IndoAgri

# ANNUAL REPORT


# GROWING OUR **STRENGTHS & SUSTAINABILITY**

INDOFOOD AGRI RESOURCES LTD.

GROWING OUR **STRENGTHS & SUSTAINABILITY**

ANNUAL REPORT 2015

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a subsidiary of:

Indofood
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# 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 VALUES

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.

*An oil palm plantation at Riau*

**CONTENTS**

# MILESTONES

## 2007

- Completed a reverse takeover and listed on the SGX-ST
- Acquired plantation land in South Sumatra and Kalimantan
- Expanded its plantation business via the acquisition of a 58.8% stake in PT PP Lonsum Sumatra Indonesia Tbk (Lonsum), a listed plantation company on the Indonesia Stock Exchange (IDX)
- 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 PT Salim Ivomas Pratama Tbk (PT SIMP)

## 2011

- Listed PT SIMP on the IDX
- Achieved RSPO-certified CPO of 195,000 tonnes

## 2012

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

## 2013

- Acquired a 79.7% interest in PT Mentari Pertiwi Makmur (PT MPM)
- 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
- Received first Indonesia Sustainable Palm Oil (ISPO)-certified CPO of 45,000 tonnes

## 2014

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

## 2015

- Acquired additional stake in RHI to 50.9%
- Achieved RSPO- and ISPO-certified CPO of 377,000 tonnes and 180,000 tonnes, respectively

# KEY EVENTS IN 2015

2015

**27 FEB**

First Pacific Company Limited (FP) and IndoAgri injected US$45 million (Rp579 billion) in FPNRL. The fund was mainly used to increase FPNRL's stake in RHI from 34% to 50.9%.

**16 DEC**

Lonsum established PT Wushan Hijau Lestari, a plantation company, with an issued and paid-up capital of Rp20 billion.



# CORPORATE STRUCTURE

(as of 31 December 2015)

IndoAgri

15.3% RHi

50.0% CMAA

73.5% SIMP

59.5% LONSUM

*Note:*

- *IndoAgri is 62.8% effectively owned by PT Indofood Sukses Makmur Tbk (PT ISM)*
- *Based on total number of issued shares, excluding treasury shares*

# GEOGRAPHICAL PRESENCE

**INDONESIA**
**246,359**
hectares of oil palm

**INDONESIA**
**21,338**
hectares of rubber

**INDONESIA**
**13,358**
hectares of sugar cane

**INDONESIA**
**19,578**
hectares of other crops

**BRAZIL**
**52,843**
hectares of sugar cane

### OUR PLANTATIONS AND REFINERIES

**Indonesia**
IndoAgri owns strategically located estates and production facilities across Indonesia. The Group's planted area occupies 300,633 hectares. Oil palm is the dominant crop, followed by rubber, sugar cane, 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, which manages 52,843 hectares of planted sugar cane in Brazil.

**Philippines**
IndoAgri has a 30% interest in FPNRL, which in turn holds a 50.9% interest in RHI, the largest integrated sugar business in the Philippines.


# GROWING OUR **BUSINESS**

**Production Facilities in Indonesia**

24 Palm Oil Mills
FFB – 6.4M tonnes

5 Refineries
CPO – 1.4M tonnes

2 Sugar Mills/Refineries
Cane crushing – 2.2M tonnes

*Palm oil mill in South Sumatra*

# CHAIRMAN'S STATEMENT

**DEAR SHAREHOLDERS,**

It has been another challenging year. The persistent slump in commodity prices and slower growth in some key markets like China have led to a prolonged period of volatility and uncertainty. Global developments remain uncertain and unpredictable.

These circumstances have aggravated the complex mix peculiar to any agribusiness such as the vagaries of the weather, export restrictions, the higher correlation between the prices of oil and various commodities, and the performance of competing crops such as soybean oil. The long-term consequences of this churn are still unclear.

Indonesia, one of the emerging economies dependent on the export of commodities, is bearing the brunt of this downturn. Its GDP grew by 4.79% in 2015, short of the budgeted 5.7%. The government recorded its largest budget deficit in 25 years on the back of shrunken export and tax revenues. The Rupiah has further weakened. In facing this extraordinary disruption, Indonesia is deploying a combination of monetary policy, fiscal stimulus and structural reforms to promote investments and economic growth.

**Domestic policies**
Domestic policy changes during the year affected both the bigger producers and smallholders. In July, the government imposed export levies of US$50 on every tonne of CPO and US$20 to US$30 on every tonne of processed palm oil products. The measure was aimed at enhancing tax revenues. These levies were in addition to the current progressive export tax structure, which would apply when palm oil prices exceeded the government's reference CPO price of US$750 per tonne.

Revenue from the new tariffs will be used to subsidise biodiesel production, finance replanting and support research and development for the industry. CPO exporters and smallholders are trying to cope with these new pressures on their already thin margins. IndoAgri is helping its plasma farmers tide over this challenging period by providing agronomy advice and affordable agricultural inputs such as seed stocks and fertilisers.

**The way forward**
Economic uncertainties and price volatility have always been a profile of the commodity markets. However, the demand for edible vegetable oils, of which palm oil accounts for about a third of the world production, has not diminished. Indonesia's population of more than 250 million is Asia's third largest consumer market after China and India.

Our business is resilient. As a diversified and vertically integrated agribusiness, our operations continue to be supported by positive market drivers that include good demographics, increasing urbanisation and a fast-growing middle class with rising discretionary incomes. We have built up a strong foundation for integration and right-sizing to weather the headwinds. We take a long-term view of our investments, confident that they will continue to bear fruit as the cycle turns.

In the near term, our focus will be to deepen our relationship with smallholders, government stakeholders and industry partners. We will place a stronger emphasis on extracting the optimal from our value chain, identifying compelling opportunities and defending our business against volatility and disruptions. We will proactively improve operations, increase yields, raise productivity and control costs. We will continue our unwavering efforts in realising the full value of our inherent strengths and competitive advantages.

We have built up a strong foundation for integration and right-sizing to weather the headwinds. We take a long-term view of our investments, confident that they will continue to bear fruit as the cycle turns.



*An oil palm plantation with buffer zone in South Sumatra*

**Responsible agribusiness**
2015 marks our fourth year of sustainability reporting. We are fully committed to RSPO's principles and criteria for sustainable palm oil production. With its non-partisan objectives and clear definitions of sustainability, RSPO represents the highest and most comprehensive standards of traceability in the palm oil industry. We are targeting to certify all our oil palm estates and mills including those of our plasma smallholders to RSPO by 2019.

The Transboundary Haze Pollution Act has been an important development for Singapore-registered palm oil companies with operations in Indonesia. We take seriously our responsibility in sharing data on hot spots with the local Indonesian authorities.

Besides the direct impact on the environment, fires in the plantation pose a mortal threat to our staff, local residents and the trees. To prevent fire incidents, IndoAgri adheres strictly to a no-burning policy in our plantations. We have also implemented a regime to prevent and put out fires in the areas surrounding the perimeters of our estates. As a Group, we fully support the ongoing drive by Indonesia and Singapore in haze management and responsible farming practices.

**Governance**
I am pleased that we have won the Singapore Corporate Award for Best Annual Report (Gold) for companies in the S$300 million to S$1 billion market-capitalisation category in 2015. The award is a timely recognition of the high standards we have consistently maintained in our financial disclosure and reporting. We are encouraged by this accolade and will continue to work towards higher standards of corporate governance and responsibility.

**Appreciation**
On behalf of the Board, I would like to express my deep appreciation to our dedicated management team and staff who have helped to navigate the company through the troubled waters of the business environment. I would also like to thank my fellow Directors for their profound contribution, and our customers, shareholders and business partners for their unrelenting trust and support.

**Edward Lee**
Chairman

# CEO'S STATEMENT

**DEAR SHAREHOLDERS,**

The global economy remained soft in 2015. Prices of the Group's three main commodities – palm oil, sugar and rubber – had succumbed to the pressure of weak market sentiments, with supply growth exceeding demand growth for both rubber and sugar. Although the US Federal Reserve finally raised its interest rate in late 2015 for the first time in nearly a decade, the market response had been tentative in light of China's stock market crash, the devaluation of the Renminbi and the creeping recovery of Europe.

Crude oil demand had stayed suppressed with prices dithering at an average of USD50 a barrel throughout the year. The repercussion was felt in the biofuel market, as the low crude oil price has eliminated virtually all the discretionary biodiesel demand. The resulting surplus in biofuel crops has put both palm oil and sugar under further price pressure.

The full potential of lower fossil fuel prices has also not transmitted through to the Indonesian economy as domestic markets endured the weak Rupiah and a slow start of the economic reform programmes promised by the newly elected government. In view of the tight market conditions, the Group decided to rein in both capital and discretionary expenditure, slow down new development projects and plantings during the year, and focus its strategies on cost control initiatives.

In 2015, the Group registered positive growth with the production of 3,414,000 tonnes of FFB nucleus and one million tonnes of CPO, up 5% from the previous year. Despite the higher production, our 2015 results were affected negatively by soft commodity prices and a weakened Rupiah. Our consolidated revenue in 2015 dropped by 8% to Rp13.8 trillion due to contracted sales value and volume of edible oils. This, coupled with foreign currency losses, has led to a 78% decline in net profit after tax. Our core profit, excluding the effects of foreign exchange losses and biological asset valuation, was Rp555 billion, a decline of 60% from 2014.

**Strengthening core operations**
We took the opportunity of the slow year to improve internal operations, innovation and production capacities. The production facilities in Kalimantan were augmented with the completion of a new 45 tonnes per hour FFB mill and the expansion of another mill from 60 to 80 tonnes per hour. Two new mills – one in South Sumatra and another in Kalimantan – were commissioned and targeted for completion in 2016. A 200 tonnes per day margarine plant at Tanjung Priok was completed in 2015. The capacity of the Surabaya refinery will be increased by 1,000 tonnes per day and will be ready in 2017.

The Group achieved higher FFB and CPO outputs this year with the maturing of 5,722 hectares of young palms mainly from South Sumatra. The continued use of precision agronomy, GPS and data analysis has enabled us to optimise

land use, yield and manpower, and improve our operational productivity overall.

SumBio, our R&D centre in North Sumatra, successfully cultivated two new variants of oil palm seed material with high-yield and disease tolerant strains. These will be used in our own new plantings initially, and sold commercially in future.

We successfully implemented the mechanisation programme in our sugar plantation in Indonesia this year. Mechanised cane harvesting was increased from 25% to 50% of the estate, while 80% of the cane was planted mechanically as compared with just 20% the year before. By following a pre-set grid optimised for planting and movement of the GPS-guided planters and harvesters, we are able to increase the effective areas for plantings by 10%. The autonomous machines are also able to operate around the clock to make up for any disruption in planting or harvesting during the raining seasons.

**Growing market share**
In the Edible Oils & Fats (EOF) business, we have stepped up on product innovation. The EOF Division introduced a new garlic-flavoured margarine in 2015, the first of several new flavoured products that would differentiate and expand our share of the mass consumer EOF market segment. Other initiatives were ongoing to produce premium cooking oils for patisseries and the F&B sector.

As part of our commitment to customer service improvement, we embarked on a review of our supply chain to improve lead-time for orders. By expanding our distribution network and improving our service level, we have gained new customers in retail stores and hyper-marts who prefer to hold less inventory.

We have enhanced the presence of our EOF brands with promotional activities organised throughout the year, enabling the Bimoli brand to gain further traction across Indonesia.

**Growing sustainable agribusinesses**
The commitment to deliver safe, traceable and high-quality food products remains at the core of our sustainability endeavours. As at end-2015, the Group was recognised for an additional 45,000 and 135,000 tonnes of certified CPO production under RSPO and ISPO requirements, respectively. This brings our total RSPO and ISPO-certified outputs to 377,000 tonnes and 180,000 tonnes, respectively.

It is our goal is to achieve 100% sustainable palm oil sourcing by 2020. To this end, we have organised training programmes, conducted independent audits, and issued the Palm Oil Sourcing Policy and Responsible Supplier Guidelines to help all our plasma smallholders and third-party CPO suppliers attain RSPO certification by 2019. 80% of supply to our refineries is from CPO suppliers who have been pre-audited against the IndoAgri Palm Oil Sourcing Policy. The first batch of 159 smallholders started their RSPO Certification audit in 2015.

As employers and landowners, we contribute significantly to the livelihoods of the farmers and suppliers who work on our estates. Each year, we continue to give back to our local communities by providing support in areas such as infrastructure development, health services, living and recreational amenities, education opportunities and empowerment programmes.

In 2015, we have achieved higher palm production output, improved internal processes, expanded our production capacities and distribution network, as well as enhanced our customer service level.

We have an ongoing partnership with doctors to provide free on-site operations to all the locals living on and around our Kalimantan and South Sumatra estates who are suffering from cataract. To date, 571 local residents have benefitted from this programme.

Once again, the haze situation has continued to put the Indonesian palm oil companies under scrutiny in 2015. Plantation estates will always be vulnerable to fires in the dry season. Under our dual-ringed fire monitoring mechanism, we have an established procedure for working with the local authorities to report and put out any fires occurring within or near our plantation borders. To combat the haze, we actively patrol our perimeters, conduct daily site inspections at fire-prone areas, and disseminate information on hot spots around our plantations based on satellite feeds published by the Singapore Government. This has enabled our estate teams to expediently alert and render assistance to the local authorities in the joint effort to prevent or put out any fires.

**Outlook in 2016**
Palm oil is the most economical vegetable oil to produce in the world due to its high yield. Coupled with the strong demographic and economic fundamentals of Indonesia, and Asia the palm oil market is expected to turnaround once the global economy regains its traction and demand picks up.

We are expecting the current biodiesel-blending mandate of 20% that was announced by the Indonesian government to boost domestic demand of palm oil, but adoption will be gradual. Erratic weather conditions have taken a toll on crop production with intermittent droughts and floods affecting supply, which will affect future commodity prices.

Our outlook for the agribusiness remains optimistic but we are cautiously calibrating our activities to both global and local developments to mitigate risks and exposures. Our priority ahead is to stabilise operations and to ready the organisation when the economy rebounds.

**Appreciation**
It is often said that challenges present the opportunity to grow, learn and perform. With that in mind, I wish to thank all IndoAgri employees for staying united in their dedication and hard work this year. I also wish to thank the Board of Directors for their exemplary leadership, and most importantly, our customers and business partners for their unwavering confidence and support.

**Mark Julian Wakeford**
Chief Executive Officer and Executive Director

# GROUP PERFORMANCE REVIEW


**IndoAgri is a leading diversified and vertically integrated agribusiness that spans the entire supply chain, from plantation management and crop production, through to refining, branding and marketing of edible oil products. As at 31 December 2015, our planted area covered 300,633 hectares, which included 246,359 hectares of oil palm, 21,338 hectares of rubber, 13,358 hectares of sugar cane and 19,578 hectares of other crops.**

In Indonesia, the Group's Plantation Division owns and operates 24 palm oil mills, four crumb rubber processing facilities, three sheet rubber processing facilities, two sugar mills/refineries, one cocoa mill and one tea mill. The Group also has sugar operations in Brazil through a 50-50 joint venture with CMAA, and in the Philippines through an indirect interest in RHI. The Plantation Division remains IndoAgri's dominant business unit, contributing over 90% to the Group's EBITDA.

The Group's EOF Division owns and operates five CPO refineries across Indonesia, with a total annual CPO processing capacity of 1.4 million tonnes.

**FINANCIAL HIGHLIGHTS**

Lower commodity prices for agriculture crops and the weakened Indonesian Rupiah affected our 2015 results, with the Group's consolidated revenue declining 8% to Rp13.8 trillion due to lower sales achieved by both Divisions.

Gross profit fell 22% over last year driven by lower average selling prices of palm products, while profit from operations


*Palm oil mill in North Sumatra*

## GROUP PERFORMANCE REVIEW

dipped 49% in 2015 on lower gross profit, higher selling and distribution expenses, losses arising from changes in fair values of biological assets, higher foreign exchange losses and share of losses from CMAA.

The Group reported a 78% decline in net profit to Rp299 billion in 2015, due primarily to lower profit from operations. Excluding the losses from foreign currency exchange and biological assets, the Group achieved a core profit of Rp555 billion in 2015, a 60% decrease over last year.

In light of the global economic slowdown and weaker commodity prices, the Group tightened its cash flow and focused its strategies on cost control initiatives, prioritising on immature plantings and the expansion of infrastructure and facilities for organic growth.

**FINANCIAL POSITION**

Total non-current assets of Rp35.3 trillion in December 2015 were 6% or Rp2.0 trillion higher than December 2014. The increase was principally attributable to the following:

- Additions of biological assets mainly due to oil palm new plantings and immature plantations, as well as capital expenditure relating to housing and infrastructure, machineries and equipment, as well as expansion of production capacity;

- Recognition of higher deferred tax assets relating to higher employee benefits liabilities and tax losses carried forward;

*An employee harvesting FFB*

*Oil palm nursery at Riau*

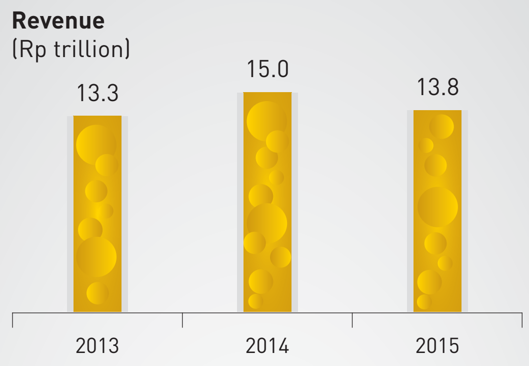
- Increase in investment in associate companies of Rp0.8 trillion relating to (a) additional capital injection of US$15.3 million (equivalent to Rp197 billion) in FPNRL; and (b) acquisition of a 50% interest in AAM for US$39 million (equivalent to Rp519 billion) in June 2015 by Lonsum; and

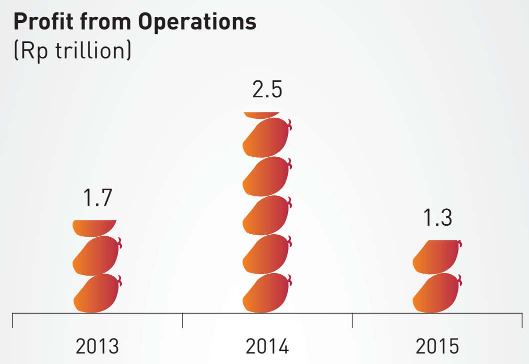
- Higher advances for plasma project.

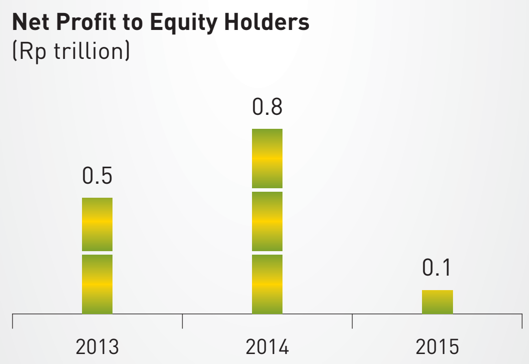
The increase was partly offset by lower advances and prepayments relating to the purchase of fixed assets, and lower carrying value of investment in CMAA due to foreign currency translation loss and share of losses in 2015.

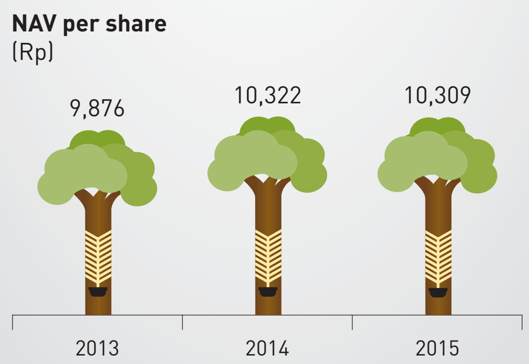
Total current assets of Rp5.4 trillion in December 2015 were 21% lower than Rp6.8 trillion in December 2014. The decline was mainly due to lower cash levels. However this was partially offset by higher inventories arising from higher CPO and sugar at plantations, as well as higher CPO stocks at refineries.

As of December 2015, total current liabilities of Rp6.5 trillion were 7% lower than last year's Rp7.0 trillion. This was mainly attributable to the refinancing of certain short-term facilities to long-term loans, and lower income tax payable in line with lower profit in 2015.




Total non-current liabilities of Rp10.0 trillion in December 2015 were 6% higher than Rp9.5 trillion in December 2014. This was mainly due to the refinancing of certain short-term facilities to long-term loans as explained above. However this was partially offset by higher deferred tax liabilities.

The Group reported negative working capital of Rp1.1 trillion in December 2015. The Group is currently in the midst of reviewing its funding alternatives to optimise its capital structure and current ratio.

**CASH FLOWS**

The Group generated lower net cash flows from operations of Rp1.7 trillion in 2015 compared to Rp2.8 trillion in 2014. The decline was mainly due to lower operating profit in 2015. The Group recorded higher depreciation and amortisation during the periods arising from additions of fixed assets.

Net cash flows used in investing activities in 2015 was Rp3.4 trillion. This comprised principally capital expenditure relating to additions of fixed assets, biological assets and advances for projects of Rp2.2 trillion, and further investment in associate companies and a JV of Rp0.9 trillion. In 2015, no net proceeds were raised from financing activities. As a result, Group cash levels declined from Rp3.6 trillion in December 2014 to Rp2.0 trillion in December 2015.

*Collection of FFB*

# GROUP PERFORMANCE REVIEW

## FINANCIAL HIGHLIGHTS

| | In Rupiah billion | | | In SGD million * | | |
|---|---|---|---|---|---|---|
| | 2013 Actual | 2014 Actual | 2015 Actual | 2013 Actual | 2014 Actual | 2015 Actual |
| Net Sales | 13,280 | 14,963 | 13,835 | 1,360 | 1,533 | 1,417 |
| Gross Profit | 3,204 | 4,368 | 3,350 | 328 | 447 | 343 |
| Gain/(Loss) Arising from Changes in Fair Values of Biological Assets | 62 | 60 | (20) | 6 | 6 | (2) |
| Operating Income | 1,692 | 2,536 | 1,251 | 173 | 260 | 128 |
| Net Profit | 921 | 1,328 | 299 | 94 | 136 | 31 |
| Attributable Profit to Equity Holders | 523 | 759 | 58 | 54 | 78 | 6 |
| EPS (in Rupiah)/(in SGD 'cents) | 366 | 535 | 41 | 3.7 | 5.5 | 0.4 |
| Current Assets | 6,938 | 6,812 | 5,375 | 712 | 699 | 551 |
| Fixed Assets | 23,674 | 26,087 | 27,375 | 2,428 | 2,675 | 2,807 |
| Other Assets | 7,093 | 7,255 | 7,970 | 727 | 744 | 817 |
| Total Assets | 37,705 | 40,155 | 40,720 | 3,867 | 4,118 | 4,176 |
| Current Liabilities | 6,504 | 6,951 | 6,451 | 667 | 713 | 662 |
| Non-current Liabilities | 8,367 | 9,486 | 10,023 | 858 | 973 | 1,028 |
| Total Liabilities | 14,872 | 16,437 | 16,474 | 1,525 | 1,686 | 1,689 |
| Shareholders' Equity | 13,996 | 14,629 | 14,390 | 1,435 | 1,500 | 1,476 |
| Total Equity | 22,833 | 23,717 | 24,246 | 2,342 | 2,432 | 2,486 |

| In Percentage (%) | | | |
|---|---|---|---|
| Sales Growth | (4.1%) | 12.7% | (7.5%) |
| Gross Profit Margin | 24.1% | 29.2% | 24.2% |
| Operating Profit Margin | 12.7% | 17.0% | 9.0% |
| Net Profit Margin | 6.9% | 8.9% | 2.2% |
| Attributable Profit to Equity Holders Margin | 3.9% | 5.1% | 0.4% |
| Return on Assets [1] | 4.5% | 6.3% | 3.1% |
| Return on Equity [2] | 3.7% | 5.2% | 0.4% |
| Current Ratio (times) | 1.1 | 1.0 | 0.8 |
| Net Debt to Equity Ratio (times) [3] | 0.22 | 0.26 | 0.34 |
| Total Debt to Total Assets Ratio (times) | 0.23 | 0.24 | 0.25 |

1 *Profit from operations divided by total assets*
2 *Net profit to equity holders divided by shareholders' equity*
3 *Net debt divided by total equity*

* *For ease of reference, 2013 to 2015 Income Statement and Balance Sheet items are converted at exchange rates of Rp9,763/S$1 and Rp9,751/S$1, respectively.*

## OPERATIONAL HIGHLIGHTS

The table below relates to business operations in Indonesia. For sugar operations outside Indonesia, please refer to page 30 of this annual report.

| In Hectares (unless otherwise stated) | 2013 | 2014 | 2015 |
|---|---|---|---|
| **Planted Area – Nucleus** | | | |
| **Oil Palm** | **239,921** | **246,055** | **246,359** |
| Mature | 177,099 | 185,181 | 187,400 |
| Immature | 62,822 | 60,874 | 58,959 |
| **Rubber** | **21,759** | **21,697** | **21,338** |
| Mature | 16,996 | 17,711 | 17,394 |
| Immature | 4,763 | 3,986 | 3,944 |
| **Sugar Cane** | **11,645** | **13,062** | **13,358** |
| **Others** | **3,384** | **19,236** | **19,578** |
| Mature | 2,868 | 17,160 | 17,192 |
| Immature | 516 | 2,076 | 2,386 |
| **Planted Area – Plasma** | | | |
| **Oil Palm and Rubber** | **90,214** | **90,149** | **90,316** |
| **Age Maturity of Oil Palm Trees** | | | |
| Immature | 62,822 | 60,874 | 58,959 |
| 4 – 6 years | 22,005 | 14,768 | 9,693 |
| 7 – 20 years | 99,710 | 112,187 | 116,094 |
| Above 20 years | 55,384 | 58,227 | 61,612 |
| Total | 239,921 | 246,055 | 246,359 |
| **Distribution of Planted Areas – Nucleus** | | | |
| Riau | 57,025 | 57,025 | 56,461 |
| North Sumatra | 39,326 | 39,321 | 39,278 |
| South Sumatra | 89,819 | 93,562 | 95,586 |
| West Kalimantan | 28,478 | 28,997 | 27,050 |
| East Kalimantan | 46,433 | 64,458 | 65,290 |
| Central Kalimantan | 7,410 | 8,756 | 8,999 |
| Java | 2,864 | 2,865 | 2,926 |
| Sulawesi | 5,354 | 5,066 | 5,043 |
| Total | 276,709 | 300,050 | 300,633 |
| **Production Volume ('000 Tonnes)** | | | |
| Total Fresh Fruit Bunch (FFB) | 3,761 | 4,372 | 4,693 |
| FFB Nucleus | 2,895 | 3,259 | 3,414 |
| Crude Palm Oil (CPO) | 810 | 956 | 1,002 |
| Palm Kernel and Related Products [1] | 187 | 241 | 278 |
| Rubber | 18 | 18 | 17 |
| Sugar [2] | 78 | 66 | 68 |
| **Sales Volume ('000 Tonnes)** | | | |
| CPO [3] | 864 | 957 | 982 |
| Palm Kernel and Related Products [1] | 190 | 215 | 230 |
| Rubber | 16 | 16 | 16 |
| Sugar | 76 | 73 | 67 |
| Oil Palm Seeds ('million) | 18 | 9 | 10 |

1 *Comprised of Palm Kernel (PK), 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*

# GROWING OUR **CAPABILITIES**

**Oil Palm Production**

Total FFB
4.7M tonnes

CPO
1.0M tonnes

Oil Palm Seeds
18.4M

*Storage tanks at Tanjung Priok refinery in Jakarta*

# PLANTATION REVIEW
## PALM & RUBBER

**The Plantation Division manages and cultivates various agricultural crops on IndoAgri's estates. It is also responsible for the production and sale of CPO, PK and other related by-products.**

In 2015, the Plantation Division replanted 922 hectares of oil palms, and achieved 1,641 hectares of nucleus new plantings across its estates in South Sumatra and Kalimantan, compared to 6,350 hectares in 2014. The reduction in new plantings was also the result of dry weather in the second half of the year. As at year-end, the Group's oil palm estates covered 246,359 hectares, of which immature estates occupied 58,959 hectares or 24% of the total planted palm area. The average age of our oil palms is about 14 years.

As at 31 December 2015, the Division owned and operated 24 palm oil mills with a combined FFB processing capacity of 6.4 million tonnes per annum. This includes two facilities in Kalimantan that were completed during the year – one 45 tonnes per hour new mill, and another that was expanded from 60 to 80 tonnes per hour.

The Division's rubber estates are located in North and South Sumatra, East Kalimantan and Sulawesi. Our rubber trees average about 15 years, and our nucleus rubber estates occupied 21,338 hectares as at end 2015, including 18% that are immature. We also own and operate four crumb rubber and three sheet rubber processing facilities.

The Plantation Division manages SumBio and PT SAIN, IndoAgri's advanced agricultural R&D centres at Bah Lias, North Sumatra and Pekanbaru, Riau respectively. These centres specialise in high-tech seed breeding programmes and cultivation techniques, and produced a combined output of 18.4 million premium seeds in 2015.

**2015 REVIEW**

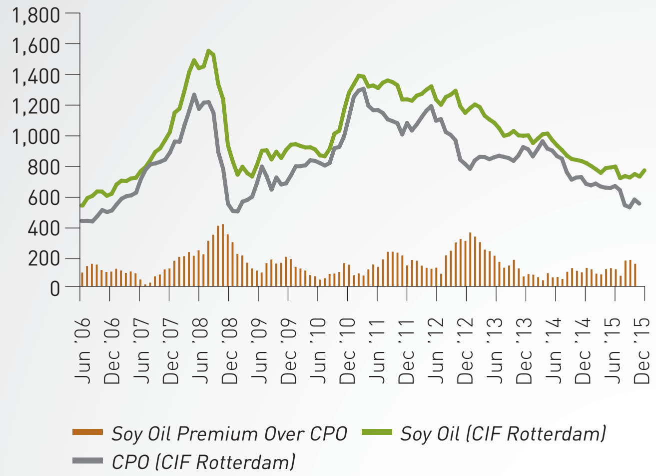
CPO prices (Rotterdam CIF) remained soft at an average of US$615 per tonne in 2015, compared to US$816 per tonne in 2014. Key contributing factors included the slowdown of global demand in major markets such as China and Europe, coupled with weak crude oil prices which has virtually eliminated discretionary biodiesel demand, and higher soybean supplies from the US and South America.

Rubber prices (RSS3 SICOM) have been on a downward trend since 2012, declining more than 50% to end at an average of US$1,560 per tonne in 2015. This was due to higher rubber production in Thailand and Indonesia, as well as weaker demand from major rubber consuming markets, particularly China, the US and Europe, and more recently lower crude oil prices. In the medium term, prices will remain under pressure until global demand recovers.

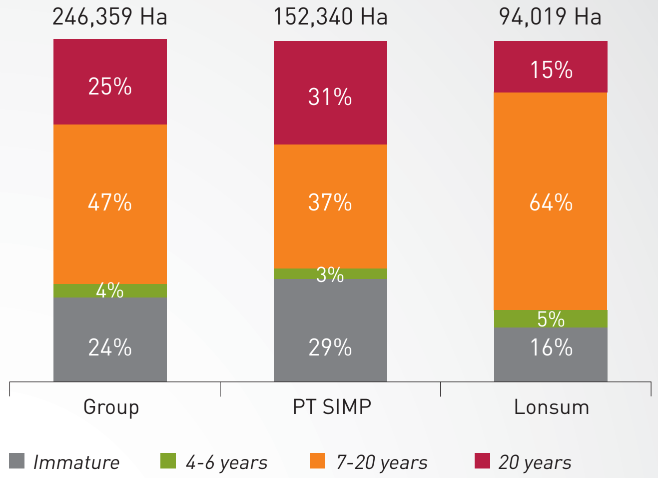
*Cross sections of oil palm fruits*



**CPO vs Soy Oil Price**
US$/tonne




**Oil Palm Plantation**
Age Profile




The Plantation Division's total revenue declined 11% to Rp9.1 trillion due largely to lower average selling prices of palm products, partially offset by higher sales volume of palm products and higher sugar sales. Inter-segment CPO sales to the EOF Division also decreased by 27% to Rp3.7 trillion at market prices. This Division's EBITDA earnings were affected by lower average selling prices.

2015 total FFB production increased by 7% to 4,693,000 tonnes on higher nucleus output and external purchases. This led to a higher CPO production of 1,002,000 tonnes, while oil extraction rates declined marginally from 22.4% in 2014 to 22.2% in 2015.

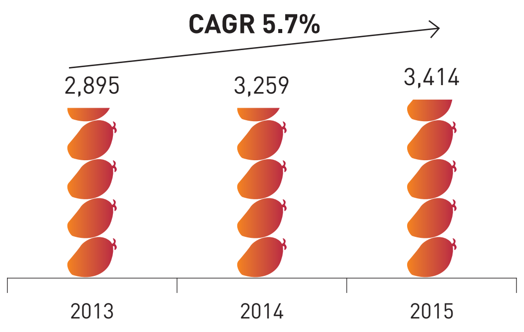
Rubber production declined 9% to 17,000 tonnes due to inactive land expansion and moderate replanting activities. We exported 51% of our rubber products comprising largely sheet rubber, crumb rubber and cup lump, while the balance was sold domestically.

The Division also revitalised and replanted its cocoa plantation in East Java and North Sulawesi. These have resulted in productivity improvements.

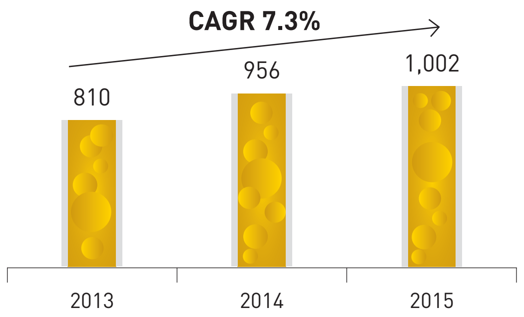
*Rubber factory in South Sumatra*

## PLANTATION REVIEW
PALM & RUBBER

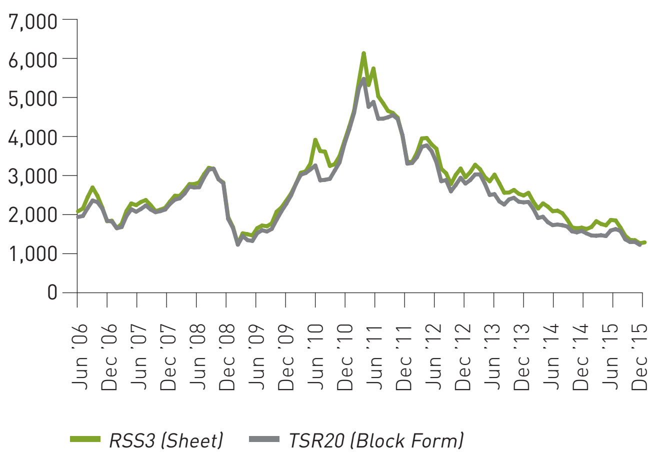
**FFB Production (Nucleus)**
'000 tonnes




**CPO production**
'000 tonnes




**Rubber Prices**
US$/tonne




*Rubber plantation in South Sumatra*

**2016 OUTLOOK**

With the slowdown in plantings in Indonesia over the last five years, coupled with El Nino in 2015, incremental CPO supply is likely to fall. We also expect the higher biodiesel-blending mandate of 20% starting January 2016 to sustain domestic demand growth for palm oil products over time, as its effect will not be achieved immediately. For rubber, the long-term outlook remains optimistic, with China's intention to half the purchase tax on smaller cars and growth in the US auto industry stimulating healthier demand for rubber.

The Plantation Division will continue to expand through new planting, while commencing on progressive replanting of its older palm trees in North Sumatra and Riau. CPO production growth is well supported by the Division's younger estates. To cope with higher FFB production, we are expanding our milling capacities by constructing a 30 tonnes per hour mill in South Sumatra and a 45 tonnes per hour mill in Kalimantan, with target completion in 2016.

We have also initiated action plans and measures to improve yield and productivity, tighten costs and review the supply chain to improve efficiencies. These initiatives include 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, leveraging biological methods to improve pest and palm tree disease control, and improving mechanisation to increase efficiency and reduce costs.

# GROWING OUR **STRENGTHS**

**Sugar Production Facilities**

**Indonesia**
2 Mills/Refineries
Cane crushing – 2.2M tonnes

**Brazil**
1 Mill/Refinery
Cane crushing – 3.8M tonnes

*Fertiliser application at our sugar cane plantation in South Sumatra*

# PLANTATION REVIEW
## SUGAR: INDONESIA

**The Plantation Division's sugar cane estates are sited in South Sumatra and Central Java. Over the years, our sugar operation has been well supported by positive drivers such as shortfalls in domestic supply, population growth and a flourishing food and beverage industry.**

As a local producer, the Division is protected by legislations shielding domestic sugar prices from global fluctuations. An import quota is triggered should domestic prices fall below the government-mandated floor price of Rp8,900 per kilogramme. At present, domestic sugar prices have kept above the international market.

### 2015 REVIEW

In South Sumatra, our sugar cane estate is integrated with an 8,000 tonnes of cane per day (TCD) sugar mill and refinery with an annual processing capacity of 1.44 million tonnes. In 2015, we harvested 746,000 tonnes of sugar cane from these estates and produced 58,000 tonnes of sugar, compared to 701,000 tonnes and 54,000 tonnes in 2014 respectively.

Total planted sugar cane area in South Sumatra was expanded to 13,358 hectares in 2015, from 13,062 hectares in 2014. The Division also achieved 449 hectares of new plantings.

In Central Java, the Division has a tolling arrangement with local farmers who supply the sugar cane for our 4,000 TCD sugar mill and refinery with an annual processing capacity of 720,000 tonnes. We continued to provide these smallholders with agricultural advice and credit for seed cane, planting costs and fertiliser purchase, with repayment being deducted from their sales proceeds.

In 2015, we processed 384,000 tonnes of sugar cane, versus 452,000 tonnes in 2014. The sugar cane mainly came from 6,400 hectares of sugar estates belonging to 369 farmers under the supply arrangement. Total sugar production was 28,000 tonnes in 2015, compared to 34,000 tonnes in 2014. The Group's share of this production was 10,000 tonnes in 2015, compared to 13,000 tonnes in 2014.

Revenue from the sale of sugar and molasses increased 13% to Rp682 billion, representing 7% of the Plantation Division's revenue in 2015. Domestic sugar prices in Indonesia recovered following the mandatory increase in sugar floor price from Rp8,500 to Rp8,900 per kilogramme effective in May 2015, and lower sugar imports in the first half of 2015.


*Packaging of sugar at the sugar refinery in South Sumatra*



**Operational Highlights**

| | Unit | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| **Own Plantation:** | | | | |
| Planted Area | Ha | 11,645 | 13,062 | 13,358 |
| Sugar Cane Harvested | '000 tonnes | 758 | 701 | 746 |
| **Sugar Production Volume:** | | | | |
| From sugar cane | | | | |
| – South Sumatra | '000 tonnes | 53 | 54 | 58 |
| – Java (PT LPI's share) | '000 tonnes | 9 | 13 | 10 |
| From raw sugar | '000 tonnes | 16 | 0 | 0 |
| **Total** | '000 tonnes | 78 | 66 | 68 |

### 2016 OUTLOOK

In perspective, the government policies aimed at encouraging the expansion of sugar cane plantations, increasing production capacities and enhancing productivity and yield, will take time to deliver results. However, strong market demand, coupled with Indonesia's status as a net sugar importer, is likely to keep the domestic sugar industry relatively robust.

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. We will also step up on new plantings, expand our estates and optimise our production facilities in South Sumatra and Central Java to meet increased demands and to achieve the vertical integration required for full-scale operations and growth.

**MANUFACTURING PROCESS FOR SUGAR**

# PLANTATION REVIEW
## SUGAR: OUTSIDE INDONESIA

**IndoAgri's sugar plantation in Brazil is held and managed through a 50% stake in CMAA. CMAA cultivates and processes sugar cane for the production and marketing of ethanol and sugar, and the co-generation of electric power from sugar cane bagasse. These activities are supported by one modern sugar mill in Vale do Tijuco, Brazil, with a total crushing capacity of 3.8 million tonnes per year.**

The availability of land for expansion, backed by conducive climates, sophisticated agronomic practices and high productivity, makes Brazil a strong contributor to the global sugar and ethanol industry. Brazil's ability to maintain a steady increase in production and export levels over the last 15 years can be attributed to its advantage as the most cost competitive sugar producer in the world. Presently, Brazil has remained the world's largest sugar producer and exporter with close to 21% of worldwide production and 40% of the global sugar export market.

In the Philippines, IndoAgri has a 30% investment in FPNRL, which in turn, has a 50.9% interest in RHI, the nation's largest integrated sugar business. RHI has three sugar mills, one in Batangas and two in Negros Occidental with a combined processing capacity of 38,500 TCD or 6.2 million tonnes per year. This makes RHI the biggest sugar miller in the Philippines, supplying nearly 18% of the country's total sugar production. It is also the third largest Filipino sugar refiner, with a capacity of 18,000 Lkg/day at its Batangas refinery (one Lkg is equivalent to a 50kg bag of sugar).

During the year in review, RHI acquired a second ethanol plant with an annual production capacity of 40,500 M$^3$ in the Negros Occidental region. Together with its existing ethanol plant, RHI now offers a combined capacity of 84,000 M$^3$ per annum, making it the largest ethanol producer in the Philippines.

The Philippines is Southeast Asia's third largest sugar producer with 2.3 million tonnes in 2015, after Thailand's 11.8 million tonnes and Indonesia's 2.8 million tonnes. Typically, 90-100% of this production is consumed domestically, while the balance is exported primarily to the US, which imposes a quota on sugar imports from the Philippines and Japan

### 2015 REVIEW

In 2015, the global economic slowdown and sizeable global sugar production surplus continued to put international sugar prices under pressure. Sugar prices (CSCE No. 11) averaged 13.1 cents USD per pound in 2015, down from 16.3 cents USD per pound in 2014, exacerbated by the weakening Brazilian Real.

As at 31 December 2015, CMAA has a cane planted area of 52,843 hectares, of which 48% is company owned and 52% belongs to third parties. It processed 3.7 million tonnes of harvested sugar cane with an utilisation rate of around 98%, and produced 237,000 tonnes of raw sugar, 149,000 M$^3$ of ethanol and 368,000 Mwh of electricity.

Despite these achievements, CMAA incurred losses in 2015 due to depressed sugar prices, as well as lower electricity prices. The Group's 50% share of losses from CMAA for 2015 amounted to Rp172 billion, compared to a profit of Rp29 billion in 2014.

In 2015, CMAA was awarded Bonsucro Certification for an additional 262,000 tonnes of sustainable sugar cane production, bringing its total certified cane production to 373,000 tonnes or 10% of total cane production. Bonsucro is a globally recognised standard, and a multi-stakeholder non-profit organisation that promotes measureable standards in sustainable sugar cane production.

In the Philippines, RHI processed 2.7 million tonnes of sugar cane from third party suppliers, producing 258,000 tonnes of raw sugar and 50,000 M$^3$ of ethanol. It also produced 141,000 tonnes of refined sugar in 2015.

**Operational Highlights – CMAA**

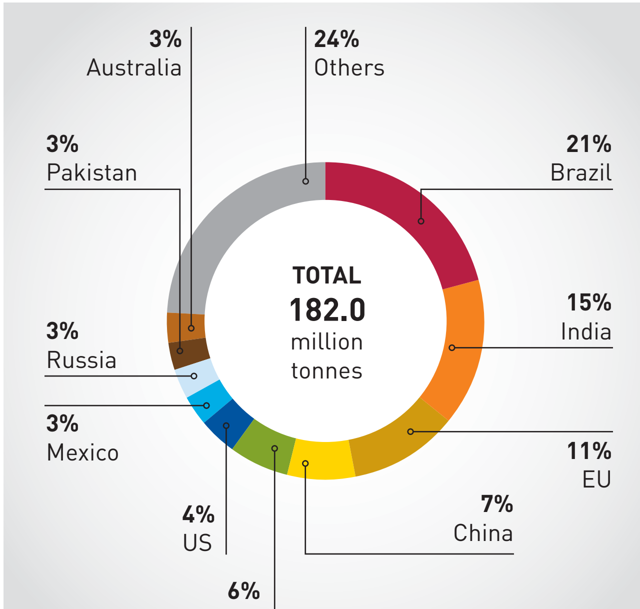
| Year Ended March | Unit | 2013/ 2014 | 2014/ 2015 | 2015/ 2016 * |
|---|---|---|---|---|
| Planted Area # | Ha | 45,517 | 47,554 | 52,843 |
| Harvested Area | Ha | 31,627 | 42,378 | 45,739 |
| Cane Crushing | '000 tonnes | 3,026 | 3,511 | 3,703 |
| **Production Volume:** | | | | |
| VHP | '000 tonnes | 187 | 224 | 237 |
| Ethanol | '000 M$^3$ | 137 | 145 | 149 |
| Energy | '000 Mwh | 206 | 375 | 368 |

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

**Operational Highlights – RHI**

| Year Ended September | Unit | 2013/ 2014 | 2014/ 2015 |
|---|---|---|---|
| **Production Volume:** | | | |
| Tonnes cane milled | '000 tonnes | 3,247 | 2,650 |
| Raw sugar | '000 tonnes | 312 | 258 |
| Refined sugar | '000 tonnes | 103 | 141 |
| Ethanol | '000 M$^3$ | 32 | 50 |

**World Sugar Production in 2014/15**




*Source: LMC International*

*Harvesting of sugar cane in South Sumatra*

### 2016 OUTLOOK

Looking ahead, the Plantation Division will continue to tap into CMAA's rich experience and adopt useful agronomic practices on cane cultivation technologies and know-how. On the mechanisation front, we are progressively applying advanced methodologies and deploying mechanised sugar-cane harvesters and planters across our estates in Indonesia.

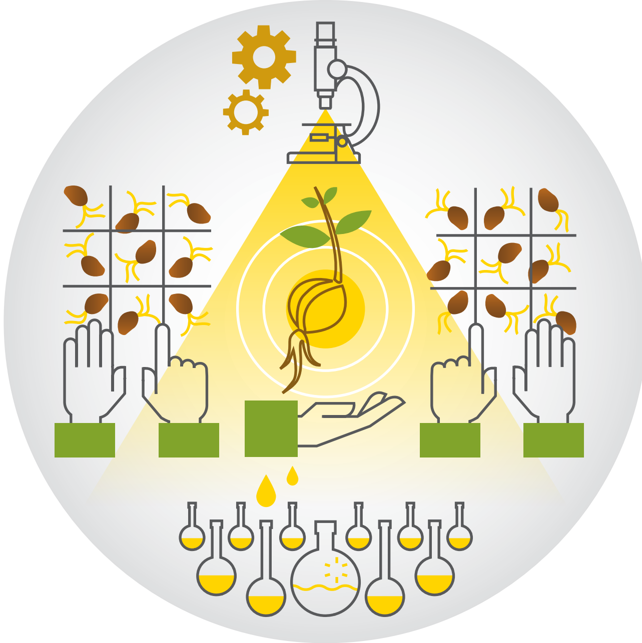
Global sugar prices are likely to remain strongly influenced by production levels in major producing countries such as Brazil and India, together with Brazilian policies on ethanol. This will be key to a reversal of the high global stocks, leading to a price recovery.

## PLANTATION REVIEW
SUGAR: OUTSIDE INDONESIA

*CMAA sugar mill/refinery in Brazil*



# PLANTATION REVIEW
R&D



**IndoAgri's agronomic practices are grounded on established principles of R&D. Our R&D programmes and priorities are aimed at increasing yields and productivity, improving crop resilience, and enhancing good estate management practices. Over the years, our R&D activities have contributed successfully to sustainable production, while lending to long-term business competitiveness.**

*Oil palm seeds breeding*

**The Group's R&D efforts cover:**

- **Plant breeding**, which leverages biotechnology, a diverse germ-plasm base and other advanced breeding methods to produce top quality seed and planting materials.
- **Soils and hydrology**, involving 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**, emphasising the use of biological 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.
- **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.

These efforts are spearheaded by the Group's R&D centres, Sumatra Bioscience (SumBio) and PT SAIN. The two facilities are staffed by scientists and researchers trained in the latest methodological frameworks to track and improve the cultivation and the production of premium high-yielding oil palm seeds. Both centres are also supported by cutting-edge

## PLANTATION REVIEW
R&D

capabilities, and are among 11 recognised oil palm seed producers in Indonesia with the certification and laboratories for the production of high quality planting materials suited to our local climates.

**INDOAGRI'S ADVANCED R&D CENTRES**

**SumBio**
- **Location: Bah Lias, North Sumatra**
- **Production capacity: 25 million oil palm seeds per annum**

**PT SAIN**
- **Location: Pekanbaru, Riau**
- **Production capacity: 8 million oil palm seeds per annum**

*Laboratory work at the R&D centre in North Sumatra*

In the area of sustainable production, our efforts cover:

- **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 its 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.

- **Application of palm oil mill by-products**, where empty fruit bunches (EFB) are recycled as soil mulch, and palm oil mill effluent (POME) is used in land application. These practices have 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. We have been doing this co-composting in four of our mills.

- **Integrated pest and disease management**, with particular emphasis on 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 10,000 and 2,000 owlets are produced in our Riau and South Sumatra estates, respectively.

- **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 to train estate personnel on the best practices for crop protection and soil and crop management.

### 2015 REVIEW

In 2015, sales volume of the Group's oil palm seeds increased from 9.2 million to 10.4 million seeds. 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. For the year in review, oil palm new plantings accounted for 1,641 hectares of estates, while 922 hectares were replanted.

In a move to grow our market share, two new high-yielding varieties were launched in 2015. These new varieties demonstrate the continuous improvement from our advanced breeding programmes, leading to higher yielding and disease tolerant varieties. To manage the risks posed by counterfeit seed distributors, SumBio has a process to


*Packaging our oil palm seeds at the R&D centre in North Sumatra*

authenticate and tag its seed products using ultraviolet (UV) printing technology.

To reduce pesticide use, beneficial plants were 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 biopesticide, and deployed UV light traps to control major leaf-eating caterpillars across our estates. We monitored the spatio-temporal patterns and status of all leaf eating caterpillars' attacks using the monthly-census data in our SAP system to control pest damage below economic threshold.

The use of satellite 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 enhanced our responsiveness to varying soil and crop conditions, including nutrient status and pest and disease attack prevalence. This has enabled us to proactively prevent potential agronomic issues and optimise manpower and resource deployment.

R&D was also at the core of product innovation that caters 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 2015, we launched the first butter-flavoured and garlic-flavoured margarines in Indonesia. The new product launches followed extensive customer forums and feedback, and enabled us to expand our product offerings and create new markets. We continued to provide R&D support for the design of cost-efficient and environmentally friendly packaging materials.

### 2016 OUTLOOK

In anticipation of demand growth driven by rising consumer affluence, growing population size, as well as new planting activities planned for 2016, we will continue to pursue the cultivation of premium, high-yielding seeds materials.

The use of bio-control methods against major pests will be intensified to preserve the biodiversity of our estates. Through highly detailed topographic maps, we expect to fine-tune our agronomic practices with more effective soil and water management programmes in our South Sumatra and Central Kalimantan estates. To strengthen productivity, we will further our mechanisation efforts while streamlining existing work processes.

With the visibility of field data captured in our integrated SAP enterprise resource planning system, we plan to increase the use of data analytics and GIS alongside statistical and census methods to improve yield forecasts.

Site-specific fertiliser recommendations to produce maximum economic crop response will be made possible with detailed soil fertility mapping based on the physico-chemical soil properties across different terrain and climate environments.

Other R&D improvements will include pest and disease management and precision agronomy via improved crop management strategies, planting densities, fertiliser and 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.

# EDIBLE OILS & FATS REVIEW


**The Edible Oils & Fats (EOF) Division manufactures and markets IndoAgri's downstream products. These include cooking oils, margarine, shortening and other by-products derived from CPO refining and fractionation. The Division owns and operates five refineries with a total annual CPO processing capacity of 1.4 million tonnes. These refineries are located strategically in major Indonesian cities near deep-water ports that provide logistical advantages.**

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 popular local brand that has achieved several awards including the Indonesia Best Brand Award (Platinum Level) from 2002 to 2015, the Indonesia Customer Satisfaction Award (Diamond Level) from 2000 to 2015, and one of the Top 50 Most Valuable Indonesian Brands in 2015.

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

By leveraging the distribution channels of PT ISM Group, we are able supplement and deepen our own market penetration efforts. As a result, the EOF Division has good access to direct sales channels of PT ISM Group, as well as local and national distributors serving approximately 370,000 retail outlets across Indonesia.

## 2015 REVIEW

During the year in review, the EOF Division processed approximately 817,000 tonnes of CPO including 64% from our own plantations in 2015. The Division also produced and sold small amounts of palm-based products derived from CPO refining, such as refined, bleached and deodorised (RBD) palm stearin and palm fatty acid distillate.


*Collecting sample in the fractionation process*


*Cookies made using Palmia margarine*

In 2015, we entered the branded bulk market, and launched an innovative and first-of-its-kind garlic margarine in Indonesia. In addition, the construction of a new 200 tonnes per day margarine plant was completed at the Tanjung Priok refinery.

Revenue from the EOF Division declined 14% to Rp8.4 trillion in 2015 due mainly to lower sales volume and lower average selling prices of edible oils and fats products. However, the Division achieved higher EBITDA earnings on a more competitive pricing strategy in 2015. Branded consumer products contributed over half of this revenue, while sales to industrial customers and third-party brands accounted for the balance. We will continue to work on new product offerings and further develop the distribution network to deepen our market penetration.

Sales contribution from the EOF Division accounted for 61% and 66% of the Group's external sales in 2015 and 2014 respectively. The revenue derived from Indonesia was 88%, while the balance came from exports to 25 countries, including China, Nigeria, East Timor, the Philippines, Malaysia, United Arab Emirates, Sri Lanka, Papua New Guinea and Myanmar.

## 2016 OUTLOOK

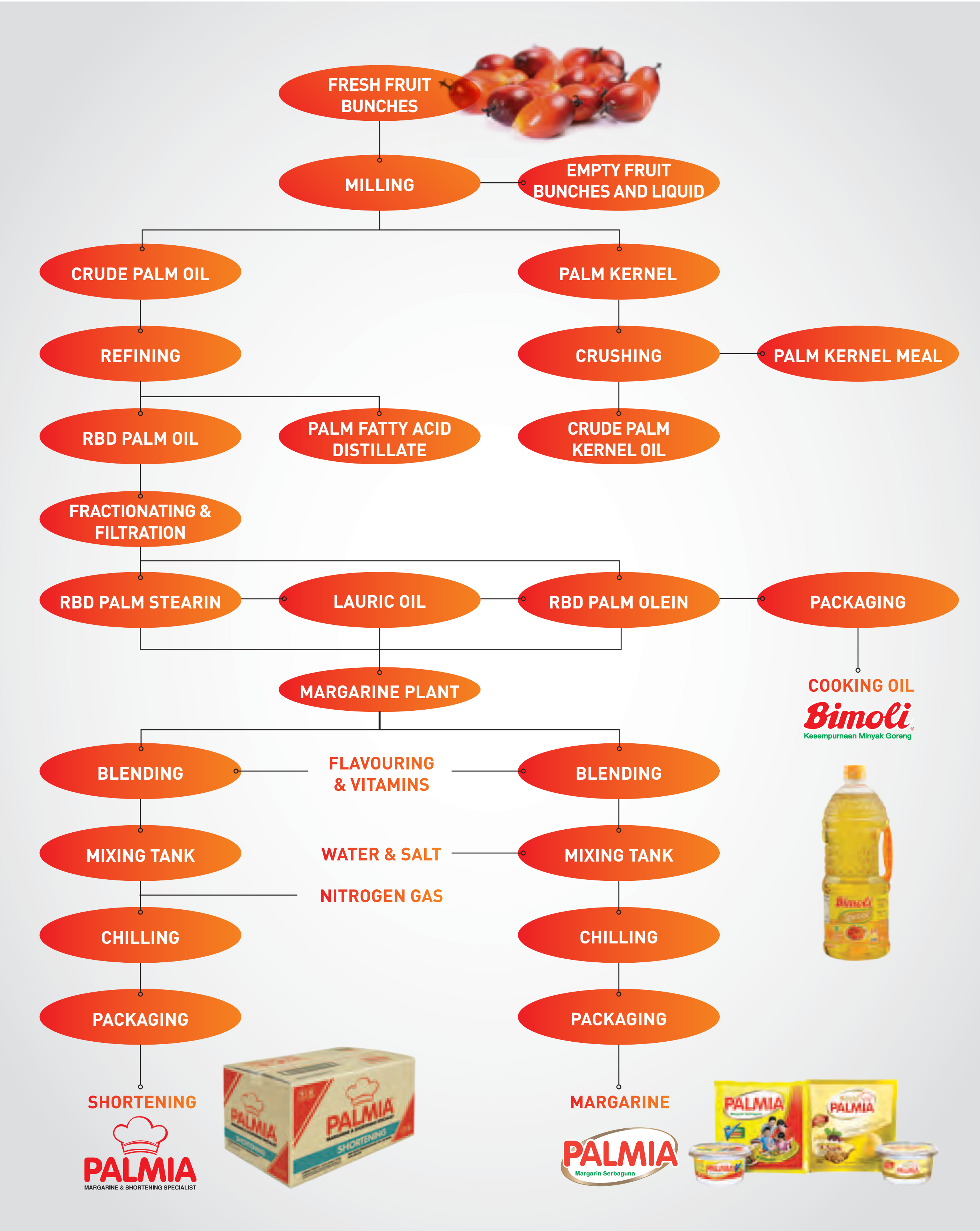
In the year ahead, we expect to further utilise our downstream production by enhancing the Division's specialty fat output and production capability to meet rising demand. The Division will also continue to improve its pricing competitiveness, review its supply chain to enhance customer service, and grow the distribution network.

We are expanding the capacity of our Surabaya for completion refinery for completion by 1,000 tonnes per day, scheduled in 2017. The additional production capacity will enable the Group to capture sales opportunities in Eastern Indonesia.

*Filling of cooking oil into refillable packaging*

# EDIBLE OILS & FATS
REVIEW

### MANUFACTURING PROCESS FOR EOF






# MANAGING SUSTAINABILITY

**IndoAgri's day-to-day business is underscored by its commitment to sustainability. However, as an agribusiness, we are exposed to an evolving set of risks, challenges and opportunities relating to the environment, communities and various other stakeholders. It is our goal to meet the world's food needs in a more accountable and responsible manner. We achieve this by synergising our work processes across the plantations, and working closely with our smallholders and suppliers on sustainability management.**

The Group embarked on formal sustainability reporting in 2013. Today, we are guided by formal governance arrangements that include an established Sustainability Policy, as well as programmes, projects and targets.

The Group has earmarked ten material sustainability issues that matter most from both external and internal risk perspectives. These material issues are categorised under five areas: (i) Governance and integrity (ii) Environmental performance (iii) Sustainable palm oil sourcing (iv) Safe, nutritious and traceable products (v) People and communities. To deliver the desired outcomes, the Group's sustainability efforts are carried out and monitored through six sustainability programmes.

The full details of these programmes and activities, including the key performance indicators, can be found in our Sustainability Report, which covers IndoAgri's oil palm plantations and milling operations in Indonesia. The report is prepared annually in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and the AA1000 Principles of inclusivity, materiality and responsiveness. To download our latest Sustainability Report, please visit www.indofoodagri.com.


*A policinic at our estate in Riau*

### CREATING VALUE FOR OUR STAKEHOLDERS

While meeting the growing demand for responsibly produced, high quality palm oil, we endeavour to create employment opportunities and drive economic and social developments in communities where we operate.

At IndoAgri, we have identified our key stakeholder groups to be employees, customers, investors, government and civil organisations, and local communities. We connect, engage and collaborate with them to strengthen our mutual interests and establish common goals. We also define the main stakeholders for each operational site to understand and improve the relationships with each local community.

Our 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. The engagement approach is guided by the Group's sustainability principles, and prioritised according to the materiality of each issue.

# MANAGING SUSTAINABILITY

The Sustainability Team works closely with senior management, the operating units, as well as suppliers and business partners to champion the Group's sustainability programmes and projects. Our CEO and board members are directly involved in reviewing the progress and direction of the Group's sustainability management efforts. Standard Operating Procedures are put in place to enable all employees to deliver on the Group's policy commitments. To manage the procurement and traceability of our raw materials, the Group's Palm Oil Sourcing Policy and a set of Responsible Supplier Guidelines have been enforced since 2014.

A centralised Sustainability Management Information System (SMIS), which utilises real-time data captured from our SAP system, allows the Sustainability Team to monitor the Group's progress against its sustainability targets.

**For more information on our Sustainability Policies, please see @ www.indofoodagri.com/sustainability.html**

### MANAGING OUR KEY MATERIAL ISSUES

## Governance and Integrity

**Material issue:**
**Governance including transparency, business integrity and anti-corruption, risk management**

We adhere closely to the principles and guidelines of the SGX's Code of Corporate Governance 2012, the IndoAgri Code of Conduct as well as other applicable laws, rules and regulations. To support ethical and accountable business conduct, our ***Growing Responsibly*** Programme sets the policy framework for high standards of corporate governance, responsibility and professional integrity. Senior management are directly involved in the supervision of data collection that goes towards our annual sustainability reporting.

IndoAgri has also been fully supportive of the ongoing drive by Indonesian and Singaporean authorities in haze management and responsible farming practices. To date, the Group has not received any warning or notice of legal proceedings under the Transboundary Haze Pollution Act in 2015.

## Environmental Performance

**Material issue:**
**Carbon management and deforestation**
**Environmental footprint**
**Yield maximisation**

The agriculture industry in Indonesia relies heavily on certain climatic conditions, such as sufficient rainfall, for healthy plantation estates. GHG emissions are among the factors that adversely impact our air quality, ecosystems


*HCV signboard in the estate as a reminder not to disturb or hunt the animals, and protect the HCV area.*

and climate. Sustainable practices relating to forestry, peat lands, agriculture, energy, industry, transportation and waste management can help to mitigate the risks of climate change.

Our estates, refineries and mills are guided by sound environmental management practices. Beyond complying with local regulations, the Group is motivated to enhance energy efficiency, increase productivity and be a good steward of natural resources.

Our industry faces complex environmental issues, including deforestation, biodiversity, irrigation, soil management, chemical handling and preservation of genetic plant quality. To continue achieving good yields, we must be ready to adapt and change the way we manage the operations.

Our ***Sustainable Agriculture and Products*** Programme drives high standards in the adoption of sustainable practices in crop cultivation, palm oil refining and milling. Our factories comply with Indonesia's environmental regulation. As part of our work on deforestation and habitat loss, we have appointed RSPO-accredited assessors to evaluate the High Conservation Value (HCV) areas in our oil palm estates. We have also introduced guidelines on the management of HCV areas, and a policy that prohibits any new planting on peatlands and HCV areas.

Our ***Smallholders*** Programme contributes to our environmental efforts through engaging our plasma farmers. The objective is to enable our smallholders to promote stronger yields and improved cost control through the sharing of good agronomic practices and other innovative processes.



*A meeting between Company representatives and smallholders in South Sumatra*

At the same time, our ***Growing Responsibly*** Programme provides the framework for stakeholder engagement and decision-making on environmental risk management and governance.

## Sustainable Palm Oil Sourcing

**Material issue:**
**Product traceability and sustainable sourcing**
**Smallholders including plasma, social conflict resolution**

To produce sustainable products, it is important to know whether the raw materials originate from sustainable sources. In 2015, about 64% of the CPO ingredients used in our refineries came from our plantations, while third parties supplied the remaining requirements. For this reason, we have extended our sustainability efforts beyond our operations to include our supply chain where we seek to elevate the standards of food safety, quality and supply chain responsibility using our scale of production and smallholder engagement.

The Group adheres to the principles and criteria of the RSPO, and we continue to expand the number of operations that are RSPO- and ISPO-certified each year. Our Sustainability Report explains why we have chosen to benchmark our practices to RSPO standards, supported by ISPO certification.

Our ***Safe and Traceable Products*** Programme ensures that all products from our refineries and mills are traceable. We have introduced a barcode system to ensure that the seeds bred at our facilities can be identified and tracked.

We are on track to achieving RSPO and ISPO standards by the end of 2019 for all the Group's mills, estates and smallholder plots. As at December 2015, we have attained RSPO and ISPO certification for 377,000 tonnes and 180,000 tonnes respectively, representing 38% and 18% of our total CPO production in 2015. Additionally, 80% of supply to our refineries is from CPO suppliers who have been pre-audited against the IndoAgri Palm Oil Sourcing Policy.

Our ***Smallholders*** Programme offers an effective platform to engage and collaborate with our smallholders on the implementation of RSPO certification. We have a partnership with the Sustainable Trade Initiative (IDH) since 2014 to train and guide our smallholders on RSPO compliance. Plasma and ex-plasma farmers supply about 27% of the total FFB processed in our mills. The first batch of 159 smallholders started RSPO certification audit in 2015.

## Safe, Nutritious and Traceable Products

**Material issue:**
**Product quality and safety**

The Group considers food safety to be of paramount importance. Our Safe and Traceable Products Programme ensures that all our products are traceable, safe and beneficial for human consumption through the implementation of food safety management systems and quality assurance processes. Our refinery teams also ensure that product labels accurately describe the nutritional properties and brand claims of our food products. Our factories and processes are fully compliant with the regulatory requirements pertaining to food quality and safety, and our brands and products have continued to garner customer accolades and industry awards in 2015.


*Food Safety System Certification 22000 (FSSC) for Tanjung Priok Refinery*

# MANAGING SUSTAINABILITY

## People and Communities

**Material issue:**
**Occupational health and safety**
**Human rights**
**Land rights including scarce land resources**

As an employer and landowner, we have a duty to provide a high standard of welfare, health and living conditions for our employees and their families who live on our estates. Agriculture, refining and milling are potentially dangerous, and we continually train and educate all employees about workplace safety and health, and embed safe work practices across our estates and facilities.

Our ***Growing Responsibly*** programme guides the activities and resource allocation relating to employee engagement and development. Our people management practices are governed by well-established HR policies. The Group also invests in a diverse range of learning and development opportunities – from specialised agronomic courses, to leadership development training and the upgrading of professional skills and competencies – to suit specific roles and job requirements.

**Employee profile**

| Position | Total |
|---|---|
| Management | 626 |
| Supervisors | 530 |
| Staff | 2,133 |
| Administrative and operation staff | 37,191 |
| **Total** | **40,480** |

Our ***Work and Estate Living*** Programme covers the safety, health and wellbeing of our workers and communities, as well as aspects relating to their human rights. Occupational Health and Safety (OHS) is managed under the SMK3, which is the Indonesian OHS management system. Today, many of our managers are trained in SMK3 techniques, while the majority of our sites are certified to SMK3 requirements. Despite these measures, we regret to report seven work-related fatalities in 2015. We have investigated these incidents very thoroughly, and taken steps to prevent recurrence.

We respect human rights and contractual agreements, and are committed to dealing fairly and transparently with all our employees and business partners. The management of risks relating to diversity, employee retention, labour conditions, freedom of association, child labour and forced labour is core to this effort. In the plantations, which are often in remote locations, we offer facilities and support, that are catered to the needs and comfort of our people.

*Employees and committees involved in the Cataract Surgery programme*

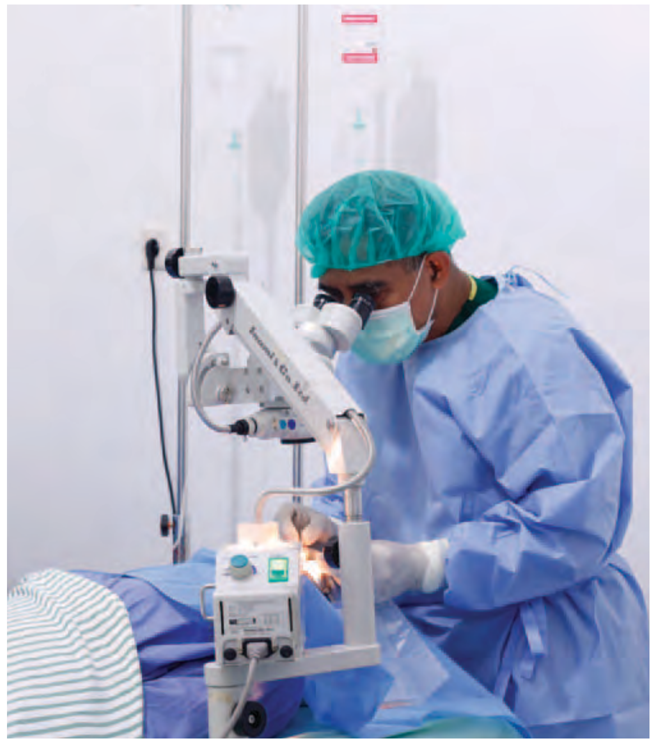



*Elementary school students from one of our internal schools in North Sumatra*

As land ownership is a complex issue in the agricultural industry involving social, political, historical and religious considerations, we firmly uphold the principle of free prior and informed consent (FPIC) with respect to land purchases from local villages. It is important to IndoAgri that the local villagers, have enough resources for their own livelihood and provisions.

Our ***Smallholders*** Programme allows us to foster a closer rapport with our local communities. To alleviate conflicts relating to land rights and to cultivate strong social relationships, we actively engage with local landowners and community leaders. The benefits have been manifold, including the mitigation of theft, protests, roadblocks and other business disruptions.

The ***Solidarity*** Programme seeks to empower the lives of people living in and near our estates through community health programmes, financial support for new enterprises and education. Grassroots projects are prioritised and planned, based on the findings and recommendations of ongoing social impact assessments.


*A doctor performing cataract surgery on a patient*

# GROWING OUR **SUSTAINABLE FUTURE**

**No of Employees**
40,480

**Certified CPO**
RSPO – 377,000 tonnes
ISPO – 180,000 tonnes

*Elementary school students in South Sumatra estates*

# BOARD OF DIRECTORS

MR LEE KWONG FOO EDWARD
Chairman and
Lead Independent Director

MR LIM HOCK SAN
Vice Chairman and
Independent Director

MR MARK JULIAN WAKEFORD
Chief Executive Officer and
Executive Director

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

MR SUAIMI SURIADY
Executive Director and
Head Of EOF Division

MR TJHIE TJE FIE
Non-Executive Director

MR AXTON SALIM
Non-Executive Director

MR GOH KIAN CHEE
Independent Director

MR HENDRA SUSANTO
Independent Director



## 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 Darussalam (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's 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 presently 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 was promoted to 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 also 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 currently 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 currently a Director of PT Indofood Sukses Makmur Tbk, where he heads the Plantations Division. He is concurrently a Commissioner of PT Indofood CBP Sukses Makmur Tbk, Vice President Director of PT SIMP and Vice 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 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 also a registered accountant in Indonesia.

# BOARD OF DIRECTORS

**MR SUAIMI SURIADY**
**Executive Director and Head Of EOF Division**

Mr Suriady is currently a Director of PT Indofood CBP Sukses Makmur Tbk, where he heads the Snack Food Division. He concurrently serves as President Director of PT Indofood Fritolay Makmur, Director of PT SIMP and Commissioner of PT Nestle Indofood Citarasa Indonesia. 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 currently a Director of PT Indofood Sukses Makmur Tbk, where he oversees all financial operations and is concurrently Director of PT Indofood CBP Sukses Makmur Tbk. He is also the President Director of PT Indofood Asahi Sukses Beverage, Vice President Director of PT Asahi Indofood Beverage Makmur, President Commissioner of PT Indofood Fritolay Makmur and 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 currently 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, Commissioner of PT SIMP, Lonsum and PT Nestlé Indofood Citarasa Indonesia, Vice President Director I of PT Indolakto, Director of Pacsari Pte. Ltd. and PT Indofood Asahi Sukses Beverage, and Non-Executive Director of Gallant Venture Ltd. He also serves as Co-chair of Scaling Up Nutrition (SUN) Business Network Advisory Group.

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 presently a Consultant at the National University of Singapore's Centre For The Arts (NUS). He is also an Independent Director of AsiaMedic Limited and China Minzhong Food Corporation 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 currently an audit committee member of PT Indofood 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

Gajendran Vyapuri
(Appointed 27 April 2012)

# CORPORATE GOVERNANCE

The 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 Company's businesses and performance. We are committed to continuously enhance the standards of corporate governance principles and processes so as to improve performance, accountability and transparency of the Company.

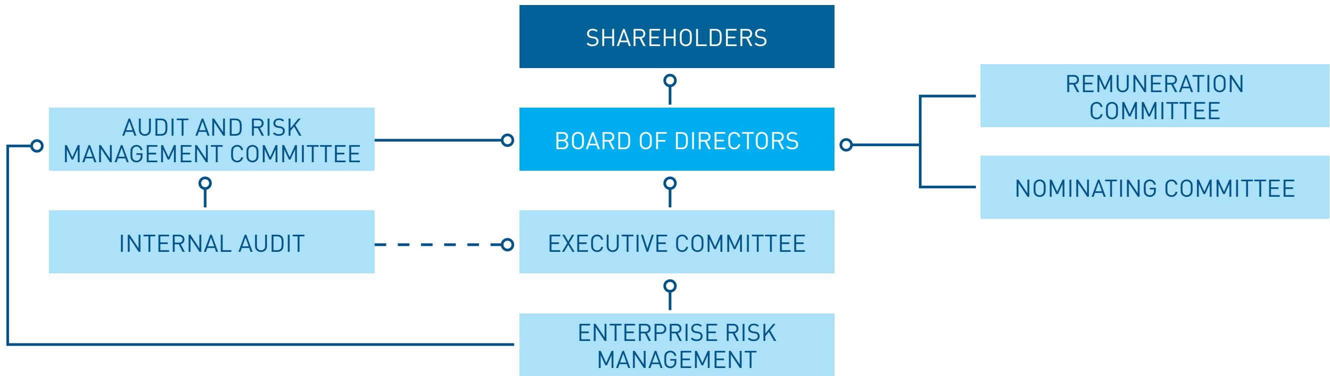
This report sets out the key aspects of the Company's corporate governance framework and practices, with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 ("**2012 Code**"). The Company has complied with the principles and guidelines of the 2012 Code, with exception 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 Directors, as well as the number of meetings attended by the Directors in 2015. The NC is satisfied that the Directors with multiple board representations have been able to devote sufficient time to the affairs of the Company to adequately discharge their duties as Directors and continue to provide objective views to the Board and Management. As such, the Board does not stipulate a policy for the maximum number of listed company board representations 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 Guideline 9.2 and 9.3, the Board and Management are not in favour of disclosing the exact remuneration of its Directors and the CEO, and the salary band for each key executive with a breakdown (in percentage or dollar terms) of the remuneration earned. This is in consideration of the competitive environment, the nature of the industry and the confidentiality of such information, as this may adversely affect our ability to attract and retain talent.

**Our Corporate Governance Structure is as follows:**




## BOARD MATTERS

### BOARD'S CONDUCT OF ITS AFFAIRS [PRINCIPLE 1]

The Board of Directors (the "**Board**") comprises of Directors with a wide range of skills and experience in the fields of operations management, banking, finance, accounting, risk management, and industry knowledge. The Board considers that its Directors 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 of the Board**

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.





The Company has adopted internal guidelines, which set out all matters requiring the Board's approval as specified under the SGX-ST's Listing Manual. These include new investments and divestment of existing businesses; annual operating plan and strategic plan including planned capital expenditure; and all commitments to term loans, line of credits and credit supports from banks and financial institutions.

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 assessment on the effectiveness of the Board. For the year 2015, all the Directors have discharged this duty.

**Board Committees**

In discharging its overall functions and responsibilities, 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 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**

The dates of the Board, Board Committees and Annual General Meetings (AGM) are scheduled at the beginning of the year. The Company's Constitution provides for Board 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. At each Board meeting, the Management will present and update the Board on the business results and performance. The Board meets at least four times a year to deliberate the strategic policies of the Group, including decisions on significant acquisitions and disposals, approval of annual budgets, review of business performance and release of financial results.

The Directors' attendance at the Board and Board Committee meetings held during the financial year ended 31 December 2015 is set out below:

| Description | Board | AC & RMC | NC | RC |
|---|---|---|---|---|
| **Number of meetings held in 2015** | **4** | **8** | **1** | **1** |
| **Name of director** | Number of meetings attended | | | |
| Lee Kwong Foo, Edward | 4 | – | 1 | – |
| Lim Hock San | 3 | 7 | 1 | 1 |
| Mark Julian Wakeford | 4 | – | – | – |
| Moleonoto Tjang | 4 | – | – | – |
| Suaimi Suriady | 4 | – | – | – |
| Tjhie Tje Fie | 3 | – | 0 | 0 |
| Axton Salim | 3 | – | – | – |
| Goh Kian Chee | 4 | 8 | – | 1 |
| Hendra Susanto | 4 | **8** | 1 | – |

*Chairman*

*"–" refers to not applicable*

**Training and Induction for Directors**
Induction, orientation and training are provided to newly appointed Directors to familiarise them with the organisation, business operations, strategic plans governance practices, as well as industry trends and developments. There was no new Director appointed in 2015.

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. The Directors also receive updates from the Management on relevant business initiatives, industry developments, and analyst and press commentaries on matters that pertain to the Company or the industries in which it operates. Where necessary, the Directors may seek professional advice, either individually or as a group, in performing their duties.

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

In 2015, some of the Directors attended the following courses and training programmes:

| Date | Training Programmes |
|---|---|
| 23 Apr | EY's 9th South East Asia Capital Confidence Barometer Study seminar |
| 13 May | Singapore Dialogue on Sustainable World Resources |
| 15 Jul | EY breakfast seminar on New and Revised Singapore Standards on Auditing Relating to Auditor Reporting |
| 27 Aug | The New Age Board: Turning Uncertainty into Breakthrough Opportunities |
| 28 Aug | Launch of Nominating Committee Guide by SID |
| 14 Oct | Noble Group: the Saga and its Lessons by SID |
| 28 Oct | EY presentation on New and Revised Singapore Standards on Auditing Relating to Auditor Reporting |
| 16 Nov | Culture Eats Strategy for Breakfast: Are Boards Paying Enough Attention to it |
| 18 Nov | Corporate Governance Roundup 2015 by SID |
| 04 Dec | Seminar on Indonesia's Macroeconomic Condition |

**BOARD COMPOSITION AND GUIDANCE [PRINCIPLE 2]**
The NC conducts a yearly review of the Board size to ensure it is commensurate with the Group's business and operations. It also considers the composition of the Board and Board Committees to attain a balance and diversity of skills, experience and knowledge required by the Directors to discharge their duties and responsibilities effectively as well as to make objective decisions.

**Board Size**
As at 31 March 2016, the Board comprises of 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.

| Board of Directors | | | | | | |
|---|---|---|---|---|---|---|
| **Name of Director** | **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 | |



CORPORATE
GOVERNANCE

**CHAIRMAN AND CHIEF EXECUTIVE OFFICER [PRINCIPLE 3]**
The roles of the Chairman and Chief Executive Officer ("**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 function 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.

**BOARD MEMBERSHIP [PRINCIPLE 4]**
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.

**Process of Appointing New Directors and Re-nomination of Directors**
The NC has the following process of selecting and appointing new Directors when the need arises:
- review annually the size of the Board and determine that the composition of the Board has a balance and diversity of skills, experience and knowledge;
- leverage external help from sources such as recruitment firms to identify potential candidates and 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.

The NC is also responsible for the re-nomination of Directors, taking into consideration factors such as attendance, preparedness, participation 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**
All the Independent Directors, Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto have been with the Board for more than nine years.

The NC will determine annually – after taking into account the Directors' declaration of their independence based on guidelines provided in the 2012 Code, amongst others – whether a Director has business relationships with the Company or any of its related companies that could impair independent judgement. Based on the NC's assessment, the Board is of the view that the four Independent Directors have exercised independent judgement in the best interests of the Company, and have contributed positively towards Board discussions in discharging their duties as Independent Directors. Accordingly, four out of the nine Directors are considered to be independent.

**Annual Assessment of Director's Commitment**
For Directors with multiple board representations in other listed companies, the NC will consider whether the Director is able to carry out his duties as a Director of the Company. The NC has reviewed the participation and contribution of the current Directors, as well as the number of meetings attended by the Directors in 2015. The NC is satisfied that the Directors with multiple board representations have been able to devote sufficient time to the affairs of the Company to adequately discharge their duties as Directors and continue to provide objective views to the Board and Management. As such, the Board does not stipulate a policy for the maximum number of listed company board representations a Director may hold.

## BOARD PERFORMANCE [PRINCIPLE 5]

**Evaluation of the Board**
The Directors are requested to complete appraisal forms to assess the overall effectiveness of the Board annually. The assessment criteria for the Board covers effectiveness 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.

The NC will discuss the performance of the Board as a whole, ascertain key areas for improvement and recommend follow-up actions. The results of the evaluation, including recommendations and feedback from the Board members, are presented by the NC Chairman to the Board so as to enhance the effectiveness of the Board as a whole and ensure diversity of skill and experience is maintained within the Board.

Based on the assessment criteria above, the Board is satisfied that its performance objectives have been met for 2015.

**Evaluation of the Individual Director**
The performance of Individual Directors are assessed annually. All the Directors of the Board are required to participate in the evaluation by completing a peer assessment form. The primary objective of this is to gather constructive feedback on each Director's performance on the Board. Thereafter, the NC Chairman shall present a consolidated report to the Board for discussion, with a view to improving the performance of the Board in order to enhance shareholders' value.

## ACCESS TO INFORMATION [PRINCIPLE 6]
The Company Secretaries attend and prepare minutes of the Board and Board Committee proceedings. They assist the Chairman to ensure that Board procedures are followed and applicable rules and regulations are complied with. They also assist the Chairman and the Board to implement and strengthen corporate governance practices.

The Company Secretaries circulate a schedule of Board and Board Committees' meetings to the Directors at the beginning of the calendar year. Board papers and related materials such as financial results, progress update on projects, budgets and forecasts are circulated to the Board before each meeting with sufficient time for the Directors to consider the issues and prepare themselves for productive and effective discussions.

Members of the Management, as well as external consultants on specific projects, are available to provide insights and address queries or make formal presentation when necessary during Board meetings. The Directors have direct and independent access to the Company's Management and Company Secretaries and they are also informed on a regular basis as and when there are significant developments or events relating to the Group.

The Directors may seek professional advice, either individually or as a group, in the furtherance of their duties. The cost of such professional advices will be borne by the Company.

## REMUNERATION MATTERS

## PROCEDURES IN DEVELOPING REMUNERATON POLICIES [PRINCIPLE 7]
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 with Messrs Lim Hock San and Goh Kian Chee being 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 the Directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind. RC members are refrained from deciding on their own remuneration.



The RC will submit its 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 Group's remuneration policy seeks to align the interests of employees with the Group, to reward and encourage performance based on its core values and to ensure that remuneration is commercially competitive to attract and retain talent.

The remuneration framework for Independent Directors adopted by the RC comprises of a base fee as a member of the Board. In addition, Independent Directors who perform additional services in Board committees are paid an additional fee for such services. If the Director is required to travel for meetings or for any other purpose of the Company, the Company will reimburse the travel expenses incurred plus travelling allowances.

The Chairman of the Board and each Board Committee are paid a higher fee than the members of the respective committees in view of the greater responsibility carried by that office. Executive Directors and Non-Executive Directors are not paid Directors' fees. Directors' fees are submitted as a lump sum for shareholders' approval at the AGM.

The RC approves the framework of remuneration for the Executive Directors and Key Executives. The RC exercises broad discretion and independent judgment, and consults with the controlling shareholder to ensure that the compensation amount and remuneration mix are appropriate for the Company and for the respective individual roles. The remuneration mix of the Executive Directors and Key Executives consists of two components: an annual fixed cash component which comprises the annual basic salary and other fixed allowances; and an annual variable cash performance incentive which is linked to the Company and its operating units' and individual employee's performance.

To motivate results, the compensation is directly linked to corporate and individual performance. This is achieved by incorporating relevant and appropriate Key Performance Indicators ("**KPIs**") for the annual rewards and cash incentives. The Company measures its performance against its strategic objectives across six areas – crop, cost, condition, people, process and product. This provides a framework enabling employees to understand how they have contributed to each area, and to the overall performance of the Company.

In determining the quantum for the variable component of the remuneration, the RC takes into account the extent to which the above performance conditions are met. The 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. The RC is satisfied that remuneration is aligned to performance during the year 2015.

## DISCLOSURE ON REMUNERATION [PRINCIPLE 9]
The Board and Management are not in favour of disclosing the exact remuneration of its Directors and the CEO, and the salary band for each key executive with a breakdown (in percentage or dollar terms) of the remuneration earned as stipulated by the 2012 Code. This is considering that the competitive environment and the nature of the industry including the confidentiality in such information, as this may adversely affect our ability to attract and retain talent.

**Directors' Remuneration**
The remunerations of the Directors and the CEO, for the financial year ended 31 December 2015 are as follows:

| Name of Directors | Fixed/Variable Salary | Directors' Fees |
|---|---|---|
| **Above S$1,000,000** | | |
| 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 was paid by the parent company, PT ISM or other group of companies*

# CORPORATE GOVERNANCE

**Directors' Fees for Independent Directors**
The Directors' fees framework and the fees paid to each Independent Director are as follows:

| Fees Framework (in S$) | Board | AC & RMC | NC | RC |
|---|---|---|---|---|
| Chairman | 80,000 | 30,000 | 15,000 | 15,000 |
| Members | 55,000 | 15,000 | 10,000 | 10,000 |

| Name of Director | Total |
|---|---|
| Lee Kwong Foo, Edward | 90,000 |
| Lim Hock San | 90,000 |
| Goh Kian Chee | 90,000 |
| Hendra Susanto | 75,000 |
| Total | 345,000 |

**Remuneration of Key Executives**
The remuneration bands of Key Executives who are not also 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 2015 was S$1,799,574.

| Remuneration Band | Number of Executives |
|---|---|
| S$250,000 – S$500,000 | 5 |
| S$500,000 – S$750,000 | 3 |

**Remuneration of employees who are immediate family members of a Director or the CEO**
There was no employee of the Company and its subsidiaries who was an immediate family member of a Director or the CEO whose remuneration exceeded S$50,000 during the financial year ended 31 December 2015.

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

## ACCOUNTABILITY AND AUDIT

### ACCOUNTABILITY [PRINCIPLE 10]
The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to 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 AC & RMC, with support from the internal and external auditors as well as the Enterprise Risk Management ("**ERM**") team, reviews and reports to the Board regularly on the effectiveness and adequacy of the internal control system. These reports cover operational, financial and compliance controls, risk management policies and systems. The AC & RMC meets with internal and external auditors at least four times a year and at least one of these meetings is conducted without the presence of Management. The AC & RMC also meets with the ERM team separately at least four times a year.

The ERM team communicates and coordinates with the Internal Audit Department ("**IAD**") to focus on high risk areas, ensure accuracy of risk assessment reports and implement the risk mitigation strategies and controls effectively. The IAD also performs independent reviews of the risks and controls identified by the ERM team to ensure adequate monitoring and proper resolution.



CORPORATE GOVERNANCE

At each quarterly AC & RMC meeting, the IAD and ERM team will present the key findings together with the Management's recommended remedial actions for discussion and follow-up actions.

With the Internal Audit ("**IA**") and ERM framework and processes firmly in place as an effective tool to identify, monitor, manage and report material risks affecting the Group, the AC & RMC is satisfied that the Group's internal controls are in order.

The Board has received assurance from the CEO and CFO that, to their best knowledge and belief, the financial records were properly maintained, the financial statements presented a true and fair view of the Group's operations, and effective risk management and internal control systems were put in place.

Based on the Group's established framework and the reviews conducted by the Management, IAD and ERM team, the Board with the AC & RMC's concurrence confirms that the Group's internal controls are adequate and effective in addressing the financial, operational, compliance and information technology control risks, as well as risk management system.

However, 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 provide 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]
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, the evaluation of the internal accounting controls, audit report, Management letter and Management's response with the external auditors;
- review the quarterly, half-yearly and annual financial statements before submission to the Board for approval, focusing on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, going concern statement, compliance with applicable accounting standards, and stock exchange, statutory and regulatory requirements;
- 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 external auditors and Management;
- review the level of assistance provided by the Management to the auditors, the resolution of problems and concerns arising from the interim and final audits, and any issues surfaced by the auditors (in the absence of Management where necessary);
- review and discuss with the external auditors any suspected fraud, irregularity, and infringement of laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- consider the appointment and re-appointment of the external auditors, the audit fee, and matters relating to the resignation or dismissal of auditors;
- review Interested Person Transactions;
- review the whistle-blowing arrangements instituted by the Group where staff can raise concerns and report possible improprieties in financial or other matters in confidence;
- review the Group's ERM reports;
- undertake reviews and projects as may be requested by the Board and report to the Board its findings on matters requiring the attention of the AC & RMC; and
- undertake functions and duties as may be required by the statute or the Listing Manual.

**External Audit**
The AC & RMC reviews the scope, results and objectivity of the audit work carried out by the external auditors annually. Following the review of services performed during the financial year by the external auditors, Ernst & Young LLP, the AC & RMC was satisfied with the impartiality of the independent external auditors. In accordance to Rule 1207(6)(a) of the Listing Manual, the audit fees and non-audit fees paid to the external auditors for their services in the financial year ended 31 December 2015 are disclosed on page 95 of this Annual Report.

# CORPORATE GOVERNANCE

The external auditors of the Group's subsidiaries and associated companies are disclosed on page 115, 118 and 120 of this Annual Report. The AC & RMC and the Board are satisfied that the appointment of different auditors for its subsidiaries and associate companies would not compromise the standard and effectiveness of the audit of 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 for Ernst & Young LLP to be re-appointed as the external auditors of the Company at the forthcoming 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 its internal audit schedules in consultation with the Management before it submits the plan to the AC & RMC for approval. The IA conducts its audit in accordance with the guidance and standard for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The IAD is independent of the activities 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 risk monitoring framework.

The IAD operates within the framework set out in the IA 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 reasonable assurance to Management and the AC & RMC that the key risks and controls are adequately monitored and addressed.

During the year, the IAD adopted a risk-based auditing approach that focused on material internal controls, whereby 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. The progress of the key actions agreed by the Management was monitored and reviewed by the AC & RMC.

## ENTERPRISE RISK MANAGEMENT

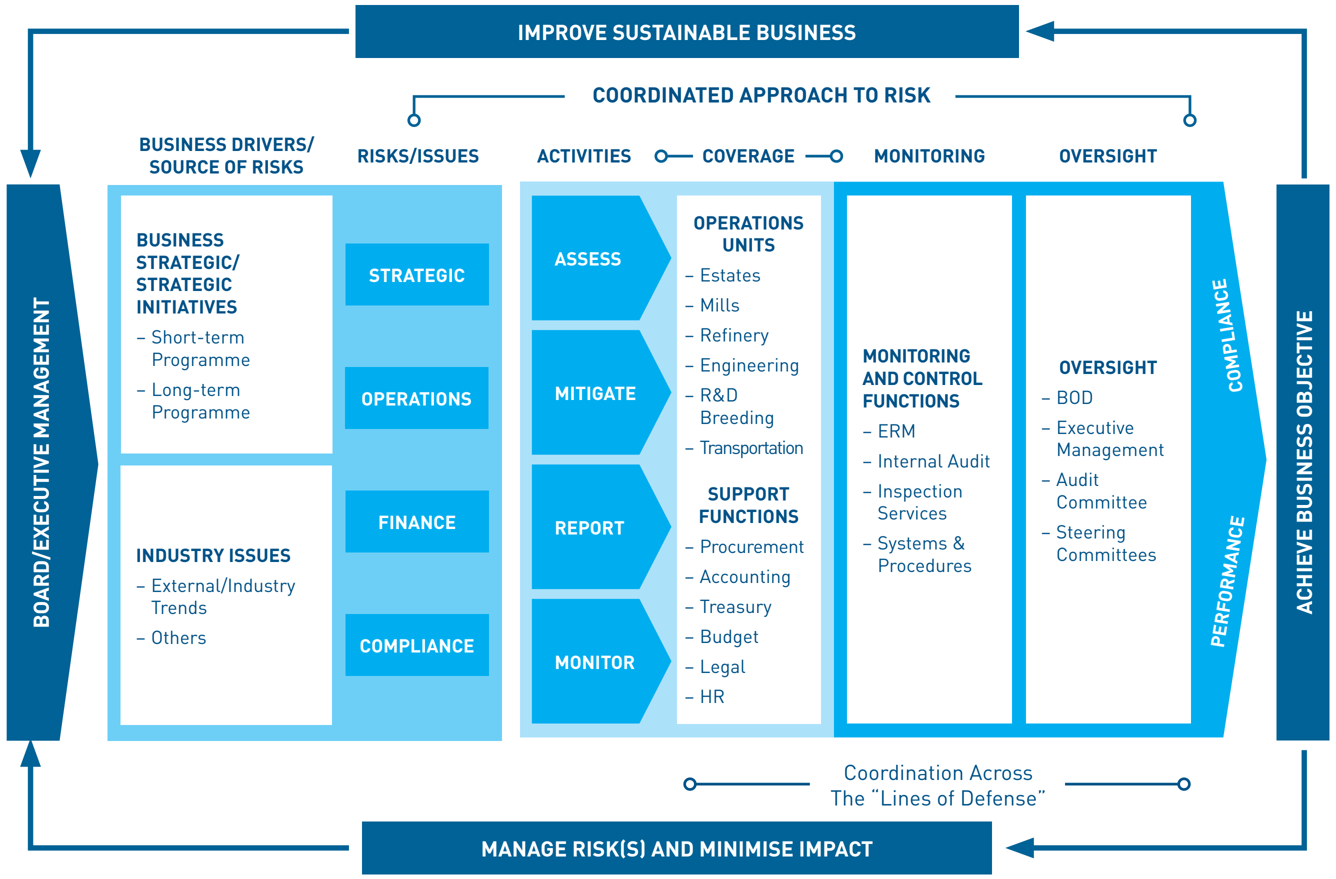
The Group operates in a VUCA (Volatile, Uncertain, Complex, Ambiguous) environment due to various factors, such as regulatory changes on a local, national and cross-border level, political dynamics on a country and regional level, security threats, pandemic risks, increasing number of natural disasters, the El Nino phenomenon, intense public scrutiny, aggressive competition, volatile commodity prices, rising interest rates, and evolving consumer needs. As such, the Group is fully committed to a comprehensive approach of managing risks across its operations. This has enabled the Group to be more proactive and prepared in dealing with and addressing the various challenges and uncertainties faced in a tough and competitive business environment. At the same time, this has allowed the Group to promote and implement good corporate governance.

### Integrated Risk Management Framework

The ERM framework continues to underscore the Group's success in effective risk management. The framework coordinates the "Lines of Defence" across all operating and functional units that enables the Group to maintain vigilance and oversight of the operations for timely and accurate identification, assessment, mitigation, reporting and monitoring of risks that can have an adverse impact on the business drivers and the Group's ability to achieve business results.



# CORPORATE GOVERNANCE




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 and ensures the continuity of business operations and services to maintain public trust and confidence in the event of a disaster or crisis. The BCM is focused on establishing high-level resilience against the failure to deliver critical services during a crisis, and on minimising the impact of natural and man-made disasters on the Group's operations.

As part of the BCM programme, a number of possible disaster scenarios were created and related controls were identified and put in place to mitigate and minimise impact on operations. The incidence of a plantation fire was one such scenario. The control measures included daily monitoring of hotspots based on data from NOAA18 satellite and the observation of fire incidence (if any) by designated fire patrol teams, fire prevention training and exercise in fire-prone estates/areas, conduct of inventory checks on fire-fighting equipment in every estate, mapping of water sources, and continuous socialisation to keep all employees, contract workers and local community members safe. With this, the Group was able to manage and minimise the effects of fires arising from the extreme El Nino experienced in Indonesia in 2015.

### Significant Risks

On a quarterly basis, the ERM team, in coordination with the respective risk owners and Heads of operating units and supporting departments, conducts an assessment of identified risks and the controls in place. The ERM team monitors the progress of the ERM action plan to mitigate risks and reports significant risks and exposures to the Board and the AC & RMC.

The Management implements risk mitigation strategies and controls to address the significant risks. The following list outlines some of the significant risks that were closely monitored during the year.

## CORPORATE GOVERNANCE

1. **Strategic Risks**
   - Planning – Inadequate planning and forecasting may limit the Group's ability to anticipate and respond to internal and external changes, threatening its ability to make good decisions and take advantage of growth opportunities.
   - Sustainable Palm Oil – Changing of industry trends and requirements threaten the Group's ability to ensure a sustainable business operations resulting in an unfavourable perception amongst the stakeholders and loss of competitive advantage of the Group.
   - Land Expansion – Land is a major resource for the Group's core business, hence, the unavailability or limitation on availability of land threatens the Group's ability to grow and achieve its strategic objectives.

2. **Operational Risks**
   - Pest and Plant Diseases – Infestation of pests and plant diseases could result in lowered 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 may expose the Group to excess costs associated with compensation liabilities, financial loss, negative business reputation, and possible loss of life.
   - Resource Availability – Inadequate sources of raw materials, fertilisers, equipment, tools, component parts, etc. may threaten the Group's ability to produce quality products on time and at competitive prices.
   - Social Conflict – Existing conflict with the local communities could affect the Group's operations, resulting in limited or controlled access to critical areas, higher operational costs due to the inability to operate efficiently, and thereby, threatening the safety of our workers.
   - Natural Disasters – Disasters such as flooding, drought, earthquake and fire, etc. may result in property damage, stoppage or delays in operations, lower productivity, higher operating costs, and failure to provide products to the Group's customers.

3. **Compliance Risks**
   - Permits, Licenses and Land Ownership – The Group is exposed to the risk of loss of land rights due to failure in obtaining the appropriate land permits and licenses on time, overlapping ownership issues and third party claims.
   - Tax Compliance and Tax Authority Examination Management – This includes the risk of failure to identify and prevent legal risks posed by non-compliance with local jurisdictional and national government rules and regulations for tax compliance and dealings with jurisdictional tax authorities.
   - Environmental – Non-compliance to environmental laws may expose the Group to regulatory sanctions, public protests, security problems and imposition of fines and penalties by the government.

4. **Financial Risks**
   - Credit – The Group is exposed to potential financial loss that may occur as a result of the possible credit default by smallholders.
   - Liquidity – Insufficient access to available capital threatens the Group's capacity to grow, execute its business model and generate future returns.
   - Commodity Price and Foreign Exchange – Fluctuation in CPO price and depreciation of the Rupiah against foreign currencies may 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 processes through which they may raise their concerns in good faith and in strict confidence, with respect to suspected fraud, corruption, dishonest practices or other malpractices that do not comply with the Group's standard operating procedures, to the Head of IAD, the Exco or the AC & RMC.

The Policy aims to encourage the reporting of discrepancies and suspicious behaviours with the confidence that employees making such reports will be treated fairly and, to the extent possible, protected from reprisal.

The AC & RMC reviewed and approved the Policy and was satisfied that independent investigation would be conducted for all whistle-blowing reports and the appropriate follow-up actions would be taken to resolve the issues.



CORPORATE GOVERNANCE

### SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS [PRINCIPLES 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 as well as through press releases to the relevant media, if necessary. All announcements are posted on the Company's website and disseminated by email to subscribers as news alerts.

Engagement with shareholders takes many forms, including analyst briefings at quarterly and full year results with the CEO, CFO and senior management team present to take questions from the analysts. We also hold analyst conferences and teleconference calls to communicate important corporate developments, such as mergers and acquisition announcements.

Apart from these communication channels, we hold frequent dialogues through meetings, telephone and video conference calls with the investing community to facilitate their understanding of the Group's business model and growth strategies. We also attend road shows and investment conferences to stay in touch with the investing community.

As part of the engagement with the investing community in the reporting year, we took several key shareholders and analysts on site visits to our plantation operation in North Sumatra, and the refinery in Tanjung Priok.

**Code of Conduct and Company Culture**

In line with the practices of our parent company, PT Indofood Sukses Makmur Tbk ("**ISM**"), we have implemented ISM's Code of Conduct across all the subsidiaries and business units under IndoAgri. The Code of Conduct guides the actions of our employees in their interactions with various stakeholders, ensuring that business is conducted in a manner that is consistent with our values.

To ensure that its policies on business and work ethics are well understood, the Code of Conduct is communicated to all employees on a regular basis through various staff engagement platforms. Any violation of the Code of Conduct is considered a breach of the employment contract, and may result in sanctions or disciplinary actions.

The Code of Conduct and our company culture are aligned to ISM's core values of discipline, integrity, respect, unity, leadership and innovation.

### CONDUCT OF SHAREHOLDER MEETINGS [PRINCIPLE 16]

The Company supports the 2012 Code's principle to encourage the participation of shareholders at the AGMs. All shareholders are given the opportunity to attend and vote at AGMs. They can vote in person or by proxy if they are unable to attend the meetings in person.

The Directors of the Company, as well as the external auditors are in attendance at the AGMs to address any queries from shareholders.

### DEALINGS 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 others, the Company restricts its officers from dealing in any of the Company's securities on short-term considerations.

In addition, the Internal Code also prohibits dealing in any of the securities of the Company at any time when in possession of any unpublished price-sensitive information in relation to those securities, during the two-week period before the announcement of Group's quarterly and half yearly financial results, and one month before the announcement of Group's full year financial results.

Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading periods.

# INDOFOOD AGRI RESOURCES LTD. & ITS SUBSIDARIES FINANCIAL STATEMENTS





# DIRECTOR'S 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 2015.

## 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 2015 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, Axton Salim, Suaimi Suriady and Moleonoto Tjang 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 |

# DIRECTOR'S STATEMENT

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

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.

### DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

### 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
15 March 2016



# INDEPENDENT AUDITOR'S REPORT

To the members of Indofood Agri Resources Ltd.

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Indofood Agri Resources Ltd. (the "Company") and its subsidiaries (collectively the "Group"), set out on pages 66 to 148, which comprise the balance sheets of the Group and the Company as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

**Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

### 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.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
15 March 2016

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

| | Note | 2015 Rp million | 2014 (Restated)* Rp million |
|---|---|---|---|
| **Revenue** | 4 | 13,835,444 | 14,962,727 |
| Cost of sales | 5 | (10,484,949) | (10,695,201) |
| **Gross profit** | | 3,350,495 | 4,267,526 |
| Selling and distribution expenses | | (547,651) | (454,530) |
| General and administrative expenses | | (956,435) | (1,019,305) |
| Foreign exchange losses | | (289,887) | (110,531) |
| Other operating income | 6 | 131,828 | 133,828 |
| Other operating expenses | 7 | (185,424) | (219,350) |
| Share of results of associate companies | | (60,133) | (149,883) |
| Share of results of a joint venture | | (171,889) | 28,918 |
| (Loss)/gain arising from changes in fair value of biological assets | 13 | (19,851) | 59,592 |
| **Profit from operations** | 8 | 1,251,053 | 2,536,265 |
| Finance income | 9 | 140,848 | 253,590 |
| Finance expense | 10 | (694,150) | (757,365) |
| **Profit before tax** | | 697,751 | 2,032,490 |
| Income tax expense | 11 | (398,977) | (704,331) |
| **Net profit for the year** | | 298,774 | 1,328,159 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | 57,878 | 758,713 |
| Non-controlling interests | | 240,896 | 569,446 |
| | | 298,774 | 1,328,159 |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Foreign currency translation | | (95,066) | (64,134) |
| **Items that will not be reclassified to profit or loss** | | | |
| Re-measurement gain/(loss) of employee benefits liability | 28 | 200,012 | (18,558) |
| Income tax effect related to re-measurement gain/(loss) of employee benefits liability | 11 | (50,004) | 4,639 |
| Share of other comprehensive loss of associate companies and a joint venture | | (61,815) | – |
| Other comprehensive loss for the year, net of tax | | (6,873) | (78,053) |
| **Total comprehensive income for the year** | | 291,901 | 1,250,106 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | (14,174) | 680,216 |
| Non-controlling interests | | 306,075 | 569,890 |
| **Total comprehensive income for the year** | | 291,901 | 1,250,106 |
| **Earnings per share (in Rupiah)** | 12 | | |
| - basic | | 41 | 535 |
| - diluted | | 41 | 535 |

* *The restated figures were mainly due to reclassification as disclosed in Note 37.*

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



# BALANCE SHEETS

As at 31 December 2015

| | Note | Group 2015 Rp million | Group 2014 Rp million | Company 2015 Rp million | Company 2014 Rp million |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Biological assets | 13 | 15,878,940 | 15,060,646 | – | – |
| Property, plant and equipment | 14 | 11,496,484 | 11,026,669 | 47,232 | 50,918 |
| Goodwill | 15 | 3,253,637 | 3,253,637 | – | – |
| Claims for tax refund | 16 | 155,812 | 148,545 | – | – |
| Deferred tax assets | 17 | 1,390,334 | 1,152,977 | – | – |
| Investment in subsidiary companies | 18 | – | – | 10,533,516 | 10,327,919 |
| Investment in associate companies | 19 | 1,217,280 | 416,460 | 551,139 | 354,335 |
| Investment in a joint venture | 20 | 607,051 | 801,153 | – | – |
| Amount due from a subsidiary | 21 | – | – | 730,000 | 730,000 |
| Advances and prepayments | 21 | 500,963 | 746,606 | 36,698 | 36,698 |
| Other non-current receivables | 21 | 844,319 | 735,539 | 9 | 9 |
| **Total non-current assets** | | 35,344,820 | 33,342,232 | 11,898,594 | 11,499,879 |
| **Current assets** | | | | | |
| Inventories | 22 | 1,936,731 | 1,773,329 | – | – |
| Trade and other receivables | 23 | 1,108,844 | 1,056,166 | 78,752 | 69,328 |
| Advances and prepayments | 23 | 138,457 | 165,898 | 509 | 6,398 |
| Prepaid taxes | | 221,972 | 231,179 | – | – |
| Cash and cash equivalents | 24 | 1,969,100 | 3,585,780 | 505,017 | 887,447 |
| **Total current assets** | | 5,375,104 | 6,812,352 | 584,278 | 963,173 |
| **Total assets** | | 40,719,924 | 40,154,584 | 12,482,872 | 12,463,052 |
| **Current liabilities** | | | | | |
| Trade and other payables and accruals | 25 | 1,802,866 | 1,854,311 | 13,392 | 14,272 |
| Advances and taxes payable | 25 | 214,364 | 203,780 | – | – |
| Interest-bearing loans and borrowings | 26 | 4,398,801 | 4,749,195 | 1,033,655 | – |
| Income tax payable | | 34,879 | 144,183 | 27 | 443 |
| **Total current liabilities** | | 6,450,910 | 6,951,469 | 1,047,074 | 14,715 |

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

## BALANCE SHEETS
As at 31 December 2015

| | Note | Group 2015 Rp million | Group 2014 Rp million | Company 2015 Rp million | Company 2014 Rp million |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Interest-bearing loans and borrowings | 26 | 5,741,803 | 5,068,141 | – | 929,793 |
| Amounts due to related parties and other payables | 27 | 368,882 | 590,259 | – | – |
| Provision and other liabilities | 27 | 27,478 | 25,199 | – | – |
| Employee benefits liabilities | 28 | 1,744,191 | 1,803,240 | – | – |
| Deferred tax liabilities | 17 | 2,140,966 | 1,999,124 | – | – |
| **Total non-current liabilities** | | 10,023,320 | 9,485,963 | – | 929,793 |
| **Total liabilities** | | 16,474,230 | 16,437,432 | 1,047,074 | 944,508 |
| **Net assets** | | 24,245,694 | 23,717,152 | 11,435,798 | 11,518,544 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 29 | 3,584,279 | 3,584,279 | 10,912,411 | 10,912,411 |
| Treasury shares | 29 | (390,166) | (238,263) | (390,166) | (238,263) |
| Revenue reserves | 30 | 10,743,482 | 10,666,852 | 769,401 | 700,244 |
| Other reserves | 30 | 452,154 | 615,829 | 144,152 | 144,152 |
| | | 14,389,749 | 14,628,697 | 11,435,798 | 11,518,544 |
| Non-controlling interests | | 9,855,945 | 9,088,455 | – | – |
| **Total equity** | | 24,245,694 | 23,717,152 | 11,435,798 | 11,518,544 |

*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 2015

| | Note | Attributable to owners of the Company: 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 2014** | | **3,584,279** | **(238,263)** | **661,155** | **9,989,279** | **10,650,434** | **8,836,784** | **22,833,234** |
| Profit for the year | | – | – | – | 758,713 | 758,713 | 569,446 | 1,328,159 |
| Other comprehensive loss | | – | – | (65,155) | (13,342) | (78,497) | 444 | (78,053) |
| **Total comprehensive income for the year** | | **–** | **–** | **(65,155)** | **745,371** | **680,216** | **569,890** | **1,250,106** |
| Contributions by and distribution to owners: | | | | | | | | |
| Purchase of treasury shares by a subsidiary | | – | – | 28,980 | – | 28,980 | (195,240) | (166,260) |
| Dividend payments by subsidiary companies | | – | – | – | – | – | (176,723) | (176,723) |
| Dividend payment to Company's shareholders | 30 | – | – | – | (67,798) | (67,798) | – | (67,798) |
| Changes in subsidiary equity | | – | – | (9,151) | – | (9,151) | 53,744 | 44,593 |
| **Total transactions with owners in their capacity as owners** | | **–** | **–** | **19,829** | **(67,798)** | **(47,969)** | **(318,219)** | **(366,188)** |
| **Balance at 31 December 2014** | | **3,584,279** | **(238,263)** | **615,829** | **10,666,852** | **11,282,681** | **9,088,455** | **23,717,152** |

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 2015

| | | 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** | | **3,584,279** | **(238,263)** | **615,829** | **10,666,852** | **11,282,681** | **9,088,455** | **23,717,152** |
| Profit for the year | | – | – | – | 57,878 | 57,878 | 240,896 | 298,774 |
| Other comprehensive loss | | – | – | (162,677) | 90,625 | (72,052) | 65,179 | (6,873) |
| **Total comprehensive income for the year** | | **–** | **–** | **(162,677)** | **148,503** | **(14,174)** | **306,075** | **291,901** |
| Contributions by and distribution to owners: | | | | | | | | |
| 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 | | – | – | (998) | – | (998) | (10,856) | (11,854) |
| Capital injection from non-controlling interests | | – | – | – | – | – | 683,702 | 683,702 |
| **Total transactions with owners in their capacity as owners** | | **–** | **(151,903)** | **(998)** | **(71,873)** | **(72,871)** | **461,415** | **236,641** |
| **Balance at 31 December 2015** | | **3,584,279** | **(390,166)** | **452,154** | **10,743,482** | **11,195,636** | **9,855,945** | **24,245,694** |

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 2015

| | Note | 2015 Rp million | 2014 Rp million |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 697,751 | 2,032,490 |
| Adjustments for: | | | |
| Depreciation and amortisation | 8 | 936,956 | 813,387 |
| Realisation of deferred costs | 13 | 176,578 | 143,427 |
| Unrealised foreign exchange loss | | 318,728 | 85,163 |
| Loss on disposal of biological assets | 7 | 135 | 2,413 |
| Provision for impairment and amortised cost adjustments of plasma receivables | 31(a) | 42,378 | 45,711 |
| Write-off of property and equipment | 7 | 1,253 | 2,113 |
| Gain on disposal of property and equipment | 6 | (1,725) | (7,176) |
| Allowance for decline in market value and obsolescence of inventories | 6,7,22 | 3,189 | 21,970 |
| Bad debt expense | | – | 850 |
| Write-back of allowance of doubtful debts | 8,23 | – | (749) |
| Loss/(gain) arising from changes in fair value of biological assets | 13 | 19,851 | (59,592) |
| Changes in provision for asset dismantling costs | 7,27 | 2,279 | 2,566 |
| Provision for employee benefits | 28 | 223,757 | 278,317 |
| Changes in fair value of long-term receivables | | (156) | 191 |
| Share of results of associate companies | | 60,133 | 149,883 |
| Share of results of a joint venture | | 171,889 | (28,918) |
| Finance income | 9 | (140,848) | (253,590) |
| Finance expense | 10 | 694,150 | 757,365 |
| **Operating cash flows before changes in working capital** | | 3,206,298 | 3,985,821 |
| Changes in working capital: | | | |
| Decrease in other non-current assets | | 15,510 | 103,686 |
| Increase in inventories | | (166,592) | (226,803) |
| (Increase)/decrease in trade and other receivables | | (38,922) | 72,032 |
| Decrease in advances and prepayments | | 18,727 | 129,930 |
| Increase/(decrease) in prepaid taxes, advances and taxes payable | | 10,819 | (93,426) |
| (Decrease)/increase in trade and other payables and accruals | | (118,314) | 35,597 |
| **Cash flows from operations** | | 2,927,526 | 4,006,837 |
| Interest received | | 124,057 | 234,002 |
| Interest paid | | (698,882) | (733,566) |
| Income tax paid | | (634,351) | (724,677) |
| **Net cash flows from operating activities** | | 1,718,350 | 2,782,596 |

## CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2015

| | Note | 2015<br>Rp million | 2014<br>Rp million |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Additions to property, plant and equipment | | (955,592) | (1,813,948) |
| Additions to biological assets | 13 | (1,038,636) | (1,242,758) |
| Increase in plasma receivables | 31(a) | (182,062) | (68,459) |
| Proceeds from disposal of property and equipment | | 3,578 | 14,051 |
| Proceeds from disposal of biological assets | | – | 1,784 |
| Advances for projects and purchase of fixed assets | | (223,086) | (354,638) |
| Investment in associate companies | 19 | (757,006) | (150,875) |
| Investment in a joint venture | 20 | (189,541) | – |
| Convertible note subscription in an associate company | 19 | – | (57,020) |
| Acquisition of subsidiaries, net of cash acquired | 18 | – | (34,952) |
| Acquisition of non-controlling interests | 18 | (11,854) | – |
| **Net cash flows used in investing activities** | | (3,354,199) | (3,706,815) |
| **Cash flows from financing activities** | | | |
| Proceeds from interest-bearing loans and borrowings | | 4,309,771 | 3,833,031 |
| Repayment of interest-bearing loans and borrowings | | (4,318,628) | (2,108,045) |
| Long-term borrowings from related parties | | 35,475 | 66,966 |
| Dividend payments by subsidiaries to non-controlling interests | | (218,431) | (176,723) |
| Purchase of treasury shares by the Company | 29 | (151,903) | – |
| Purchase of treasury shares by a subsidiary | 18 | – | (166,260) |
| Additional capital contribution from non-controlling interests | | 387,689 | 38,638 |
| Dividend payment to Company's shareholders | 30 | (71,873) | (67,798) |
| Redemption of Bonds and Sukuk Ijarah | | – | (730,000) |
| **Net cash flows (used in)/from financing activities** | | (27,900) | 689,809 |
| **Net decrease in cash and cash equivalents** | | (1,663,749) | (234,410) |
| Effect of changes in exchange rates on cash and cash equivalents | | 47,069 | 17,270 |
| Cash and cash equivalents at the beginning of the financial year | | 3,585,780 | 3,802,920 |
| **Cash and cash equivalents at the end of the financial year** | 24 | 1,969,100 | 3,585,780 |

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 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 2015. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

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

**2.3 Standards issued but not yet effective**

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

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| FRS 114 *Regulatory Deferral Accounts* | 1 January 2016 |
| Amendments to FRS 16 and FRS 41 *Agriculture – Bearer Plants* | 1 January 2016 |
| Amendments to FRS 27 *Equity Method in Separate Financial Statements* | 1 January 2016 |
| Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* | 1 January 2016 |
| Amendments to FRS 7: *Disclosure Initiative* | 1 January 2017 |
| Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses* | 1 January 2017 |
| Improvements to FRSs (November 2014) | |
| (a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* | 1 January 2016 |
| (b) Amendments to FRS 107 *Financial Instruments: Disclosures* | 1 January 2016 |
| (c) Amendments to FRS 19 *Employee Benefits* | 1 January 2016 |
| Amendments to FRS 111 *Accounting for Acquisitions of Interests in Joint Operations* | 1 January 2016 |
| Amendments to FRS 110 & FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Date to be determined |
| Amendments to FRS 1 *Disclosure Initiative* | 1 January 2016 |
| Amendments to FRS 110, FRS 112 & FRS 28 *Investment Entities: Applying the Consolidation Exception* | 1 January 2016 |
| FRS 115 *Revenue from Contracts with Customers* | 1 January 2018 |
| FRS 109 *Financial Instruments* | 1 January 2018 |

Except for Amendments to FRS 16 and FRS 41, FRS 115 and FRS 109, 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 Amendments to FRS 16 and FRS 41, FRS 115 and FRS 109 are described below.



NOTES TO
THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

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

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

Amendments to FRS 16 and FRS 41 *Agriculture – Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 41. Instead, FRS 16 will apply. After initial recognition, bearer plants will be measured under FRS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). However, the agricultural produce growing on bearer plants will remain within the scope of FRS 41 to be measured at fair value less costs to sell. For government grants relating to bearer plants, FRS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. Amendments to FRS 16 and FRS 41 are effective for financial periods beginning on or after 1 January 2016, with early adoption permitted. These amendments may be applied retrospectively. Alternatively, an entity may elect to measure a bearer plant at its fair value at the beginning of the earliest period presented. The fair value would be used as its deemed cost at that date.

Based on the Group's preliminary assessment, the financial impact to the balance sheet of the Group as at 1 January 2016 upon the adoption of these amendments is estimated to a decrease to biological assets and deferred tax liabilities of approximate Rp4.4 trillion and Rp1.0 trillion, respectively, with a corresponding decrease of Rp3.4 trillion in total equity.

FRS 115 *Revenue from Contracts with Customers*

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.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

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.

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

**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:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls are lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises 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.

(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.



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THE FINANCIAL STATEMENTS
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**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.

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

### 2.7 Property, plant and equipment

All property, plant and equipment are initially recognized 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 | 8 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 |

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 de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

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.

### 2.8 Biological assets

Biological assets, which primarily comprise of oil palm, rubber, sugar cane and timber plantations are stated at fair value less costs to sell. Gains or losses arising on initial recognition of biological assets at fair value less costs to sell and from the change in fair value less costs to sell of biological assets at each reporting date are included in profit or loss for the period in which they arise.

The fair values of the biological assets is determined in accordance with the provisions of FRS 41 Agriculture and FRS 113 Fair Value Measurement. Such fair values are computed by independent professional valuers using the discounted cash flows of the underlying biological assets. The expected net cash flows from the whole life cycle of the oil palm, rubber, sugar cane and timber plantations are determined using the projected market prices of the estimated yields of fresh fruit bunches ("FFB"), cup lump, sugar cane and felled trees, respectively, net of maintenance and harvesting costs, and any costs required to bring the oil palm, rubber, sugar cane and timber plantations to maturity. The estimated yields of the oil palm, rubber, sugar cane and timber plantations are dependent on the age of the oil palm, rubber, sugar cane and timber trees, and the location, soil type and infrastructure of the plantations. The projected market price of FFB, rubber, sugar cane and felled trees are largely dependent on the prevailing market price of CPO and palm kernel oil (PKO), RSS1 and other rubber products of the Group, sugar and logs, respectively.



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

### 2.8 Biological assets (cont'd)

Oil palm trees have an average life of 25 years, normally with the first 3 to 4 years at immature stage and the remaining years at mature stage.

Rubber trees have an average life of 25 years, normally with first 5 to 6 years at immature stage and the remaining years at mature stage.

Sugar cane is ready for harvest in 12 months since planting and can be harvested annually for an average of 4 years.

Timber trees are ready for harvest in 8 years since planting.

### 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.

### 2.10 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 are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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

### 2.10 Intangible assets (cont'd)

(b) *Other intangible assets (cont'd)*

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 de-recognition 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 de-recognised.

(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.

### 2.11 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.



**NOTES TO THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2015

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

### 2.11 Impairment of non-financial assets (cont'd)

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.

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.

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

**2.13 Associates (cont'd)**

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.

**2.15 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.



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

**2.15 Financial instruments (cont'd)**

(a) ***Financial assets (cont'd)***

*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 de-recognised or impaired, and through the amortisation process.

*De-recognition*

A financial asset is de-recognised when the contractual right to receive cash flows from the asset has expired. On de-recognition 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 de-recognised 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.

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

**2.15 Financial instruments (cont'd)**

(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 de-recognised, and through the amortisation process.

*De-recognition*

A financial liability is de-recognised 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 de-recognition 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.



**NOTES TO THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2015

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

**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.

**2.17 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

### 2.19 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

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.

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

**2.23 Leases (cont'd)**

(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).

(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 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.



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

**2.24 Revenues (cont'd)**

(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.

(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.

# NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

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

**2.25 Taxes (cont'd)**

(b) *Deferred tax (cont'd)*

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.

(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.



NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

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

**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 2015 is Rp810.1 billion (2014: Rp724.2 billion). Further details are disclosed in Note 23.

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

**3.1 Judgements made in applying accounting policies (cont'd)**

(b) *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 2015 and 2014 is disclosed in Notes 21 and 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*

Determining the fair values of biological assets 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. Future events could cause the Group to conclude that biological 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 2015 is Rp3,253.6 billion (2014: 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 2015 is Rp1,744.2 billion (2014: Rp1,803.2 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.



**NOTES TO THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2015

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

**3.2 Key sources of estimation uncertainty (cont'd)**

(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 25 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 2015 is disclosed in Note 14.

(d) *Biological assets*

The Group carries its oil palm, rubber and sugar cane plantations and other smaller plantations at fair value less costs of disposal, which requires extensive use of accounting estimates. Significant components of fair value measurement were determined using assumptions including forecast market prices of agricultural produces, average lives of plantations, period to reach maturity production, yield per hectare, maintenance and harvesting costs and discount rates utilised in the computation of future cash flows. The amount of changes in fair values would differ if there are changes to the assumptions used. Any changes in fair values of these plantations would affect the Group's profit or loss and equity. The carrying amount of the Group's biological assets as at 31 December 2015 is Rp15,878.9 billion (2014: Rp15,060.6 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 2015 is Rp34.9 billion (2014: Rp144.2 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 2015 is Rp1,390.3 billion (2014: Rp1,153.0 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 2015 is Rp1,936.7 billion (2014: Rp1,773.3 billion). Further details are disclosed in Note 22.

## NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

### 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 2015 and 2014., sales of edible oils and fats products to PT Indofood CBP Sukses Makmur Tbk (a related company) amounting to Rp1,526.3 billion, represented 11.03% of total consolidated revenue (2014: Rp1,763.9 billion, represented 11.79%).

### 5. COST OF SALES

| | Note | Group 2015 Rp million | Group 2014 (Restated) Rp million |
|---|---|---|---|
| Raw materials used | | 4,243,424 | 4,488,370 |
| Harvesting, upkeep and cultivation costs | | 2,171,239 | 2,211,058 |
| Manufacturing and other overhead expenses | | 3,294,116 | 3,373,272 |
| Cost of inventories recognised as expense | 22 | 776,170 | 622,501 |
| Total | | 10,484,949 | 10,695,201 |

### 6. OTHER OPERATING INCOME

| | Note | Group 2015 Rp million | Group 2014 Rp million |
|---|---|---|---|
| Sundry sales of oil palm seedlings | | 8,659 | 13,872 |
| Management fee income | | 6,968 | 703 |
| Rental income | | 6,657 | 7,641 |
| Sale of green palm certificates | | 9,232 | 22,126 |
| Gain on disposal of property and equipment | | 1,725 | 7,176 |
| Sale of scraps | | 2,973 | 6,674 |
| Sale of palm kernel shells | | 18,739 | 6,913 |
| Reversal of allowance for decline in market value and obsolescence of inventories | 22 | 21,682 | – |
| Compensation for land and plantation | | – | 28,549 |
| Others | | 55,193 | 40,174 |
| Total | | 131,828 | 133,828 |



NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

### 7. OTHER OPERATING EXPENSES

| | Note | Group 2015 Rp million | Group 2014 Rp million |
|---|---|---|---|
| Plasma plantation charges and allowance for impairment | | 92,894 | 101,185 |
| Allowance for decline in market value and obsolescence of inventories | 22 | 24,871 | 21,970 |
| Write-off of property and equipment | | 1,253 | 2,113 |
| Loss on disposal of biological assets | | 135 | 2,413 |
| Amortisation of deferred charges | | 27,890 | 37,343 |
| Changes in provision for assets dismantling costs | 27 | 2,279 | 2,566 |
| Tax assessments results | | 14,013 | 1,661 |
| Others | | 22,089 | 50,099 |
| Total | | 185,424 | 219,350 |

### 8. PROFIT FROM OPERATIONS

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

| | Note | Group 2015 Rp million | Group 2014 Rp million |
|---|---|---|---|
| Depreciation of property, plant and equipment | 14 | 901,251 | 768,596 |
| Amortisation of other non-current assets | | 35,705 | 44,791 |
| Employee benefits expense | 28 | 1,550,085 | 1,617,430 |
| Research and development costs | | 37,800 | 55,036 |
| Operating lease rentals | 31(b) | 17,063 | 16,438 |
| Write-back of allowance for doubtful debts | 23 | – | (749) |
| Audit fees: | | | |
| Auditors of the Company | | 1,611 | 1,265 |
| Other auditors | | 14,163 | 12,190 |
| Non-audit fees: | | | |
| Auditors of the Company | | 29 | 141 |

## NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

### 8. PROFIT FROM OPERATIONS (CONT'D)

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

| | Note | Group 2015 Rp million | Group 2014 (Restated) Rp million |
|---|---|---|---|
| **Revenue** | 4 | 13,835,444 | 14,962,727 |
| Cost of sales | 5 | (10,484,949) | (10,695,201) |
| **Gross profit** | | 3,350,495 | 4,267,526 |
| Selling and distribution costs | | (547,651) | (454,530) |
| General and administrative expenses | | (956,435) | (1,019,305) |
| Other operating income | | 131,828 | 193,420 |
| Other operating expenses | | (495,162) | (329,881) |
| Share of results of associate companies | | (60,133) | (149,883) |
| Share of results of a joint venture | | (171,889) | 28,918 |
| Finance income | 9 | 140,848 | 253,590 |
| Finance expense | 10 | (694,150) | (757,365) |
| **Profit before tax** | | 697,751 | 2,032,490 |
| Income tax expense | 11 | (398,977) | (704,331) |
| **Net profit for the year** | | 298,774 | 1,328,159 |

### 9. FINANCE INCOME

| | Group 2015 Rp million | Group 2014 (Restated) Rp million |
|---|---|---|
| Interest on current accounts and short term deposits | 132,452 | 244,619 |
| Others | 8,396 | 8,971 |
| Total | 140,848 | 253,590 |

### 10. FINANCE EXPENSE

| | Group 2015 Rp million | Group 2014 Rp million |
|---|---|---|
| Interest expense on: | | |
| - Bank loans | 642,646 | 640,456 |
| - Bonds | – | 49,434 |
| - Sukuk Ijarah | – | 30,430 |
| - Others | 32,148 | 20,504 |
| Bank charges | 19,356 | 16,541 |
| Total | 694,150 | 757,365 |



## NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

### 11. INCOME TAX EXPENSE

***Major components of income tax expense***

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

| | Group 2015 Rp million | Group 2014 (Restated) Rp million |
|---|---|---|
| **Consolidated statement of comprehensive income:** | | |
| Current income tax | | |
| - Current year income tax | 528,362 | 814,233 |
| - Under provision in respect of previous years | 16,133 | 2,407 |
| | 544,495 | 816,640 |
| Deferred income tax (Note 17) | | |
| - Current year deferred income tax | (247,316) | (261,821) |
| - Under provision in respect of previous years | 101,798 | 149,512 |
| | (145,518) | (112,309) |
| Total | 398,977 | 704,331 |
| Charged to other comprehensive income | | |
| Deferred tax related to items recognised in other comprehensive income: | | |
| Re-measurement gain/(loss) of employee benefits liability | (50,004) | 4,639 |

***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 2015 and 2014 is as follows:

| | Group 2015 Rp million | Group 2014 (Restated) Rp million |
|---|---|---|
| Profit before tax as per consolidated statement of comprehensive income | 697,751 | 2,032,490 |
| Tax at the domestic rates applicable to profits in the countries where the Group operates | 251,372 | 523,133 |
| Income not subject to taxation | (7,067) | (19,913) |
| Non-deductible expenses | 82,047 | 116,007 |
| Under provision in respect of corporate income tax of previous years | 16,133 | 2,407 |
| Under provision in respect of deferred income tax of previous years | 101,798 | 149,512 |
| Effect of lower tax rate | (45,306) | (66,815) |
| Income tax expense recognised in the consolidated statement of comprehensive income | 398,977 | 704,331 |

## NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

### 11. INCOME TAX EXPENSE (CONT'D)

***Relationship between tax expense and accounting profit (cont'd)***

For the years ended 31 December 2015 and 2014, the corporate tax rate for companies in Singapore and Indonesia was 17% and 25% respectively.

A subsidiary in Indonesia applies 20% (2014: 20%) tax rate instead of the normal tax rate of 25% (2014: 25%) in computing its income tax expense for the reporting period due to its fulfilment to qualify for a reduced corporate income tax rate.

### 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 | |
|---|---|---|
| | **2015** | **2014** |
| | Rp million | Rp million |
| Profit attributable to owners of the Company | 57,878 | 758,713 |
| | No. of shares | No. of shares |
| Weighted average number of ordinary shares for basic earnings per share computation * | 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 2015 and 2014.



## NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

### 13. BIOLOGICAL ASSETS

Biological assets primarily comprise oil palm, rubber, sugar cane and timber plantations. The following shows the movement in their carrying value:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | Rp million | Rp million |
| **At fair value** | | |
| At 1 January | 15,060,646 | 13,893,246 |
| Additions | 1,038,636 | 1,242,758 |
| Disposal | (135) | (4,197) |
| Write-off | (189) | – |
| Realisation of deferred cost | (176,578) | (143,427) |
| Reclassifications (to)/from other non-current assets | (23,589) | 12,674 |
| | 15,898,791 | 15,001,054 |
| (Loss)/gain arising from changes in fair value of biological assets | (19,851) | 59,592 |
| At 31 December | 15,878,940 | 15,060,646 |

The fair values of biological assets are determined by an independent valuer using the discounted future cash flows of the underlying plantations.

Oil Palm Plantations

Mature oil palm trees produce Fresh Fruit Bunches ("FFB"), which are used to produce CPO, PK and other PK related products. The expected future cash flows of the oil palm plantations are determined using the forecast market price of FFB, which is largely dependent on the projected selling prices of CPO and PKO in the market.

Significant assumptions made in determining the fair values of the oil palm plantations are as follows:

(a) oil palm trees have an average maturity life of 25 years, with the first 3 to 4 years as immature and the remaining years as mature stage;

(b) estimated FFB yield per hectare of oil palm trees between 5 – 31 tonnes/hectare (2014: 9 – 30 tonnes/hectare) is determined in reference to guidelines issued by the Indonesian Oil Palm Research Institute ("Pusat Penelitian Kelapa Sawit") in Indonesia, which varies with the average age of oil palm trees, as well as internal standards and results of internal assessments of other relevant factors;

(c) the discount rate used in 2015 is 13.99% (2014: 13.55%). Such a discount rate represents the asset specific rate for the Group's oil palm plantation operations which is applied in the discounted future cash flows calculation; and

(d) the projected price of CPO between US$0.63/kg – US$0.70/kg (2014: US$0.81/kg – US$0.82/kg) is based on forecast of the World Bank.

## 13. BIOLOGICAL ASSETS (CONT'D)

Rubber Plantations

Mature rubber trees produce cup lump. The expected future cash flows of the rubber plantations are determined using the forecast market price of cup lump which are based on the projected selling price of Rubber Smoke Sheet 1 ("RSS1") and other rubber products of the Group.

Significant assumptions made in determining the fair values of the rubber plantations are as follows:

(a) rubber trees have an average maturity life of 25 years, with the first 5 to 6 years as immature and the remaining years as mature stage;

(b) discount rate used in 2015 is 14.25% (2014: 13.30%). Such a discount rate represents the asset specific rate for the Group's rubber plantations operations which are applied in the discounted future cash flows calculation; and

(c) the projected selling prices of RSS1 between Rp19,822/kg – Rp29,670/kg (2014: Rp22,119/kg – Rp29,509/kg) 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.

Sugar Cane Plantations

The expected future cash flows of the sugar cane plantations are determined using the forecast market price of sugar canes which are based on the projected selling price of sugar.

Significant assumptions made in determining the fair values of the sugar cane plantations are as follows:

(a) Cane tree is available for annual harvest for an average of 4 years after initial planting;

(b) discount rate used in 2015 is 11.89% (2014: 12.13%). Such discount rate represents the asset specific rate for the Group's sugar cane plantations operation which are applied in the discounted future cash flows calculation; and

(c) the projected selling price of sugar at Rp9,392/kg – Rp10,140/kg (2014: Rp8,500/kg) 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.

Timber Plantations (HTI)

The expected future cash flows of the timber plantations (HTI) are determined using the forecast market price of logs. The key assumptions of timber plantations are as follows:

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

(b) Discount rate used in 2015 is 9.33% (FY2014: 8.76%) represents the asset specific rate for the Group's timber plantations operations which are applied in the discounted future cash flows calculation.

(c) The projected selling price of logs at Rp529,687 to Rp590,712/$m^3$ (2014: Rp448,157 to Rp471,434/$m^3$) over the projection period are based on the extrapolation of domestic selling prices and the forecasted price trend from the World Bank.





## 13. BIOLOGICAL ASSETS (CONT'D)

Inputs used in determining the fair values of the biological assets are as follows:

| Inputs (Hierarchy) | Range of Quantitative Inputs | Sensitivity of the Inputs to the Fair Value |
|---|---|---|
| Discount rate<br>Determined using capital asset pricing model | Oil Palm: 13.99%<br>Rubber: 14.25%<br>Sugar cane: 11.89%<br>Timber: 9.33% | An increase/(decrease) in the discount rate would result in a (decrease)/increase in the fair value of biological assets. |
| Projected price | Oil palm – CPO Price:<br>US$0.63/kg – US$0.70/kg<br>Rubber – RSS 1: Rp19,822/kg – Rp29,670/kg<br>Sugar cane – sugar:<br>Rp9,392/kg – Rp10,140/kg<br>Timber – logs:<br>Rp529,687 to Rp590,712/$m^3$ | An increase/(decrease) in the prices would result in an increase/(decrease) in the fair value of biological assets. |
| Estimated FFB yield | Oil Palm – FFB:<br>5 – 31 tonnes/hectare<br>Rubber – Cup lump:<br>0.18 – 1.98 tonnes/hectare<br>Sugar Cane – Cane:<br>39 – 78 tonnes/hectare<br>Timber – Felled trees:<br>24$m^3$ – 176$m^3$/hectare | An increase/(decrease) in FFB yield would result in an increase/(decrease) in the fair value of biological assets. |
| Exchange rate | Rp13,500/US$1 – Rp13,900/US$1 | An increase/(decrease) in the exchange rate would result in an increase/(decrease) in the fair value of biological assets. |
| Inflation rate | 3.5% to 4.7% | An increase/(decrease) in the inflation rate would result in a (decrease)/increase in the fair value of biological assets. |

***Capitalisation of borrowing costs***

During the year ended 31 December 2015, borrowing costs capitalised to biological assets of the Group in the course of development amounted to Rp139.1 billion (2014: Rp73.9 billion) based on the specific identification of the related borrowings and using interest rates ranging from 8.01% to 11.67% (2014: from 7.02% to 12.28%).

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Land use rights Rp million | 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 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Cost** | | | | | | |
| At 31 December 2013 and 1 January 2014 | 2,126,816 | 4,832,288 | 4,510,915 | 1,623,191 | 299,289 | 13,392,499 |
| Additions | 219,427 | 1,177,072 | 333,068 | 145,431 | 46,950 | 1,921,948 |
| Additions through business combination | 100,301 | 237 | – | 311 | 33 | 100,882 |
| Reclassification | 28,420 | 53,200 | (70,651) | 12,865 | 668 | 24,502 |
| Disposals and write-off | – | (9,890) | (14,449) | (8,771) | (3,312) | (36,422) |
| At 31 December 2014 and 1 January 2015 | 2,474,964 | 6,052,907 | 4,758,883 | 1,773,027 | 343,628 | 15,403,409 |
| Additions | 68,639 | 904,400 | 285,855 | 88,128 | 31,516 | 1,378,538 |
| Reclassification | (117) | (152,080) | 148,496 | 6,182 | (5,452) | (2,971) |
| Disposals and write-off | – | (1,658) | (13,234) | (9,219) | (1,354) | (25,465) |
| At 31 December 2015 | 2,543,486 | 6,803,569 | 5,180,000 | 1,858,118 | 368,338 | 16,753,511 |
| **Accumulated depreciation** | | | | | | |
| At 31 December 2013 and 1 January 2014 | 493,746 | 772,564 | 1,430,698 | 728,147 | 186,651 | 3,611,806 |
| Depreciation charge for the year | 67,405 | 243,674 | 266,212 | 149,936 | 41,369 | 768,596 |
| Reclassification | 2,316 | 5,426 | 9,561 | 5,346 | 1,123 | 23,772 |
| Disposals and write-off | – | (6,302) | (9,827) | (8,380) | (2,925) | (27,434) |
| At 31 December 2014 and 1 January 2015 | 563,467 | 1,015,362 | 1,696,644 | 875,049 | 226,218 | 4,376,740 |
| Depreciation charge for the year | 70,302 | 289,713 | 331,150 | 165,019 | 45,067 | 901,251 |
| Reclassification | – | (80) | 4,345 | 2,366 | (5,048) | 1,583 |
| Disposals and write-off | – | (993) | (12,162) | (8,126) | (1,266) | (22,547) |
| At 31 December 2015 | 633,769 | 1,304,002 | 2,019,977 | 1,034,308 | 264,971 | 5,257,027 |
| **Net carrying amount** | | | | | | |
| At 31 December 2014 | 1,911,497 | 5,037,545 | 3,062,239 | 897,978 | 117,410 | 11,026,669 |
| At 31 December 2015 | 1,909,717 | 5,499,567 | 3,160,023 | 823,810 | 103,367 | 11,496,484 |

Vessels are presented within the class of Heavy equipment and transportation equipment due to its similar nature of use, which is for the transportion 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 2014 | 74,049 | 492 | 74,541 |
| Additions | – | 35 | 35 |
| At 31 December 2014 and 1 January 2015 | 74,049 | 527 | 74,576 |
| Additions | – | 14 | 14 |
| At 31 December 2015 | 74,049 | 541 | 74,590 |
| **Accumulated depreciation** | | | |
| At 1 January 2014 | 19,621 | 341 | 19,962 |
| Depreciation charge for the year | 3,629 | 67 | 3,696 |
| At 31 December 2014 and 1 January 2015 | 23,250 | 408 | 23,658 |
| Depreciation charge for the year | 3,628 | 71 | 3,700 |
| At 31 December 2015 | 26,878 | 479 | 27,358 |
| **Net carrying amount** | | | |
| At 31 December 2014 | 50,799 | 119 | 50,918 |
| At 31 December 2015 | 47,171 | 62 | 47,232 |

***Assets under construction***

The Group's property, plant and equipment as of 31 December 2015 included Rp1,416.9 billion (2014: Rp1,758.5 billion) which relate to expenditure for building and machinery in the course of construction.

***Fully depreciated assets still in use***

As at 31 December 2015, the cost of the Group's property, plant and equipment that have been fully depreciated but still in use amounting to Rp1,131.4 billion (2014: Rp979.0 billion), which mainly comprises of buildings and improvements, plant and machinery, heavy equipment and transportation equipment.

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

***Capitalisation of borrowing costs***

During the year ended 31 December 2015, borrowing costs capitalised by certain subsidiary companies to their building and machineries under construction amounted to Rp21.1 billion (2014: Rp21.0 billion) based on the specific identification of the related borrowings and using capitalisation rates ranging from 9.38% to 11.67% (2014: 6.97% to 12.28%) in 2015.

***Assets under finance lease***

*Land Use Rights*

The Group has land use rights with terms ranging from 8 to 40 years which will expire between 2016 to 2049. 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 net carrying amount of land use rights to be amortised at the end of the reporting period is as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | Rp million | Rp million |
| Amount to be amortised | | |
| - Not later than one year | 71,003 | 71,030 |
| - Later than one year but not later than five years | 274,840 | 283,198 |
| - Later than five years | 1,563,874 | 1,557,269 |
| | 1,909,717 | 1,911,497 |



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## 15. GOODWILL

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | Rp million | Rp million |
| At 1 January | 3,253,637 | 3,247,532 |
| Acquisition of subsidiaries | – | 6,105 |
| At 31 December | 3,253,637 | 3,253,637 |

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

| | 2015 | 2014 |
|---|---|---|
| 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 |

Goodwill was tested for impairment as at 31 October 2015 and 2014. As at 31 December 2015 and 2014, 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 2015 and 2014 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 2015 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.

## 15. GOODWILL (CONT'D)

The following key assumptions had been used:

| Cash generating units | Carrying amount of goodwill | Pre-tax Discount Rate 31 October 2015 | Pre-tax Discount Rate 31 October 2014 | Growth Rate After Forecast Period 31 October 2015 | Growth Rate After Forecast Period 31 October 2014 |
|---|---|---|---|---|---|
| ***Recoverable amount assessment based on value-in-use*** | | | | | |
| Integrated plantation estates of Lonsum | 2,909,757 | 14.73% | 14.54% | 5.30% | 5.50% |
| Plantation estates of PT LPI | 37,230 | 13.61% | 12.95% | 5.30% | 5.50% |
| Plantation estates of PT IBP | 8,319 | 15.47% | 14.59% | 5.30% | 5.50% |
| Plantation estates of PT SBN | 234 | 15.20% | 15.07% | 5.30% | 5.50% |
| **Sub-total** | 2,955,540 | | | | |
| ***Recoverable amount assessment based on FVLCD*** | | | | | |
| Plantation estates of PT GS | 8,055 | 16.18% | 15.67% | 5.30% | 5.50% |
| Plantation estates of PT MPI | 2,395 | 15.66% | 14.94% | 5.30% | 5.50% |
| Plantation estates of PT KGP | 29,140 | 15.82% | 15.07% | 5.30% | 5.50% |
| Integrated plantation estates of PT CNIS | 7,712 | 15.84% | 15.13% | 5.30% | 5.50% |
| Plantation estates and research facility of PT SAIN | 113,936 | 16.54% | 15.36% | 5.30% | 5.50% |
| Plantation estates of PT RAP | 3,388 | 15.60% | 14.80% | 5.30% | 5.50% |
| Plantation estates of PT JS | 1,533 | 15.21% | 14.30% | 5.30% | 5.50% |
| Integrated plantation estates of PT MISP | 34,087 | 16.46% | 15.25% | 5.30% | 5.50% |
| Plantation estates of PT SAL | 86,996 | 11.03% | 9.76% | 5.30% | 5.50% |
| Plantation estates of PT WKL | 4,750 | 9.27% | 9.97% | 5.30% | 5.50% |
| Plantation estates of PT MLI | 6,105 | 14.19% | 12.95% | 5.30% | 5.50% |
| **Sub-total** | 298,097 | | | | |
| **Grand total** | 3,253,637 | | | | |

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 extrapolation of historical selling prices published by the International Tropical Timber Organization and the forecasted price trend from 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.



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## 15. GOODWILL (CONT'D)

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:

| Cash generating units | Reasonably possible changes in key assumptions that would cause the carrying amount of goodwill to exceed its recoverable amount | Sensitivity analysis: Additional change in key assumptions | Sensitivity analysis: Excess of carrying amount over recoverable amount that would arise from the additional change in key assumptions Rp million |
|---|---|---|---|
| *Discount rate* | | | |
| Plantation estates and research facility of PT SAIN | 53 basis points higher | 1 basis point higher | 550 |
| Plantation estates of PT JS | 41 basis points higher | 1 basis point higher | 276 |
| Integrated plantation estates of Lonsum | 74 basis points higher | 1 basis point higher | 13,665 |

## 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.

## NOTES TO THE FINANCIAL STATEMENTS
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### 17. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | Rp million | Rp million |
| ***Deferred tax assets*** | | |
| Property, plant and equipment | (217,019) | (74,884) |
| Biological assets | (44,797) | 56,890 |
| Allowance for impairment and amortised costs adjustments of plasma receivables | 95,217 | 78,822 |
| Allowance for employees benefit expenses | 43,874 | 19,621 |
| Allowance for decline in market value and obsolescence of inventories | 11,043 | 3,379 |
| Employee benefits liabilities | 428,793 | 144,970 |
| Deferred inter-company profits | 41,728 | 42,875 |
| Tax losses carry forward | 1,030,698 | 880,715 |
| Others | 797 | 589 |
| Total | 1,390,334 | 1,152,977 |
| ***Deferred tax liabilities*** | | |
| Property, plant and equipment | (194,177) | (320,672) |
| Biological assets | (1,939,582) | (1,992,913) |
| Allowance for impairment and amortised costs adjustments of plasma receivables | 381 | 6,326 |
| Allowance for employees benefit expenses | 184 | 25,369 |
| Allowance for decline in market value and obsolescence of inventories | 31 | 6,912 |
| Employee benefits liabilities | (32) | 300,353 |
| Withholding tax on distributable profit of foreign subsidiaries | (7,772) | (24,751) |
| Others | 1 | 252 |
| Total | (2,140,966) | (1,999,124) |

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.



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### 17. DEFERRED TAX (CONT'D)

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

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | Rp million | Rp million |
| **Deferred income tax movements:** | | |
| Property, plant and equipment | 15,640 | 18,989 |
| Biological assets | 48,359 | 57,802 |
| Allowance for impairment and amortised costs adjustments of plasma receivables | (10,450) | (7,915) |
| Write-back for allowance of decline in market value and obsolescence of inventories | (783) | (4,432) |
| Employee benefits liabilities | (33,440) | (55,765) |
| Deferred inter-company profits | 1,147 | 18,917 |
| Provision for employee benefits expense | 931 | 3,884 |
| Tax losses carry forward | (149,983) | (152,763) |
| Withholding tax on distributable profit of foreign subsidiaries | (16,979) | 9,539 |
| Others | 40 | (565) |
| Net deferred tax benefit reported in the consolidated statement of comprehensive income (Note 11) | (145,518) | (112,309) |

***Unrecognised tax losses***

At the end of the reporting period, the Group has tax losses amounting to Rp4,882.7 billion (2014: Rp4,127.3 billion) that are available for offset against future taxable profits for up to five years from the date the losses were incurred. Deferred tax benefits of Rp190.0 billion (2014: Rp151.1 billion) attributable to Rp760.0 billion (2014: Rp604.4 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 Rp562.7 billion (2014: Rp568.2 billion) as at 31 December 2015 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 Rp76.0 billion (2014: Rp57.0 billion) as at 31 December 2015 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.

## NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

### 18. INVESTMENT IN SUBSIDIARY COMPANIES

| | Company 2015 Rp million | Company 2014 Rp million |
|---|---|---|
| Shares, at cost | 10,533,516 | 10,327,919 |

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.

***(a) Composition of the Group***

The Group has the following investment in subsidiaries:

| Name of subsidiaries | Country of incorporation | Effective percentage of equity held % 2015 | 2014 | 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 |



## NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

### 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 % 2015 | 2014 | Principal activities |
|---|---|---|---|---|
| ***Held by PT Salim Ivomas Pratama Tbk (cont'd)*** | | | | |
| 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 |
| 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 | 73.45 | 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 % 2015 | 2014 | Principal activities |
|---|---|---|---|---|
| ***Held by PT Salim Ivomas Pratama Tbk (cont'd)*** | | | | |
| PT Riau Agrotama Plantation (PT RAP) [3] | Indonesia | 73.46 | 73.45 | Ownership of oil palm plantations and mill |
| PT Citra Kalbar Sarana (PT CKS) [3] | Indonesia | 73.46 | 73.45 | Ownership of oil palm plantations |
| PT Jake Sarana (PT JS) [3] | Indonesia | 73.46 | 73.39 | 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 | 73.45 | Ownership of oil palm plantations and mill |
| ***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 |



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## 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 % 2015 | 2014 | Principal activities |
|---|---|---|---|---|
| ***Held by PT Indoagri Inti Plantation (cont'd)*** | | | | |
| 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 |
| ***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 | 44.06 | 44.06 | 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 % 2015 | 2014 | Principal activities |
|---|---|---|---|---|
| ***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") [#] | Indonesia | 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 |
| ***Held by Lonsum Singapore Pte. Ltd.*** | | | | |
| Sumatra Bioscience Pte. Ltd. (SBPL) [6] | Singapore | 43.72 | 43.72 | Non-operating |





**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 % 2015 | 2014 | Principal activities |
|---|---|---|---|---|
| ***Held by PT Lajuperdana Indah*** | | | | |
| PT Madusari Lampung Indah ("PT MLI") [8] | Indonesia | 45.16 | 45.16 | Ownership of sugar cane plantations |

** Not required to be audited in the country of incorporation*
*# Auditor has not been appointed since the date of incorporation in December 2015*

*Audited by:*
*[1] Ernst & Young LLP, Singapore*
*[2] Purwantono, Suherman & 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 Kangka, 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 2015:** | | | | | |
| PT SIMP | Indonesia | 26.54 | 240,896 | 9,855,945 | 218,431 |
| **31 December 2014:** | | | | | |
| PT SIMP | Indonesia | 26.54 | 569,446 | 9,088,455 | 176,723 |

## 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] | |
|---|---|---|
| | 2015 | 2014 |
| | Rp million | Rp million |
| **Summarised balance sheet** | | |
| **Current** | | |
| Assets | 4,863,496 | 5,914,531 |
| Liabilities | (5,414,671) | (6,945,698) |
| Net current liabilities | (551,175) | (1,031,167) |
| **Non-current** | | |
| Assets | 33,669,550 | 31,687,678 |
| Liabilities | (10,745,548) | (9,261,420) |
| Net non-current assets | 22,924,002 | 22,426,258 |
| **Net assets** | 22,372,827 | 21,395,091 |
| **Summarised statement of comprehensive income** | | |
| Revenue | 13,835,444 | 14,962,727 |
| Profit before income tax | 908,424 | 2,002,664 |
| Income tax expense | (385,083) | (658,885) |
| Profit after tax | 523,341 | 1,343,779 |
| Other comprehensive income | 164,331 | (12,048) |
| Total comprehensive income | 687,672 | 1,331,731 |
| **Other summarised information** | | |
| Net cash flows from operations | 1,665,381 | 2,765,289 |

*[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).*



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## 18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

### *(d) Acquisition of non-controlling interest by the Company*

During the financial year, the Company acquired 7,570,300 of Lonsum shares by way of market purchases on Indonesia Stock Exchange for Rp11.8 billion.

### *(e) Acquisition of subsidiary*

***PT Wushan Hijau Lestari ("PT WHL")***

In December 2015, Lonsum and PT Lentera Sukses Sejati, a third party, incorporated PT WHL with a total issued and fully paid share capital of Rp20 billion. Lonsum's capital contribution was Rp13 billion representing 65% interest in PT WHL.

PT WHL is engaged in the development of agriculture, forestry, fishery and trading.

## 19. INVESTMENT IN ASSOCIATE COMPANIES

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

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | Rp million | Rp million |
| Associate companies which are strategic to the Group activities | | |
| Heliae Technology Holdings, Inc | 132,946 | 74,775 |
| FP Natural Resources Limited | 554,286 | 335,783 |
| Asian Assets Management Pte Ltd | 523,413 | – |
| PT Prima Sarana Mustika | 6,635 | 5,902 |
| | 1,217,280 | 416,460 |

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | Rp million | Rp million |
| Cost of investment, at cost | 1,431,967 | 611,003 |
| Share of results and other comprehensive loss of associate companies | (341,880) | (256,619) |
| Foreign currency translation | 127,193 | 62,076 |
| Carrying value of investment in associate companies | 1,217,280 | 416,460 |

## 19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

| Name of associate | Country of incorporation | Principal activities | Effective percentage of equity held % 2015 | 2014 |
|---|---|---|---|---|
| ***Held by the Company*** | | | | |
| FP Natural Resources Limited ("FPNRL")[i] | British Virgin Islands | Investment Holdings | 30.00 | 30.00 |
| ***Held by Agri Investment Pte Ltd*** | | | | |
| Heliae Technology Holdings, Inc ("Heliae")[ii] | USA | Agricultural technology and cultivation business | 8.93 * | 10.99 * |
| ***Held by PT PP London Sumatra Indonesia Tbk*** | | | | |
| Asian Assets Management Pte. Ltd. ("AAM")[ii] | Singapore | Investment in property business | 21.85 | – |
| ***Held by PT Salim Ivomas Pratama Tbk*** | | | | |
| PT Prima Sarana Mustika ("PT PSM")[iii] | Indonesia | Construction services, rental of heavy equipment and trading of agriculture equipment | 29.38 | 29.38 |

* *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 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 50.9% and 16.4% interest in Roxas Holdings Inc ("RHI") and Victoria Milling Company Inc.("VMC") respectively. RHI and VMC are engaged in processing of sugar cane for the production and marketing of sugar and ethanol in the Philippines.

***Heliae Technology Holdings, Inc. ("Heliae")***

During the year, AIPL's equity interest in Heliae was diluted to 20.42% (2014: 25.14%) due to additional capital contribution by the other shareholders. Heliae is a private entity engaged in technology and production solutions for the algae industry.

Capital injections during the year

In March 2014, AIPL subscribed for convertible notes of US$5.0 million (approximately Rp62.2 billion) issued by Heliae Development, LLC, a subsidiary of Heliae. The convertible notes earn an interest of 3% plus the one-month London Interbank Offered Rate (LIBOR) rate. The convertible notes can be converted into the common shares of Heliae within 5 years from the date of issue. The convertible notes do not contain derivative as their value is fixed to the value of the shares and requires considerable investment on initial subscription. In 2015, this convertible note together with its interest amounting to US$5.1 million were converted into 1,474,853 shares of common stocks of Heliae at the fair market value on the date of conversion approximately Rp64.0 billion.

In October 2015, AIPL injected additional capital of US$3.0 million (approximately Rp 40.8 billion) in Heliae.





## 19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

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

In June 2015, Lonsum and a subsidiary of PT ISM, PT Indofood CBP Sukses Makmur Tbk acquired for a combined of 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 million (approximately Rp519.3 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.

***PT Prima Sarana Mustika ("PT PSM")***

In January 2014, 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 Rp6 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.

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 | |
|---|---|---|---|---|
| | 2015 Rp million | 2014 Rp million | 2015 Rp million | 2014 Rp million |
| Current assets | 1,494,716 | 74,354 | 140,268 | – |
| Non-current assets | 6,112,868 | 1,169,994 | 991,099 | – |
| **Total assets** | 7,607,584 | 1,244,348 | 1,131,367 | – |
| Current liabilities | 2,892,784 | 76,954 | 8,461 | – |
| Non-current liabilities | 1,712,456 | 29,271 | 75,988 | – |
| **Total liabilities** | 4,605,240 | 106,225 | 84,449 | – |
| **Net assets** | 3,002,330 | 1,138,123 | 1,046,918 | – |
| Proportion of the Group's ownership | 30.00% | 30.00% | 50.00% | – |
| Group's share of net assets | 900,699 | 341,437 | 523,459 | – |
| Foreign currency translation | (346,413) | (5,654) | (46) | – |
| **Carrying amount of the investment** | 554,286 | 335,783 | 523,413 | – |

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## 19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

*Summarised statement of comprehensive income*

| | FPNRL | | AAM | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | Rp million | Rp million | Rp million | Rp million |
| Revenue | 2,606,658 | – | – | – |
| (Loss)/profit after tax | (10,046) | (110,896) | 8,178 | – |
| Other comprehensive (loss)/profit for the year | (104,916) | 20,860 | – | – |

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

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | Rp million | Rp million |
| Share of loss after tax and other comprehensive loss | (278,293) | (37,954) |

## 20. INVESTMENT IN A JOINT VENTURE

The Group has 50% (2014: 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 2014 to identify any intangible assets and/or goodwill from the acquisition. As at 31 December 2015, 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 | |
|---|---|---|
| | 2015 | 2014 |
| | Rp million | Rp million |
| Cost of investment in a joint venture (including acquisition related costs) | 878,614 | 689,073 |
| Share of results and other comprehensive loss of a joint venture | (115,952) | 93,071 |
| Foreign currency translation | (155,611) | 19,009 |
| Carrying value of investment in a joint venture | 607,051 | 801,153 |



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

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 | |
|---|---|---|
| | 2015 | 2014 |
| | Rp million | Rp million |
| Cash and cash equivalents | 173,610 | 221,727 |
| Other current assets | 778,568 | 890,437 |
| Current assets | 952,178 | 1,112,164 |
| Non-current assets | 2,396,215 | 3,512,985 |
| **Total assets** | 3,348,393 | 4,625,149 |
| Current liabilities | 1,805,826 | 2,139,057 |
| Non-current liabilities | 1,069,900 | 1,612,438 |
| **Total non-current liabilities** | 1,069,900 | 1,612,438 |
| **Total liabilities** | 2,875,726 | 3,751,495 |
| **Net assets** | 472,667 | 873,654 |
| Proportion of the Group's ownership | 50.0% | 50.0% |
| Group's share of net assets | 236,333 | 436,827 |
| Acquisition costs capitalised | 52,405 | 52,405 |
| Goodwill on acquisition | 298,336 | 298,336 |
| Foreign currency translation | 19,977 | 13,585 |
| **Carrying amount of the investment** | 607,051 | 801,153 |

*Summarised statement of comprehensive income*

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | Rp million | Rp million |
| Revenue | 1,861,777 | 2,315,675 |
| Depreciation and amortisation | (341,436) | (367,218) |
| Interest income | 22,289 | 69,572 |
| Interest expense | (332,716) | (415,776) |
| Other operating expenses | (1,494,414) | (1,532,703) |
| (Loss)/profit before tax | (284,500) | 69,550 |
| Income tax expense | (24,318) | (11,714) |
| (Loss)/profit after tax | (308,818) | 57,836 |
| Other comprehensive loss | (42,062) | (31,310) |
| Total comprehensive (loss)/income | (350,880) | 26,526 |

## 21. OTHER NON-CURRENT ASSETS

| | Note | Group 2015 Rp million | Group 2014 Rp million | Company 2015 Rp million | Company 2014 Rp million |
|---|---|---|---|---|---|
| **Non-current:** | | | | | |
| ***Non-financial assets*** | | | | | |
| Advances | | 416,398 | 648,594 | 36,698 | 36,698 |
| Prepayments | | 6,984 | 11,041 | – | – |
| Others | | 77,581 | 86,971 | – | – |
| Total advances and prepayments | | 500,963 | 746,606 | 36,698 | 36,698 |
| ***Financial assets*** | | | | | |
| Loans to employees | | 33,070 | 31,793 | – | – |
| Plasma receivables | 31(a) | 785,773 | 618,026 | – | – |
| Deposits | | 25,476 | 23,520 | 9 | 9 |
| Investment in convertible note | 19 | – | 62,200 | – | – |
| Total other non-current receivables | | 844,319 | 735,539 | 9 | 9 |
| **Total other non-current assets** | | 1,345,282 | 1,482,145 | 36,707 | 36,707 |

***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.

***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 8.74% in 2015 (2014: 7.77%) per annum.

***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 2017 and is to be settled in cash.



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## 22. INVENTORIES

| | Group 2015 Rp million | Group 2014 Rp million |
|---|---|---|
| ***Balance sheet:*** | | |
| Raw materials | 685,041 | 517,942 |
| Finished goods | 783,637 | 746,094 |
| Spare parts and factory supplies | 468,053 | 509,293 |
| Total inventories at the lower of cost and net realisable value | 1,936,731 | 1,773,329 |

| | Note | Group 2015 Rp million | Group 2014 Rp million |
|---|---|---|---|
| ***Consolidated Statement of Comprehensive Income:*** | | | |
| Inventories recognised as an expense in cost of sales, net | 5 | (776,170) | (622,501) |
| Inclusive of the following charges: | | | |
| - Reversal of allowance for decline in market value and obsolescence of inventories | 6 | (21,682) | – |
| - Allowance for decline in market value and obsolescence of inventories | 7 | 24,871 | 21,970 |

## 23. RECEIVABLES

| | Note | Group 2015 Rp million | Group 2014 Rp million | Company 2015 Rp million | Company 2014 Rp million |
|---|---|---|---|---|---|
| **Current:** | | | | | |
| ***Financial assets*** | | | | | |
| Trade receivables | | | | | |
| Third parties | | 394,978 | 360,971 | – | – |
| Related parties | | 415,133 | 363,221 | – | – |
| Other receivables | | | | | |
| Plasma receivables | 31(a) | 9,860 | 7,572 | – | – |
| Loans to employees | | 9,351 | 10,589 | – | – |
| Subsidiary companies | | – | – | 76,677 | 67,673 |
| Related parties | | 779 | 65,858 | – | – |
| Claims from contractors | | 119,026 | 116,568 | – | – |
| Others | | 159,717 | 131,387 | 2,075 | 1,655 |
| Total trade and other receivables | | 1,108,844 | 1,056,166 | 78,752 | 69,328 |

## 23. RECEIVABLES (CONT'D)

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 Rp million | 2014 Rp million | 2015 Rp million | 2014 Rp million |
| ***Non-financial assets*** | | | | |
| Advances and prepayments | | | | |
| Advances to suppliers | 111,546 | 130,274 | – | – |
| Prepayments | 26,911 | 35,624 | 509 | 6,398 |
| Total advances and prepayments | 138,457 | 165,898 | 509 | 6,398 |
| Total receivables | 1,247,301 | 1,222,064 | 79,261 | 75,726 |

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 | |
|---|---|---|---|---|
| | 2015 Rp million | 2014 Rp million | 2015 Rp million | 2014 Rp million |
| US Dollars | 99,486 | 200,766 | 66,286 | 59,527 |
| Others | 8,686 | 8,521 | 3,497 | 1,269 |

***Receivables that are past due but not impaired***

The Group has trade receivables amounting to Rp282.6 billion (2014: Rp204.8 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 | |
|---|---|---|
| | 2015 Rp million | 2014 Rp million |
| Overdue but not impaired: | | |
| 1 – 30 days | 233,458 | 175,164 |
| 31 – 60 days | 33,128 | 16,887 |
| 61 – 90 days | 1,872 | 2,822 |
| More than 90 days | 14,157 | 9,950 |
| | 282,615 | 204,823 |



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## 23. RECEIVABLES (CONT'D)

***Receivables that are impaired***

As at 31 December 2015, there was no allowance for impairment of trade receivables (2014: Rp749.0 million). Trade receivables that are determined to be impaired at the end of the reporting period relate to debtors that are in financial difficulties and have defaulted on payments.

Movement in allowance for doubtful debts account:

| | | Group | |
|---|---|---|---|
| | Note | 2015 Rp million | 2014 Rp million |
| At 1 January | | – | 749 |
| Write-back for the year | 8 | – | (749) |
| At 31 December | | – | – |

***Advances to suppliers***

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

| | Group | |
|---|---|---|
| | 2015 Rp million | 2014 Rp million |
| Raw materials | 51,954 | 41,029 |
| Factory supplies, spare parts and others | 59,592 | 89,245 |
| | 111,546 | 130,274 |

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 | |
|---|---|---|---|---|
| | 2015 Rp million | 2014 Rp million | 2015 Rp million | 2014 Rp million |
| Cash at bank and in hand | 826,357 | 1,426,780 | 37,104 | 109,247 |
| Short term deposits | 1,142,743 | 2,159,000 | 467,913 | 778,200 |
| Cash and cash equivalents | 1,969,100 | 3,585,780 | 505,017 | 887,447 |

## 24. CASH AND CASH EQUIVALENTS (CONT'D)

Cash and cash equivalents denominated in foreign currencies are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 Rp million | 2014 Rp million | 2015 Rp million | 2014 Rp million |
| US Dollars | 475,915 | 874,233 | 24,848 | 445,937 |
| Singapore Dollars | 9,623 | 16,913 | 9,040 | 16,068 |
| Others | 1,957 | 642 | – | – |

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 0.50% to 3.00% (2014: 0.50% to 3.50%) and 5.00% to 10.25% (2014: 7.00% to 11.00%), respectively.

## 25. PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 Rp million | 2014 Rp million | 2015 Rp million | 2014 Rp million |
| **Current** | | | | |
| ***Financial liabilities*** | | | | |
| Trade payables | | | | |
| Third parties | 786,400 | 849,269 | – | – |
| Related parties | 26,115 | 12,931 | – | – |
| Other payables and accruals | | | | |
| Third parties | 499,523 | 510,394 | 9 | 35 |
| Due to a parent company | 23,795 | 18,454 | – | – |
| Related parties | 14,100 | 27,397 | – | – |
| Accrued operating expenses | 228,240 | 247,657 | 13,383 | 14,237 |
| Total trade and other payables and accruals | 1,578,173 | 1,666,102 | 13,392 | 14,272 |
| Short-term employee benefits liabilities | 224,693 | 188,209 | – | – |
| Total | 1,802,866 | 1,854,311 | 13,392 | 14,272 |
| ***Non-financial liabilities*** | | | | |
| Advances from customers | 170,980 | 169,395 | – | – |
| Taxes payable | 43,384 | 34,385 | – | – |
| Total advances and taxes payable | 214,364 | 203,780 | – | – |
| Total payables | 2,017,230 | 2,058,091 | 13,392 | 14,272 |



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## 25. PAYABLES (CONT'D)

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 | |
|---|---|---|---|---|
| | 2015 Rp million | 2014 Rp million | 2015 Rp million | 2014 Rp million |
| US Dollars | 265,785 | 276,231 | – | 2,386 |
| Euro | 5,641 | 22,419 | – | – |
| Singapore Dollars | 17,597 | 13,071 | 13,392 | 11,886 |
| Others | 1,612 | 10,822 | – | – |

## 26. INTEREST-BEARING LOANS AND BORROWINGS

| | Maturity | Collateral | Group | | Company | |
|---|---|---|---|---|---|---|
| | | | 2015 Rp million | 2014 Rp million | 2015 Rp million | 2014 Rp million |
| **Current** | | | | | | |
| Rupiah denominated loans | 2016 | Unsecured | 1,578,000 | 1,004,000 | – | – |
| Rupiah denominated loans | 2016 | Secured [1] | 715,600 | 1,356,680 | – | – |
| US Dollar denominated loans | 2016 | Unsecured | 1,514,756 | 1,677,845 | 1,033,655 | – |
| Add: current portion of non-current loans | | | 590,445 | 710,670 | – | – |
| **Total current portion** | | | 4,398,801 | 4,749,195 | 1,033,655 | – |
| **Non-current** | | | | | | |
| Rupiah denominated loans | 2016 – 2018 | Unsecured | 14,475 | 20,982 | – | – |
| Rupiah denominated loans | 2016 – 2022 | Secured [1] | 4,423,016 | 4,352,325 | – | – |
| Rupiah denominated loans | 2016 – 2019 | Secured [2] | 15,496 | 19,620 | – | – |
| US Dollar denominated loans | 2016 – 2018 | Unsecured | 1,379,500 | 933,000 | – | 933,000 |
| US Dollar denominated loans | 2016 – 2019 | Secured [1] | 554,559 | 503,820 | – | – |
| Less: deferred charges on bank loans | | | (54,798) | (50,936) | – | (3,207) |
| Less: current portion | | | (590,445) | (710,670) | – | – |
| **Total non-current portion** | | | 5,741,803 | 5,068,141 | – | 929,793 |

[1] *Corporate guarantees from PT SIMP in proportion to its equity ownership in the subsidiaries*
[2] *Secured by land rights under name of the plasma farmers as the members of rural cooperative units (Koperasi Unit Desa or the "KUD"), plasma plantations and infrastructures, and corporate guarantee from a subsidiary*

## 26. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

***Current loans and borrowings***

*Effective Interest Rates*

The short-term loans denominated in Rupiah bear effective interest rates that are ranging from 8.50% to 10.75% (2014: 8.00% to 11.15%) per annum for the year ended 31 December 2015. The credit facilities denominated in US Dollar bear interest at annual rates ranging from 1.64% to 2.11% (2014: 1.66% to 5.00%) per annum.

*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.

*Compliance with Loan Covenants*

As at 31 December 2015 and 2014, the Group has complied with all of the covenants of the short-term loans as disclosed in this Note or obtained the necessary waivers as required.

***Non-current loans and borrowings***

*Effective Interest Rates*

The long-term loans denominated in US Dollar and Rupiah bear effective interest rates that are ranging from 1.57% to 3.41% per annum and from 8.03% to 11.15% per annum, respectively, for the year ended 31 December 2015 (2014: 1.98% to 3.50% per annum and from 8.53% to 11.15% per annum).

*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 of 31 December 2015 and 2014, the Group has complied with all of the covenants of the long-term loans as disclosed in this Note or obtained the 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 2015 and 2014, the Company has not issued any Notes under the programme.





## 27. OTHER NON-CURRENT PAYABLES

| | Group 2015 Rp million | Group 2014 Rp million |
|---|---|---|
| **Non-current:** | | |
| ***Financial liabilities*** | | |
| Due to related parties | 338,794 | 586,764 |
| Others | 30,088 | 3,495 |
| Total amount due to related parties and other payables | 368,882 | 590,259 |
| ***Non-financial liabilities*** | | |
| Provision for assets dismantling costs | 27,478 | 25,199 |
| Total provision and other liabilities | 27,478 | 25,199 |
| Total other non-current payables | 396,360 | 615,458 |

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, unsecured and subject to effective interest rate of 8.8% – 10.0% (2014: 8.0% – 10.5%).

***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 2016, 2021 and 2032.

The movement in provision for assets dismantling costs is:

| | Note | Group 2015 Rp million | Group 2014 Rp million |
|---|---|---|---|
| Balance at 1 January | | 25,199 | 22,633 |
| Changes in present value due to the passage of time and changes in discount rates | 7 | 2,279 | 2,566 |
| Balance at 31 December | | 27,478 | 25,199 |

## 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. Total pension cost charged to operations in 2015 is Rp19.4 billion (2014: Rp16.8 billion).

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** | **2015** | **2014** |
| | | Rp million | Rp million |
| *Employee benefits expenses (including directors):* | | | |
| Wages and salaries | | 1,254,012 | 1,278,468 |
| Provision for employee benefits | | 223,757 | 278,317 |
| Contribution to defined contribution pension plan | | 52,947 | 16,846 |
| Training and education | | 19,369 | 43,799 |
| | 8 | 1,550,085 | 1,617,430 |

As at 31 December 2015, the balance of the related actuarial liability for employee benefits is presented as "Employee benefits liabilities" in the consolidated balance sheet.

Changes in the defined benefit obligations are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | Rp million | Rp million |
| Benefit obligation at 1 January | 1,803,240 | 1,555,851 |
| Benefits paid | (82,794) | (49,486) |
| *Changes charged to profit or loss* | | |
| Current service cost | 134,062 | 144,426 |
| Past service cost | (49,312) | 55 |
| Interest cost on benefit obligations | 144,316 | 140,027 |
| Net actuarial (gain)/loss recognised during the year | (5,152) | 3,169 |
| Gain on curtailments and settlements | (157) | (9,360) |
| Sub-total | 223,757 | 278,317 |
| *Re-measurement (gain)/loss in other comprehensive income* | | |
| Actuarial changes arising from changes in financial assumptions | (135,545) | (6,576) |
| Experience adjustments | (64,467) | 25,134 |
| Sub-total | (200,012) | 18,558 |
| Benefit obligation at 31 December | 1,744,191 | 1,803,240 |



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## 28. EMPLOYEE BENEFITS (CONT'D)

The principal assumptions used in determining post-employment obligations for the Group's plan are as follows:

| | | |
|---|---|---|
| Annual discount rate | : | 9.0% (2014: 8.0%) |
| Future annual salary increase | : | 9.0% (2014: 9.0%) |
| Annual employee turnover rate | : | 6.0% (2014: 6.0%) for employees under the age of 30 years and linearly decrease until 0% at the age of 52 years |
| Disability rate | : | 10% (2014: 10%) from mortality rate |
| Mortality rate reference | : | Indonesian Mortality Table ("IMT") 2011 (2014: IMT 2011) |
| Retirement age | : | 55 years (2014: 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 |
| Annual discount rate | 100/(100) basis points | (136,363)/155,459 |
| Future annual salary increase | 1%/(1%) | 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.

The following payments are expected contributions to the defined benefit plan obligation in future years:

| | **2015** | **2014** |
|---|---|---|
| | Rp million | Rp million |
| Within the next 12 months | 70,053 | 42,594 |
| Between 1 and 2 years | 88,452 | 101,147 |
| Between 2 and 5 years | 855,217 | 643,583 |
| Beyond 5 years | 21,191,564 | 17,252,977 |
| Total expected payments | 22,205,286 | 18,040,301 |

The average duration of the defined benefit plan obligation at the end of the reporting period is 13.4 years (2014: 13.5 years).

## 29. SHARE CAPITAL AND TREASURY SHARES

### *(a) Share capital*

| | Group | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | 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 | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | 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 | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | No. of shares | Rp million | No. of shares | Rp million |
| Balance as at 1 January/ 31 December | 51,878,300 | 390,166 | 30,500,000 | 238,263 |

Treasury shares relate to ordinary shares of the Company that is held by the Company.

During the financial year, the Company acquired 21,378,300 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.



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## 30. RESERVES

### *(a) Revenue reserves*

| | Company | |
|---|---|---|
| | 2015 | 2014 |
| | Rp million | Rp million |
| ***Retained earnings:*** | | |
| Balance at 1 January | 700,244 | 642,630 |
| Dividends | (71,873) | (67,798) |
| Profit for the year | 141,030 | 125,412 |
| Balance at 31 December | 769,401 | 700,244 |

### *(b) Other reserves*

| | Company | |
|---|---|---|
| | 2015 | 2014 |
| | Rp million | 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 | |
|---|---|---|
| | 2015 | 2014 |
| | Rp million | Rp million |
| **Declared and paid during year:** | | |
| Dividends on ordinary shares: | | |
| - Final tax exempt (one-tier) dividend for 2014:0.52 Singapore cents (2013: 0.52 Singapore cents) per share | 71,873 | 67,798 |
| **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 2015: 0.50 Singapore cents (2014: 0.52 Singapore cents) per share | 68,057 | 69,440 |

## 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 FFB of the respective plasma plantations and corporate guarantees from certain subsidiary companies for a maximum amount of Rp1,012.6 billion (2014: Rp1,132.7 billion) as at 31 December 2015.

The Group recorded an allowance for uncollectible plasma receivables in its consolidated balance sheet amounting to Rp160.1 billion (2014: Rp160.9 billion). Based on a review of the plasma receivables of each project as at 31 December 2015, 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 | |
|---|---|---|
| | 2015 | 2014 |
| | Rp million | Rp million |
| At 1 January | 160,931 | 170,356 |
| Allowance for the year | – | 167 |
| Write-off | (561) | (9,440) |
| Reversal of allowance | (235) | (152) |
| At 31 December | 160,135 | 160,931 |



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## 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:

| | | Group | |
|---|---|---|---|
| | Note | 2015 | 2014 |
| | | Rp million | Rp million |
| Balance at 1 January | | 625,598 | 644,545 |
| Allowance for uncollectible and loss arising from changes in amortised costs of plasma receivables | | (42,378) | (45,711) |
| Additional net investment | | 182,062 | 68,459 |
| Reclassifications | | 30,351 | (41,695) |
| Balance at 31 December | 21,23 | 795,633 | 625,598 |

### *(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 2015 amounted to Rp17.1 billion (2014: Rp16.4 billion).

Future minimum lease payments under non-cancellable operating leases at the end of the reporting period are as follows:

| | 2015 | 2014 |
|---|---|---|
| | Rp million | Rp million |
| Within one year | 19,533 | 13,861 |
| After one year but not more than five years | 7,979 | 5,814 |
| | 27,512 | 19,675 |

*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 2015 amounted to Rp9.1 billion (2014: Rp9.5 billion).

## 31. COMMITMENTS AND CONTINGENCIES (CONT'D)

### (c) Contingent liabilities

*Dispute of PT LPI's HGU certificate*

In May 2011, an individual filed a legal case against PT LPI for losses of Rp17.4 billion in respect of an area of approximately 143 hectares located at Campany Tiga village. On 27 August 2015, PT LPI received the Supreme Court's decision to dismiss the appeal by the said individual. The case was considered closed and binding.

### (d) Sales commitments

As at 31 December 2015, the Group has sales commitments to deliver the following products to local and overseas customers within the next three months:

| | 2015 (Tonnes) | 2014 (Tonnes) |
|---|---|---|
| Palm products | 46,636 | 25,213 |
| Rubber | 595 | 1,109 |
| Tea | 126 | 83 |
| Cocoa | 143 | 95 |
| Total | 47,500 | 26,500 |

As at 31 December 2015, Lonsum also has sales commitments to deliver 1,075,153 (2014: 1,648,090) of oil palm seeds to third party domestic customers within one month after the reporting date.

### (e) Commitments for capital expenditures

As of 31 December 2015, 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 Rp806 billion, US$7.9 million, and JP¥ 58.4 million (2014: Rp1,357.6 billion, US$17.0 million, EUR0.5 million, MYR0.3 million and JP¥ 40.2 million).



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## 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 | 2015 | 1,179 | 3,010,599 | 842,030 |
| | 2014 | – | 3,443,891 | 849,107 |
| Purchases of packaging materials | 2015 | – | 62,133 | – |
| | 2014 | – | 27,730 | – |
| Purchases of services, transportation equipment and spare parts | 2015 | – | 9,009 | 22,850 |
| | 2014 | – | 7,877 | 78,637 |
| Royalty fee expenses | 2015 | 6,107 | – | – |
| | 2014 | 5,556 | – | – |
| Pump services expenses | 2015 | – | – | 5,828 |
| | 2014 | – | – | 5,349 |
| Rental expenses | 2015 | – | – | 34,349 |
| | 2014 | – | – | 25,526 |
| Freight services expenses | 2015 | – | – | – |
| | 2014 | – | 2,548 | – |
| Insurance expenses | 2015 | – | – | 32,466 |
| | 2014 | – | – | 24,448 |
| Other operating income | 2015 | – | 3,981 | 50 |
| | 2014 | – | 4,967 | 50 |

***Compensation of key management personnel of the Group***

| | 2015 Rp million | 2014 Rp million |
|---|---|---|
| Salaries and short-term employee benefits | 177,661 | 165,992 |
| Termination benefits | 10,976 | 3,540 |
| Post-employment benefits | 15,211 | 11,767 |
| Total compensation paid to the key management personnel | 203,848 | 181,299 |
| Comprise amounts paid to: | | |
| - Directors of the Company | 79,689 | 65,878 |
| - Other key management personnel | 124,159 | 115,421 |
| | 203,848 | 181,299 |

## 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 that 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) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|
| | Rp million | Rp million | Rp million |
| **As at 31 December 2015** | | | |
| <u>*Recurring fair value measurements*</u> | | | |
| Biological assets (Note 13) | – | – | 15,878,940 |
| **As at 31 December 2014** | | | |
| <u>*Recurring fair value measurements*</u> | | | |
| Biological assets (Note 13) | – | – | 15,060,646 |

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.

There have been no transfers between Level 1 and Level 2, and into or out from Level 3 during the year. Other fair value disclosures are made in the respective notes of the assets or liabilities.



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## 33. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### *(b) Valuation policy*

The Group's subsidiary company, PT SIMP'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, in particular, the biological assets. Involvement of external valuers is decided annually by the Valuation Team after discussion with and approval by PT SIMP's Audit Committee and Board of Directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers normally rotate when required by local regulation for independent valuers. The Valuation Team decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use.

At each reporting date, the Valuation Team analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Valuation Team verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to the relevant documents and data.

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 audit committee and 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.

## 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 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.

**34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

***(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 2015, had the interest rates of the loans and borrowings been 50 basis points higher/lower (2014: 50 basis points higher/lower) with all other variables held constant, profit before tax for the year ended 31 December 2015 would have been Rp6.1 billion (2014: Rp5.8 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 2015, had the exchange rate of Rupiah against US Dollar depreciated/appreciated by 10% (2014: 10%) with all other variables held constant, profit before tax for the year ended 31 December 2015 would have been Rp308.6 billion (2014: Rp166.7 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.

During 2015 and 2014, 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).



**34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

***(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.

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### 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<br>Rp million | One to five years<br>Rp million | More than 5 years<br>Rp million | Total<br>Rp million |
|---|---|---|---|---|
| **Group** | | | | |
| **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 |
| **As at 31 December 2014** | | | | |
| ***Financial liabilities:*** | | | | |
| Non-current interest-bearing loans and borrowings | 20,122 | 5,558,961 | 587,054 | 6,166,137 |
| Other payables (non-current) | 32,379 | 619,232 | – | 651,611 |
| Trade and other payables and accruals | 1,675,362 | – | – | 1,675,362 |
| Current interest-bearing loans and borrowings | 5,393,389 | – | – | 5,393,389 |
| Total undiscounted financial liabilities | 7,121,252 | 6,178,193 | 587,054 | 13,886,499 |

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### 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<br>Rp million | One to five years<br>Rp million | More than 5 years<br>Rp million | Total<br>Rp million |
|---|---|---|---|---|
| **Company** | | | | |
| **As at 31 December 2015** | | | | |
| ***Financial liabilities:*** | | | | |
| Non-current interest-bearing loans and borrowings | – | – | – | – |
| 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 |
| **As at 31 December 2014** | | | | |
| ***Financial liabilities:*** | | | | |
| Non-current interest-bearing loans and borrowings | 20,122 | 939,854 | – | 959,976 |
| Trade and other payables and accruals | 14,272 | – | – | 14,272 |
| Current interest-bearing loans and borrowings | – | – | – | – |
| Total undiscounted financial liabilities | 34,394 | 939,854 | – | 974,248 |

## 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 2015 and 2014. 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 2015 and 2014.

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.

| | **2015**<br>Rp million | **2014**<br>Rp million |
|---|---|---|
| Non-current interest-bearing loans and borrowings | 5,741,803 | 5,068,141 |
| Current interest-bearing loans and borrowings | 4,398,801 | 4,749,195 |
| | 10,140,604 | 9,817,336 |
| Less: Cash and cash equivalents | (1,969,100) | (3,585,780) |
| Net debts | 8,171,504 | 6,231,556 |
| Total equity | 24,245,694 | 23,717,152 |
| Gearing ratio | 34% | 26% |



NOTES TO
THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

## 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 (Hutan Tanaman Industri or "HTI").

*Edible oils and fats segment*

Edible oils and fats segment produces, markets and sells edible oil, margarine, shortening and other related products and CNO 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.

## NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

### 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 Rp million | Edible Oils and Fats Rp million | Others/ eliminations Rp million | Total Rp million |
|---|---|---|---|---|
| ***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) |
| Segment results | 1,581,704 | 240,293 | (220,924) | 1,601,073 |
| Net finance expense | | | | (553,302) |
| Foreign exchange losses | | | | (289,887) |
| Profit before tax | | | | 697,751 |
| Income tax expense | | | | (398,977) |
| Net profit for the year | | | | 298,774 |
| Assets and liabilities | | | | |
| Segment assets | 31,809,957 | 3,513,977 | 374,237 | 35,698,171 |
| Goodwill | 3,253,637 | – | – | 3,253,637 |
| Prepaid taxes | | | | 221,972 |
| Deferred tax assets | | | | 1,390,334 |
| Claims for tax refund | | | | 155,812 |
| Total assets | | | | 40,719,926 |
| Segment liabilities | 3,105,147 | 1,940,172 | (922,677) | 4,122,642 |
| Unallocated liabilities | | | | 10,175,743 |
| Deferred tax liabilities | | | | 2,140,966 |
| Income tax payable | | | | 34,879 |
| Total liabilities | | | | 16,474,230 |
| 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 | 813,812 | 119,445 | 3,699 | 936,956 |
| Loss from changes in fair value of biological assets | 19,851 | – | – | 19,851 |
| Provision for employee benefits | 173,092 | 50,665 | – | 223,757 |



## NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

### 36. SEGMENT INFORMATION (CONT'D)

***Business segments (cont'd)***

| | Plantations Rp million | Edible Oils and Fats Rp million | Others/ eliminations Rp million | Total Rp million |
|---|---|---|---|---|
| ***Year ended 31 December 2014*** | | | | |
| Revenue | | | | |
| Sales to external customers | 5,149,364 | 9,813,363 | – | 14,962,727 |
| Inter-segment sales | 5,128,167 | 21,284 | (5,149,451) | – |
| Total sales | 10,277,531 | 9,834,647 | (5,149,451) | 14,962,727 |
| Share of results of associate companies | (112,026) | – | (37,857) | (149,883) |
| Segment results | 2,599,979 | 100,667 | 96,033 | 2,796,679 |
| Net finance expense | | | | (503,775) |
| Foreign exchange losses | | | | (110,531) |
| Profit before tax | | | | 2,032,490 |
| Income tax expense | | | | (704,331) |
| Net profit for the year | | | | 1,328,159 |
| Assets and liabilities | | | | |
| Segment assets | 31,470,666 | 3,293,934 | 603,646 | 35,368,246 |
| Goodwill | 3,253,637 | – | – | 3,253,637 |
| Prepaid taxes | | | | 231,179 |
| Deferred tax assets | | | | 1,152,977 |
| Claims for tax refund | | | | 148,545 |
| Total assets | | | | 40,154,584 |
| Segment liabilities | 3,244,437 | 2,105,572 | (1,260,192) | 4,089,817 |
| Unallocated liabilities | | | | 10,204,308 |
| Deferred tax liabilities | | | | 1,999,124 |
| Income tax payable | | | | 144,183 |
| Total liabilities | | | | 16,437,432 |
| Other segment information: | | | | |
| Investment in associate companies | 80,677 | – | 335,783 | 416,460 |
| Capital expenditure | 3,084,078 | 94,036 | – | 3,178,114 |
| Depreciation and amortisation | 697,596 | 112,095 | 3,696 | 813,387 |
| Gain from changes in fair value of biological assets | 59,592 | – | – | 59,592 |
| Provision for employee benefits | 235,328 | 42,989 | – | 278,317 |

## 36. SEGMENT INFORMATION (CONT'D)

***Geographical segments***

The following table presents sales to customers based on the geographical location of the customers:

| | 2015<br>Rp million | 2014<br>Rp million |
|---|---|---|
| **Region** | | |
| Indonesia | 12,649,116 | 13,441,849 |
| Singapore | 410,142 | 500,122 |
| China | 278,578 | 346,757 |
| Nigeria | 153,435 | 159,255 |
| Malaysia | 22,801 | 89,559 |
| Philippines | 53,759 | 83,729 |
| Timor Leste | 68,031 | 67,270 |
| Others (each below Rp50.0 billion) | 199,582 | 274,186 |
| **Segment revenue** | 13,835,444 | 14,962,727 |

The Group's capital expenditure and segment assets are primarily incurred and located in Indonesia.

## 37. COMPARATIVE FIGURES

The following accounts in the statement of comprehensive income have been reclassified to conform to full year's presentation.

In the opinion of the directors, such reclassifications will allow a more appropriate presentation and better reflects the nature of the transactions/balances.

| | As restated<br>2014<br>Rp million | As previously reported<br>2014<br>Rp million |
|---|---|---|
| **Consolidated statement of comprehensive income** | | |
| Cost of sales | (10,695,201) | (10,594,799) |
| General and administrative | (1,019,305) | (1,119,707) |
| Financial income | 253,590 | 228,466 |
| Income tax expense | (704,331) | (679,207) |

## 38. EVENT OCCURRING AFTER THE REPORTING PERIOD

***Acquisition of a subsidiary***

In January 2016, PT WHL entered into an agreement to acquire 99.97% interest in PT Perusahaan Perkebunan dan Perdagangan Umum Pasir Luhur ("Pasir Luhur") for a cash consideration of Rp55 billion. Pasir Luhur owns a tea plantation in West Java. Upon the completion of the transaction on 29 February 2016, Pasir Luhur has become a subsidiary of the Group.

## 39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 15 March 2016.



# INTERESTED PERSON TRANSACTIONS

Interested person transactions ("IPT') carried out during the financial year ended 31 December 2015 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:

| **Name of Interested Person** | **Aggregate value of all IPT conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)**<br>Rp 'billion | <br>USD 'million |
|---|---|---|
| PT ISM Group | | |
| • Sales of cooking oil, margarine and others | 3,016 | – |
| • Purchase of goods and services | 70 | – |
| Salim Group | | |
| • Sales of cooking oil, seeds and material | 859 | – |
| • Purchases of goods and services | 602 | – |
| • Shareholder loans | 1,346 | – |
| • Corporate guarantees | 2,893 | 25 |

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 as required under 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 |



PLANTATION LOCATIONS

| 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 2016

| | | |
|---|---|---|
| **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 – 999 | 17 | 0.21 | 319 | 0.00 |
| 100 – 1,000 | 725 | 8.94 | 485,422 | 0.03 |
| 1,000 – 10,000 | 4,643 | 57.26 | 27,443,125 | 1.97 |
| 10,001 – 1,000,000 | 2,698 | 33.28 | 120,903,554 | 8.66 |
| 1,000,001 and above | 25 | 0.31 | 1,247,072,110 | 89.34 |
| **TOTAL** | **8,108** | **100.00** | **1,395,904,530** | **100.00** |

* *Based on total number of issued shares, excluding 51,878,300 shares held in treasury.*

## TWENTY LARGEST SHAREHOLDERS

| No. | Name | Number of shares | % ** |
|---|---|---|---|
| 1 | UOB KAY HIAN PRIVATE LIMITED | 1,025,486,330 | 73.46 |
| 2 | CITIBANK NOMINEES SINGAPORE PTE LTD | 39,227,712 | 2.81 |
| 3 | HSBC (SINGAPORE) NOMINEES PTE LTD | 35,466,893 | 2.54 |
| 4 | DBS NOMINEES (PRIVATE) LIMITED | 29,046,215 | 2.08 |
| 5 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 22,002,400 | 1.58 |
| 6 | RAFFLES NOMINEES (PTE) LIMITED | 18,788,606 | 1.35 |
| 7 | BANK OF SINGAPORE NOMINEES PTE. LTD. | 13,778,900 | 0.99 |
| 8 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 7,778,588 | 0.56 |
| 9 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 6,529,000 | 0.47 |
| 10 | DBSN SERVICES PTE. LTD. | 5,667,864 | 0.41 |
| 11 | OCBC SECURITIES PRIVATE LIMITED | 5,647,315 | 0.40 |
| 12 | CIMB SECURITIES (SINGAPORE) PTE. LTD. | 4,489,131 | 0.32 |
| 13 | NOMURA SINGAPORE LIMITED | 4,305,000 | 0.31 |
| 14 | DB NOMINEES (SINGAPORE) PTE LTD | 4,131,824 | 0.30 |
| 15 | CILIANDRA FANGIONO OR FANG ZHIXIANG | 3,848,000 | 0.28 |
| 16 | PHILLIP SECURITIES PTE LTD | 3,159,891 | 0.23 |
| 17 | SCS TRUST PTE LTD | 3,000,000 | 0.21 |
| 18 | MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD | 2,824,100 | 0.20 |
| 19 | CITIBANK CONSUMER NOMINEES PTE LTD | 2,697,000 | 0.19 |
| 20 | BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH | 2,048,441 | 0.15 |
| **TOTAL** | | **1,239,923,210** | **88.84** |

** *Percentage is calculated based on total number of issued shares, excluding 51,878,300 shares held in treasury of the Company.*



STATISTICS OF SHAREHOLDINGS
As at 15 March 2016

## 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 total number of issued shares, excluding 51,878,300 shares held in treasury 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 and Salerni, collectively own not less than 20% of the issued share capital of First Pacific. Accordingly, FPIL and 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 2016, 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 SGX-ST 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 Raffles City Convention Centre, Atrium Ballroom (Level 4), 80 Bras Basah Road, Singapore 189560, on Thursday, 28 April 2016 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 2015 and the Auditors' Report thereon. [Resolution 1]

2. To declare a first and final tax-exempt (one-tier) dividend of 0.50 Singapore cents per share for the year ended 31 December 2015 (2014: 0.52 Singapore cents per share). [Resolution 2]

3. To approve the Directors' Fees of S$345,000 (2014: S$345,000) for the year ended 31 December 2015. [Resolution 3]

4a. To re-elect Mr Axton Salim, the Director who retires under Clause 117 of the Company's Constitution. [Resolution 4a]

4b. To re-elect Mr Suaimi Suriady, the Director who retires under Clause 117 of the Company's Constitution. [Resolution 4b]

4c. To re-elect Mr Moleonoto Tjang, the Director who retires under Clause 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, 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), does not exceed 50% of the total number of issued Shares (as calculated in accordance with paragraph (iv) below), and provided further that where shareholders of the Company ("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 (iv) below);



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(iv) (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) above, the total number of issued Shares shall be based on the total number of issued Shares of the Company (excluding treasury shares) 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; and

(v) (unless revoked or varied by the Company in general meeting), the authority so conferred 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, its subsidiaries and associated companies (if any) that are entities at risk (as the term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions set out in the Company's Addendum to Shareholders dated 11 April 2016 (being an addendum to the Annual Report of the Company for the financial year ended 31 December 2015) (the "Addendum"), with any party who is of the class of Interested Persons described in the Addendum, provided that such transactions are made at arm's length, on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders and are in accordance with the review procedures for such Interested Person Transactions as set out in the Addendum (the "Shareholders' Mandate");

That the Shareholders' 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 consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' 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, Chapter 50 (the Companies Act"), 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 in 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,

# NOTICE OF ANNUAL GENERAL MEETING
(Company Registration No. 200106551G)

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 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 pursuant to the Off-Market Purchase, and deemed to be adjusted 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 day 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; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; 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 consider expedient or necessary 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
11 April 2016



NOTICE OF ANNUAL GENERAL MEETING
(Company Registration No. 200106551G)

**Notes:**

a) A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50) 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 (as defined in Section 181 of the Companies Act, Chapter 50) 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.

c) A proxy need not be a member of the Company.

d) To be valid, the completed proxy form must be lodged 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.

**EXPLANATORY NOTE TO RESOLUTION 4a:**

Mr Axton Salim is a Non-Executive Director. He will, upon re-election, continue to serve as a member of the Board.

**EXPLANATORY NOTE TO RESOLUTION 4b:**

Mr Suaimi Suriady is an Executive Director of the Company. He will, upon re-election, continue to serve as a member of the Board.

**EXPLANATORY NOTE TO RESOLUTION 4c:**

Mr Moleonoto Tjang is an Executive Director. He will, upon re-election, continue to serve as a member of the Board.

**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 convertible securities in the Company up to an amount not exceeding in total 50 per centum of the total number of issued shares in the capital of the Company calculated on the basis set out in the said resolution. For issues of shares and convertible securities other than on a pro rata basis to all Shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 20 per centum of the total number of issued shares in the capital of the Company calculated on the basis set out in the said resolution. 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.

Shareholders should note that presently, the controlling shareholders of the Company include First Pacific Company Limited and PT Indofood Sukses Makmur Tbk, 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 approved by the Shareholders' Mandate. 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 centum 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.

# NOTICE OF ANNUAL GENERAL MEETING
(Company Registration No. 200106551G)

**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) 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 (and/or its agents) for the purpose of the processing and administration by the Company (and/or its agents) 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 (and/or its agents) to comply with any applicable laws, listing 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 (and/or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (and/or its agents) 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 BOOK CLOSURE**

**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members of Indofood Agri Resources Ltd will be closed at 5.00 p.m. on 9 May 2016 for the preparation of Final Dividend entitlement 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. 9 May 2016 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 at 5.00 p.m. on 9 May 2016 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the AGM to be held on 28 April 2016, will be made on 20 May 2016.

# 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 Company Act, Chapter 50 of Singapore, may appoint more than two (2) proxies to attend, speak and vote at the Meeting.*
2. *For investors who have used their CPF moneys to buy shares of Indofood Agri Resources Ltd., this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.*
3. *This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.*
4. *CPF Investors who wish to vote should contact their CPF Approved Nominees.*

I/We ______________________________

of ______________________________

being a *member/members of Indofood Agri Resources Ltd., hereby appoint

| Name | Address | NRIC/Passport Number | 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 on Thursday, 28 April 2016 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 2015 and the Auditor's Report thereon. | | |
| 2. | To declare a first and final tax-exempt (one-tier) dividend of 0.50 Singapore cents per share for the year ended 31 December 2015 (2014: 0.52 Singapore cents per share). | | |
| 3. | To approve the Directors' Fees of S$345,000/– (2014: S$345,000/–) for the year ended 31 December 2015. | | |
| 4a. | To re-elect Mr Axton Salim, the Director who retires under Clause 117 of the Company's Constitution. | | |
| 4b. | To re-elect Mr Suaimi Suriady, the Director who retires under Clause 117 of the Company's Constitution. | | |
| 4c. | To re-elect Mr Moleonoto Tjang, the Director who retires under Clause 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 renew the Shareholders' Mandate on Interested Person Transactions. | | |
| 8. | To renew the Share Purchase Mandate. | | |

Signed this ____________ day of ____________ 2016

______________________________
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) An 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.

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 11 April 2016.