Auditors' Report thereon. **[Resolution 1]**

2. To declare a first and final tax-exempt (one-tier) dividend of 0.65 Singapore cents per share for the year ended 31 December 2016 (2015: 0.50 Singapore cents per share). **[Resolution 2]**

3. To approve the Directors' Fees of S$345,000 (2015: S$345,000) for the year ended 31 December 2016. **[Resolution 3]**

4a. To re-elect Mr Lee Kwong Foo Edward, the Director who retires under Article 117 of the Company's Constitution. **[Resolution 4a]**

4b. To re-elect Mr Lim Hock San, the Director who retires under Article 117 of the Company's Constitution. **[Resolution 4b]**

4c. To re-elect Mr Goh Kian Chee, the Director who retires under Article 117 of the Company's Constitution. **[Resolution 4c]**

5. To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **[Resolution 5]**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Resolutions Nos. 6 to 8 as Ordinary Resolutions:

6. That authority be and is hereby given to the directors of the Company to:

(i) (aa) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(bb) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may, in their absolute discretion, deem fit; and

(ii) issue Shares in pursuance of any Instrument made or granted by the directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Resolution),

Provided that:

(iii) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority):

(aa) by way of renounceable rights issues where shareholders of the Company ("**Shareholders**") are given the opportunity to participate in the same on a pro-rata basis ("**Renounceable Rights Issues**") does not exceed 100% of the total number of issued Shares (as calculated in accordance with paragraph (v) below; and (bb) otherwise than by way of Renounceable Rights Issues ("**Other Share Issues**") does not exceed 50% of the total number of issued Shares (as calculated in accordance with paragraph (v) below), and provided further that where Shareholders are not given the opportunity to participate in the same on a pro-rata basis ("**non pro-rata basis**"), then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20% of the total number of issued Shares (as calculated in accordance with paragraph (v) below);

(iv) the Renounceable Rights Issues and Other Share Issues shall not, in aggregate, exceed 100% of the total number of issued Shares (as calculated in accordance with paragraph (v) below);

(v) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")) for the purpose of determining the aggregate number of the Shares that may be issued under paragraph (iii)(aa) and (iii)(bb) above, the total number of issued Shares shall be based on the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings) at the time such authority was conferred, after adjusting for:

(aa) new Shares arising from the conversion or exercise of any convertible securities;

(bb) new Shares arising from exercising share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and

(cc) any subsequent bonus issue, consolidation or subdivision of the Shares;

and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;

(vi) in this Resolution, "**subsidiary holdings**" shall refer to Shares of the Company held by any subsidiary of the Company in accordance with the provisions of the Companies Act, Chapter 50 (the "**Companies Act**"); and

(vii) (unless revoked or varied by the Company in general meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[Resolution 6]

7. The proposed renewal of the shareholders' mandate on Interested Person Transactions

That approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company and its subsidiaries and associated companies (if any) which are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions as set out in the Company's Addendum to Shareholders dated 10 April 2017 (being an addendum to the Annual Report of the Company for the financial year ended 31 December 2016) (the "**Addendum**"), with any party who is of the class of Interested Persons described in the Addendum, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such Interested Person Transactions as set out in the Addendum (the "**Proposed IPT Mandate**");

That the Proposed IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier;

That the Audit & Risk Management Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time; and

That the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may in their discretion deem necessary, desirable or expedient in the interests of the Company to give effect to the Proposed IPT Mandate and/or this Resolution.
[Resolution 7]

8. The proposed renewal of the Share Purchase Mandate

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, as may be amended or modified from time to time, the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors of the Company pursuant to the Share Purchase Mandate in paragraph (a) of this Resolution may be exercised by the directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held; or

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or

(iii) the date on which purchases or acquisitions of Shares are carried out to the full extent mandated;

(c) in this Resolution:

"**Prescribed Limit**" means 10% of the total number of issued Shares of the Company (excluding any subsidiary holdings and any Shares which are held as treasury shares) as at the date of the passing of this Resolution; and

"**Maximum Price**", in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase, 110% of the Average Closing Price (as defined hereinafter),

where:

"**Average Closing Price**" means the average of the Closing Market Prices of the Shares over the last five Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase or, as the case may be, the date of the making of the offer (as hereinafter defined) pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after such five-Market Day period;

"**Closing Market Price**" means the last dealt price for a Share transacted through the SGX-ST's trading system as shown in any publication of the SGX-ST or other sources;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and "**subsidiary holdings**" shall refer to Shares of the Company held by any subsidiary of the Company in accordance with the provisions of the Companies Act; and

(d) the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may in their discretion deem necessary, desirable or expedient in the interests of the Company to give effect to the transactions contemplated by this Resolution. **[Resolution 8]**

9. To transact any other routine business.

By Order of the Board

MAK MEI YOOK
LEE SIEW JEE, JENNIFER
Company Secretaries

Singapore
Date: 10 April 2017

NOTES:

1) Each of the resolutions to be put to the vote of members at the Annual General Meeting (and at any adjournment thereof) will be voted on by way of poll.

2) (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

3) A proxy need not be a member of the Company.

4) The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the registered office of the Company at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818 not less than 48 hours before the time appointed for holding the Meeting. The sending of a proxy form by a member does not preclude him/her from attending and voting in person if he/she finds that he/she is able to do so. In such event, the relevant proxy forms will be deemed to be revoked.

EXPLANATORY NOTE TO RESOLUTION 4a:

Mr Lee Kwong Foo Edward is an Independent Director of the Company. He is also the Chairman of the Board and the Chairman of the Nominating Committee of the Company. He will, upon re-election, continue to serve as the Chairman of the Board and the Chairman of the Nominating Committee.

EXPLANATORY NOTE TO RESOLUTION 4b:

Mr Lim Hock San is an Independent Director of the Company. He is the Vice Chairman of the Board and Chairman of the Remuneration Committee. He is also a member of the Nominating and Audit & Risk Management Committees. He will, upon re-election, continue to serve as the Vice Chairman of the Board and Chairman of the Remuneration Committee, and a member of the Nominating and Audit & Risk Management Committees.

EXPLANATORY NOTE TO RESOLUTION 4c:

Mr Goh Kian Chee is an Independent Director of the Company. He is the Chairman of the Audit & Risk Management Committee and a member of the Remuneration Committee. He will, upon re-election, continue to serve as a member of the Board, the Chairman of the Audit & Risk Management Committee and a member of the Remuneration Committee.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:

The ordinary resolution proposed in item (6) above, if passed, will empower the directors of the Company from the date of the above Meeting until the next Annual General Meeting, to issue shares and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding (i) 100 per cent. for Renounceable Rights Issues, and (ii) 50 per cent. for Other Share Issues (the "**50% Limit**"), with a sub-limit ("**Sub-Limit**") of 20 per cent. for issues other than on a pro rata basis to all Shareholders provided that the total number of Shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the total number of issued shares in the capital of the Company (excluding treasury Shares and subsidiary holdings) at the time that the Resolution is passed. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time that the resolution (6) above is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that the resolution (6) is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. The authority for the 100% Limit is proposed pursuant to Practice Note 8.3 issued by the SGX-ST on 13 March 2017, which is aimed at widening the available fund-raising avenues of issuers that may be facing challenges amid current uncertainties and the tightening of financial conditions. Under Practice Note 8.3, the SGX-ST has decided to modify the requirement under Rule 806(2) of the SGX-ST Listing Manual to provisionally raise the limit for renounceable rights issues from 50% to 100% ("**Enhanced Rights Issue Limit**"), subject to the conditions set out in the Practice Note. The Enhanced Rights Issue Limit will take effect from 13 March 2017 until 31 December 2018 by which date the shares issued pursuant to the Enhanced Rights Issue Limit must be listed. The board of directors of the Company is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its Shareholders.

Shareholders should note that presently, the controlling shareholders of the Company include First Pacific Company Limited and PT Indofood Sukses Makmur Tbk, which are listed on the Hong Kong Stock Exchange Limited and the Indonesia Stock Exchange (Bursa Efek Indonesia), respectively. Prior to any exercise of the authority conferred upon them by the ordinary resolution in item (6) above, the directors of the Company intend to take into account, inter alia, any approval that may be required from any such controlling shareholders and/or their respective shareholders and/or from such stock exchanges.

For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the offering documents for the issue of shares and Instruments pursuant to such authority may NOT be despatched to Shareholders with registered addresses outside Singapore as at the applicable books closure date and who have not, by the stipulated period prior to the books closure date, provided to The Central Depository (Pte) Limited or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents.

The ordinary resolution proposed in item (7) above, if passed, will empower the directors of the Company to enter into Interested Person Transactions, more information of which is set out in the Addendum. Such authority will, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company and Shareholders' approval will be sought for its renewal at every Annual General Meeting of the Company.

The ordinary resolution proposed in item (8) above, if passed, will empower the directors of the Company to make purchases (whether by way of market purchases or off-market purchases on an equal access scheme) from time to time of up to 10 per cent. of the total number of issued Shares as at the date of the above Meeting at the price up to but not exceeding the Maximum Price (as defined in the Resolution). The rationale for the Share Purchase Mandate, the source of funds to be used for the Share Purchase Mandate, the impact of the Share Purchase Mandate on the Company's financial position, the implications arising as a result of the Share Purchase Mandate under The Singapore Code on Take-overs and Mergers and on the listing of the Company's Shares on the SGX-ST, as well as the number of Shares purchased by the Company in the previous twelve months are set out in the Addendum.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders for the First and Final Dividend being obtained at the Annual General Meeting, the Share Transfer Books and Register of Members of Indofood Agri Resources Ltd will be closed at 5.00 p.m. on 08 May 2017 for the purpose of determining shareholders' entitlements to the proposed First and Final Dividend and shall reopen on the following working day.

Duly completed and stamped registrable transfers received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 08 May 2017 will be registered to determine shareholders' entitlements to the said dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 08 May 2017 will be entitled to the proposed First and Final Dividend.

Payment of the First and Final Dividend, if approved by the members at the AGM to be held on 27 April 2017, will be made on 22 May 2017.

PROXY FORM

INDOFOOD AGRI RESOURCES LTD.
(Company Registration No. 200106551G)
(Incorporated in the Republic of Singapore)

IMPORTANT
1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore, may appoint more than two (2) proxies to attend, speak and vote at the Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares of Indofood Agri Resources Ltd., this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/ SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2017.

I/We ____ (Name) _________________________________ (NRIC/Passport/Co. Reg No.)

of ____ (Address)

being a *member/members of Indofood Agri Resources Ltd., hereby appoint:

Name	Address	NRIC/Passport Number	Number of shares represented	Proportion of shareholdings (%)

and/or (delete as appropriate)

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Swissôtel Merchant Court Singapore, Merchant Court Ballroom, Section B, 20 Merchant Road, Singapore 058281 on Thursday, 27 April 2017 at 3.00 p.m., and at any adjournment thereof.

The proxy is required to vote as indicated with an "X" on the resolutions set out in the Notice of Meeting and summarised below. If no specific direction as to voting is given, the proxy/proxies may vote or abstain at his discretion.

No.	Resolution	For	Against
ORDINARY BUSINESS			
1.	To receive and adopt the Directors' statement and audited financial statements for the year ended 31 December 2016 and the Auditor's Report thereon.		
2.	To declare a first and final tax-exempt (one-tier) dividend of 0.65 Singapore cents per share for the year ended 31 December 2016 (2015: 0.50 Singapore cents per share).		
3.	To approve the Directors' Fees of S$345,000/- (2015: S$345,000/-) for the year ended 31 December 2016.		
4a.	To re-elect Mr Lee Kwong Foo Edward, the Director who retires under Article 117 of the Company's Constitution.		
4b.	To re-elect Mr Lim Hock San, the Director who retires under Article 117 of the Company's Constitution.		
4c.	To re-elect Mr Goh Kian Chee, the Director who retires under Article 117 of the Company's Constitution.		
5.	To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
6.	To approve the general mandate for issues of shares.		
7.	To approve the proposed renewal of the mandate for Interested Person Transactions.		
8.	To approve the proposed renewal of the Share Purchase Mandate.		

Signed this ______________ day of __________________ 2017

____
Signature(s) of Member(s)/Common Seal

Notes:

a) A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.

b) A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

c) A proxy need not be a member of the Company.

d) A member appointing the Chairman of the Meeting as his/her proxy, must indicate how he/she wishes the Chairman to vote on his/her behalf for Resolution No. 7. Otherwise, the Chairman shall abstain from voting on this resolution.

e) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, under its common seal or under the hand of its attorney. A body corporate which is a member may also appoint an authorised representative or representatives in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore, to attend and vote for and on behalf of such body corporate.

g) The instrument appointing a proxy must be deposited at the registered office of the Company at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818 not less than 48 hours before the time appointed for holding the meeting. The sending of a proxy form by a member does not preclude him/her from attending and voting in person if he/she finds that he/she is able to do so. In such event, the relevant proxy forms will be deemed to be revoked.

f) The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By attending the Annual General Meeting of the Company and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2017.

INDOFOOD AGRI RESOURCES Ltd.

8 Eu Tong Sen Street,
#16-96/97 The Central, Singapore 059818
Tel: +65 6557 2389   Fax: +65 6557 2387
Company Reg. No. 200106551G

a subsidiary of:

Indofood
THE SYMBOL OF QUALITY FOODS