



**Bumitama Agri Ltd.**  
*Excellence Through Discipline*



# Focus on **Growth**

ANNUAL REPORT 2017



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## OUR VISION

To be a leading CPO producer through continuous improvement; focus on productivity, cost efficiency, sustainability and growth.

## OUR MISSION

To enhance shareholder's value; to improve the benefits and quality of life of our employees; to improve the welfare of the local communities and the environment.



## CORPORATE PROFILE

Bumitama Agri Ltd. (“Bumitama” or the “Group”) is one of the leading producers of crude palm oil (“CPO”) and palm kernel (“PK”) in Indonesia. Listed on the Singapore Exchange since 2012, the Group is principally engaged in the cultivation of oil palm trees, as well as the harvesting and processing of fresh palm fruit bunches (“FFB”) into CPO and PK, which are sold to refineries in Indonesia.







Bumitama has a total land bank of approximately 233,000 hectares, located in the Indonesian provinces of Central Kalimantan, West Kalimantan and Riau out of which, 182,675 hectares or 78% of the total land bank are planted. 85.3% of the planted area are in the early matured age category whilst the total planted area have a weighted average age profile of 8.9 years as at 1 January 2018. This places Bumitama in a good position to capture significant production growth opportunities as the oil palm trees mature to reach peak production.

The Group operates 14 CPO mills with a total FFB processing capacity of 5.49 million metric tonnes per annum (tpa). Bumitama's mills are strategically located in close proximity to its plantations to ensure timely processing of FFBs, and to maintain the high quality of its CPO output.

Bumitama is firmly committed to sustainable palm oil development and was one of the earlier few oil palm growers in Southeast Asia to adopt a "No Deforestation, No Peat and No Exploitation" policy in 2015. The Group is also a member of the internationally recognised

Roundtable on Sustainable Palm Oil ("RSPO"), and is adhering to the mandatory requirements of Indonesian Sustainable Palm Oil. In addition, the Group is also committed to improving the social and economic welfare of local communities, as it continuously strives to fulfil its roles of a responsible corporate entity.

The Group has received numerous awards which include the 200 "Best Under A Billion" Award (2013), "Frost & Sullivan Indonesia Excellence Award" (2014), "Asiamoney Award (2015) – Overall Best Company in Singapore for Corporate Governance/Best for Investor Relations in Singapore/Best for Corporate Social Responsibility in Singapore", and "Asiamoney Award (2016) – Best Managed Small Cap Company in Singapore/Overall Best Company in Singapore for Corporate Governance/Best Disclosure and Transparency/Best for Shareholders' Rights and Equitable Treatment/Best for Responsibilities of Management and the Board of Directors/Best for Investor Relations in Singapore/Best for Corporate Social Responsibility in Singapore", and "The Edge Singapore Billion Dollar Club (2017) – Most Profitable Company (Agriculture Sector)".

## CHAIRMAN'S MESSAGE



“On the back of strong production performance in FY2017, we expect to continue to benefit from our planted assets which are approaching an age profile that will yield much greater productivity.”

### DEAR SHAREHOLDERS,

FY2017 was a better year for Bumitama Agri Ltd. (“Bumitama” or the “Group”). Although the growth of the global palm oil market slowed, it was still positive, which was in line with the broad-based pick-up in global economic activity. According to the International Monetary Fund, global economic output in 2017 is estimated to have increased by 3.7%, 0.1% faster than previously expected. The Indonesian economy was stronger than anticipated, achieving growth of 5.1%, compared to 2016’s 5.0%.

2017 was a good year for the Indonesian palm oil industry. Total palm oil production rose 18% to 41.98 million metric tonnes (“MT”), comprising of 38.17 million MT of Crude Palm Oil (“CPO”) production and 3.05 million MT of Palm Kernel Oil (“PKO”) according to the latest data by the Indonesian Palm Oil Producers Association (“GAPKI”). The production increase was largely a result of the improved weather and climatic conditions, coupled with Indonesia’s commitment to increase the productivity of existing plantations, in order to maintain its lead in the world market.

CPO prices in 2017 continued to be supported by lower inventories due to the severe drought in 2015 and the weaker ringgit in 2017. Average CPO price per tonne increased from MYR 2,653 in 2016 to MYR 2,815 in 2017.

While the economic and industry dynamics continue to be positive, the Group remains cognizant of the changes in the geopolitical and regulatory landscapes that could have an impact on Bumitama’s business.

On the international front, we are witnessing growing protectionism among major economies, such as the US and the Eurozone, which could be a speed bump to global growth. In particular, the Group is watching the developments in the Eurozone, following its move to limit the use of palm oil for biodiesels and to ban its use in motor fuels by 2021. The legislature are part of reforms designed to meet climate goals. They are expected to have a negative impact on the global demand for palm oil, since the Eurozone is the second largest importer of palm oil globally.

Closer to home, the Indonesian Government has approved another two-year extension to the moratorium on the issuance of new licenses, which could impact the availability of land banks and limiting expansion for the industry.

Despite these potential challenges, Bumitama will continue to capitalise on the positive industry dynamics to drive productivity through cost management. We are also adopting a calibrated approach to investing for the future

to ensure the long-term viability of the business, while keeping sustainability and the environment as a priority.

## FINANCIAL AND OPERATIONAL PERFORMANCE

In FY2017, Bumitama registered 22.6% increase in revenue to IDR 8,131 billion compared to FY2016. This increase was attributable to an overall increase in sales volume of CPO and Palm Kernel (“PK”) by 13.4% and 14.9%, as well as an increase in selling price of both products by 9.8% and 7.9%, respectively.

The Group recorded gross profit of IDR 2,389 billion which was 20.9% higher than the IDR 1,976 billion posted in FY2016. EBITDA was IDR 2,427 billion, a 26.1% increase from previous year and the net profit of IDR 1,424 billion was 19.9% higher than the IDR 1,188 billion in the year before.

Bumitama ended FY2017 with a healthy balance sheet and positive cashflow, allowing the Group to be in a strong position to capitalise on investment opportunities and growth.

For FY2017, internal fresh palm fruit bunches (“FFB”) production rose 19.1% to 2.6 million MT. Similarly, external FFB production increased 11.8% to 1.0 million MT from 0.9 million MT. Overall, total FFB production grew 17.0% to 3.6 million MT from 3.0 million MT in the year before.

Bumitama’s total planted area increased to 182,675 hectares from 175,243 hectares in FY2016. Total planted area increased by 7,432 hectares from new plantings and acquisitions. A total of 3,809 hectares was replanted. Out of the total planted area, the Group allocated 51,254 hectares for plasma.

As of 1 January 2018, 85.3% of our palm trees were in the matured category with a weighted average age profile of 8.9 years. This age profile places us in an optimal position to capitalise on production growth, as our trees will mature and reach peak production in the coming years. Our production indicators showed a positive trend with FFB yield growing from 14.6 MT per hectare to 16.4 MT per hectare, an improvement of 12.3%.

## SHARE BUYBACK

As per our Share Buyback Mandate (based on the latest practicable date of 7 March 2018), the Group had bought back 11,988,200 shares representing 0.68% of the total shares at an average price of \$0.742 per share. This reflects the Group’s confidence in the business fundamentals of Bumitama and its expectation for growth in the coming years.

## DIVIDENDS

The Group is steadfast in its commitment in rewarding shareholders for their support. With feedback from various stakeholders, the Board of Directors had revised the dividend policy of the Group to distribute up to 40% of its distributable income (from 20% previously) subject to the Company’s operations, cashflow and financial position, capital expenditure plan and debt repayment schedule, dividend received from its subsidiaries, industry conditions and prospects and other factors deemed relevant by the Board of Directors.

The Board of Directors had declared and paid an interim dividend of 0.75 Singapore cents per share on 4 September 2017 and is pleased to propose a final, tax exempt, cash dividend of 2.0 Singapore cents per share.

## OUR COMMITMENT TO SUSTAINABILITY

2017 was the third year since the Group launched its Sustainability Policy (the “Policy”). Since then, Bumitama has made significant headway in increasing its sustainability footprint. Bumitama recognises the importance of protecting the environment and the surrounding communities, while improving productivity of our plantations. The Group constantly reviews its sustainability efforts against international benchmarks and best practices along with feedback from stakeholders. These reviews ensure that our efforts remain relevant and effective. We believe in regularly consulting the local communities, buyers, suppliers and other stakeholders through open communication to better understand the environment and communities we operate in.



## CHAIRMAN'S MESSAGE

The Group is happy to report that in 2017, we have built on our existing programmes to assist the community and workers and to protect the environment. Our most exciting and ambitious initiative is the Bumitama Biodiversity and Community Project (“BBCP”), a landscape corridor project that links various protected forests and fragile ecosystems. This project is all encompassing, including protection, production and inclusion. The assistance from IDH-Sustainable Initiative, Aidenvironment (“AE”) and Yayasan International Animal Rescue Indonesia (“YIARI”) and regional governmental departments have helped us to move towards our goal. There are still much to be done. We look forward to be able to report on the progress of this project on an annual basis. Bumitama sees the success of the BBCP as evidence of how conservation and plantation can coexist.

### LOOKING AHEAD

On the back of strong production performance in FY2017, we expect to continue to benefit from our planted assets which are approaching an age profile that will yield much greater productivity. For 2018, we target an improvement of 15% to 20% in the internal production of FFB and target of 3,000 hectares in new plantings.

182,675 hectares of planted area with an average age of 8.9 years puts Bumitama on a solid footing to capitalise on future opportunities for organic growth. The Group will play to its strengths of good plantation management and take on a calibrated approach to expansion. Bumitama believes the long-term fundamentals of the palm oil industry will remain positive, underpinned by increasing demand from the growing domestic and other emerging markets. Having closed its biodiesel operation, the Group intends to fortify its business strategy and management, and to focus on its upstream activities.

### RECOGNITION/AWARDS

In January 2018, RAM Ratings revised the outlook on Bumitama’s MYR 2.0 billion Islamic Medium Term Note Sukuk Musharakah from stable to positive, while reaffirming the AA<sub>3</sub> rating. This positive outlook is a reflection of Bumitama’s improving operating performance.

Bumitama was also recognised as the “Most Profitable Company” in the Agriculture Sector in The Edge’s Singapore Billion Dollar Club, where it scored the highest for return on equity among companies with representation across three sectors.

### APPRECIATION AND CLOSING

On behalf of the Group, I would like to extend our sincere gratitude to our valued shareholders who have trusted and supported us through our journey to become a leading palm oil producer.

I would like to take this opportunity to thank Mr. Ong Chan Hwa, who retired from the Board on 1 June 2017, for his invaluable guidance and contribution to the Board during his term of office.

I would also like to welcome Mr. Lee Lap Wah George and Ms. Lim Christina Hariyanto to the Board as our Independent Director and Executive Director, respectively. We are confident that their experiences and qualifications will benefit Bumitama’s business in years to come.

And I would like to extend our heartfelt appreciation to all of Bumitama’s customers, suppliers and partners whose roles are integral in maintaining and enhancing the operations and business of the Group.

Special thanks also goes to the other Board members, management and staff for their invaluable dedication to the Group, it is truly a privilege to work with such a capable team of professionals. I am confident that with your continued support, we will be able to bring Bumitama to the next level.

Yours faithfully,  
**Gunawan H. Lim**  
Executive Chairman and  
Chief Executive Officer  
6 April 2018

## OPERATIONAL & FINANCIAL HIGHLIGHTS

### OPERATIONAL HIGHLIGHTS

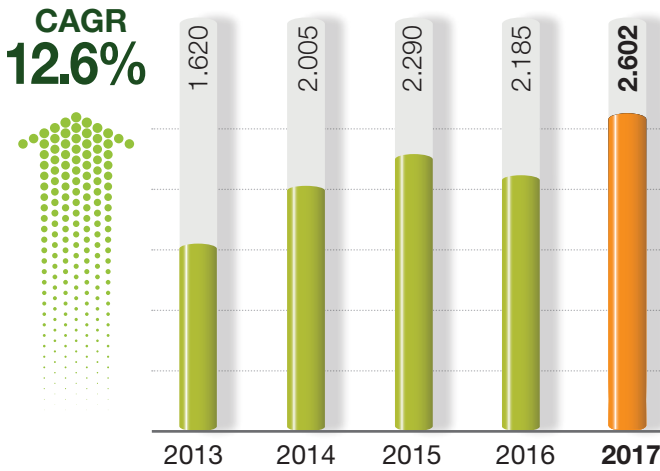
| FINANCIAL YEAR                    | 2017           | 2016           | 2015           | 2014           | 2013           |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>PLANTATION AREA (Hectares)</b> |                |                |                |                |                |
| <b>Total Planted Area</b>         | <b>182,675</b> | <b>175,243</b> | <b>164,177</b> | <b>153,268</b> | <b>149,683</b> |
| Old & Mature                      | 158,083        | 147,513        | 126,283        | 105,869        | 90,483         |
| Immature                          | 24,592         | 27,730         | 37,894         | 47,399         | 59,200         |
| <b>Nucleus Planted Area</b>       | <b>131,421</b> | <b>128,966</b> | <b>119,679</b> | <b>115,463</b> | <b>114,952</b> |
| Old & Mature                      | 110,699        | 104,970        | 89,211         | 77,177         | 63,677         |
| Immature                          | 20,722         | 23,996         | 30,468         | 38,286         | 51,275         |
| <b>Plasma Planted Area</b>        | <b>51,254</b>  | <b>46,277</b>  | <b>44,498</b>  | <b>37,805</b>  | <b>34,731</b>  |
| Old & Mature                      | 47,384         | 42,543         | 37,072         | 28,692         | 26,806         |
| Immature                          | 3,870          | 3,734          | 7,426          | 9,113          | 7,925          |
| <b>Planted Area by Location</b>   |                |                |                |                |                |
| Kalimantan                        | 180,366        | 172,934        | 161,868        | 150,959        | 147,374        |
| Riau                              | 2,309          | 2,309          | 2,309          | 2,309          | 2,309          |

|   |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>PRODUCTION VOLUME (Tonnes)</b>       |                  |                  |                  |                  |                  |
| <b>Fresh Palm Fruit Bunches ("FFB")</b> | <b>2,602,224</b> | <b>2,185,440</b> | <b>2,290,189</b> | <b>2,004,769</b> | <b>1,620,211</b> |
| Nucleus                                 | 1,784,729        | 1,513,422        | 1,578,815        | 1,401,040        | 1,105,358        |
| Plasma                                  | 817,495          | 672,018          | 711,374          | 603,729          | 514,853          |
| <b>Crude Palm Oil ("CPO")</b>           | <b>818,835</b>   | <b>701,304</b>   | <b>742,842</b>   | <b>618,665</b>   | <b>522,743</b>   |
| <b>Palm Kernel ("PK")</b>               | <b>166,224</b>   | <b>138,175</b>   | <b>141,589</b>   | <b>115,431</b>   | <b>99,397</b>    |

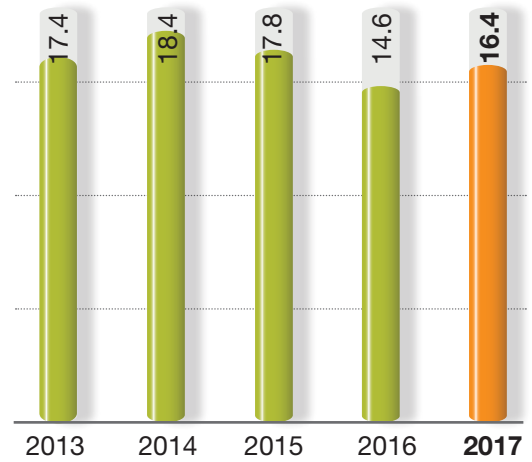
|  |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>PRODUCTIVITY</b>                          |             |             |             |             |             |
| <b>FFB Yield per Mature Hectare (tonnes)</b> | <b>16.4</b> | <b>14.6</b> | <b>17.8</b> | <b>18.4</b> | <b>17.4</b> |
| <b>CPO Yield per Mature Hectare (tonnes)</b> | <b>3.7</b>  | <b>3.3</b>  | <b>4.1</b>  | <b>4.3</b>  | <b>4.1</b>  |
| <b>CPO Extraction Rate (%)</b>               | <b>22.7</b> | <b>22.7</b> | <b>22.9</b> | <b>23.2</b> | <b>23.3</b> |
| <b>PK Extraction Rate (%)</b>                | <b>4.6</b>  | <b>4.5</b>  | <b>4.4</b>  | <b>4.3</b>  | <b>4.4</b>  |

## OPERATIONAL & FINANCIAL HIGHLIGHTS

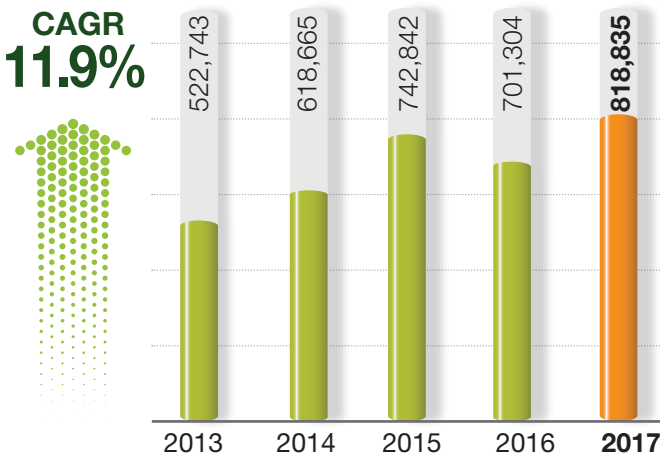
**FRESH FRUIT BUNCHES PRODUCTION**  
(MILLION TONNES)



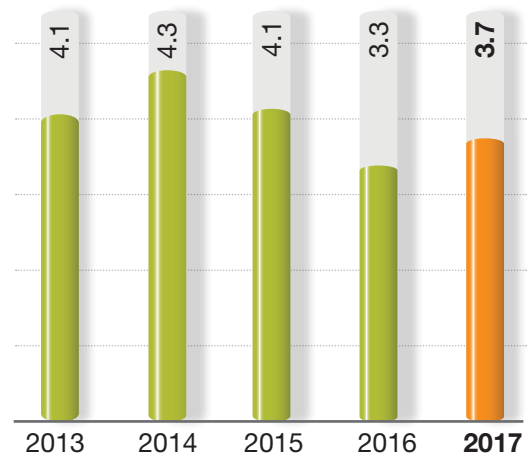
**FRESH FRUIT BUNCHES YIELD**  
(TONNES/MATURE HECTARE)



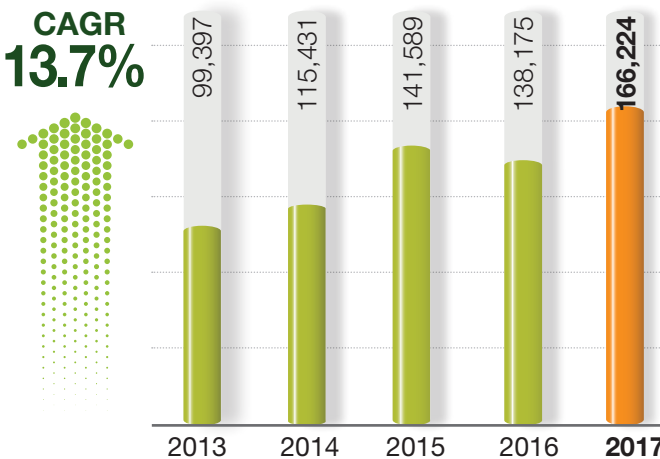
**CRUDE PALM OIL PRODUCTION**  
(TONNES)



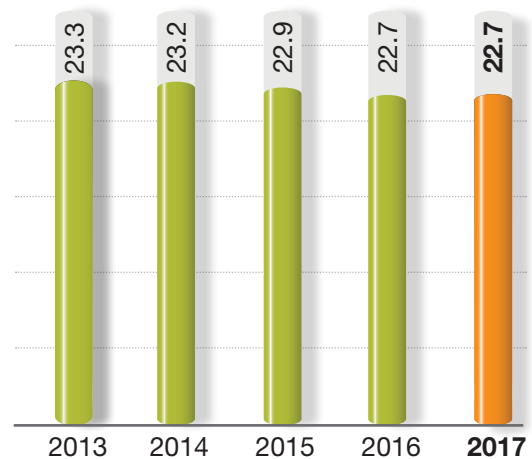
**CRUDE PALM OIL YIELD**  
(TONNES/MATURE HECTARE)



**PALM KERNEL PRODUCTION**  
(TONNES)



**CRUDE PALM OIL EXTRACTION RATE**  
(TONNES/MATURE HECTARE)





## FINANCIAL HIGHLIGHTS

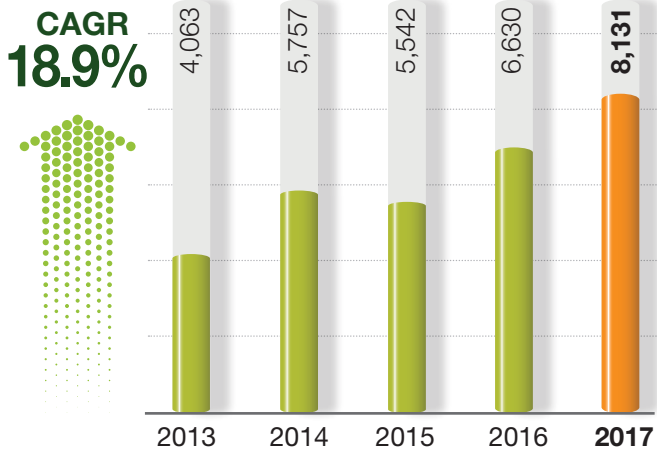
| FINANCIAL YEAR   | 2017          | 2016   | 2015   | 2014            | 2013            |
|--|---------------|--------|--------|-----------------|-----------------|
| <b>INCOME STATEMENT (IDR Billion)</b>                                    |               |        |        |                 |                 |
|  |               |        |        | <b>Restated</b> |                 |
| Revenue  | <b>8,131</b>  | 6,630  | 5,542  | 5,757           | 4,063           |
| Gross Profit   | <b>2,389</b>  | 1,976  | 1,655  | 2,342           | 1,600           |
| Fair Value Change in Biological Assets                                   | <b>36</b>     | 27     | (91)   | (38)            | 29              |
| Profit before tax  | <b>1,894</b>  | 1,551  | 1,002  | 1,805           | 1,268           |
| EBITDA   | <b>2,427</b>  | 1,925  | 1,531  | 2,145           | 1,468           |
| Net Profit   | <b>1,424</b>  | 1,188  | 806    | 1,372           | 982             |
| Net Profit Attributable to Owners of the Company                         | <b>1,193</b>  | 1,005  | 714    | 1,153           | 855             |
| EPS Attributable to Owners of the Company (IDR per Share) <sup>(1)</sup> | <b>682</b>    | 572    | 406    | 656             | 487             |
|  |               |        |        | <b>Restated</b> | <b>Restated</b> |
| <b>BALANCE SHEETS (IDR Billion)</b>                                      |               |        |        |                 |                 |
| Total Assets   | <b>15,290</b> | 14,767 | 14,372 | 12,111          | 11,844          |
| Total Current Assets   | <b>1,906</b>  | 2,295  | 3,056  | 2,208           | 1,302           |
| Total Current Liabilities  | <b>1,278</b>  | 1,915  | 3,276  | 1,923           | 1,483           |
| Total Non-current Liabilities  | <b>5,540</b>  | 5,330  | 4,889  | 4,277           | 4,220           |
| Total Equity   | <b>8,472</b>  | 7,522  | 6,207  | 5,911           | 6,141           |
| Equity Attributable to Owners of the Company                             | <b>7,449</b>  | 6,718  | 5,661  | 5,386           | 5,630           |
|  |               |        |        |                 |                 |
| <b>FINANCIAL STATISTICS</b>  |               |        |        |                 |                 |
| Revenue Growth   | <b>22.6%</b>  | 19.6%  | (3.7%) | 41.7%           | 15.2%           |
| Gross Profit Margin  | <b>29.4%</b>  | 29.8%  | 29.9%  | 40.7%           | 39.4%           |
| Operating Profit Margin  | <b>23.9%</b>  | 23.9%  | 22.7%  | 34.5%           | 33.3%           |
| EBITDA Margin  | <b>29.8%</b>  | 29.0%  | 27.6%  | 37.3%           | 36.1%           |
| Net Profit Margin  | <b>17.5%</b>  | 17.9%  | 14.5%  | 23.8%           | 24.2%           |
| Return on Equity <sup>(2)</sup>  | <b>16.0%</b>  | 15.0%  | 12.6%  | 21.4%           | 15.2%           |
| Return on Assets <sup>(3)</sup>  | <b>7.8%</b>   | 6.8%   | 5.0%   | 9.5%            | 7.2%            |
| Net Debt <sup>(4)</sup> /Total Equity (Times)                            | <b>0.5</b>    | 0.6    | 0.8    | 0.7             | 0.6             |
| Debt/Total Equity (Times)  | <b>0.6</b>    | 0.6    | 0.9    | 0.7             | 0.7             |
| Net Debt <sup>(4)</sup> /Total Assets (Times)                            | <b>0.3</b>    | 0.3    | 0.3    | 0.3             | 0.3             |

## Remarks:

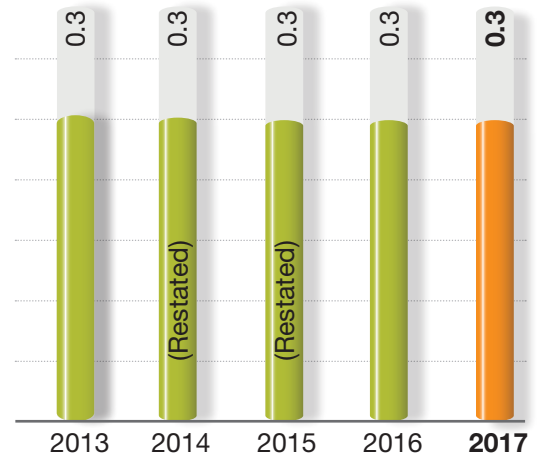
- (1) The earnings per share has been computed based on the Company's total number of issued shares excluding treasury shares as at each balance sheet date
- (2) Return on Equity = Net Profit Attributable to Owners of the Company/Equity Attributable to Owners of the Company
- (3) Return on Assets = Net Profit Attributable to Owners of the Company/Total Assets
- (4) Net Debt = Interest bearing debts less cash and bank balances

## OPERATIONAL & FINANCIAL HIGHLIGHTS

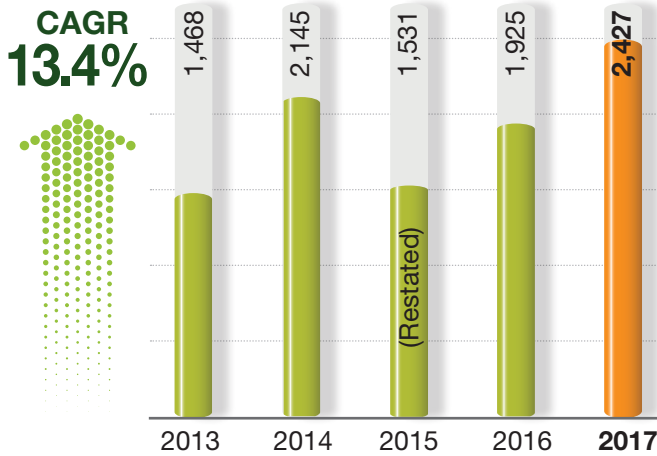
**REVENUE**  
(IDR BILLION)



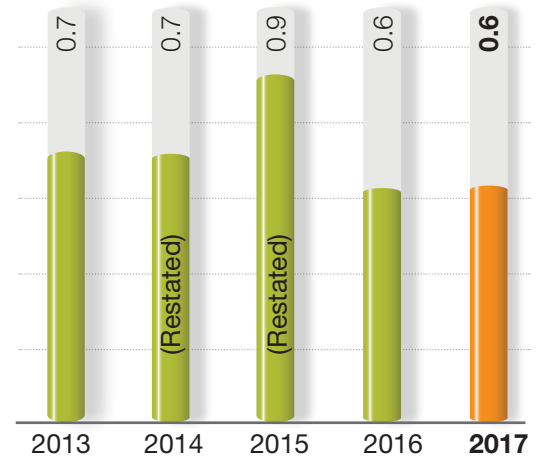
**NET DEBT PER TOTAL ASSETS**  
(TIMES)



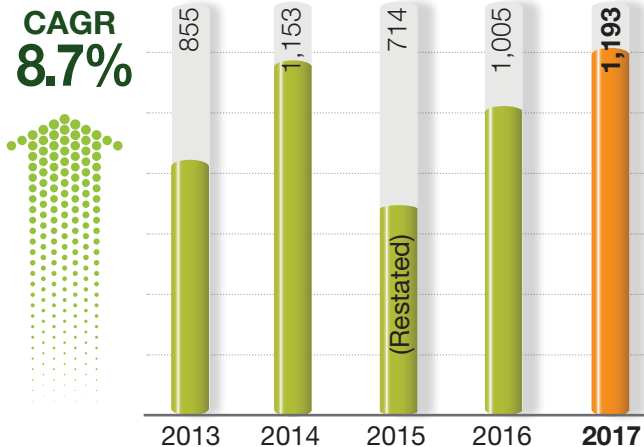
**EBITDA**  
(IDR BILLION)



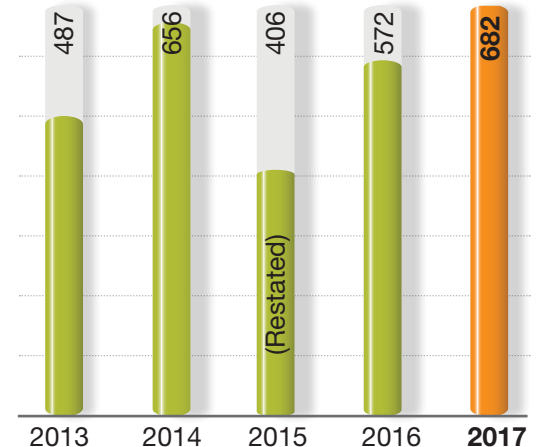
**DEBT PER TOTAL EQUITY**  
(TIMES)



**NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY**  
(IDR BILLION)



**BASIC EARNINGS PER SHARE**  
(IDR PER SHARE)



## OPERATIONAL & FINANCIAL REVIEW

### A SOLID BEDROCK FOR STEADY GROWTH AHEAD

Bumitama strongly believes in never resting on its laurels, and continually strives towards its goal of becoming a leading and sustainable palm oil producer. The Group places strong emphasis in improving productivity and optimising cost efficiency across all areas of operations, while focus on sustainability. The Group leverages its extensive experience and upholds the best practices in the industry to optimise yield for its products – these include Fresh Palm Fruit Bunches (“FFB”), Crude Palm Oil (“CPO”) and Palm Kernel (“PK”). This disciplined approach towards business operations has enabled Bumitama to stay at the forefront of the palm oil industry.

For FY2017, the Group’s total internal FFB volumes increased 19.1% year-on-year (“YoY”) to 2.6 million metric tonnes (“MT”) from 2.2 million MT the year before; FFB nucleus and plasma volume increased by 17.9% and 21.6%, respectively. Similarly, external FFB volumes increased 11.8% from 0.9 million MT in FY2016 to 1.0 million MT in FY2017.

The increased in the FFB came from the Group’s FFB yield per hectare improvement of 16.4 MT per hectare from 14.6 MT per hectare in 2016, an improvement of 12.3%. The increase in the FFB production showed that the negative impact of the prolonged hot and dry weather as a result of the *El Nino* in 2015 and early 2016 is at its tail-end. Going forward, the Group expects that the better weather in the second half of 2016 (“2H2016”) to 2017 will augur well for production yield in the coming year.

The Group’s CPO production volume also saw a corresponding increase of 16.8% to 818,835 MT in FY2017 from 701,304 MT achieved in the previous year. In line with the CPO production growth, the Group’s PK production saw a YoY increase of 20.3%, up from 138,175 MT in FY2016 to 166,224 MT in FY2017.

Bumitama’s total planted area rose to 182,675 hectares in FY2017, of which, 71.9% were nucleus area occupying 131,421 hectares and the remaining 51,254 hectares or 28.1% comprised of plasma area. The total planted area of 7,432 hectares came from new plantings and acquisitions. As at 31 December 2017, the Group replanted 3,809 hectares of land as part of its ongoing efforts to maintain the young age profile of its trees in order to optimise harvesting yield and efficiency. As at 1 January 2018, 85.3% of Bumitama’s total planted area



are in the early matured category with a weighted average age of 8.9 years. The relatively young palm profile puts Bumitama in good stead to potentially realise production growth opportunities in later years as they mature.

In view of the thinning profit margin and uncertainty in the biodiesel market, the Group took a strategic step to discontinue its biodiesel production plant and focus on improving the productivity of its palm oil business at the end of 2017. The biodiesel business segment accounted for only 3.3% of Bumitama’s total revenue for FY2017.

### FINANCIAL REVIEW

Bumitama delivered a strong performance in FY2017 bolstered by higher revenue; the Group’s revenue increased by 22.6% to IDR 8,131 billion compared to FY2016. This was attributable to an overall increase in aggregate sales volume of CPO and PK by 13.4% and 14.9%, as well as an increase in selling price of both CPO and PK by 9.8% and 7.9%, respectively.

The Group’s cost of sales, comprising palm oil and biodiesel costs, rose 23.4% to IDR 5,742 billion in FY2017 compared to the previous corresponding period. The increase in cost of sales during FY2017 was attributable to higher production volume, higher fertiliser application and higher purchase price of external FFB during the year.



## OPERATIONAL & FINANCIAL REVIEW

The Group's gross profit saw a YoY increase of 20.9% to IDR 2,389 billion in FY2017 compared to IDR 1,976 billion previously.

Interest income amounted to IDR 148 billion in FY2017, consisting mainly of interest income earned from advances to the plasma farmers.

General and administrative expenses increased 17.3% to IDR 242 billion in FY2017. This was mainly due to increase in salaries and employee benefits, training, and land and building taxes.

The Group recorded a net foreign exchange loss of IDR 6 billion in FY2017 due to translation loss on USD denominated borrowings as a result of the depreciation of IDR against the USD during the current period compared to translation gain of IDR 16 billion in the previous year.

Under the revised Financial Reporting Standard 41 ("FRS 41"), the agricultural produce growing on bearer plants are measured at fair value less costs to sell. The Group recorded fair value changes in biological assets amounting to IDR 36 billion based on market value of the agricultural produce as at 31 December 2017.

Share of loss of associate companies, namely PT Sawit Nabati Agro and PT Berkat Agro Sawitindo Group of companies ("SNA Group"), amounted to IDR 2 billion in FY2017. Despite the associate companies' recurring losses, the Group remains positive on the long-term performance outlook of SNA Group.

Consequently, the EBITDA of the Group increased by 26.1% to IDR 2,427 billion while net profit increased 19.9% to IDR 1,424 billion from IDR 1,188 billion in the previous corresponding period.

### FINANCIAL POSITION

As at 31 December 2017, the Group's total assets increased from IDR 14,767 billion to IDR 15,290 billion.

Total current assets decreased from IDR 2,295 billion to IDR 1,906 billion as at 31 December 2017, mainly due to the decrease in inventory, particularly the inventory of fertiliser, which was partially offset by the increase in prepaid taxes attributable to input VAT for purchases of raw materials.

Bumitama's non-current assets increased from IDR 12,472 billion to IDR 13,383 billion as at 31 December 2017. This rise was mainly attributable to advances given to the plasma farmers, the acquisition of subsidiaries, planting activities, and the construction of a new palm oil mill during the year.

For the same period, the Group's total liabilities decreased to IDR 6,818 billion from IDR 7,245 billion. The Group's current liabilities decreased from IDR 1,915 billion to IDR 1,278 billion as at 31 December 2017, mainly due to repayment of some of the revolving credit facilities ("RCF") during FY2017. This was partially offset by the increase in income taxes payable as a result of improved profitability of the Group during the year.

On the other hand, the Group's non-current liabilities increased from IDR 5,330 billion to IDR 5,540 billion as at 31 December 2017, due to the extension of some RCF loans to more than 1 year tenure at the end of the year. However, this was offset by the improved mark-to-market cross currency swap for the Islamic Medium Term Note ("IMTN").

In FY2017, the Group reported net cashflow from operating activities of IDR 1,883 billion. The Group continues to see a build-up in its free cash flow for the second consecutive year. The Group reported stronger positive free cash flow amounting to IDR 853 billion for FY2017 compared to IDR 667 billion in FY2016 arising from higher cash collection from customers which was





more than able to accommodate for the higher investing activities. The Group's investing activities of IDR 1,030 billion in FY2017 was mainly due to increases in plasma receivables and investments in bearer plants.

This positive free cashflow has also contributed in healthier debt to total equity ratio of 0.56 in FY2017 from 0.64 in FY2016.

Net cash used in financing activities was higher at IDR 1,151 billion in FY2017, primarily due to higher dividend payment, buy back of ordinary shares, as well as the repayment of some RCF bank loans during the year.

In view of the above, the Group ended FY2017 with a net decrease in cash and cash equivalents of IDR 297 billion, bringing the cash and bank balances to IDR 217 billion.



## CORPORATE MILESTONES

**1996**

- Acquired first land bank (in Central Kalimantan)

**1998**

- Commenced planting

**2003**

- Commissioned first CPO mill (in Central Kalimantan)

**2004**

- Commenced planting programme with 7,719 hectares planted, bringing total planted area to 18,773 hectares

**2007**

- Surpassed 50,000 hectares planted area
- IOI Group acquired 33% stake

**2010**

- Surpassed 100,000 hectares planted area

**2012**

- Listed on the Mainboard of the Singapore Exchange in April

**2013**

- 200 “Best Under A Billion” Award 2013
- First dividend payment





## 2015

- Launched the new Sustainability Policy & Inaugural Sustainability Report
- Initial Sales of Biodiesel
- Received “Asiamoney Award” for 3 categories in Singapore:
  - Best Overall for Corporate Governance
  - Best for Investor Relations
  - Best for Corporate Social Responsibility



## 2014

- Two RSPO and one ISPO certificates
- Received “Frost & Sullivan Indonesia Excellence Award 2014”

## 2016

- Received “Asiamoney Award” for all 7 categories in Singapore:
  - Best Managed Small Cap Company
  - Best Overall for Corporate Governance
  - Best for Disclosure and Transparency
  - Best for Shareholders’ Rights and Equitable Treatment
  - Best for Responsibilities of Management and the Board of Directors
  - Best for Investor Relations
  - Best for Corporate Social Responsibility
- One of Bumitama’s Management team, Ms. Christina Lim has also been awarded the “Best Executive in Singapore.”

## 2017

- The Edge Singapore Billion Dollar Club 2017: Most Profitable Company (Agriculture Sector)



## BOARD OF DIRECTORS



**LEFT TO RIGHT:**  
LIM GUNAWAN HARIYANTO,  
DATO' LEE YEOW CHOR,  
LIM CHRISTINA HARIYANTO



**LEFT TO RIGHT:**  
TAN BOON HOO,  
LEE LAP WAH GEORGE,  
CHUA CHUN GUAN CHRISTOPHER

### LIM GUNAWAN HARIYANTO

Executive Chairman and  
Chief Executive Officer

Mr. Lim Gunawan Hariyanto, Executive Chairman and Chief Executive Officer of Bumitama, joined the Group in 1997 when he was appointed Director of PT Karya Makmur Bahagia. Mr. Gunawan was first appointed to the Board on 23 March 2012 and re-elected on 21 April 2017. He is responsible for the formulation of the Group's business and corporate policies and strategies, business development as well as business and operations management.

Mr. Gunawan developed his expertise in business operations and development based on his knowledge and experience gained in the palm oil industry over the past 20 years. Mr. Gunawan started his career in 1984 as the Vice President Director of PT Tirta Mahakam Resources Tbk., where he was in charge of the operational and business development of the Company. Mr. Gunawan served as a director in various other companies.

Mr. Gunawan graduated from the University of Southern California in 1981 with a Bachelor of Business Administration.

### LIM CHRISTINA HARIYANTO

Executive Director

Ms. Lim Christina Hariyanto, Executive Director of the Company, joined the Group in 2012 as the Head of Investor Relations. Ms. Christina was first appointed to the Board on 1 June 2017. She is responsible for strengthening the communication channels between the Company and the financial industry. Through participation in analyst meetings and investor conferences, she strives to increase awareness and understanding of Bumitama's business within the investment community. AsiaMoney accorded recognition to Bumitama for "Best for Investor Relations in Singapore" in 2015 and 2016. AsiaMoney also named Ms. Christina the "Best Executive in Singapore" in 2016.

She started her career as an Investment Analyst at Nomura Securities. She then developed Harita Securities from a small brokerage house to a well-known medium-sized company actively involved in equities trading and advisory services. In 2000, her firm was voted the top quartile in the rankings by Investor Magazine. In 2005, 2006 and 2007, Asiamoney ranked Harita Securities as the fourth best local brokerage firm in Indonesia. In 2009,

Harita Securities was awarded the Best Securities Company in its asset category by Investor Magazine. Ms. Christina was a member of the Indonesia Stock Exchange (IDX) Discipline Committee from 2004 to 2009. Ms. Christina is also currently the President Commissioner of Harita Securities.

Ms. Christina obtained her Bachelor of Business Administration in 1990 from the University of Southern California.

### DATO' LEE YEOW CHOR

Non-Executive Director

Dato' Lee Yeow Chor, a Non-Executive Director of Bumitama was first appointed to our Board on 23 March 2012 and re-elected on 22 April 2016. He is presently the Chief Executive Officer of IOI Corporation Berhad, a Malaysian company which is a leading global palm oil player, and a Director of IOI Properties Group Berhad. Dato' Lee was first appointed to the Board of IOI Corporation Berhad as Group Executive Director in 1996 and was appointed as Chief Executive Officer of IOI Corporation Berhad in January 2014.

Dato' Lee qualified as a barrister from Gray's Inn, London. He holds a LLB (Honours) from King's College London and a Postgraduate Diploma in Finance and Accounting from the London School of Economics.

Prior to joining IOI Group as a General Manager in 1994, Dato' Lee served various capacities in the Attorney General's Chambers of Malaysia and the Malaysian Judiciary for about four years. His last post in the Malaysian Judiciary was as a Magistrate.

Dato' Lee is the Chairman of the Malaysian Palm Oil Council and serves as a Council Member in the Malaysian Palm Oil Association. He was also appointed to the Board of Directors of Bank Negara, the Central Bank of Malaysia, in March 2015.

## TAN BOON HOO

Lead Independent Director

Mr. Tan Boon Hoo, the Lead Independent Director of the Company, was appointed to our Board on 23 March 2012 and re-elected on 22 April 2016.

Mr. Tan is currently the Corporate Advisor at TBH International Consulting, specialising in finance, securities and corporate consultation matters. Mr. Tan is also a director of Ren Ci Hospital and member of the Investment Advisory Council of the Asset Management Committee of the National Trades Union Congress (NTUC) Income Insurance Cooperative Ltd.

From 1994 to 2003, Mr. Tan was the General Manager (Institutional Sales) at JM Sassoon & Co Pte Ltd. From 1990 to 1994, Mr. Tan was the Executive Vice President, Head of Corporate Banking at Keppel Bank Ltd. From 1988 to 1990, Mr. Tan was the Deputy General Manager at Tat Lee Bank. Prior to this, Mr. Tan joined the Monetary Authority of Singapore's Banking and Financial Institutions Department in 1976 and held the position of Deputy Director in 1988 when he left for the private sector. Mr. Tan was previously an Independent Director of

MAP Technology Holdings Limited (now known as MAP Technology Holdings Pte Ltd).

Mr. Tan obtained his Bachelor of Science (Honours) in Applied Chemistry from the University of Singapore in 1973 and completed his National Service in 1976 as an Officer in the Singapore Armed Forces ("SAF"). He attended the Stanford Executive Programme at Stanford University, Palo Alto, USA, in 1987.

## CHUA CHUN GUAN CHRISTOPHER

Independent Director

Mr. Chua Chun Guan Christopher, an Independent Director of Bumitama, was appointed to our Board on 8 February 2012 and re-elected on 27 April 2015. This is Mr. Chua's only directorship in a listed company.

Mr. Chua joined the SAF in 1973, where he served for more than 30 years until his retirement in 2004 with the rank of Colonel. During his career in the SAF, Mr. Chua served in various command and staff appointments. Some of his key appointments included Commanding Officer of the 6th Singapore Infantry Regiment, Brigade Commander of the 15th Singapore Infantry Brigade, Division Operations Officer of 6th Division and Senior Medical Staff Officer in Headquarters Medical Corps. The last appointment he held before his retirement was Defense Attaché at the Singapore Embassy in Jakarta, where he served for three and a half years. Apart from his military appointments, Mr. Chua also served as Honorary Aide de Camp to the President of Singapore from 1995 till 2000. For his meritorious service to the SAF, Mr. Chua was bestowed two State Awards, namely the Public Administration Medal (Bronze) (Military) and the Long Service Award (25 years).

From 2005 to 2012, Mr. Chua was involved in the Singapore Red Cross Society ("SRC"). He started as Senior Manager Operations, and was promoted to Secretary General in 2007. During this

period, he was responsible for the SRC's response to many disasters that occurred both within and outside the region. Some of these include Cyclone Nargis in Myanmar, the Sichuan earthquake in China, the eruption of Mount Merapi in Indonesia, the Tohoku Tsunami in Japan and the Typhoon Washi in Cagayan and Iligan, in Philippines.

## LEE LAP WAH GEORGE

Independent Director

Mr. Lee Lap Wah George, an Independent Director of Bumitama, was appointed to our Board on 1 June 2017. Mr. Lee is concurrently the Independent Director of RE&S Holdings and Wearnes Automotive Ltd.

From April 2016 to July 2017, Mr. Lee was an advisor to the CEO and Management Committee at Oversea-Chinese Banking Corporation ("OCBC") Malaysia Bhd. Mr. Lee served as an Executive Vice President and Head of Global Corporate Banking at OCBC from February 2012 to April 2016. Prior to this, Mr. Lee served as the Executive Vice President and Head of Group Investment Banking of OCBC since 2002. Mr. Lee started his career as a Finance Officer in the Group Treasury Department of Keppel Shipyard in 1978, and joined Marine Midland Bank in 1982 as Assistant Vice President. Subsequently, Mr. Lee went into various merchant banking units based in Singapore. He held various managerial positions and in 1989 was appointed Country Manager for Security Pacific Asian Bank. In 1993, he joined Credit Suisse Singapore as Head of Corporate Banking for South East Asia and left as Director, Corporate Lending of Credit Suisse First Boston in 1998 prior to joining OCBC.

Mr. Lee was awarded Chartered Financial Analyst (CFA) in 1987 and currently sits on the Advisory Panel of CFA Singapore. He holds a Bachelor of Business Administration with Honours from the University of Singapore in 1976.

## KEY MANAGEMENT



**LEFT TO RIGHT**

- JOHANNES TANUWIJAYA
- ROEBIANTO
- SIE EDDY KURNIAWAN

### JOHANNES TANUWIJAYA

Chief Strategy Officer

Mr. Johannes Tanuwijaya is the Group's Chief Strategy Officer. Mr. Johannes joined the Group in 2003 and was previously Director and Chief Financial Officer of PT Windu Nabatindo Abadi, a subsidiary of the Group. He is responsible for overseeing the Group's strategic and commercial activities and reports to our Chief Executive Officer.

Mr. Johannes started his career in 1990 as an Audit Manager at Prasetio Utomo & Co (Arthur Andersen), where he was involved in the projects of two telecommunication companies in Indonesia seeking dual listing on the Indonesia Stock Exchange and the New York Stock Exchange. In 1996, he joined PT Bira Aset Manajemen as a Director, where he was responsible for the operations and financial matters of the company. In 1999 and 2000 respectively, Mr. Johannes was appointed as the Corporate Secretary and Director cum Chief Financial Officer of PT Tirta Mahakam Resources Tbk., where he oversaw its listing on the Indonesian Stock Exchange.

Mr. Johannes obtained his Bachelor of Economics degree in 1991 from the University of Indonesia.

### ROEBIANTO

Chief Operating Officer

Mr. Roebianto is the Group's Chief Operating Officer. He joined the Group in 2003 as General Manager in the engineering division of Bumitama Gunajaya Agro ("BGA"). He oversees and controls the Group's overall operational activities, including the plantation, engineering and human resource departments. Mr. Roebianto started his career as a Field Superintendent in the Planning Engineering Department of Indo Plywood (Salim Group) in 1982 and was subsequently promoted to various managerial positions within Salim Group during his tenure with them. Mr. Roebianto left Salim Group in 1999, and was appointed as Director at Chua Sea Joo Plywood Industry Sdn Bhd, Malaysia, from 1999 to 2003. Mr. Roebianto spent four months in 2003 as General Manager in PT Tirta Mahakam Resources Tbk. prior to joining BGA.

Mr. Roebianto obtained his Bachelor of Civil Engineering degree in 1982 from the Christian University of Indonesia.

### SIE EDDY KURNIAWAN

Chief Financial Officer

Mr. Sie Eddy Kurniawan is the Group's Chief Financial Officer. He joined the Group in 2013, and is responsible for the Group's finance, accounting, and ICT department. He started his career in 1994 as a financial auditor with Arthur Andersen, and left as a senior auditor in 1996 to join the financial advisory services of PricewaterhouseCoopers, where he rose to become Associate Director. In 2005, he was recruited by Sampoerna Strategic Group as Business Development Executive, and in 2007, he was appointed Chief Financial Officer of PT Sampoerna Agro Tbk., a plantation company listed on the Indonesian Stock Exchange.

Mr. Eddy obtained his Bachelor of Economics degree in 1994 from Parahyangan Catholic University.



# *Sustainability* *All Ways. Always.*

SUSTAINABILITY & CORPORATE  
SOCIAL RESPONSIBILITY **REPORT**



## SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

### DELIVERING A SUSTAINABLE FUTURE

Sustainability is a key cornerstone of corporate success today and it lies at the heart of Bumitama's operations as we work towards our vision of being a responsible world-class palm oil producer. The Group is driven by a steadfast commitment to improve environment, the social and economic welfare of the local communities and workers in the areas where we operate.

In line with our core focus on People, Planet and Prosperity, Bumitama's Sustainability and Corporate Social Responsibility ("CSR") programme is designed to encompass our primary stakeholder groups comprising the internal community, the wider external community, which includes plasma and independent smallholders as well as other stakeholders like governmental and non-governmental agencies and certification bodies.

Since the launch of our Group's Sustainability Policy (the "Policy") in 2015, we have developed a comprehensive series of Sustainability and CSR initiatives that build upon the following core objectives:

- Maintaining the alignment of our practices and operations with the Policy, recognised sustainability standards, laws and regulations, and social goals;
- Improving the standard of living and welfare of our employees and their families as well as the wider communities by providing them with opportunities and resources; and
- Building stronger relationships and understanding and improving communication between Bumitama and the local government, suppliers, customers, media and other stakeholders that the Company is engaged with, in order to promote integration.

To ensure that our programme remains effective and relevant, we constantly review and adapt our ongoing sustainability and CSR initiatives to ensure that they meet the needs of all our stakeholders.

2017 marks the third year since the launch of Bumitama's Sustainability Policy. Looking back on the year, we have faced and overcome numerous challenges in our efforts to deliver on our sustainability objectives. Nevertheless, this continues to be a work in progress and we remain

focused on deepening the breadth and depth of our current initiatives in the year ahead. We are confident in meeting the targets we have set for ourselves in 2018 as a roadmap to achieving our intended sustainability goals. More details of the plans and its targets are set out in the table on page 34.

### Sustainable Commitment: An Investment for the Future

Bumitama is guided by the Protection – Production – Inclusion model in the implementation of our Sustainability Policy, which aims to align economic development with environmental goals.

As a result, our Group adopts an integrated and participative approach that cuts across our sustainability and CSR initiatives. The approach encompasses a holistic framework that covers sustainable land use management, forest protection as well as worker and community welfare, among others.

#### Sustainable Land Use

Bumitama adopts best practices in its land use planning to avoid harming existing ecosystems.

Before proceeding with any new development, Bumitama carries out High Conservation Value ("HCV") and Social Impact Assessment ("SIA"), High Carbon Stock ("HCS") assessment, peat survey and other necessary assessments. Additionally, our Group consults with the local communities to better understand and take into account their needs in our development plans, which are in line with the relevant Indonesian regulations, Roundtable of Sustainable Palm Oil ("RSPO") requirements and our Sustainability Policy.



In compliance with RSPO Principles & Criteria (“P&C”) all our HCV assessments for newly acquired concessions have been since early 2016 submitted to the HCV Resource Network Assessor Licensing Scheme (“HCV RN”), as displayed in the table below:

| Company                         | Certification Scheme | Date of Approval | Evaluation Status |
|---------------------------------|----------------------|------------------|-------------------|
| PT Hungarindo Persada           | For RSPO NPP         | 29 Dec 2017*     | Being reviewed    |
| PT Raya Sawit Manunggal         | For RSPO Replanting  | 06 Jun 2017*     | Being reviewed    |
| PT Gemilang Makmur Subur        | For RSPO NPP         | 25 Oct 2016      | Satisfactory      |
| PT Investa Karya Bakti          | For RSPO NPP         | 11 Aug 2016      | Satisfactory      |
| PT Karya Bakti Agro Sejahtera 3 | For RSPO NPP         | 11 Aug 2016      | Satisfactory      |

\*Date of submission

All New Planting Procedure (“NPP”) are posted on the RSPO website for the public notification process. Bumitama also commits to the HCS Approach peer review process; the assessment of our PT Gemilang Makmur Subur (“GMS”) has been completed in early 2018.

From the compilation of the assessments, we have identified the various categories of set-aside land areas.

The following table provides a snapshot of the total set-aside areas:

| Year/Hectares | Area              | HCV              | HCS              | Peat**          | Total                |
|---------------|-------------------|------------------|------------------|-----------------|----------------------|
| 2014*         | 55,190<br>(100%)  | 4,689<br>(8.5%)  | 8,459<br>(15.3%) | 2,682<br>(4.9%) | 13,148<br>(23.8%)    |
| 2016          | 225,000<br>(100%) | 18,745<br>(8.3%) | 9,238<br>(4.1%)  | 4,113<br>(1.8%) | 29,415***<br>(13.1%) |
| 2017          | 233,000<br>(100%) | 22,310<br>(9.6%) | 10,817<br>(4.6%) | 6,115<br>(2.6%) | 36,560<br>(15.7%)    |

\* HCS and Peat data after rapid HCS study for 5 PTs in 2014

\*\* 2,682 hectares overlaps with HCS

\*\*\* Includes landbank but not the set-aside areas of DAS

To ensure that there will be no new planting on peatland, we continue to monitor the development of regulations and best management practices on peatland, observing the valid moratorium on no new licenses on peatland, and its impact to us.

In the next year, we will look into water management, focusing on areas of peat that have already been planted and improving their water management system if required; for instance, blocking any existing drainage and building water retention structures, based on the recommendation of the Provincial Environment Agency.

We will also reforest the previously cleared estate in PT Damai Agro Sejahtera (“DAS”), using local indigenous tree species. To support our activities in our set-aside areas in Ketapang, we have formed a specialised patrolling team to keep watch for illegal logging and to monitor any potential fires.

In 2018, Bumitama will form a team tasked to remap the identified HCV areas in accordance with our *Hak Guna Usaha* (“HGU”) licenses, in order to update their location and systemise the HCV management as part of our efforts to apply best practices.





## SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

### Greenhouse Gas Emissions

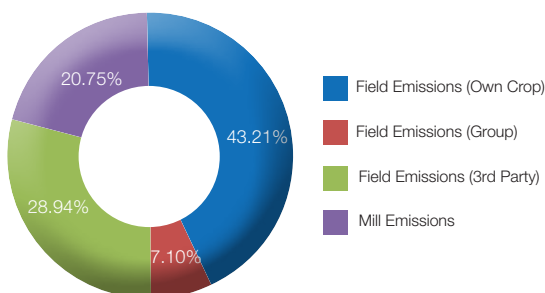
A key part of our Policy is committed to the reduction of greenhouse gas (“GHG”) emissions as we recognise the significant risk that climate change poses to our planet, communities and companies like ours that are affected by fluctuating climatic conditions.

As Bumitama understands that palm oil plantations contribute to GHG, our Group has placed efforts in avoiding clearance of peatlands and forests for new development, while ensuring that emission levels from our certified mills are within reasonable limits. Since the inception of the Policy and in compliance with the revised RSPO NPP, our Group has carried out land cover stratification for all our new land clearing and planting. Thus far, we have completed three analyses, which all yielded negative carbon balance.

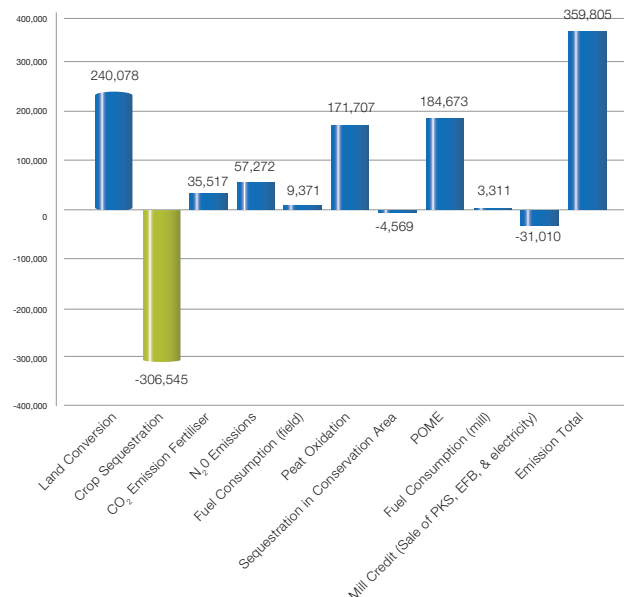
In 2017, we have completed evaluation of the GHG emissions data from all of our certified mills. Using the RSPO PalmGHG methodology, we estimated 1.57 tonnes of carbon dioxide per tonne of CPO produced, which is comparable to our peers in Indonesia based on their publicly disclosed data. It has been found that 30% of Bumitama’s emissions originate from palm oil mill effluent (“POME”). As such, our Group has been exploring ways to reduce or eliminate POME emissions through methane capture facilities, with a potential of converting biogas methane into electricity that can be channeled to the local grid and sold under a Power Purchase Agreement.



### EMISSIONS BY SOURCE



### EMISSIONS SOURCES AND SINKS (MT CO<sub>2</sub>e/YEAR)



Our Group has partnered with waste treatment and integrated power solutions providers to build two methane capture plants in Riau and Central Kalimantan. The two plants are expected to be completed by end-2019. When fully operational, we expect that each plant will be able to considerably reduce the current emissions from POME. Bumitama also converts the by-products from our palm oil production operations into ground covers and fertilisers. While we appreciate the potential of this integrated waste management method in achieving lower GHG emissions, we are mindful of looking into the best practices for the land application.

Looking ahead, our Group is constantly trying innovative methods that could potentially lower our GHG emissions and address any potential issues of overflowing POME ponds caused by sudden and/or exceptionally heavy rain; such as piloting some of the International Sustainability & Carbon Certification scheme (“ISCC”) approved solid separation equipment alongside the conventional lagoon-type methane gas capture facility in 2018 and 2019.

### Fire Management Programme

Bumitama enforces a strict zero fire policy within all our operations, inclusive of banning all use of fire for land clearing and waste disposal within our plantations and plasma developments. We recognise that incidence of fire is a threat to our productivity, health and safety of our employees and communities. Besides polluting the air, it also threatens our biodiversity conservation efforts.

Incidences of fire in our concession:

|   | 2017*             | 2016              | 2015             |
|---|-------------------|-------------------|------------------|
| <b>Total planted burnt (Hectares)/<br/>% to total planted</b>   | 79/<br>Negligible | 3/<br>Negligible  | 1,024/<br>0.6%   |
| <b>Total unplanted burnt (Hectares)/<br/>% to total planted</b> | 3/<br>Negligible  | 10/<br>Negligible | 8/<br>Negligible |
| <b>Total number of fires</b>                                    | 10                | 5                 | 204              |

\* Record of occurrence of fires/burned area outside our concessions: 3 fires/19 ha

To strengthen our fire prevention efforts, our task force continues to establish training programmes and local partnerships to address the root causes of fires and encourage effective responses.

Other precautionary measures include mapping of concession areas based on the level of potential fire risks posed by the land cover, soil types and their location, for



example along the boundary with community farms, forest conservation areas or water sources. This enables us to give special attention to fire-prone areas.

Bumitama also understands the importance of educating the local communities, and has conducted fire training workshops in partnership with Manggala Agni (“MA”), the fire brigade established under the Ministry of Forestry that specialises in forest fire prevention and control. In 2017, MA conducted eight fire management trainings across our operations, which collectively benefitted approximately 400 staff and around 100 people from the local communities.

Under the Fire Management Programme called *Desa Bebas Api*, Bumitama organises a number of initiatives for community areas with a history of fire incidents. These

include educating on alternative ways of land clearing and providing community with manual clearing tools and tractors, so they are able to clear land without the need to burn. To date, 40 villages have been provided with incentives for implementing alternative land clearing measures. Despite the general awareness of the community on the ban on use of fire for land clearing, there are individuals that are unaware or simply disregard



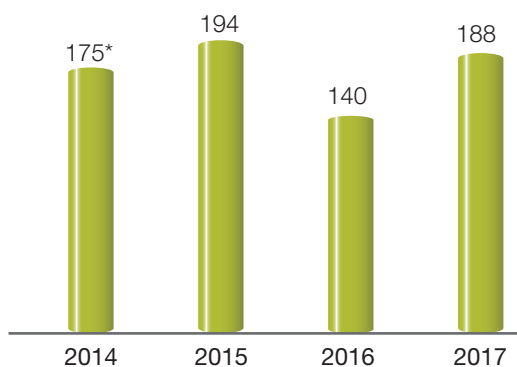
## SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

the rules. The Company will conduct re-socialisation events aimed specifically at the perpetrators to avoid any damage to the environment and property in areas of our plantation permits. In 2018, we will be looking to improve our enforcement, while responding to the new requirements related to fire management.

### Integrated Pest Management and Water Management

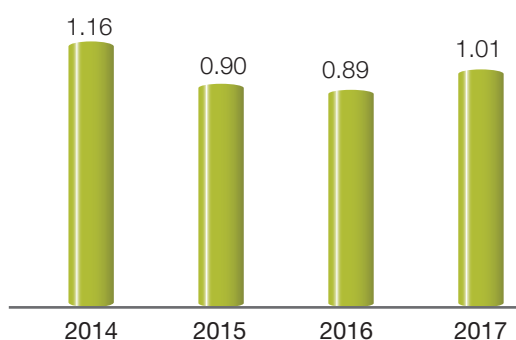
Bumitama has successfully eliminated the use of paraquat within all its operations in 2016. The Group will continue to study ways to strengthen efforts in sustainable pest management. Safe, clean water is vital for our palm oil mills, as well as the health of our employees and local communities. Therefore, the Group ensures minimal impact on surface and ground water quality and availability.

### TOXICITY UNITS PER PLANTED HECTARE (LD50/HECTARE)

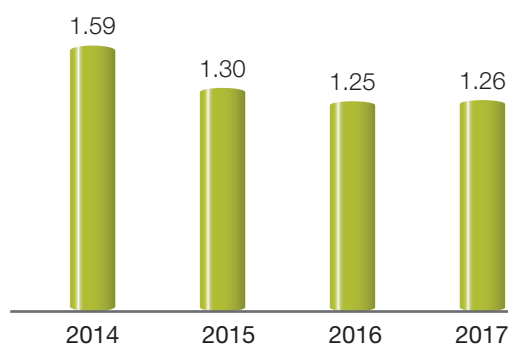


\* 2014 data are based on an estimate

### INORGANIC FERTILISER USAGE (TONNES/HECTARE)



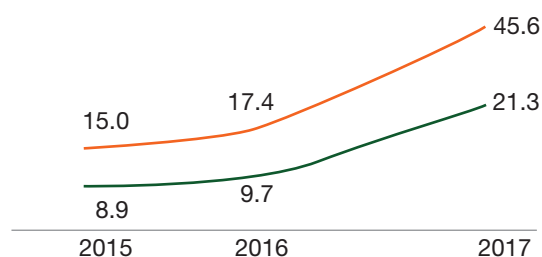
### WATER USAGE M<sup>3</sup>/MT FFB (MILLS ONLY)



### Safety and Health

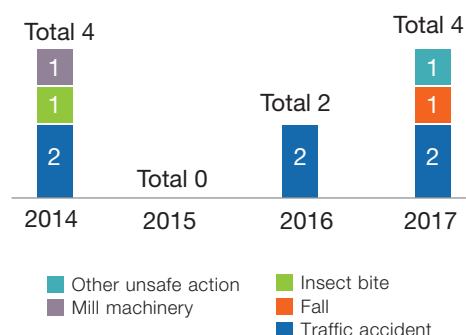
The safety of our workers, contractors and visitors is our primary concern, and providing a safe working environment has been at the forefront of our worker engagement activities. Despite our efforts, we recognise that there is still significant work to be done in this area as we have been unable to decrease the accident rates over the past three years.

### ACCIDENTS



— Lost time incident rate (incidents per 1,000,000 working hours)  
Restated for 2015 & 2016  
— Severity rate (average number of days lost per accident)

### FATALITIES



To ensure a smooth implementation of the Environmental, Safety and Health (“ESH”) procedures that are designed to safeguard our employees and assets, our Group has conducted several training programmes in 2017 to equip our staff with basic knowledge on the ESH procedures.

Since then, we have also started developing revised standard operating procedures across all plantations and mills, analysing past data to better understand common accident circumstances for strategy planning and implementing Occupational Health and Safety Assessment Specification (OHSAS) 18001 across our operations.

Beyond these measures, we have also appointed a dedicated task force to oversee the reduction in the number of workplace accidents and to completely eradicate any fatalities.

Despite these ongoing efforts, it is with great sadness that we recorded four work-related fatalities in 2017. Our target for 2018 is to reduce accident rates by 40%, based on the 2014 data as a reference point.

### Enhancing Productivity

Enhancing the productivity of our existing land through improvements in yield and extraction rate is a priority for the future growth of our business. Our agronomists work closely with the Research, Quality Control and Engineering Department to identify and study areas which can be improved, such as yield, oil content and bunch weight.

In 2017, we witnessed a gradual recovery in the yield per hectare, confirming the tail-end impact of *El Nino* in 2015, which affected the yield levels in 2016. The improvement was due not only to sufficient rainfall in 2016-2017, but also to the fertilisation programme in accordance with test conducted by our Research & Development (“R&D”) department and age maturity of the trees.

The Group’s productivity trend is as follows:

|                                | 2017 | 2016 | 2015 | 2014 | 2013 |
|--------------------------------|------|------|------|------|------|
| <b>Yield per hectare</b>       | 16.4 | 14.6 | 17.8 | 18.4 | 17.4 |
| <b>Oil Extraction Rate (%)</b> | 22.7 | 22.7 | 22.9 | 23.2 | 23.3 |

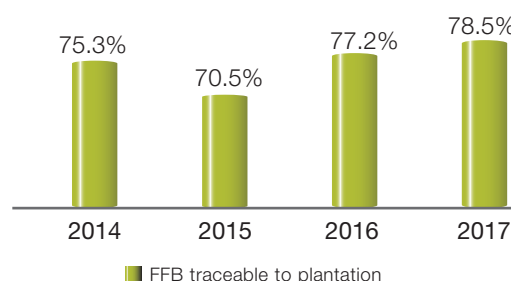
### Traceable Supply Chain

Bumitama strives to become a responsible world-class palm oil producer. Therefore, it is important for us to ensure that our operations are carried out in a responsible and ethical manner. This means ensuring that the source of the fresh palm fruit bunches (“FFB”) is legal and can be traced back to the plantation.

The amount of work and complexity is more than what we have anticipated when we started this programme. We are looking at how we can add methods to ensure all FFB processed by our certified mills are traceable to our own and associated plasma estates, and that all FFB purchased are documented and verified that they originate from legal and responsible sources.

Moving on from this, our key priority for this year will be to achieve full traceability for external FFB. To date, we have mapped out 78.5% of all FFB processed, which puts us in good stead to reach our target of attaining full traceability of FFB for all mills by the end of 2018.

#### FFB TRACEABILITY



In 2017, we have continued conducting our smallholder socialisation programmes, sharing on our Policy and ways to improve smallholder productivity. This has been a preparatory step for the introduction to RSPO smallholder certification.

## SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

The initial socialisation of our Policy has started to bear fruit and in 2017 we have observed budding interests from smallholders to pool together as cooperatives for productivity improvement, legality and certification projects. We are currently working with two independent smallholder groups towards RSPO certifications.

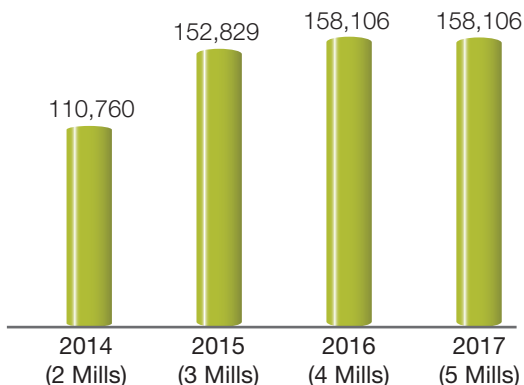


### Certifications

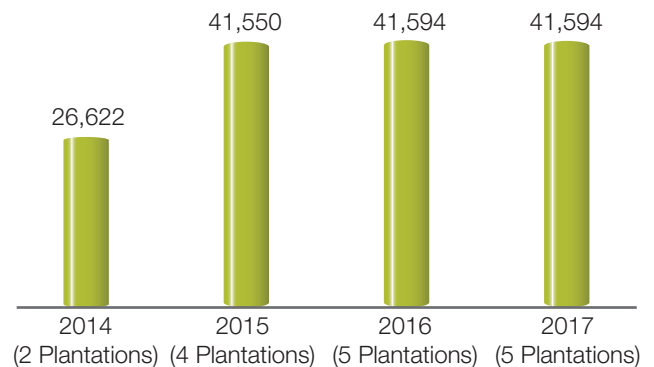
We aim to have all our mills and plasma smallholder schemes certified by the RSPO by 2020 and 2024, respectively. To date, our Group has achieved the certification of five mills. Collectively, this brings the total certified volume and area to 158,106 tonnes and 41,594 hectares, correspondingly.

In 2017, we have also started preparing some of our plasma smallholders for certification, and we hope to complete the certification for all our smallholders by 2024.

### CSPO AND CSPK (MT)



### RSPO CERTIFIED AREA (HA)



### ISPO

The Group recognises the mandatory Indonesian Sustainable Palm Oil (“ISPO”) certification scheme. In April 2017, we have obtained a certificate for PT Gunajaya Karya Gemilang (“GKG”) and PT Gunajaya Ketapang Sentosa, while six companies have passed the first stage and another two companies are in second stage of the audit.

### Independent smallholders

In 2017, we prepared a smallholder group called Tenera supplying fruits to Pundu Nabatindo Mill of PT Windu Nabatindo Lestari in Central Kalimantan for RSPO certification. Since our meeting in 2016, this group has been exceptional in their enthusiasm in RSPO smallholder certification. They understand the importance of sustainable palm oil production in providing them with long-lasting economic benefits and improving their livelihoods.



We train them on various aspects of best management practices including administration and data management, and counsel them on the certification process. Our R&D department has been providing them with recommendations for fertiliser use and the Geographic Information System (“GIS”) team helps to map their lands, amongst other handholding activities. They will be conducting their first audit together with Mutuagung Lestari in early 2018 and they plan to complete the certification in the first semester of 2018. We helped them with the application for RSPO funding, which was successful and it brought them over IDR 300 million.

As part of the certification journey, PT Karya Makmur Bahagia and GKG will be hosting other smallholder groups in their preparation for the certification process.

## Landscape Programmes

### PT GMS and PT DAS

PT GMS has officially started the Bumitama Biodiversity and Community Project (“BBCP”) in Ketapang in January 2017, in collaboration with IDH-Sustainable Initiative and Aidenvironment. The BBCP combines wildlife protection with sustainable production as part of a collaborative and landscape-based approach to ensuring that plantations, communities and biodiverse ecosystems can co-exist

under the broad framework of Protection – Production – Inclusion.

The HCV and HCS area form a biodiversity corridor linking the protected forest of Gunung Tarak with the fragile peatland forest of Sungai Putri. Our two main goals are:

- Reforestation and management of green corridor for orangutans and other species between the two forested areas; and
- Participative social and economic development which will be managed and regulated based on a Village – Level Land Use Plans (“VLLP”) for eight villages in and around the corridor.

To further enhance the viability of the biodiversity corridor, the Group had acquired the neighbouring PT DAS in December 2016 to secure the corridor from deforestation activities. In addition, Bumitama also carried out surveys to determine the density and distribution of orangutans in the concession in partnership with Yayasan International Animal Rescue Indonesia (“YIARI”), including development of conservation plans and Best Management Practices. This initiative was undertaken as part of our wildlife conservation efforts and we are pleased to be able to expand this partnership to cover the areas in our GMS concession in 2017.





## SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

While focusing on protection and improvement of biodiversity, this project widely involves local communities in support of their socio-economic growth. We have selected eight villages surrounding the conservation areas. With their participation, we have mapped the village boundaries, current land-use and future development potential. During 2017, three of these villages have agreed to Protection – Production – Inclusion agreements, which would align the economic development of the community with the project’s conservation effort. We expect all VLLPs to be agreed upon by 2018, which will allow the land use plan for the whole landscape to become part of the spatial plans of the Ketapang regional government under its *Pembangunan Kawasan Perdesaan* (“PKP”) planning.



### PT ASMR

Further to our conservation efforts, Bumitama also carries out a reforestation programme with local community at PT Andalan Sukses Makmur (“ASMR”) to rehabilitate the area along the Sekonyer River with seedlings from our own nursery. This concept is in line with our commitment for forest conservation and promotion of biodiversity. Additionally, it also offers a platform for us to cultivate non-timber forest products for the community around ASMR. A nursery of 40,000 natural forest species of trees has been established in the area since 2014, both for our own operations and local communities.

Our mangroves reforestation programme is also well underway on the other side of the river, in Teluk Pulai Village. However, our assessment has uncovered a poor rate of survival and an unsustainable method. We will consult with the relevant parties to help improve survival rates prior to planting another 5,000 seedlings.

In this participative project, ASMR has been providing counselling as well as investments in the planting material and the mangrove planting process, while the local community who is keeping swiftlets for nest cultivation have mutually agreed to plant 35,000 seedlings of indigenous trees for the 60 swiftlet hotels they own, or 500 seedlings for each. To raise awareness on the importance of maintaining a balanced ecosystem, school children and even regional government personnel will be invited to help in the planting process planned for April 2018.



### Complaints

We register grievances submitted to us either through an internal grievance reporting mechanism, or externally through the RSPO complaint process, social media or NGO reports. No matter the origin, we strive to resolve any grievances through direct engagement with the complainants.

| RSPO Complaint Cases  | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------------|------|------|------|------|------|------|
| Total Number Cases    | 6    | 6    | 5    | 4    | 4    | 1    |
| Active                | 2    | 1    | 1    | 1    | 4    | 1    |
| Closed for Monitoring | 1    | 1    | 1    | 3    | 0    | 0    |
| Closed                | 3    | 4    | 3    | 0    | 0    | 0    |

We have proactively approached all stakeholders in the complaint case in PT Bumitama Gunajaya Abadi (“BGB”) related to the matters of land transfer of 15 community members. In our effort to resolve some of the claims, we have facilitated discussion meetings between the Village Teams and claimants as part of resolution. In parallel, we have increased our CSR activities, providing additional options for alternative livelihood, improving local infrastructure, supporting their health and hygiene initiatives, schools and sport activities. While we recognise that their claims are not yet settled, we are happy to note that the village has been participating actively in the CSR activities, not showing signs of disunion between village members or with BGB as previously claimed.

At the end of 2017, RSPO re-opened the complaint case of PT Hatiprima Agro (“HPA”). This complaint, which alleged illegality of operations, was fully closed in 2015. We are currently working towards establishing the subject of this complaint, after being awarded a negative decision from the Indonesian Supreme Court in January 2015. All of HPA movable assets were sold to the new concession company called PT Langgeng Makmur Sejahtera (“LMS”) following the decision. However, due to LMS’ inability to pay all of its financial obligation, Bumitama acquired LMS, which was operating with valid permits, obtained HGU in 2017. We have made several public announcements as the matters unfolded and have kept all stakeholders updated accordingly.

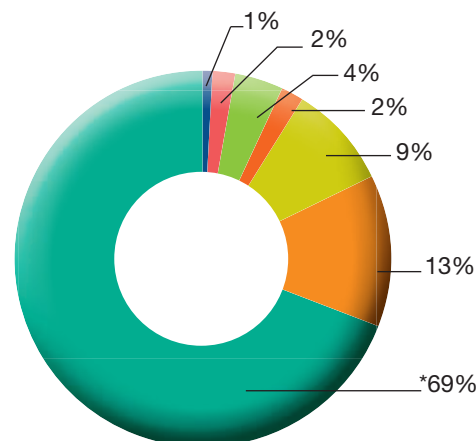
We are closely observing development of any potential grievances in our areas and will respond by intensifying our engagement with affected stakeholders. We will do so by providing alternative ways of settlement for any arisen claims through selected programmes that build on the results of the assessment process.

**CORPORATE SOCIAL RESPONSIBILITY:**

**People**

Bumitama continuously strives to fulfill our responsibility as a good corporate citizen in the local communities that we operate in. Given the long-term nature of the plantation business, we have always appreciated the need to establish strong, respectful and mutually-beneficial engagements with the communities and our employees; that our presence is a positive catalyst for each and every one of them.

**CSR EXPENDITURE 2017  
(TOTAL IDR 18.8 BILLION)**



- Schools and Childcare
- Social and Culture Activities
- Infrastructure
- Health (including company clinics)
- Synergic Community Relation (Projects undertaken in collaboration with local authorities, law enforcement etc)
- Local Business Development
- Others

\* Increase in CSR expenditure goes to Bumitama Foundation (schools)

Plasma Programme

The Plasma Programme is an initiative by the Indonesian Government to encourage the development of smallholders’ plantations with the assistance and cooperation of plantation companies. The programme is designed to be mutually-beneficial for both parties with the ultimate aim of providing long-term stability and economic independence to multiple generations of smallholders.



## SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY



Bumitama has been an active participant of the Plasma Programme since 2003. Under the initiative, we engage smallholders via cooperatives to provide them with direct agricultural assistance and initial funding to develop the land and manage their plasma plantations. In turn, our Group enjoys an exclusive and steady supply of FFBs at a fixed price established by the District Regional Government, adjusted for quality, costs and profit margin for the locals.

To date, Bumitama has developed and allocated approximately 28.1% or 51,254 hectares of its total planted area of 182,675 hectares to the Plasma Programme in Kalimantan and Riau, which is above the 20% mandated by the Indonesian Government. For FY2017, the Group distributed IDR 310 billion in dividend to plasma smallholders.

We are now working with the plasma cooperatives in developing alternative livelihoods; we have introduced ironmongery in West Kalimantan and fish farming in Riau, as part of our Plasma Advantage Programme (“PAdP”), which has been running successfully at the village/community level.

In 2017, we conducted two separate regional trainings with external experts for our plasma management cooperatives in West and Central Kalimantan to enable them to improve their understanding of business and to scale up their cooperative into multi-business cooperatives.

Thus far, we are highly encouraged by the far-reaching social and economic impact that the Plasma Programme has brought to the lives of our smallholders and their families over the past decade. Universities have used ASMR to conduct survey of the impact of the oil palm plantation on the lives of the community. Initial results are positive and we will share the results later.

We look forward to build on these stepping stones by working closely with our partners to continuously enhance the economic development and growth of our plasma cooperatives through our PAdP alternative livelihood programme as set out below.

### Local Economic Empowerment Programme and Food Security

Helping the local communities around our operations achieve economic progress and financial self-sufficiency is an integral aspect of Bumitama’s sustainability efforts. We do this via our Local Economic Empowerment Programme, which aims to develop and introduce sustainable economic development projects and initiatives to empower locals to achieve economic progress and attain financial stability.

The programme is designed to help improve the long-term livelihood of locals by providing them with the necessary resources, skills and knowledge to develop sustainable businesses that offer them alternative sources of income besides palm oil harvests. The approach represents a paradigm shift from past norms of offering direct aids, which tend to offer only short-term benefits for these communities.

Since 2015, we have worked closely with different community groups to set up complementary businesses to avoid overcrowding of activities and allow for barter trade. To achieve this, Bumitama encourages the local communities to adopt an integrated farming system with an emphasis on a holistic management approach to ensure that the eco-system is well-balanced.

Bumitama plays an active role at every stage of the programme, providing seed capital, training, business management advice, micro-banking facilities and guidance on the sale of products and produce, which includes sourcing for marketplaces and/or commercial buyers as well as organising a place for locals to congregate and to sell or trade their goods. In July 2017, Bumitama participated in the Ketapang Expo 2017 and the biennial Borneo Cultural Festival in support of the preservation of local customs and culture in the various provinces of Kalimantan, as well as an opportunity to bring our communities to the forefront of exhibiting, sharing their experiences and selling their products and produce.

The collaborative multi-stakeholder approach, which helps to foster a sense of ownership among the locals that leads to a higher level of participation from the



community can be seen in our aquaculture, poultry and vegetable farming programmes which have continued to grow from strength to strength in FY2017. As at 31 December 2017, the programmes have collectively expanded to over 64 community groups across different districts and provinces. We are currently working with various communities to explore ways to diversify into higher value farming, which includes the cultivation of mushrooms and natural honey, as well as the rearing of swiftlets for birds' nest.



Bumitama has also been a firm supporter of the government's push for food security. We continue to encourage the communities in four locations in Central and West Kalimantan to plant paddy and corn crop. One of these communities is the Teluk Pulai Village in ASMR, where we have done considerable work in educating farmers on good agricultural practices and proper composting methods, as well as improving their existing drainage system, assisting them in seed application and providing them with additional land for planting.

We have also started to teach farmers in these areas the benefits of crop rotation to prevent fires and provide additional income. In 2017, we have introduced the use of corn as a rotational crop for this programme, in collaboration with the regional government supporting the food source agenda. The success of the initiative has led to more families joining the farmer groups and requests for assistance from other farmer groups.

We are truly heartened to see that our Local Economic Empowerment Programme has brought wide-ranging social and financial returns to the various participating communities over the past years. We look forward to continuing our efforts in deepening the scope and broadening the scale of our programmes, so that more locals can stand to benefit from them.

### Education: Equipping the Future for a Better Tomorrow

Bumitama sees quality education as a key pillar of sustainable development that provides an important foundation for youths to break out of the low-income cycle and achieve financial independence. The Group has a strict ban on hiring employees below the age of 18, whether for permanent or temporary positions. It is therefore our priority to ensure that quality education is made accessible to our employees' children and the wider communities through our external education programme; this is also to ensure that children are not released into the workforce prematurely.

Under the education programme, Bumitama has provided over 4,700 children of our staff, workers and community with basic and higher education through our network of 36 private schools, ranging from daycare centres and kindergartens to junior colleges in Central and West Kalimantan, and Riau. Our schools are supported by a dedicated team comprising 275 teachers, teaching administrators and helpers who are collectively managed by Bumitama Foundation.

To ensure that the quality of the curriculum taught in our schools keeps pace with the national educational standards, we conduct regular meetings and trainings with our teachers and principals and carry out periodic reviews and enhancements. For example in July 2017, a one-day training session was held in our training centre for 35 school teachers and nannies from 16 daycare centres across the region.

In 2017, we started a project looking at assessing and improving children rights and protection on two pilot sites. These will be used as a benchmark for our practices as well as for others in the industry. This programme is created under the auspices of Indonesia's Ministry of Women's Empowerment and Children's Protection, the RSPO and a global organisation that promotes the rights of children.



## SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY



In line with the Indonesian Government's initiative to promote environmental education, Bumitama also seeks to educate our students on environmental conservation behaviour. Over the past year, we have worked hard to prepare some of our schools in Central Kalimantan to be "Adiwiyata Green Schools" by ensuring that the environmental education provided in these schools adhere with the United Nation's framework for Education for Sustainable Development. In December 2017, the Indonesian Ministry of Environment and Forestry evaluated our progress. Based on their assessment, four of Bumitama's schools were certified at the District level under Adiwiyata Green School qualification, while one school has achieved the Provincial level. We will continue to upgrade the 5 schools to the different levels of this assessment and will also prepare our other 31 schools and 8 external schools to be eligible to be called "Adiwiyata Green Schools"; planned in 4 phases over the next 2.5 years.

Besides educational opportunities, Bumitama also provides the local community/external schools with other forms of assistance, which includes helping them with building and infrastructure repairs as well as flood control improvement works, organising extra-curricular activities for students and providing incentives to teaching staff. In 2017, we offered such assistance to 13 external daycares and schools across Central and West Kalimantan.

### Training Centres

We believe that our employees are at the heart of Bumitama's long-term success. Our Group is therefore firmly committed to invest in their continual development by providing them with opportunities to upskill and expand their capabilities through specialised internal training programmes offered through the Bumitama Academy.

To date, over 2,000 undergraduates, trainees and employees have been given the opportunity to hone their skillset through skills and development courses conducted by our two training centres, located in Pundu and Kendawangan. In 2016, we further expanded our training platform to incorporate an e-learning curriculum, which helps to increase both the reach and efficiency of our training programmes.

Bumitama spent approximately IDR 5.6 billion on its internal and external training and development programmes in 2017.

### Health and Other Programmes

As part of our all-rounded approach to sustainability, Bumitama has continuously strived to improve the well-being of our employees and the local communities, as well as to raise public health standards through our health, cultural and various other community programmes.

Since 2004, we have been providing free basic healthcare services to all our employees and to the local communities that reside around our operations. We currently operate 10 medical clinics located in close proximity of our plantations that are equipped with beds and serviced by our dedicated team of plantation doctors, nurses and health assistants. Plantations which do not have clinics are currently serviced by approved public and private clinics located in the vicinity.

Apart from these key initiatives in 2017, Bumitama also has a number of ongoing public health programmes that are designed to maximise our medical outreach. Some of the health initiatives are:

- Carrying out regular health check-ups for the local communities
- Organising blood donation drives in collaboration with the Indonesian Red Cross ("*Palang Merah Indonesia*")
- Conducting mass circumcision events at our medical centres
- Running family planning education programmes and distributing birth control devices
- Organising personal hygiene workshops for children

Additionally, we also offered free public health screening and medical consultation at the week-long Ketapang Expo 2017, which received positive feedback from the public.

Besides caring for the physical wellness of the community, Bumitama is also a firm believer in the importance of preserving culture and tradition, as well as social causes. Our Group has demonstrated its support in protecting the local customs and way of life through various means, which include funding the building and repair of places of worship and community halls and schools in the villages. We also organised activities for members of the Bumitama Women's Group to foster cohesiveness and community events, such as sports and family day. Bumitama is also a keen participant of traditional events and social functions that are organised by districts and provinces, such as the Borneo Cultural Festival.

Lastly, Bumitama also recognises the strategic importance of infrastructure development in elevating the overall standard of living for the local community and safeguarding the long-term economic growth of Indonesia. Our Group regularly engages with the local communities through their local village leaders to understand their needs and vision for the future in order to identify and prioritise infrastructure projects that we

intend to undertake in these regions, according to their scalability. In 2017, we continued our investments in infrastructure improvement projects in these communities, including building and maintenance of roads and bridges, as well as providing the necessary technological base for clean water and electricity supply.

### LOOKING AHEAD

2017 marks the third year of the Group's Sustainability Policy, which has been instrumental in helping us deepen our sustainability efforts. Reflecting on our efforts for the year, we are greatly heartened to see the progress we have made in furthering the inclusiveness of our sustainability efforts and the support we have received from all our stakeholders.

Looking at the year ahead, Bumitama is more committed than ever in our journey to further our ongoing initiatives and embark on new ones to better protect the environment and improve the lives of the local communities.



## SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

### OBJECTIVES & TARGETS

| Programme  | Plans   |
|--|---|
| No expansion without Free, Prior and Informed Consent from local communities   | <ul style="list-style-type: none"> <li>• Ongoing.</li> </ul>  |
| No new developments without HCV and HCS approach assessments   | <ul style="list-style-type: none"> <li>• Ongoing.</li> </ul>  |
| New Business Ethics Policy socialised with staff and made publicly available   | <ul style="list-style-type: none"> <li>• On target, completed “socialisation” in December 2015 and 2017;</li> <li>• Socialisation for new recruits in 2018.</li> </ul>  |
| Zero fatalities  | <ul style="list-style-type: none"> <li>• Trained taskforce on revised SOP and to focus on ensuring zero fatality by next 2 years as the four deaths in 2017 are unacceptable.</li> </ul>  |
| Eliminate use of paraquat in all plantations and plasma schemes  | <ul style="list-style-type: none"> <li>• Fully eliminated by December 2016;</li> <li>• Continue to monitor and look into reduction of use of harmful chemicals.</li> </ul>  |
| Develop partnership with reputable orangutan organisation to protect and increase orangutan populations in Kalimantan                      | <ul style="list-style-type: none"> <li>• Bumitama Biodiversity Corridor Community Project in Ketapang with IDH and Aidenvironment and others.</li> </ul>  |
| Reduce accidents rates by 40%  | <ul style="list-style-type: none"> <li>• Implement measures to achieve 40% reduction by the end of 2018, designing a special &amp; specific mitigation programme.</li> </ul>  |
| Complete survey and mapping of independent smallholders that supply FFB  | <ul style="list-style-type: none"> <li>• Continue with socialisation and tracing of smallholders; work together with GIS experts on mapping location of external sources;</li> <li>• Complete survey and mapping by 2018.</li> </ul>  |
| Measure and publish our carbon footprint and develop a reduction strategy  | <ul style="list-style-type: none"> <li>• Completed GHG data for all certified mills by 2016;</li> <li>• Two methane capture plants by end 2019 (subject to Power Purchase Agreement with PT PLN).</li> </ul>  |
| FFB processed by our mills is traceable to our own estates and plasma smallholders   | <ul style="list-style-type: none"> <li>• Completed data gathering by 2015;</li> <li>• Completed all FFB traced to estate.</li> </ul>  |
| All FFB purchased can be documented to originate from legal and responsible sources  | <ul style="list-style-type: none"> <li>• Completed documentation preparation in 2015;</li> <li>• Audit and verification in 2016, fortified through certification;</li> <li>• Check location of externally sourced FFB through GIS technology from external party.</li> </ul>  |
| All mills and plasma smallholder schemes RSPO certified  | <ul style="list-style-type: none"> <li>• Target to complete as per time bound plan*.</li> </ul>   |
| Collaborative multi-stakeholder Landscape BBCP   | <ul style="list-style-type: none"> <li>• Phase 2 being implemented;</li> <li>• Integrated farming added on to the plan and to be completed by 2018;</li> <li>• 5 VLLPs signed by villagers (3 already signed);</li> <li>• Reforestation and alternative livelihood and economic empowerment activities;</li> <li>• Socialisation on BBCP and smallholders opportunities.</li> </ul> |
| Enhancing ongoing education programmes including the Adiwiyata schools programme and other character programmes in local community schools | <ul style="list-style-type: none"> <li>• Upgrade standard of the 5 schools for further assessment in 2 years;</li> <li>• Prepare 31 internal and 8 external schools into Adiwiyata status in 4 phases over 2.5 years.</li> </ul>  |
| Assessment on children’s rights and protection with other stakeholders and implementing improvement in stages                              | <ul style="list-style-type: none"> <li>• Complete assessment and put up action plans to close gaps on children’s rights and protection for two locations, one in Central Kalimantan and the other in West Kalimantan;</li> <li>• Model same assessment internally for other areas.</li> </ul>   |

\* Or one year from HGU and relevant permits approved, if not before 2024



# CORPORATE GOVERNANCE

Bumitama Agri Limited (the “Company” or “Bumitama”) and its subsidiaries (the “Group”) recognises the importance of, and is committed to observing and attaining high standards of corporate governance, business integrity and professionalism in its business and operations. The Board constantly reviews the Company’s corporate governance practices and seeks to align its practices with the development and changes in the Code of Corporate Governance 2012 (the “Code”). The Company has complied substantially with the principles and guidelines set out in the Code, where they are applicable, relevant and practicable. This report sets out Bumitama key corporate governance practices with reference to the Code and with the Group’s cultural pillar of morality, capability and integrity and its code of ethics which is captured by the Company’s code of conduct policy.

## ACHIEVEMENT

The Company has been accorded as the Most Profitable Company (Agriculture Sector) award from The Edge Singapore Billion Dollar Club 2017.

## PRINCIPLE 1: THE BOARD’S CONDUCT OF AFFAIRS

The primary function of the Board is to protect and enhance long-term value and returns to its Shareholders. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group. The Board focuses on the following broad areas, namely:

- Formulate corporate strategies, financial objectives and direction for the Group;
- Ensure effective management leadership of the highest quality and integrity;
- Provide oversight in the proper conduct of the Group’s businesses;
- Oversee and/or evaluate the adequacy of the internal audit, risk management, financial reporting and compliance processes; and
- Oversee and ensure high standards of corporate governance for the Group.

The Board also establishes a framework of prudent and effective internal controls which enable risks to be assessed and managed, reviews Management performance, sets the Company’s values and standards, and ensures that the Company’s obligations to Shareholders and other stakeholders are understood and met and that all decisions are made objectively and in the interest of the Company and its Shareholders.

To facilitate effective management and assist the Board in discharging its responsibilities, certain functions have been delegated by the Board to various Board Committees namely: Audit Committee (“AC”), Remuneration Committee (“RC”), Nominating Committee (“NC”) and Conflicts Resolution Committee (“CRC”), which operate under clearly defined terms of reference.

The Committees are each chaired by an Independent Director and all members are Independent Directors. Each Board Committee is governed by clear terms of references approved by the Board and its role is to assist the Board in the matters that the Board delegates to it. Each Board Committee has the authority to examine any issue that arises in their specific areas and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the Board. Further details of the scopes and functions of the various Board Committees are set out in this Report.



## CORPORATE GOVERNANCE

The Board and Board Committees meetings are scheduled in advance to coincide with the announcements of the Group's quarterly results. Additional and ad hoc meetings and conference calls are convened as and when they are deemed necessary to address significant transactions or issues that may arise in between the scheduled meetings. In addition to these meetings, Independent Directors meet without the presence of Management, as and when required. The Company's Constitution provide for meetings to be held via telephone, electronic or other communication facilities which permits all persons participating in the meeting to communicate with each other simultaneously.

Directors may request for explanations, briefings by or discussions with Management on any aspect of the Group's operations or business from Management. When circumstances require, Board members exchanged views outside the formal environment of Board meetings.

The Board met four times in respect of the financial year ended 31 December 2017 ("FY2017"). The attendance of each Director at the Board and Board Committees Meetings for FY2017 is as follows:

|                                      | Board                    | AC                       | RC                       | NC                       | CRC                      |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Number of Meetings Held              | 4                        | 4                        | 1                        | 2                        | 1                        |
|                                      |                          |                          |                          |                          |                          |
| Name                                 | No. of Meetings Attended | No. of Meetings Attended | No. of Meetings Attended | No. of Meetings Attended | No. of Meetings Attended |
| Lim Gunawan Hariyanto                | 4                        | NA                       | NA                       | NA                       | NA                       |
| Lim Christina Hariyanto <sup>2</sup> | 2                        | 2 <sup>1</sup>           | NA                       | NA                       | NA                       |
| Dato' Lee Yeow Chor                  | 4                        | 2 <sup>1</sup>           | NA                       | NA                       | NA                       |
| Tan Boon Hoo                         | 4                        | 4                        | 1                        | 2                        | 1                        |
| Chua Chun Guan Christopher           | 4                        | 4                        | 1                        | 2                        | 1                        |
| Lee Lap Wah George <sup>3</sup>      | 1                        | 1                        | –                        | –                        | 1                        |
| Ong Chan Hwa <sup>4</sup>            | 2                        | 2                        | 1                        | 2                        | –                        |

NA: Not Applicable

<sup>1</sup> Attendance by invitation of the Committee

<sup>2</sup> Appointed as an Executive Director of the Company with effect from 1 June 2017

<sup>3</sup> Appointed as an Independent Director of the Company with effect from 1 June 2017

<sup>4</sup> Resigned as an Independent Director of the Company with effect from 1 June 2017

The Board has delegated day-to-day operations to Management, while reserving certain key matters for its approval. Matters that specifically require Board approval are the Group's financial results, annual budgets, financial statements, interested person transactions, acquisitions and disposals of assets, capital expenditure plan, corporate or financial restructurings, dividend payments, commitments to banking facilities and convening of Shareholders' meetings. Board approval is also required for other matters which are likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business. The Board believes that when making decisions, all Directors of the Board act objectively and in the interests of the Group.

## CORPORATE GOVERNANCE

During FY2017, the Company appointed Mr. Lee Lap Wah George, as Independent Director with the retirement of Mr. Ong Chan Hwa and Ms. Lim Christina Hariyanto as Executive Director, its first female board member. The Company has a programme in place whereby newly appointed Directors would receive orientation and training, if necessary, to enable them to familiarise with the Group's senior management, business activities and the relevant regulations and governance requirements. Directors also have the opportunity to visit the Group's operational facilities and meet with Management to gain a better understanding of the Group's business operations. Directors who do not have prior experience or are not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo the necessary training and briefing. Both Mr. Lee and Ms. Christina had been provided orientation and training. Mr. Lee had made a visit to the operation sites and office in Jakarta in 2017.

The Company encourages Directors to participate in development programmes especially technology development in palm oil industry, which are considered essential and or will enhance their roles on the Board and its Committees. The cost of Directors' attendance at appropriate training courses, conferences and seminars conducted by professionals (including the Singapore Institute of Directors) will be borne by the Company.

Some of the courses/seminars/conferences attended by some of the Directors are:

- Singapore Institute of Directors ("SID") – Dualing Over Governance, Risks and Rewards – and the SGX Consultation Paper on DCS Structures.
- SID Conference – The Sustainability Imperative
- ACRA-SGX-SID Audit Committee Seminar 2017
- The Global Corporate Governance Conference
- SID Listed Company Director Essentials – Understanding the Regulatory Environment in Singapore
- Reach and Rewind Friends of the Industry Seminar and Dialogue with Minister
- 28th Palm and Lauric Oils: Price Outlook Conference and Exhibition 2017/2018
- Global Transformation Forum
- Business Model Innovation Forum Workshop
- Minister's visit to Philippines – Malaysian Palm Oil Council
- Integrated Reporting Briefing by PricewaterhouseCoopers

Relevant updates, news releases issued by the Singapore Exchange Trading Limited ("SGX-ST"), the Accounting and Corporate Regulatory Authority ("ACRA"), Monetary Authority of Singapore, and the External Auditor were also circulated to the Board for information.

# CORPORATE GOVERNANCE

## PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board comprises six members and half of the Board are Independent Directors as follows:

| Name                       | Board                     | AC       | RC       | NC       | CRC      |
|----------------------------|---------------------------|----------|----------|----------|----------|
| Lim Gunawan Hariyanto      | Executive Chairman        | –        | –        | –        | –        |
| Lim Christina Hariyanto    | Executive Director        | –        | –        | –        | –        |
| Dato' Lee Yeow Chor        | Non-Executive Director    | –        | –        | –        | –        |
| Tan Boon Hoo               | Lead Independent Director | Chairman | Chairman | Member   | Chairman |
| Chua Chun Guan Christopher | Independent Director      | Member   | Member   | Member   | Member   |
| Lee Lap Wah George         | Independent Director      | Member   | Member   | Chairman | Member   |

The strong independent element on the Board ensures that it is able to exercise objective and independent judgement on corporate affairs and on transactions involving conflicts of interest and other complexities.

The NC is tasked to determine on an annual basis and as and when the circumstances require whether or not a Director is independent, bearing in mind the guidelines set forth in the Code and any other salient factors which would render a Director to be deemed not independent. Each of the Independent Directors has provided a declaration of his independence to the NC. The NC has reviewed, determined and confirmed the independence of the Independent Directors.

None of the Independent Directors has served on the Board for a period exceeding nine years from the date of their first appointments.

The Board periodically conducts a review of its size and composition to ensure that both aspects continue to meet the needs of the Group and to maintain the effectiveness of the Board. The Board, with the concurrence of the NC, is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Company's operations. The current Board comprises Directors who as a group provide core competencies such as finance, legal, business management and industry knowledge. The profile of the Directors can be found on pages 16 to 17 of this Annual Report.

Non-Executive Directors' views and opinions provide alternative perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors also communicate regularly with Management to discuss matters such as the Group's financial performance and corporate governance initiatives. Where necessary, the Group arranges for the Independent Directors to meet the Heads of Departments and key employees without the presence of Management.

# CORPORATE GOVERNANCE

## **PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)**

The Chairman of the Board, Mr. Lim Gunawan Hariyanto, is also the CEO of the Company. Mr. Lim Gunawan Hariyanto plays an instrumental role as the CEO in (i) formulating the overall business and corporate policies and strategies of the Group; (ii) managing the overall business and operations of the Group; and (iii) overseeing the Group’s overall business development. As Chairman of the Board, he bears primary responsibility for the workings of the Board, by ensuring effectiveness on all aspects of its role including setting agenda for Board meetings and ensures that the Directors receive complete and adequate information.

With the establishment of various Board Committees with power and authority to perform key functions and putting in place internal controls to allow effective oversight by the Board of the Group’s business, the Board is of the view that these enable the Board to exercise objective decision-making in the interests of the Group. The Board believes that Mr. Lim Gunawan Hariyanto’s dual role as Chairman and CEO allows for more effective planning and execution of long term business strategies as he is knowledgeable in the business of the Group and provides the Group with a strong and consistent leadership.

In view of the foregoing, the Board is of the view that it is currently unnecessary to effect a separation of the roles of the Chairman of the Board from that of the CEO to facilitate the Group’s decision-making and implementation process.

Taking cognizance of the non-separation of the roles of the Chairman of the Board and the CEO, the Board has in the spirit of good corporate governance, appointed Mr. Tan Boon Hoo as Lead Independent Director to serve as a channel for Shareholders in the event their concerns are not resolved through the normal channel of the Chairman and CEO or the Chief Financial Officer (“CFO”), or for which such contact is inappropriate. Mr. Tan will also act as liaison between the Independent Directors and the Chairman of the Board, as to provide non-executive perspectives in circumstances where it would be inappropriate for the Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board.

## **PRINCIPLE 4: BOARD MEMBERSHIP**

The NC comprises three Directors, all three of whom are Independent Directors. The NC members are:

Mr. Lee Lap Wah George (Chairman)  
Mr. Tan Boon Hoo (Lead Independent Director)  
Mr. Chua Chun Guan Christopher

The NC met on two occasions in FY2017.

The NC performs the following functions:

1. review and recommend to the Board the structure, size and composition of the Board and Board Committees;
2. determine the process for search, nomination, selection and appointment of new Board members;
3. review and make recommendations to the Board on all Board appointments, including nomination of the Directors for re-election/re-appointment, taking into account the Director’s contribution and performance;
4. determine annually whether a Director is independent;



## CORPORATE GOVERNANCE

5. determine whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly where the Director concerned has multiple board representations;
6. evaluate the Board's performance as a whole and the contribution by each Director to the effectiveness of the Board, and to adopt appropriate measures to assess performance;
7. review succession plans, in particular, the Chairman and CEO;
8. oversee the induction, orientation and training for any new and existing Directors; and
9. undertake such other functions and duties as may be delegated by the Board.

Pursuant to Regulation 91 of the Company's Constitution, one-third of the Directors will retire from office by rotation and submit themselves for re-nomination and re-election at every Annual General Meeting. Each Director is also required to retire at least once every three years. Pursuant to Regulation 97 of the Company's Constitution, any Director so appointed shall hold office until the next Annual General Meeting. A retiring Director is eligible and may be nominated for re-election.

The NC has recommended to the Board that Dato' Lee Yeow Chor and Mr. Chua Chun Guan Christopher (retiring pursuant to Regulation 91 of the Company's Constitution) and Mr. Lee Lap Wah George and Ms. Lim Christina Hariyanto (retiring pursuant to Regulation 97 of the Company's Constitution), be nominated for re-election at the forthcoming Annual General Meeting ("AGM"). Dato' Lee Yeow Chor, Mr. Chua Chun Guan Christopher, Mr. Lee Lap Wah George and Ms. Lim Christina Hariyanto have signified their consent to remain in office.

In reviewing the nomination of the retiring Directors, the NC considered the performance and contribution of each of the retiring Directors, having regards not only to their attendance and participation at Board and Board Committees meetings but also the time and efforts devoted to the Group's business and affairs. The Board has accepted the NC's recommendation.

Each member of the NC shall abstain from voting on any resolutions and/or participating in deliberations in respect of his re-election as Director. Accordingly, Dato' Lee Yeow Chor, Mr. Chua Chun Guan Christopher, Mr. Lee Lap Wah George and Ms. Lim Christina Hariyanto have abstained from the deliberation and decision in respect of their own re-election.

The NC conducts an annual review of Directors' independence adopting the Code's definition of an Independent Director and guidelines as to relationship in determining the independence of a Director. The NC and the Board are of the view that Mr. Tan Boon Hoo, Mr. Chua Chun Guan Christopher, and Mr. Lee Lap Wah George are considered independent while Dato' Lee Yeow Chor is considered a Non-Executive and Non-Independent Director in view of his association with Oakridge Investments Pte Ltd., a substantial shareholder of the Company.

Save as disclosed, the Non-Executive Directors are not related and do not have any relationship with the Company, its related corporations, or its officers or are in any circumstances that could interfere or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

The NC had adopted a process for the selection and appointment of new Directors which provides the procedures for identification of potential candidates' skills, knowledge, experience and assessment of candidates' suitability.

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, Management or external parties. The NC interviews the shortlisted candidates before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committee(s).

## CORPORATE GOVERNANCE

In reviewing and recommending to the Board any new Director appointments, the NC considers: (a) the candidate's independence, in the case of the appointment of an Independent Director; (b) the composition requirements for the Board or Board Committee(s) as the case may be; (c) the candidate's track record, experience and capabilities and such other relevant factors as may be determined by the NC which would contribute to the Board's collective skills; and (d) any competing time commitments if the candidate has multiple board representations.

The Company will provide a formal letter of appointment to newly appointed Non-Executive Directors, setting out the Director's duties and obligations and terms of appointment whereas Executive Directors will be provided with Service Agreements setting out their terms of office and terms and conditions of appointment.

The NC had deliberated on succession planning for the Chairman/CEO and would bear this factor in mind when considering the appointment of any Executive Director.

A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Group. The NC is of the view that Directors who have multiple board representations have performed as well as the other Directors with lesser board representations. The Board, with the concurrence of the NC, having considered the attendance of the Directors and their contributions at meetings of the Board and Board Committees, is of the view that such multiple representations do not hinder the Directors from carrying out their duties in the Company. The Board and the NC are also satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Group. The NC is also of the view that putting a maximum limit on the number of listed company board representations is arbitrary, given that time requirements for each vary, and thus should not be prescriptive but are not adverse to consider and review existing models available on the market for managing board representations.

As at 31 December 2017, there is no alternate Director on the Board.

### **PRINCIPLE 5: BOARD PERFORMANCE**

The NC has adopted an annual assessment of the performance and effectiveness of the Board and Board Committees collectively. The NC believes it is more appropriate to assess the Board as a whole, rather than assessing individual Directors, bearing in mind that each member of the Board contributes in different ways to the effectiveness of the Board.

The assessment process had been continuously improved upon, with feedback from the Board and the review incorporates factors such as attendance, Board composition, conduct, input and contributions of the Board and its various committees; keeping updated on latest trends in the industry and global market; and quality, availability and sufficiency of information. Each Director evaluates and assesses the Board and the Board Committees, the results of which are consolidated, analysed and discussed within the NC, which included a comparison with the results of the preceding financial year. The results and areas to be strengthened are identified and reported to the Board.

The Chairman, in consultation with the NC, would act on the results of the assessment; upon the endorsement of the report.

For FY2017, the NC is generally satisfied with the Board evaluation results, which indicated areas of strengths and areas that could be improved further. No significant problems had been identified. The NC had discussed the results with the Board and the Board has agreed to work on the areas where improvement is necessary as appropriate.

## CORPORATE GOVERNANCE

### PRINCIPLE 6: ACCESS TO INFORMATION

Prior to each Board meeting, all Directors are provided with the relevant Board papers and reports within adequate time for the Directors to review the papers and reports. These reports provide information on the Group's performance, financial position, significant issues and any other matter which may be brought before the Board. Besides these, Board members are provided with monthly operational performance report with a short commentary so as to ensure Board members are kept updated and informed of the progress of the Group on a regular basis. Directors are also informed of any significant developments or events relating to the Group.

All Directors are updated on an on-going basis via Board meetings and/or circulars on matters relating to, *inter alia*, changes to the regulations of the SGX-ST, Companies Act, accounting standards and/or other statutory requirements. The Directors may also seek independent professional advice on any Group matters, as they require, at the Group's expense.

All Directors have independent access to the senior management of the Group and the Company Secretaries. The Directors also have unrestricted access to the Group's information, minutes of Board meetings, and management accounts to enable them to carry out their duties.

At least one of the Company Secretaries attends all Board and Board Committees meetings and ensures that Board procedures are followed and that the applicable rules and regulations are complied with. The Company Secretaries are responsible for assisting the Company in its compliance with the requirements of the Companies Act, the rules of SGX-ST Listing Manual and any other applicable regulations. The Company Secretaries also ensure good information flow within the Board and the Board Committees, as well as between the senior management and Non-Executive Directors (including Independent Directors), and assists in the professional development of existing Directors, as and when required. The appointment and/or removal of the Company Secretaries are subject to Board approval.

### PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises three, all three of whom are Independent Director. The members of the RC are:

Mr. Tan Boon Hoo (Chairman)  
Mr. Lee Lap Wah George  
Mr. Chua Chun Guan Christopher

The RC's duties include:

1. recommending to the Board a framework of remuneration for the Directors and key management personnel of the Group;
2. ensuring that these remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities;
3. reviewing and recommending Directors' fees for Non-Executive Directors, taking into account factors such as their effort, time spent, and responsibilities;
4. reviewing the service contracts of the CEO and Executive Directors (if any);

## CORPORATE GOVERNANCE

5. recommending to the Board long term incentive schemes which may be set up from time to time; and
6. undertaking such other functions and duties as may be delegated by the Board.

The Group has a formal and transparent process for developing policy on executive remuneration and fixing the remuneration packages of individual Directors and key management personnel. The RC's review covers all aspects of remuneration including but not limited to, Directors' fees, salaries, allowances, bonus, employees share options and benefits in kind and specific remuneration package for each Director.

In developing a policy on executive remuneration, the RC seeks to link a proportion of the compensation to the Group's performance. The RC also ensures that the remuneration packages of individual Directors take into consideration the Group's performance and the performance of that individual Director. No Director is involved in deciding his own remuneration. The RC has access to external expert advice with regard to remuneration matters, if required.

The Group does not have any employee share option scheme or any long-term scheme in place.

### **PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION**

### **PRINCIPLE 9: DISCLOSURE ON REMUNERATION**

The remuneration policy of the Company is to provide compensation packages at market rates, reward performance and attract, retain and motivate the key management personnel.

Only Non-Executive Directors (including Independent Directors) are paid Directors' fees. The Directors' fees are set in accordance with a framework comprising Board fees and additional fee/s for serving on any of the Board Committees, and taking into account factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the Directors. The payment of such fees is recommended for Shareholders' approval at the AGM of the Company.

The Executive Directors do not receive any Directors' fee. The remuneration packages of the Executive Directors and key management personnel are determined annually having regard to the performance of the individuals and the Group as well as taking into account industry standards.

The remuneration packages for the Executive Directors and key management personnel consist of both fixed and variable components. The variable component is determined based on the performance of the individual and the Group's performance in the relevant financial year. Annual increments and adjustments to remuneration are reviewed and approved taking into account the outcome of the annual appraisal of the employees. Management makes recommendations to the RC, having regard to key performance indicators, such as (a) revenue, (b) earnings before interest, depreciation and amortisation ("EBITDA"), (c) net profit, (d) land bank and (e) planted area. The list is not exhaustive. The Group will also consider the individual contribution to these objectives.

During FY2017, the RC met on one occasion.

Each member of the RC shall abstain from voting on any resolutions and/or participating in discussion regarding his own remuneration package or on matters in which he is interested.



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The Executive Directors' Service Agreements were for an initial period of 3 years from the date of appointment respectively and are renewable for successive periods of one year each. The Service Agreements may be terminated during such term either as provided in the Service Agreements or by either party giving to the other not less than six months' written notice. There are no onerous compensation commitments on the part of the Company or its subsidiaries in the event of an early termination of the service of the Executive Directors. The Executive Directors and key management personnel of the Group are rewarded based on their achievement of certain key performance indicators and the actual results of the Group, and not on any other assigned incentives, the "claw back" provisions in their employment contracts may therefore not be relevant or appropriate. The RC will when appropriate, review the need to adopt provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstance of misstatement of financial results or of misconduct which could result in financial loss to the Group.

The RC, with the concurrence of the Board, has recommended that an amount of S\$317,500 as Directors' fees be paid to the Non-Executive Directors quarterly in arrears for FY2018. These fees will be tabled for Shareholders' approval at the forthcoming AGM.

The annual remuneration bands for the Directors and key management personnel and the proportion of variable bonus and fixed remuneration, fee and salary of the benefit for FY2017 are set out below:

| Name                                 | Remuneration Band           | Fixed Salary | Variable Bonus and Benefit | Directors' Fee | Total |
|--------------------------------------|-----------------------------|--------------|----------------------------|----------------|-------|
| <b>Directors</b>                     |                             |              |                            |                |       |
| Lim Gunawan Hariyanto                | S\$2,250,001 – S\$2,500,000 | 55%          | 45%                        | –              | 100%  |
| Lim Christina Hariyanto <sup>1</sup> | S\$250,001 – S\$500,000     | 59%          | 41%                        | –              | 100%  |
| Dato' Lee Yeow Chor                  | Below S\$250,000            | –            | –                          | 100%           | 100%  |
| Tan Boon Hoo                         | Below S\$250,000            | –            | –                          | 100%           | 100%  |
| Chua Chun Guan Christopher           | Below S\$250,000            | –            | –                          | 100%           | 100%  |
| Lee Lap Wah George <sup>2</sup>      | Below S\$250,000            | –            | –                          | 100%           | 100%  |
| Ong Chan Hwa <sup>3</sup>            | Below S\$250,000            | –            | –                          | 100%           | 100%  |
| <b>Key Management Personnel</b>      |                             |              |                            |                |       |
| Johannes Tanuwijaya                  | S\$2,000,001 – S\$2,250,000 | 57%          | 43%                        | –              | 100%  |
| Roebianto                            | S\$2,000,001 – S\$2,250,000 | 57%          | 43%                        | –              | 100%  |
| Sie Eddy Kurniawan                   | S\$1,250,001 – S\$1,500,000 | 49%          | 51%                        | –              | 100%  |

**Notes:**

<sup>1</sup> Appointed as an Executive Director with effect from 1 June 2017.

<sup>2</sup> Appointed as an Independent Director with effect from 1 June 2017. The Director's fee will be prorated from his date of appointment.

<sup>3</sup> Resigned as an Independent Director of the Company with effect from 1 June 2017. The Director's fee was prorated to his date of resignation.

The remuneration of the Directors and key management personnel are set out in incremental bands of S\$250,000. The Group is of the view that disclosure in incremental bands is sufficient and adequate, and that any further disclosure could be detrimental to the Group's interest, as it may hamper the Group's efforts in retaining and nurturing its talent pool, having regard to the highly competitive human resource environment, and the confidential nature of remuneration matters.

## CORPORATE GOVERNANCE

On the same basis and also due to sensitivity of such matter, it is not in the Group's interest to disclose the aggregate remuneration of its key management personnel (who are not Directors or the CEO).

Having considered Guideline 9.3 of the Code requiring the disclosure of the remuneration of at least the top 5 key management personnel (who are not directors or the CEO), the Group is only disclosing the above 3 individuals, who, besides the CEO, are considered as the Group's key management personnel and since they have supervisory roles over the other senior management of the Group.

There are two employees, who are immediate family members of a Director and/or the CEO whose remuneration exceeded S\$50,000 during FY2017. The information is set out below:

| Name of Executives | Related to   | Remuneration Band       |
|--------------------|--|-------------------------|
| Michael Raben      | Brother-in-law of Lim Gunawan Hariyanto and<br>Lim Christina Hariyanto | S\$50,001 – S\$100,000  |
| Lim Liana Sarwono  | Sister of Lim Gunawan Hariyanto and<br>Lim Christina Hariyanto         | S\$250,001 – S\$300,000 |

### PRINCIPLE 10: ACCOUNTABILITY

The Board promotes timely and balanced disclosure of all material matters concerning the Group. Shareholders are updated on the operations and financial position of the Group through its quarterly and full year results announcements (in line with the Singapore Financial Reporting Standards prescribed by the Accounting Standards Council of Singapore) as well as timely announcements of other matters as prescribed by the SGX-ST Listing Manual and other relevant rules and regulations.

A summary of the Group's operational highlight prepared on a quarterly basis is also released via SGXNet.

In line with the listing requirements of the SGX-ST, negative assurance statements were issued by the Board to accompany the Group's quarterly financial results announcements, confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Company's results announcements to be false and misleading. The Company is not required to issue negative assurance statements for its full year results announcement.

Management provides the Board with financial information as and when required to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. As and when circumstances arise, the Board can request Management to provide any necessary explanation on the financial information of the Group.

### PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises that it is responsible for ensuring that Management maintains a sound system of internal controls to safeguard Shareholder's investment and the Group's assets.

## CORPORATE GOVERNANCE

The Board regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. Management reviews all control policies and procedures and highlights all significant matters to the AC and the Board. The Group's financial risk factors and financial risk management objectives and policies are outlined under Note 36 of the "Notes to the Financial Statements" on pages 133 to 139. Risk management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the AC and the Board are in a position to make more informed decisions and will benefit from a better balance between risk and reward. This will assist in protecting the Group's assets.

The AC, together with the Board has reviewed the effectiveness of the Group's system of internal controls put in place to address the key financial, operational, compliance and information technology risks affecting the operations.

### **ENTERPRISE RISK MANAGEMENT ("ERM")**

Effective and prudent risk management is one of the key factors in achieving the Group's business objectives and strategic goals.

The Group has established a systematic ERM framework to identify, assess, monitor, manage and evaluate the significant business risks which the Group is exposed to. Under the ERM framework, a risk register identifying the material risks together with the internal controls to manage or mitigate those risks is maintained. A separate Management Committee and an Enterprise Risk Department were formed to oversee the ERM and ensure that the risk register is reviewed, managed and updated regularly.

The Management Committee comprises the Chief Operating Officer, Chief Financial Officer, Deputy Chief Operating Officer, Group Head of Corporate Secretarial Services and Corporate Social Responsibility as well as the Head of the Internal Audit Department.

Risks are pro-actively identified and addressed. The ownership of these risks lies with the respective business and executive heads with stewardship residing with the Board. The Board reviews the adequacy and effectiveness of the Company's risk management and internal control systems quarterly. As the Group continues to grow and taking into account the evolving nature of its business, the Management Committee will on a regular basis, conduct an assessment on the adequacy of the framework, processes and procedures and risk identified and measured. The results and recommendation for improvement of this assessment will be shared with the AC and the Board.

The Board has received written assurances from the CEO and CFO that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) the Group's risk management and internal control systems are effective.

Based on the ERM framework established, internal controls systems maintained by the Group, work performed by the internal and external auditors, and assurance from Management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems addressing financial, operational, compliance and information technology risks of the Group are adequate and effective during FY2017.

# CORPORATE GOVERNANCE

## PRINCIPLE 12: AUDIT COMMITTEE

The AC comprises three members, all of whom are Independent Directors. The AC members are:

Mr. Tan Boon Hoo (Chairman)  
Mr. Lee Lap Wah George  
Mr. Chua Chun Guan Christopher

In accordance with the principles in the Code, the Board is of the view that at least two members of the AC, collectively, have the expertise and experience in accounting and financial and finance management, and are qualified to fulfill and discharge their responsibilities.

For 2017, the AC has performed the following in accordance with their terms of reference:

1. met with both the internal and the external auditors to review the audit plans, and discussed the results of their audit findings and evaluation of the Group's system of internal accounting controls;
2. reviewed the Group's significant financial reporting issues and judgement to ensure the integrity of the financial statements of the Group and announcements relating to the Group's financial performance;
3. reviewed with the internal auditors, the scope and results of the internal audit procedures and monitored Management's response to their findings to ensure that appropriate follow-up measures are taken;
4. reviewed the effectiveness of the Group's internal audit function;
5. reviewed compliance with the corporate governance guidelines on processes and activities adopted by the Board;
6. reviewed Interested Person Transactions ("IPT") falling within the scope of Chapter 9 of the SGX-ST Listing Manual and the IPT Register;
7. made recommendations to the Board on the nomination of the external auditors, as well as reviewing the remuneration and terms of engagement of the external auditors;
8. met with the internal and external auditors, without the presence of Management. Both the internal and external auditors had confirmed that they had received the full co-operation of Management and no restrictions were placed on the scope of the respective audits;
9. kept abreast of accounting standards and issues that could potentially impact the Group's financial reporting through quarterly updates and advice from the external auditors;
10. reviewed the non-audit services provided by the external auditors of the Group, and the fees paid to them, to assess the independence and objectivity of the external auditors. The aggregate amount and breakdown of the audit and non-audit fees paid to the external auditors are found in Note 6 "General and Administrative Expenses" in the Financial Statements of this Annual Report. The AC is satisfied that the nature and extent of non-audit services had not prejudiced the independence and objectivity of the external auditors. The external auditors had also confirmed their independence in this respect; and



## CORPORATE GOVERNANCE

11. reviewed and confirmed the Group's compliance with Rules 712, 715 and 716(1) of the Listing Rules of the SGX-ST. The AC in their deliberation on the proposed appointment of Ernst & Young LLP have considered various factors, and was satisfied that the adequacy of resources and firm's experience, the audit engagement partner and his team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group. The accounts of the Company, its significant foreign-incorporated subsidiaries and its associates are audited by Ernst & Young LLP, an auditing firm registered with the Accounting and Corporate Regulatory Authority, and KAP Purwanto, Sungkoro & Surja (a member firm of Ernst & Young Global Indonesia).

The rest of the Group's subsidiaries are audited by Anwar & Rekan ("A&R"), an auditing firm which is part of DFK International, a worldwide association of independent accounting firms and business advisers. Details of DFK International and the list of the Group's subsidiaries audited by A&R are disclosed on Note 9 of the "Notes to the Financial Statements" on pages 97 and 99 of this Annual Report. The AC is satisfied that the appointment of A&R would not compromise the standard and effectiveness of the audit of the Group.

The AC with the concurrence of the Board has recommended the nomination of Ernst & Young LLP for re-appointment as external auditors of the Company at the forthcoming AGM.

The AC has explicit authority within the scope of its responsibilities to seek any information it requires or investigate any matter within its terms of reference. In particular, the AC has full access to both the external and internal auditors. It also has full discretion to invite any Director, and/or Management to attend its meetings.

The Group has put in place a **whistle-blowing policy**, whereby staff of the Group or any other persons such as customers, suppliers, contractors or local community may, in good faith and confidence, without fear of reprisals raise concerns about possible improprieties in financial reporting, unethical practices or other matters. Anonymous disclosures will also be accepted and anonymity honoured. Arrangements are also in place for the confidential and independent investigation of such matters and for appropriate follow up actions; always mindful of protecting the identity and interest of all whistle blowers. The whistle-blowing policy and the procedures put in place to implement such a policy, has been reviewed by the AC and made available to all employees.

During FY2017, the Group had received whistle-blowing reports which were also highlighted to the AC's attention. The whistle-blowing reports highlighted several incidents of impropriety carried out at the Group's plantations in Indonesia. These incidents were not material to the Group's financial statements and operations and remedial actions had been taken to address the issues raised.

### PRINCIPLE 13: INTERNAL AUDIT

A dedicated in-house internal audit team ("IA") is in place to review, at least once annually, the risks of the Group's policy, procedures and activities. The IA has free access to all of the Group's records and documents and reports directly to the AC on any material non-compliance and internal control weakness.

The Head of the IA reports directly to the Chairman of the AC on audit matters and to the CFO on administrative matters. The Head of the IA also shares the IA report with Management so as to ensure that the recommended corrective and preventive actions are taken. Every quarter, the IA prepares the internal audit report and reports the key issues, highlighting concerns, if any, to the AC. Feedback from the AC is taken note of, acted on and monitored. Within this framework, the internal audit function provides reasonable assurance that the risks of the Group will be identified, analysed and managed by Management. The IA will also make recommendations to enhance the effectiveness and security of the Group's operations.

## CORPORATE GOVERNANCE

The AC ensures that the internal audit function is adequately resourced and qualified. On an annual basis, the AC reviews the adequacy and effectiveness of the internal audit function. The IA prepares and presents internal audit plan which incorporated feedback from the AC reviews, categorised inputs gathered from the audits, reviewing risk map, core programmes of the Group and critical internal control areas. To ensure maximisation of human resources in this department, IA has a training programme drawn up specifically to ensure that the team is kept updated and current on matters of audit, risks and internal controls based on the recommendations of the AC. The IA department is staffed with suitably qualified and experienced professionals with operational and financial experiences.

In addition to the work performed by the internal audit team, the external auditors also performed tests of certain controls that are relevant to the preparation of the Group's financial statements. The external auditors report any significant deficiencies of such internal controls to the AC. The AC also reviews the effectiveness of measures taken by Management to address the issues noted by the external auditors. The internal controls are continually being refined by Management.

### **PRINCIPLE 14, PRINCIPLE 15 & PRINCIPLE 16:**

#### **SHAREHOLDERS RIGHTS**

##### **COMMUNICATION WITH SHAREHOLDERS**

##### **CONDUCT OF SHAREHOLDER MEETINGS**

The Group is committed to disseminate information to Shareholders regularly and on a timely basis. It aims to provide Shareholders with clear, balanced, useful and material information to ensure that Shareholders receive a balanced and up-to-date view of the Group's strategic development, performance and business.

Announcements on material information and the release of quarterly and full year results are released via SGXNet. Every quarter, the Group's senior management holds briefings and/or conference calls with analysts and the media to coincide with the release of the Group's results announcements. Analyst presentation slides will also be released on SGXNet and made available on the Company's website. In addition, Management takes an active role in investor relations, meeting local and foreign fund managers and analysts regularly as well as participating in roadshows and conferences both locally and overseas. For a more hands-on experience, investors, analysts, bankers and representatives from government organisations, civil societies and many other stakeholders were also invited to the Group's plantations.

All Shareholders of the Company receive the annual report of the Company and notice of the AGM, together with explanatory notes, at least 14 days before the meeting. The notice is also advertised in a national newspaper.

The Group's main forum for dialogue with Shareholders takes place at its AGM, where members of the Board, senior management and the external auditors are in attendance. In particular, the chairpersons of the Audit, Nominating, Remuneration and Conflicts Resolution Committees will all endeavor to be present and available to address questions raised at the AGM.

The Group's external auditors are also invited and required to attend the AGM and are available to assist the Directors in addressing any relevant queries by the Shareholders relating to the conduct of the audit and the preparation and content of their Auditors' Report.

## CORPORATE GOVERNANCE

Shareholders will be given the opportunity to air their views and ask questions regarding matters affecting the Group. The Company's Constitution allows a Shareholder to appoint one or two proxies to attend and vote at the general meetings on his/her behalf. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meeting without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

Shareholders are encouraged to attend the Company's AGM to ensure a high level of accountability and to stay informed of the Group's strategies and growth. If Shareholders are unable to attend the meetings, the Constitution allows a Shareholder of the Company to appoint up to two proxies to attend and to vote in place of the Shareholder through proxy form sent in advance.

As the authentication of Shareholder identity information and other related security issues still remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

Separate resolutions on each distinct issue are tabled at general meetings and explanatory notes are set out in the notices of general meetings where appropriate.

The minutes of general meetings, which will typically include relevant and substantial comments from Shareholders relating to the agenda of the meetings and responses from Management, will be made available to Shareholders upon written request.

The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages for general meetings. The Company has yet to adopt electronic poll voting.

### **DIVIDEND POLICY**

The Group has a dividend policy to distribute up to 40% of its distributable income. The policy on distribution of dividend depends on the results of the Group's cash flow and financial position, capital expenditure plan, debt repayment schedule, dividends received from its subsidiaries, industry conditions and prospects, and other factors deemed relevant by the Board of Directors.

For FY2017, the Group had declared and paid interim dividend of S\$0.0075 per ordinary share on 4 September 2017. A final dividend of S\$0.02 per ordinary share for FY2017 has been recommended by the Board and subject to the approval by Shareholders at the forthcoming AGM.

### **CONFLICTS RESOLUTION COMMITTEE**

In light of the interest of the Group's controlling shareholders in the palm oil business outside of the Group (in particular, the controlling stake which IOI Corporation has in SNA and BAS), the Board has adopted certain procedures to address conflicts or potential conflicts of interest issues that may arise from time to time in the course of business conducted or carried on by the Group.

## CORPORATE GOVERNANCE

The CRC comprises three members, all of whom are Independent Directors. The members are:

Mr. Tan Boon Hoo (Chairman)  
Mr. Lee Lap Wah George  
Mr. Chua Chun Guan Christopher

The CRC performs the following functions:

1. review on an annual basis the protocols established to resolve conflicts or potential conflicts of interest, so as to ascertain that the guidelines are adequate and relevant to the business and affairs of the Group; and
2. review specific conflicts or potential conflicts of interests that may arise from time to time and to ensure that such conflicts are dealt with or resolved properly.

Management maintains a record of potential conflict transactions (deliberated on as well as decided). Any member of the CRC is entitled to inspect such records.

Within 45 days from the end of each financial quarter and 60 days from the full year results announcement, Management will circulate or present information on transactions or potential transactions carried out or rejected in the immediately preceding financial quarter to the Board. However, this information will not be extended to the Directors who are in a conflict or potential conflict of interest situation.

On a quarterly basis, the CRC will receive reports from the internal auditors who provide confirmation that the protocols have been adhered to in the preceding quarter.

### DEALINGS IN SECURITIES

The Group has adopted an internal compliance code on Securities Transaction (“Compliance Code”) which provides guidance and internal regulation with regard to dealings in the Company’s securities by the Company, its Directors and officers. These guidelines prohibit dealing in the Company’s securities on short-term considerations and while in possession of unpublished material price-sensitive information in relation to such securities and during the “closed period”, which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Company’s financial year and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the Company are notified in advance of the commencement of each “closed period”. The Compliance Code has been disseminated and made available to all employees.

The Group confirmed that it has adhered to its Compliance Code for FY2017 pursuant to Rule 1207(19) of the SGX-ST Listing Manual.



## CORPORATE GOVERNANCE

### INTERESTED PERSON TRANSACTIONS

The Group has established internal guidelines to ensure compliance with the requirements of Chapter 9 of the Listing Manual on interested person transactions. The main objective is to ensure that interested person transactions are properly reviewed, approved, and conducted on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Shareholders.

In particular, the CFO will maintain a register of interested persons and a register of transactions carried out with interested persons. These registers are updated quarterly based on submissions by the designated persons. The AC reviews all transactions recorded in the register of interested person transactions on a quarterly basis to ensure that they are carried out on normal commercial terms and in accordance with the procedures established by the Group.

The aggregate value of interested person transactions entered into by the Group in FY2017 is as follows:

| Name of interested person         | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual during the financial year under review (excluding transactions less than S\$100,000) |
|-----------------------------------|--|---|
|                                   | in IDR million   | in IDR million  |
| Mr. Gunardi Hariyanto Lim         | 2,400 <sup>1</sup>   | –   |
| IOI Corporation Berhad            | –  | 107,475 <sup>2</sup>  |
| PT Sawit Nabati Agro <sup>3</sup> | –  | –   |
| PT Lima Srikandi Jaya             | 7,200 <sup>4</sup>   | –   |
| <b>TOTAL</b>                      | <b>9,600</b>   | <b>107,475</b>  |

Notes:

\* For illustrative purpose the aggregate value of all interested person transactions, conducted under the Shareholders' Mandate during the financial year under review using the current period closing rate.

- 1 In respect of the aggregate rent paid by the Group to Mr. Gunardi Hariyanto Lim for office space in Indonesia pursuant to the lease agreement between Mr. Gunardi Hariyanto Lim and PT Bumitama Gunajaya Agro.
- 2 In respect of transactions conducted pursuant to the Shareholders' Mandate for Transactions with IOI Corporation and its Associates (as described in the Prospectus).
- 3 In respect of transactions conducted pursuant to the Shareholders' Mandate for transaction with Sawit Nabati Agro (SNA) Group (as described in the Prospectus).
- 4 In respect of the rental agreement of barge transactions involving PT Lima Srikandi Jaya which is one of the subsidiaries of Harita Group. Harita Group is owned by Lim family and also one of the Company's controlling shareholders.

### MATERIAL CONTRACTS

Save as disclosed above in the sections on "Interested Person Transactions" and Service Agreements entered into between the Company and the Executive Director, there are no other material contracts of the Company or its subsidiaries involving the interest of the CEO, each Director or controlling shareholders, which are either still subsisting at the end of FY2017 or if not then subsisting, entered into since the end of FY2017.

# ANNUAL FINANCIAL STATEMENTS

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## DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Bumitama Agri Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2017.

### 1. OPINION OF THE DIRECTORS

In the opinion of the Directors,

- (a) 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 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) 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.

### 2. DIRECTORS

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

Lim Gunawan Hariyanto  
 Lim Christina Hariyanto (appointed on 1 June 2017)  
 Dato' Lee Yeow Chor  
 Tan Boon Hoo  
 Lee Lap Wah George (appointed on 1 June 2017)  
 Chua Chun Guan Christopher

### 3. 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.

### 4. DIRECTORS' INTEREST IN SHARES AND DEBENTURES

The following Directors, 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, Chapter 50, an interest in shares of the Company as stated below:

| Name of director                      | Direct interest                    |                              | Deemed interest                    |                              |
|---------------------------------------|------------------------------------|------------------------------|------------------------------------|------------------------------|
|                                       | At the beginning of financial year | At the end of financial year | At the beginning of financial year | At the end of financial year |
| <b>Ordinary shares of the Company</b> |                                    |                              |                                    |                              |
| Lim Gunawan Hariyanto                 | –                                  | –                            | 903,157,774                        | 903,157,774                  |
| Dato' Lee Yeow Chor                   | –                                  | –                            | 556,672,070                        | 556,672,070                  |
| Chua Chun Guan Christopher            | 450,000                            | 450,000                      | –                                  | –                            |

# DIRECTORS' STATEMENT

## 4. DIRECTORS' INTEREST IN SHARES AND DEBENTURES (Continued)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Lim Gunawan Hariyanto and Dato' Lee Yeow Chor are deemed to have interests in shares of the subsidiaries of the Company to the extent that the Company has interest.

Except as disclosed in this statement, 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.

## 5. SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries. The Company does not have any share option scheme.

## 6. AUDIT COMMITTEE

The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. The functions of the AC include the following:

- reviews the audit plans of the internal and external auditors of the Group and the Company, and reviews the internal auditors' evaluation of the adequacy of the Group's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- reviews the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- reviews effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- meets with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- reviews the cost effectiveness and the independence and objectivity of the external auditor;
- reviews the nature and extent of non-audit services provided by the external auditor;



## DIRECTORS' STATEMENT

### 6. AUDIT COMMITTEE (Continued)

- recommends to the Board of Directors the external auditor to be nominated, approves the compensation of the external auditor, and reviews the scope and results of the audit;
- reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and
- reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the financial year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance in the Annual Report of the Company.

### 7. AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

**Lim Gunawan Hariyanto**

Director

**Tan Boon Hoo**

Lead Independent Director

Singapore

23 March 2018



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUMITAMA AGRI LTD.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Bumitama Agri Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statement of changes in equity of the Group and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for opinion

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

### Key audit matters

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUMITAMA AGRI LTD.

## **Key Audit Matters** (Continued)

### ***Valuation of biological assets***

The Group's biological assets relates to agricultural produce growing on the bearer plants ("oil palm trees") which are referred to as Fresh Fruit Bunches ("FFBs"). The valuation of biological assets is significant to our audit because it involved significant estimate and is dependent on the biological transformation and estimated quantities of agriculture produce based on physical census results. As such, we have identified this as a key audit matter.

We performed the following procedures amongst others in our audit of biological assets:

- assessed the fair value methodologies used by management to measure the fair value of these produce
- evaluated the key assumptions used in the valuations, in particular the market price and estimated harvest quantities
- compared the estimated harvest quantities to physical census reports
- compared the market price of FFBs to publicly available index price set by the local government
- checked the production data subsequent to year end to assess the reasonableness of the FFB quantities estimated and recorded by management at year end
- assessed the adequacy of the disclosures related to valuation of biological assets in Note 19 to the financial statements

### ***Deferred tax assets***

The valuation of the deferred tax assets ("DTA") is significant to our audit because of the complexity of the estimation process which involved significant management judgement given that it is dependent on management's forecast of future profitability.

We performed the following procedures amongst others in our audit of DTA:

- assessed and tested management's assumptions to determine the probability that DTA will be recovered through taxable income in future years
- compared the consistency of management's profit forecasts with those included in the financial budgets approved by the Board of Directors
- assessed management's assumptions and estimation process by comparing the forecasted results against actual results of operations. We corroborated these assumptions with supporting evidence such as comparison with historical trends and developments in the business
- assessed the adequacy of the disclosure Note 18 in the financial statements

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUMITAMA AGRI LTD.

## Key Audit Matters (Continued)

### **Goodwill impairment**

As part of the requirement under FRS 36 to assess goodwill impairment annually, management has prepared a discounted cash flow model to estimate the recoverable value of the goodwill using the value-in-use method. The audit procedures over management's annual goodwill impairment test is significant to our audit because the recoverable value is determined by a value-in-use calculation using a discounted cash flow model which is complex, judgmental and subjective. Management engaged an independent valuer to determine the recoverable value of the goodwill. The plantation estates are individually identified as a single cash generating unit ("CGU") for impairment testing.

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

We performed the following procedures amongst others in our audit of Goodwill:

- reviewed the discounted cash flow model to assess the appropriateness of the methodology employed by management
- compared the operational assumptions against historical data and trend to assess their reasonableness
- evaluated and assessed reasonableness of the key assumptions used in the impairment analysis, in particular the inflation rate, projected crude palm oil price and the discount rate used in the analysis
- reviewed adequacy of the disclosures relating to those key assumptions to which the outcome of the impairment test is most sensitive. The Group's disclosures about goodwill are in Note 14 to the financial statements, which explain that changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future

### **Other information**

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

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

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



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUMITAMA AGRI LTD.

## **Responsibilities of management and directors for the financial statements**

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

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

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUMITAMA AGRI LTD.

## **Auditor's responsibilities for the audit of the financial statements** (Continued)

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## **Report on other legal and regulatory requirements**

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

The engagement partner on the audit resulting in this independent auditor's report is Low Bek Teng.

### **Ernst & Young LLP**

Public Accountants and Chartered Accountants  
Singapore

23 March 2018

# CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

|   | Note | 2017<br>IDR million | 2016<br>IDR million |
|---|------|---------------------|---------------------|
| <b>Revenue</b>  | 4    | 8,131,384           | 6,629,772           |
| Cost of sales   | 5    | (5,742,214)         | (4,654,131)         |
| <b>Gross profit</b>   |      | 2,389,170           | 1,975,641           |
| <b>Other items of income:</b>                                   |      |                     |                     |
| Other income  |      | 16,734              | 16,122              |
| Interest income   |      | 147,919             | 182,223             |
| <b>Other items of expenses:</b>                                 |      |                     |                     |
| Selling expenses  | 6    | (207,604)           | (188,144)           |
| General and administrative expenses                             | 6    | (241,750)           | (206,138)           |
| Finance cost  | 6    | (166,028)           | (163,344)           |
| Share of loss of associate companies                            |      | (2,285)             | (21,784)            |
| Fair value changes in biological assets                         |      | 35,819              | 26,943              |
| Foreign exchange (loss)/gain                                    |      | (5,817)             | 15,857              |
| Other expenses  |      | (71,702)            | (86,178)            |
| <b>Profit before taxation</b>                                   |      | 1,894,456           | 1,551,198           |
| Income tax expense  | 7    | (470,260)           | (363,062)           |
| <b>Profit for the year</b>                                      |      | <b>1,424,196</b>    | <b>1,188,136</b>    |
| <b>Attributable to:</b>   |      |                     |                     |
| Owners of the Company   |      | 1,193,341           | 1,005,086           |
| Non-controlling interests                                       |      | 230,855             | 183,050             |
|   |      | <b>1,424,196</b>    | <b>1,188,136</b>    |
| <b>Earnings per share attributable to owners of the Company</b> |      |                     |                     |
| Basic and diluted (IDR per share)                               | 8    | <b>682</b>          | <b>572</b>          |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

|   | Note | 2017<br>IDR million | 2016<br>IDR million |
|---|------|---------------------|---------------------|
| <b>Profit for the year</b>  |      | 1,424,196           | 1,188,136           |
| <b>Other comprehensive income:</b>                                    |      |                     |                     |
| <i>Items that may be reclassified subsequently to profit or loss:</i> |      |                     |                     |
| Foreign currency translation (loss)/gain                              |      | (26,522)            | 173,637             |
| Fair value reserve on derivative financial liabilities                |      | 55,126              | (37,461)            |
| <i>Item that will not be reclassified to profit or loss:</i>          |      |                     |                     |
| Re-measurement gain on defined benefit plans                          | 28   | 1,392               | 2,267               |
| <b>Other comprehensive income for the year, net of tax</b>            |      | 29,996              | 138,443             |
| <b>Total comprehensive income for the year</b>                        |      | <b>1,454,192</b>    | <b>1,326,579</b>    |
| <b>Total comprehensive income attributable to:</b>                    |      |                     |                     |
| Owners of the Company   |      | 1,223,260           | 1,143,529           |
| Non-controlling interests   |      | 230,932             | 183,050             |
|   |      | <b>1,454,192</b>    | <b>1,326,579</b>    |

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



# BALANCE SHEETS

AS AT 31 DECEMBER 2017

|                                    | Note  | Group               |                     | Company             |                     |
|------------------------------------|-------|---------------------|---------------------|---------------------|---------------------|
|                                    |       | 2017<br>IDR million | 2016<br>IDR million | 2017<br>IDR million | 2016<br>IDR million |
| <b>ASSETS</b>                      |       |                     |                     |                     |                     |
| <b>Non-current assets</b>          |       |                     |                     |                     |                     |
| Investments in subsidiaries        | 9     | –                   | –                   | 1,402,450           | 854,370             |
| Investments in associate companies | 10    | –                   | 2,285               | 144,144             | 142,952             |
| Bearer plants                      | 11    | 7,293,124           | 7,024,690           | –                   | –                   |
| Property, plant and equipment      | 12    | 3,443,333           | 3,307,380           | 34                  | 79                  |
| Land use rights                    | 13    | 909,603             | 815,034             | –                   | –                   |
| Intangible assets                  | 14    | 174,165             | 176,034             | –                   | –                   |
| Plasma receivables                 | 15    | 1,258,436           | 923,331             | –                   | –                   |
| Due from subsidiaries              | 16    | –                   | –                   | 7,262,010           | 8,041,210           |
| Loan to an associate company       | 17    | 72,541              | 68,084              | 72,541              | 68,084              |
| Deferred tax assets                | 18    | 231,920             | 149,113             | –                   | –                   |
| Deferred charges                   |       | –                   | 6,228               | –                   | 6,228               |
| Total non-current assets           |       | 13,383,122          | 12,472,179          | 8,881,179           | 9,112,923           |
| <b>Current assets</b>              |       |                     |                     |                     |                     |
| Biological assets                  | 19    | 296,070             | 260,251             | –                   | –                   |
| Inventories                        | 20    | 443,559             | 611,617             | –                   | –                   |
| Deferred charges                   |       | 7,779               | 5,333               | 88                  | 50                  |
| Trade and other receivables        | 21    | 286,518             | 277,770             | –                   | –                   |
| Due from related companies         | 22    | 50                  | 478                 | –                   | –                   |
| Plasma receivables                 | 15    | 259,675             | 302,246             | –                   | –                   |
| Prepayments and advances           |       | 10,646              | 10,784              | 62                  | 101                 |
| Dividend receivables               |       | –                   | –                   | –                   | 13,314              |
| Prepaid taxes                      |       | 385,412             | 309,230             | 60                  | 44                  |
| Cash and short-term deposits       | 23(a) | 216,715             | 517,097             | 28,236              | 23,700              |
| Total current assets               |       | 1,906,424           | 2,294,806           | 28,446              | 37,209              |
| <b>Total assets</b>                |       | <b>15,289,546</b>   | <b>14,766,985</b>   | <b>8,909,625</b>    | <b>9,150,132</b>    |

# BALANCE SHEETS

AS AT 31 DECEMBER 2017

|   | Note | Group               |                     | Company             |                     |
|---|------|---------------------|---------------------|---------------------|---------------------|
|   |      | 2017<br>IDR million | 2016<br>IDR million | 2017<br>IDR million | 2016<br>IDR million |
| <b>LIABILITIES AND EQUITY</b>                       |      |                     |                     |                     |                     |
| <b>Current liabilities</b>                          |      |                     |                     |                     |                     |
| Loans and borrowings                                | 24   | 338,700             | 1,007,700           | 338,700             | 1,007,700           |
| Trade and other payables                            | 25   | 499,605             | 572,029             | 1,303               | 13                  |
| Accrued operating expenses                          | 26   | 190,679             | 171,012             | 54,977              | 56,366              |
| Dividend payables                                   |      | –                   | 1,397               | –                   | –                   |
| Sales advances                                      |      | 50,495              | 30,996              | –                   | –                   |
| Taxes payable                                       |      | 198,357             | 132,231             | –                   | 1                   |
| Total current liabilities                           |      | 1,277,836           | 1,915,365           | 394,980             | 1,064,080           |
| <b>Net current assets/(liabilities)</b>             |      | 628,588             | 379,441             | (366,534)           | (1,026,871)         |
| <b>Non-current liabilities</b>                      |      |                     |                     |                     |                     |
| Deferred tax liabilities                            | 18   | 183,759             | 164,488             | –                   | –                   |
| Loans and borrowings                                | 24   | 1,077,638           | 868,634             | 1,077,638           | 868,634             |
| Islamic medium term notes                           | 27   | 3,332,622           | 2,991,828           | 3,332,622           | 2,991,828           |
| Employee benefits liability                         | 28   | 39,139              | 39,082              | –                   | –                   |
| Derivative financial liabilities                    | 29   | 906,840             | 1,265,881           | 906,840             | 1,265,881           |
| Total non-current liabilities                       |      | 5,539,998           | 5,329,913           | 5,317,100           | 5,126,343           |
| <b>Total liabilities</b>                            |      | 6,817,834           | 7,245,278           | 5,712,080           | 6,190,423           |
| <b>Net assets</b>                                   |      | <b>8,471,712</b>    | <b>7,521,707</b>    | <b>3,197,545</b>    | <b>2,959,709</b>    |
| <b>Equity attributable to owners of the Company</b> |      |                     |                     |                     |                     |
| Share capital                                       | 30   | 1,807,045           | 1,807,045           | 1,807,045           | 1,807,045           |
| Treasury shares                                     | 30   | (131,028)           | (17,946)            | (131,028)           | (17,946)            |
| Other reserves                                      | 31   | (199,808)           | (254,934)           | (14,870)            | (69,996)            |
| Retained earnings                                   |      | 5,977,826           | 5,162,032           | 636,267             | 360,141             |
| Foreign currency translation reserve                | 32   | (4,628)             | 21,894              | 900,131             | 880,465             |
|   |      | 7,449,407           | 6,718,091           | 3,197,545           | 2,959,709           |
| <b>Non-controlling interests</b>                    |      | 1,022,305           | 803,616             | –                   | –                   |
| <b>Total equity</b>                                 |      | <b>8,471,712</b>    | <b>7,521,707</b>    | <b>3,197,545</b>    | <b>2,959,709</b>    |
| <b>Total liabilities and equity</b>                 |      | <b>15,289,546</b>   | <b>14,766,985</b>   | <b>8,909,625</b>    | <b>9,150,132</b>    |

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| Group  | Attributable to owners of the Company |                  |                   |                  |                                       |                                  |                           |                  |
|--|---------------------------------------|------------------|-------------------|------------------|---------------------------------------|----------------------------------|---------------------------|------------------|
|  | Share capital                         | Treasury shares  | Retained earnings | Other reserves   | Foreign currency translation reserves | Total share capital and reserves | Non-controlling interests | Total equity     |
|  | IDR million                           | IDR million      | IDR million       | IDR million      | IDR million                           | IDR million                      | IDR million               | IDR million      |
| <b>2017</b>  |                                       |                  |                   |                  |                                       |                                  |                           |                  |
| Balance as of 1 January 2017                           | 1,807,045                             | (17,946)         | 5,162,032         | (254,934)        | 21,894                                | 6,718,091                        | 803,616                   | 7,521,707        |
| Profit for the year                                    | -                                     | -                | 1,193,341         | -                | -                                     | 1,193,341                        | 230,855                   | 1,424,196        |
| Other comprehensive income:                            |                                       |                  |                   |                  |                                       |                                  |                           |                  |
| Fair value reserve on derivative financial liabilities | -                                     | -                | -                 | 55,126           | -                                     | 55,126                           | -                         | 55,126           |
| Foreign currency translation loss                      | -                                     | -                | -                 | -                | (26,522)                              | (26,522)                         | -                         | (26,522)         |
| Re-measurement gain on defined benefit plan (Note 28)  | -                                     | -                | 1,315             | -                | -                                     | 1,315                            | 77                        | 1,392            |
| Total comprehensive income for the year, net of tax    | -                                     | -                | 1,194,656         | 55,126           | (26,522)                              | 1,223,260                        | 230,932                   | 1,454,192        |
| Contributions by and distributions to owners:          |                                       |                  |                   |                  |                                       |                                  |                           |                  |
| Contributions from non-controlling interests           | -                                     | -                | -                 | -                | -                                     | -                                | 87,004                    | 87,004           |
| Buy-back of ordinary shares                            | -                                     | (113,082)        | -                 | -                | -                                     | (113,082)                        | -                         | (113,082)        |
| Dividends on ordinary shares (Note 38)                 | -                                     | -                | (378,862)         | -                | -                                     | (378,862)                        | -                         | (378,862)        |
| Dividends paid to non-controlling interests            | -                                     | -                | -                 | -                | -                                     | -                                | (99,247)                  | (99,247)         |
| <b>Balance as at 31 December 2017</b>                  | <b>1,807,045</b>                      | <b>(131,028)</b> | <b>5,977,826</b>  | <b>(199,808)</b> | <b>(4,628)</b>                        | <b>7,449,407</b>                 | <b>1,022,305</b>          | <b>8,471,712</b> |

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| Group  | Attributable to owners of the Company |                                |                                  |                               |  |   |  |                             |
|--|---------------------------------------|--------------------------------|----------------------------------|-------------------------------|--|---|--|-----------------------------|
|  | Share capital<br>IDR million          | Treasury shares<br>IDR million | Retained earnings<br>IDR million | Other reserves<br>IDR million | Foreign currency translation reserves<br>IDR million | Total share capital and reserves<br>IDR million | Non-controlling interests<br>IDR million | Total equity<br>IDR million |
| <b>2016</b>  |                                       |                                |                                  |                               |  |   |  |                             |
| Balance as of 1 January 2016:                          |                                       |                                |                                  |                               |  |   |  |                             |
| – As previously reported                               | 1,807,045                             | (17,946)                       | 5,515,407                        | (217,473)                     | (151,743)  | 6,935,290                                       | 653,213                                  | 7,588,503                   |
| – Cumulative effects of adopting amendments to FRS 41  | –                                     | –                              | (1,274,141)                      | –                             | –  | (1,274,141)                                     | (107,320)                                | (1,381,461)                 |
| Balance as of 1 January 2016<br>(As restated)          | 1,807,045                             | (17,946)                       | 4,241,266                        | (217,473)                     | (151,743)  | 5,661,149                                       | 545,893                                  | 6,207,042                   |
| Profit for the year                                    | –                                     | –                              | 1,005,086                        | –                             | –  | 1,005,086                                       | 183,050                                  | 1,188,136                   |
| Other comprehensive income:                            |                                       |                                |                                  |                               |  |   |  |                             |
| Fair value reserve on derivative financial liabilities | –                                     | –                              | –                                | (37,461)                      | –  | (37,461)  | –  | (37,461)                    |
| Foreign currency translation gain                      | –                                     | –                              | –                                | –                             | 173,637  | 173,637   | –  | 173,637                     |
| Re-measurement gain on defined benefit plan (Note 28)  | –                                     | –                              | 2,267                            | –                             | –  | 2,267   | –  | 2,267                       |
| Total comprehensive income for the year, net of tax    | –                                     | –                              | 1,007,353                        | (37,461)                      | 173,637  | 1,143,529                                       | 183,050                                  | 1,326,579                   |
| Contributions by and distributions to owners:          |                                       |                                |                                  |                               |  |   |  |                             |
| Contributions from non-controlling interests           | –                                     | –                              | –                                | –                             | –  | –   | 76,317                                   | 76,317                      |
| Dividends on ordinary shares (Note 38)                 | –                                     | –                              | (86,587)                         | –                             | –  | (86,587)  | –  | (86,587)                    |
| Dividends paid to non-controlling interests            | –                                     | –                              | –                                | –                             | –  | –   | (1,644)                                  | (1,644)                     |
| <b>Balance as at 31 December 2016</b>                  | <b>1,807,045</b>                      | <b>(17,946)</b>                | <b>5,162,032</b>                 | <b>(254,934)</b>              | <b>21,894</b>  | <b>6,718,091</b>                                | <b>803,616</b>                           | <b>7,521,707</b>            |

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

|  | 2017<br>IDR million | 2016<br>IDR million |
|--|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                            |                     |                     |
| Cash receipts from customers   | 8,137,497           | 6,919,475           |
| Cash payments to suppliers, employees and for other operating expenses | (5,893,540)         | (5,280,530)         |
| Cash receipts from operating activities                                | 2,243,957           | 1,638,945           |
| Income tax paid  | (361,166)           | (266,722)           |
| <b>Net cash flows generated from operating activities (Note 23(b))</b> | <b>1,882,791</b>    | <b>1,372,223</b>    |
| <b>Cash flows from investing activities</b>                            |                     |                     |
| Increase in plasma receivables   | (222,705)           | (117,066)           |
| Investment in intangible assets  | (574)               | (5,601)             |
| Investment in bearer plants  | (424,107)           | (328,978)           |
| Purchase of property, plant and equipment                              | (372,051)           | (392,315)           |
| Investment in land use rights  | (79,326)            | (179,299)           |
| Receipt of loan repayment from associate companies                     | –                   | 262,700             |
| Net cash outflows for the acquisition of subsidiaries (Note 9)         | (74,437)            | (96,203)            |
| Interest received  | 143,650             | 151,713             |
| <b>Net cash flows used in investing activities</b>                     | <b>(1,029,550)</b>  | <b>(705,049)</b>    |
| <b>Cash flows from financing activities</b>                            |                     |                     |
| Proceeds from loans and borrowings                                     | 199,800             | 132,455             |
| Repayment of loans and borrowings                                      | (668,315)           | (597,427)           |
| Increase in amount due from related companies                          | 428                 | (34,038)            |
| Dividend paid  | (381,859)           | (112,112)           |
| Contributions from non-controlling interests                           | –                   | 43,182              |
| Buy-back of ordinary shares  | (113,082)           | –                   |
| Interest paid  | (187,588)           | (180,094)           |
| <b>Net cash flows used in financing activities</b>                     | <b>(1,150,616)</b>  | <b>(748,034)</b>    |
| Net decrease in cash and cash equivalents                              | (297,375)           | (80,860)            |
| Effect of exchange rate changes on cash and cash equivalents           | (3,007)             | (840)               |
| Cash and cash equivalents at beginning of the year                     | 517,097             | 598,797             |
| <b>Cash and cash equivalents at the end of the year (Note 23(a))</b>   | <b>216,715</b>      | <b>517,097</b>      |

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 2017

## 1. GENERAL

Bumitama Agri Ltd. (the “Company”) is a limited liability company, incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The Company’s immediate holding company is Wellpoint Pacific Holdings Ltd. (“Wellpoint”) incorporated in British Virgin Islands. Wellpoint is ultimately held by the Hariyantos.

The registered office of the Company is located at 10 Anson Road, #11-19, International Plaza, Singapore 079903. The principal place of operations is located at Jl. Melawai Raya No. 10, Kebayoran Baru, Jakarta Selatan, Indonesia.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are that of investment holding, operating oil palm plantations and palm oil mills, and the production and trading of crude palm oil and related products.

Related companies in these financial statements refer to the Hariyanto family’s group of companies.

Related parties in these financial statements refer to members of IOI Corporation Berhad and its subsidiaries (“IOI Group”) of companies as IOI Group is a substantial shareholder of the Company.

## 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 (“IDR”) and all values are rounded to the nearest million (“IDR million”), except when otherwise indicated.

#### Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-Incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the adoption of the SFRS(I) 9 and SFRS(I) 16, the Group expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting SFRS(I) 9 and SFRS(I) 16 will be similar to the impact on adoption of FRS 109 and FRS 116 as disclosed in Note 2.3.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

### 2.3 Standards issued but not yet effective

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

| <i>Description</i>  | <i>Effective for annual periods<br/>beginning on or after</i> |
|---|---|
| Amendments to FRS 102 <i>Classification and Measurement of Share-based Payment transactions</i>                                   | 1 January 2018  |
| FRS 109 <i>Financial Instruments</i>  | 1 January 2018  |
| FRS 115 <i>Revenue from Contracts with Customers</i>  | 1 January 2018  |
| FRS 116 <i>Leases</i>   | 1 January 2019  |
| Improvements to FRSs (December 2016)  |   |
| – Amendments to FRS 28 <i>Investments in Associates and Joint Ventures: Measuring an associate or joint venture at fair value</i> | 1 January 2018  |
| INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>  | 1 January 2018  |
| INT FRS 123 <i>Uncertainty over Income Tax Treatments</i>   | 1 January 2019  |
| Amendments to FRS 109 <i>Prepayment Features with Negative Compensation</i>   | 1 January 2019  |
| Amendments to FRS 28 <i>Long-term Interests in Associates and Joint Ventures</i>  | 1 January 2019  |
| Improvements to FRSs (March 2018)   |   |
| – Amendments to FRS 103 <i>Business Combinations</i>  | 1 January 2019  |
| – Amendments to FRS 111 <i>Joint Arrangements</i>   | 1 January 2019  |
| – Amendments to FRS 12 <i>Income Taxes</i>  | 1 January 2019  |
| – Amendments to FRS 23 <i>Borrowing Costs</i>   | 1 January 2019  |
| Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>     | To be determined *  |

\* The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council ("ASC") in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.

As disclosed in note 2.1 the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9 and SFRS(I)16, the Directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9 and SFRS(I) 16 are described below.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Standards issued but not yet effective (Continued)

#### **FRS 109 Financial Instruments**

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. 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.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

#### **(a) Classification and measurement**

The Group's loans, plasma receivables and trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest, and accordingly measured at amortised cost when it applies FRS 109.

The Group does not expect any significant impact to arise from these changes.

#### **(b) Impairment**

FRS 109 requires the Group and the Company to record expected credit losses on all of its loans, plasma receivables, trade receivables and financial guarantees, either on a 12-months or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect a significant impact on its equity.

The Group and the Company expects to apply the full approach and record 12-months expected credit loss on its loans to associate companies. Upon application of the expected credit loss model, the Group and the Company does not expect a significant impact on its equity.

#### **(c) Hedge accounting**

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109. As FRS 109 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of FRS 109 will not have a significant impact on Group's financial statements.

#### **FRS 116 Leases**

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 *Standards issued but not yet effective* (Continued)

#### **FRS 116 Leases** (Continued)

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

### 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 control is 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 *Basis of consolidation and business combinations* (Continued)

#### (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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is 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 2.13(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.

Business combinations involving entities under common control are accounted for by applying the pooling-of-interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid/transferred and the equity of the acquired entity is reflected within the equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place. Comparatives are presented as if the entities had always been consolidated since the date the entities had come under common control. No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities. No additional goodwill is recognised as a result of the combination.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 financial statements are presented in Indonesian Rupiah ("IDR") which is also the functional currency of its Indonesian entities. The functional currency of the Company is United States Dollars ("USD"). 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 Group entities 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 except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

#### (b) *Consolidated financial statements*

The assets and liabilities of foreign operations are translated into IDR 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Revenue and other income

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 sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the buyer, usually on delivery of goods in accordance with the terms of the sale. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. Payments received from the buyer are recorded as sales advances until all of the criteria for revenue recognition are met.

#### (b) Interest income

Interest income is recognised using the effective interest method.

#### (c) Management fee

Management fee is earned from managing related companies and providing plantation support services to related companies.

### 2.8 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has 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.

### 2.9 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 account for its investments in associates using the equity method from the date on which it becomes an associate.

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 entity's share of the associate's profit or loss in the period in which the investment is acquired.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.9 *Associates* (Continued)

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. Distributions received from associates reduce the carrying amount of the investment. 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 associate are eliminated to the extent of the interest in the 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.

#### 2.10 *Bearer plants*

Bearer plants comprise of mature and immature oil palm plantations and nurseries.

Bearer plants are measured at accumulated cost before maturity and at cost, less any subsequent accumulated depreciation and impairment, with changes recognised in profit or loss. Bearer plants at cost mainly consist of cost relating to development of the oil palm such as land clearing, planting, fertilizing, up-keeping/maintaining the plantations, and allocations of indirect overhead costs up to the time the trees become commercially productive and available for harvest.

Depreciation is computed on a straight-line basis over the estimated useful lives of 25 years.

Bearer plants which are not matured are not depreciated as these are not yet available for use.

The carrying values of the bearer plants 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 reporting date and adjusted prospectively, if appropriate.

Bearer plants are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the bearer plant is included in profit or loss in the year the asset is derecognised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.14. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of property, plant and equipment begins when it is available for use and is computed on a straight-line basis over the estimated useful lives of the assets as follows:

|                              | <b>Number of years</b> |
|------------------------------|------------------------|
| Buildings                    | 5-20                   |
| Renovations                  | 2                      |
| Infrastructure               | 20                     |
| Machinery and equipment      | 5-20                   |
| Vehicles and heavy equipment | 5-10                   |
| Furniture and fixtures       | 5                      |

Depreciation of property, plant and equipment related to the plantations are allocated proportionately based on the area of mature and immature plantations.

Assets under construction are stated at cost and not depreciated as these assets are not yet available for use. Accumulated cost is transferred to the related asset when the asset is completed and ready for use and is then depreciated.

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 in accordance with Note 2.15.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.12 Land use rights

Hak Guna Usaha (“HGU”) or Right to Cultivate and Hak Guna Bangunan (“HGB”) or Right to Build are land rights that grant the registered holders of such rights use of the land for a period of 25 to 35 years.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis according to the rights period, which are over the period of 25 to 35 years.

#### 2.13 Intangible assets

##### (a) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of 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 have been allocated is 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. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

##### (b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.13 *Intangible assets* (Continued)

#### (b) *Other intangible assets* (Continued)

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

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

Other intangible assets represent the cost of software, which is not an integral part of a related hardware that covers all direct cost related to the acquisition and preparation of the software for its intended use. The intangible asset is being amortised on a straight-line basis over the estimated useful life of five years from its initial use.

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

### 2.14 *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.

### 2.15 *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 indication exists, or when an 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 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 to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.15 *Impairment of non-financial assets* (Continued)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years or longer. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss 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 increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

#### 2.16 *Plasma receivables*

Plasma receivables represent loans to Plasma farmers under the Indonesian Government policy – "Kredit Koperasi Primer untuk Anggota" ("KKPA") scheme for the development of biological assets and its infrastructures, covering costs incurred for plasma plantations development which includes seedling, land clearing, cultivating, fertilising, maintenance and other indirect expenses. Under the KKPA scheme, there might be transfers of bearers plants to the Plasma farmers. Upon transfer, plasma receivables will be recorded.

Plasma receivables are either immediately claimed to the financing banks, or temporarily self-funded by the Group for those awaiting bank's funding, or shall be reimbursed by the Plasma farmers. Plasma receivables will include advances to Plasma farmers for loan installments paid to banks. This account is presented at net amount after financing cost, received from the banks. Bank financing are soft loans obtained by cooperatives whose agreements were signed by Plasma farmers and the respective bank for which the Group acts as guarantors for the loans repayment.

Costs incurred during development of the oil palm plantations and temporary funding to the Plasma farmers for working capital purposes are included in plasma receivables in the balance sheet. The funds received from the designated banks on behalf of the Plasma farmers for the development and operations of the plantations are deducted from the plasma receivables on the balance sheet.

Plasma receivables are classified as loans and receivables under FRS 39. The accounting policy for financial instruments is set out in Note 2.18.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.17 *Biological assets*

Biological assets comprise of fresh fruit bunches (“FFB”).

Biological assets are stated at fair value less estimated costs to sell. Gains or losses arising on initial recognition of FFB at fair value less estimated costs to sell and from the changes in fair value less estimated costs to sell of FFB at each reporting date are included in profit or loss for the period in which they arise.

The fair value of the FFB is measured by reference to estimated FFB quantities and publicly available index price set by government.

In determining the estimated FFB production quantities, the Company considers the estimated yield of the biological assets which is dependent on the age of the oil palm trees, the location, soil type and infrastructure.

### 2.18 *Financial instruments*

#### (a) *Financial assets*

##### **Initial recognition and measurement**

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

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

##### **Subsequent measurement**

Subsequent measurement of financial assets depends on their classification as follows:

#### (i) *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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 *Financial instruments* (Continued)

#### (a) *Financial assets* (Continued)

##### **Subsequent measurement** (Continued)

#### (i) *Financial assets at fair value through profit or loss* (Continued)

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.

#### (ii) *Loans and receivables*

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

##### **Derecognition**

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

#### (b) *Financial liabilities*

##### **Initial recognition and measurement**

Financial liabilities are recognised on the balance sheet 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 *Financial instruments* (Continued)

#### (b) *Financial liabilities* (Continued)

##### **Subsequent measurement**

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

##### *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.

##### *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 rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

##### *Derivatives*

The Group uses derivative financial instruments such as cross currency swaps to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date. The Group had applied hedge accounting on its cross currency swaps.

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to the statement of comprehensive income for the year. The fair value of cross currency swaps are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

##### **Derecognition**

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.19 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand, and short-term deposits that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are not pledged as collateral and not restricted.

### 2.20 Impairment of financial assets

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

#### *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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.21 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials (comprising of fertilisers and chemicals and other supplies): purchase costs on a weighted average basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

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

FFB are initially recognised at fair value and subsequently at lower of net realisable value and initial recognition value.

### 2.22 Operating leases

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.

### 2.23 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 Taxes (Continued)

#### (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 and associates, 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, the 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 and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 Taxes (Continued)

#### (b) *Deferred tax* (Continued)

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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is recognised during the measurement period or in profit or loss.

#### (c) *Sales tax*

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax 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 sales tax included.

The net amount of sales tax recoverable from and payable to, the taxation authority is presented as prepaid taxes and part of other payables in the balance sheet.

### 2.24 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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 economic resources 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.25 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. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

##### (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 Labor Law No.13/2003. The said additional provisions are estimated using actuarial calculations based on the report prepared by an independent firm of actuaries.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.25 *Employee benefits* (Continued)

#### (b) *Defined benefit plans* (Continued)

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Re-measurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

### 2.26 *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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

### 2.29 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
  - (i) Has control or joint control over the Company;
  - (ii) Has significant influence over the Company; or
  - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
  
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.30 Segment reporting

For management purposes, the Group is organised into business units based on their products, and has two operating segments as follows:

(a) Plantations and Palm Oil Mills

Plantations and palm oil mills segment is principally involved in the cultivation and maintenance of oil palm plantations and operation of palm oil mills.

(b) Downstream Biodiesel Refinery

Processing biodiesel plant and sells biodiesel products from the refinery.

As the downstream biodiesel refinery segment information is quantitatively insignificant to the Group, operating segment information is not presented.

The Group operates in only one country, and therefore does not present geographical segment information.

### 2.31 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.

### 2.32 Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as: –

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.32 *Hedge accounting* (Continued)

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group does not have any fair value hedges or hedges of net investment in foreign operations in 2017 and 2016.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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. However, uncertainty about these assumptions and estimates could result in outcomes that could 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 did not make any judgements that have effect on the amounts recognised in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Fair value of biological assets (“FFB”)

Biological assets are measured at fair value less estimated costs to sell. The fair value of FFB is measured by reference to estimated FFB quantities and publicly available index price set by government. In determining the fair value of the FFB, the Company considers the estimated yield of the biological assets which is dependent on the age of the oil palm tree, the location, soil type and infrastructure. Any change in the estimates may affect the fair value of the FFB significantly. The management reviews the assumptions and estimates periodically to identify any significant change in the fair value of FFB.

Details of assumptions used and sensitivity analysis are disclosed in Note 19.

#### (b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.13(a). As disclosed in Note 14, the recoverable amounts of the cash generating units which goodwill have been allocated to have been determined based on value in use calculations. The value in use calculations are based on discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 14.

#### (c) Deferred tax assets

Deferred tax assets are recognised for all unused tax credits to the extent that it is probable that taxable profit will be available against which the tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits. In determining the timing and level of future taxable profits, the Group assessed the probability of expected future cash inflows based on expected taxable profit for the next 5 years.

Details of unutilised tax losses and unused tax credits are disclosed in Note 18.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 4. REVENUE

|                        | Group               |                     |
|------------------------|---------------------|---------------------|
|                        | 2017<br>IDR million | 2016<br>IDR million |
| Revenue from sale of:  |                     |                     |
| Crude Palm Oil ("CPO") | 6,744,121           | 5,416,743           |
| Palm Kernel ("PK")     | 1,118,711           | 902,170             |
| Biodiesel              | 265,326             | 309,968             |
| Glycerin               | 3,226               | 891                 |
| <b>Total revenue</b>   | <b>8,131,384</b>    | <b>6,629,772</b>    |

### 5. COST OF SALES

|  | Group               |                     |
|--|---------------------|---------------------|
|  | 2017<br>IDR million | 2016<br>IDR million |
| Cost of inventories recognised as an expense (Note 20)   | 3,130,904           | 2,644,414           |
| Depreciation of mature bearer plants, property, plant and<br>equipment and land use rights (Notes 11, 12 and 13) | 506,786             | 424,024             |
| Plantation costs   | 1,589,204           | 1,158,299           |
| Mill and processing costs  | 255,992             | 208,079             |
| Biodiesel costs  | 259,328             | 219,315             |
| <b>Total cost of sales</b>   | <b>5,742,214</b>    | <b>4,654,131</b>    |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 6. PROFIT BEFORE TAXATION

Profit before taxation is stated after (charging)/crediting the following expenses:

|   | Group            |                  |
|---|------------------|------------------|
|   | 2017             | 2016             |
|   | IDR million      | IDR million      |
| <b>Selling expenses</b>                                 |                  |                  |
| Freight   | (183,984)        | (166,242)        |
| Loading expense   | (23,620)         | (21,902)         |
| <b>Total selling expenses</b>                           | <b>(207,604)</b> | <b>(188,144)</b> |
| <b>General and administrative expenses</b>              |                  |                  |
| Audit fees:   |                  |                  |
| – Auditor of the Company                                | (1,406)          | (1,436)          |
| – Other auditors  | (3,339)          | (3,141)          |
| Non-audit fees:   |                  |                  |
| – Other consultants                                     | (32)             | (39)             |
| Employees' benefit expense:                             |                  |                  |
| – Salaries, wages and other staff related expenses      | (127,222)        | (111,860)        |
| – Defined benefit plan (Note 28)                        | (17,793)         | (16,928)         |
| – Defined contribution plan                             | (582)            | (471)            |
| Transportation  | (4,856)          | (5,131)          |
| Training  | (12,034)         | (11,874)         |
| Depreciation of property, plant and equipment (Note 12) | (9,412)          | (9,514)          |
| Amortisation of land use rights (Note 13)               | (90)             | (90)             |
| Amortisation of intangible assets (Note 14)             | (2,443)          | (2,278)          |
| Maintenance   | (4,223)          | (2,847)          |
| Rental  | (3,349)          | (3,816)          |
| Professional fees                                       | (4,271)          | (2,926)          |
| Insurance   | (3,977)          | (4,209)          |
| Security  | (3,240)          | (2,159)          |
| Electricity, water and telephone                        | (625)            | (663)            |
| Licenses and taxes                                      | (21,910)         | (12,621)         |
| Office expenses   | (6,168)          | (5,314)          |
| Others  | (14,778)         | (8,821)          |
| <b>Total general and administrative expenses</b>        | <b>(241,750)</b> | <b>(206,138)</b> |
| <b>Finance cost</b>                                     |                  |                  |
| Interest expense and amortisation on:                   |                  |                  |
| Loans and borrowings                                    | (224,131)        | (250,301)        |
| Less:   |                  |                  |
| Capitalised to bearer plants (Note 11)                  | 58,103           | 86,957           |
| <b>Total finance cost</b>                               | <b>(166,028)</b> | <b>(163,344)</b> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 7. INCOME TAX EXPENSE

Major components of income tax expense

|   | Group               |                     |
|---|---------------------|---------------------|
|   | 2017<br>IDR million | 2016<br>IDR million |
| Current income tax:   |                     |                     |
| – Current income taxation   | (443,959)           | (353,503)           |
| Deferred income tax:  |                     |                     |
| – Origination and reversal of temporary differences               | 69,338              | 25,956              |
| Withholding tax on interest income and dividend from subsidiaries | (95,639)            | (35,515)            |
| <b>Income tax expense recognised in profit or loss</b>            | <b>(470,260)</b>    | <b>(363,062)</b>    |

Relationship between income tax expense and accounting profit

A reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

|   | Group               |                     |
|---|---------------------|---------------------|
|   | 2017<br>IDR million | 2016<br>IDR million |
| Profit before taxation  | 1,894,456           | 1,551,198           |
| Tax at the domestic rates applicable to profits in the countries where the Group operates | (473,614)           | (387,799)           |
| Non-deductible expenses   | (17,334)            | (23,787)            |
| Share of loss of associate companies  | (571)               | (5,446)             |
| Deferred tax adjustment on revaluation of mature plantation                               | 93,772              | 54,259              |
| Withholding tax on interest income and dividend from subsidiaries                         | (95,639)            | (35,515)            |
| Others  | 23,126              | 35,226              |
| <b>Income tax expense recognised in profit or loss</b>                                    | <b>(470,260)</b>    | <b>(363,062)</b>    |

The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction. The corporate income tax rates applicable to the Group companies in the following countries are:

|           | 2017 | 2016 |
|-----------|------|------|
| Singapore | 17%  | 17%  |
| Indonesia | 25%  | 25%  |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 8. EARNINGS PER SHARE

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

Diluted earnings per share are calculated by dividing profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial 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. No dilution of shares was noted for the Company as at 31 December 2017 and 2016.

The following reflect the profit and share data used in the computation of earnings per share for the financial years ended 31 December:

|  | 2017          | 2016          |
|--|---------------|---------------|
| Profit for the year attributable to owners of the Company (IDR million)                              | 1,193,341     | 1,005,086     |
| Weighted average number of ordinary shares for basic earnings per share computation (No. of shares)* | 1,750,948,694 | 1,757,153,644 |
| <b>Earnings per share (IDR)</b>  |               |               |
| – Basic and diluted  | 682           | 572           |

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

## 9. INVESTMENTS IN SUBSIDIARIES

|                                 | Company             |                     |
|---------------------------------|---------------------|---------------------|
|                                 | 2017<br>IDR million | 2016<br>IDR million |
| Unquoted equity shares, at cost | 1,402,450           | 854,370             |

Details of the subsidiaries are as follows:

| Subsidiaries                                      | Country of incorporation | Principal activities  | Proportion of ownership interest |           |
|---|--------------------------|---|----------------------------------|-----------|
|   |                          |   | 2017<br>%                        | 2016<br>% |
| <b>Held by the Company</b>                        |                          |   |                                  |           |
| PT Bumitama Gunajaya Agro (“BGA”) <sup>(1)</sup>  | Indonesia                | Wholesale distribution, agriculture and plantations development | 90.00                            | 90.00     |
| PT Bumitama Sawit Lestari (“BSL”) <sup>(1)</sup>  | Indonesia                | Investment holding  | 90.00                            | 90.00     |
| PT Bumitama Energi Lestari (“BEL”) <sup>(1)</sup> | Indonesia                | Wholesale distribution  | 99.77                            | 99.77     |
| PT Bumitama Oleo Sentosa (“BOS”) <sup>(3)</sup>   | Indonesia                | Wholesale distribution  | 95.00                            | 95.00     |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 9. INVESTMENTS IN SUBSIDIARIES (Continued)

| Subsidiaries  | Country of incorporation | Principal activities         | Proportion of ownership interest |           |
|---|--------------------------|------------------------------|----------------------------------|-----------|
|   |                          |                              | 2017<br>%                        | 2016<br>% |
| <b>Held via BGA:</b>                                      |                          |                              |                                  |           |
| PT Karya Makmur Bahagia ("KMB") <sup>(1)</sup>            | Indonesia                | Oil palm plantation and mill | 85.50                            | 85.50     |
| PT Windu Nabatindo Lestari ("WNL") <sup>(1)</sup>         | Indonesia                | Oil palm plantation and mill | 81.00                            | 81.00     |
| PT Rohul Sawit Industri ("RSI") <sup>(1)</sup>            | Indonesia                | Palm oil mill                | 81.00                            | 81.00     |
| PT Bumitama Gunajaya Abadi<br>("BG Abadi") <sup>(1)</sup> | Indonesia                | Oil palm plantation and mill | 85.50                            | 85.50     |
| PT Windu Nabatindo Abadi ("WNA") <sup>(1)</sup>           | Indonesia                | Oil palm plantation and mill | 85.50                            | 85.50     |
| PT Masuba Citra Mandiri ("MCM") <sup>(1)</sup>            | Indonesia                | Oil palm plantation          | 85.50                            | 85.50     |
| PT Windu Nabatindo Sejahtera ("WNS") <sup>(3)</sup>       | Indonesia                | Oil palm plantation          | 85.50                            | 85.50     |
| PT Agro Manunggal Sawitindo ("AMS") <sup>(1)</sup>        | Indonesia                | Oil palm plantation          | 85.50                            | 85.50     |
| PT Lestari Gemilang Intisawit ("LGI") <sup>(1)</sup>      | Indonesia                | Oil palm plantation          | 81.00                            | 81.00     |
| PT Ladang Sawit Mas ("LSM") <sup>(1)</sup>                | Indonesia                | Oil palm plantation and mill | 85.50                            | 85.50     |
| PT Agriplus ("AGP") <sup>(2)</sup>                        | Indonesia                | Oil palm plantation          | 85.50                            | –         |
| PT Hungarindo Persada ("HPE") <sup>(3)</sup>              | Indonesia                | Oil palm plantation          | 85.50                            | –         |
| <b>Held via BSL:</b>                                      |                          |                              |                                  |           |
| PT Tanah Tani Lestari ("TTL") <sup>(1)</sup>              | Indonesia                | Oil palm plantation          | 85.50                            | 85.50     |
| PT Nabatindo Karya Utama ("NKU") <sup>(1)</sup>           | Indonesia                | Oil palm plantation          | 72.00                            | 72.00     |
| PT Andalan Sukses Makmur ("ASMR") <sup>(1)</sup>          | Indonesia                | Oil palm plantation          | 85.50                            | 85.50     |
| PT Inti Sawit Lestari ("ISL") <sup>(2)</sup>              | Indonesia                | Wholesale distribution       | 85.50                            | 85.50     |
| PT Sukses Manunggal Sawitindo ("SMS") <sup>(2)</sup>      | Indonesia                | Wholesale distribution       | 85.50                            | 85.50     |
| PT Langgeng Makmur Sejahtera ("LMS") <sup>(1)</sup>       | Indonesia                | Oil palm plantation          | 85.50                            | 85.50     |
| PT Investa Karya Bakti ("IKB") <sup>(3)</sup>             | Indonesia                | Oil palm plantation          | 85.50                            | 85.50     |
| PT Gemilang Makmur Subur ("GMS") <sup>(1)</sup>           | Indonesia                | Oil palm plantation          | 85.50                            | 85.50     |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 9. INVESTMENTS IN SUBSIDIARIES (Continued)

| Subsidiaries  | Country of<br>incorporation | Principal activities         | Proportion of<br>ownership interest |           |
|---|-----------------------------|------------------------------|-------------------------------------|-----------|
|   |                             |                              | 2017<br>%                           | 2016<br>% |
| <b>Held via BSL</b> (continued):                      |                             |                              |                                     |           |
| PT Sejahtera Sawit Lestari ("SSL") <sup>(1)</sup>     | Indonesia                   | Oil palm plantation          | 85.50                               | 85.50     |
| PT Fajar Bumi Nabati ("FBI") <sup>(3)</sup>           | Indonesia                   | Oil palm plantation          | 85.50                               | 85.50     |
| PT Gemilang Subur Maju ("GSM") <sup>(3)</sup>         | Indonesia                   | Oil palm plantation          | 85.50                               | 85.50     |
| PT Damai Agro Sejahtera ("DAS") <sup>(2)</sup>        | Indonesia                   | Oil palm plantation          | 85.50                               | 85.50     |
| <b>Held via KMB:</b>                                  |                             |                              |                                     |           |
| PT Hatiprima Agro ("HPA") <sup>(3)</sup>              | Indonesia                   | Oil palm plantation          | 85.73                               | 85.73     |
| <b>Held via AMS:</b>                                  |                             |                              |                                     |           |
| PT Gunajaya Karya Gemilang ("GKG") <sup>(1)</sup>     | Indonesia                   | Oil palm plantation and mill | 85.52                               | 85.52     |
| PT Gunajaya Ketapang Sentosa ("GKS") <sup>(1)</sup>   | Indonesia                   | Oil palm plantation          | 85.52                               | 85.52     |
| PT Karya Bakti Agro Sejahtera ("KBAS") <sup>(1)</sup> | Indonesia                   | Oil palm plantation and mill | 85.52                               | 85.52     |
| <b>Held via LGI:</b>                                  |                             |                              |                                     |           |
| PT Agro Sejahtera Manunggal ("ASM") <sup>(1)</sup>    | Indonesia                   | Oil palm plantation and mill | 82.37                               | 82.37     |
| PT Karya Makmur Langgeng ("KML") <sup>(1)</sup>       | Indonesia                   | Oil palm plantation          | 82.37                               | 82.37     |
| PT Nabati Agro Subur ("NAS") <sup>(3)</sup>           | Indonesia                   | Oil palm plantation          | 76.95                               | 76.95     |
| <b>Held via BEL:</b>                                  |                             |                              |                                     |           |
| PT Energi Baharu Lestari ("EBL") <sup>(1)</sup>       | Indonesia                   | Wholesale distribution       | 99.63                               | 99.63     |
| <b>Held via ISL:</b>                                  |                             |                              |                                     |           |
| PT Sentosa Prima Agro ("SPA") <sup>(2)</sup>          | Indonesia                   | Oil palm plantation and mill | 81.23                               | 81.23     |
| PT Wahana Hijau Indah ("WHI") <sup>(2)</sup>          | Indonesia                   | Oil palm plantation          | 81.23                               | 81.23     |
| PT Raya Sawit Manunggal ("RSM") <sup>(2)</sup>        | Indonesia                   | Oil palm plantation          | 81.23                               | 81.23     |
| <b>Held via SMS:</b>                                  |                             |                              |                                     |           |
| PT Gunajaya Harapan Lestari ("GHL") <sup>(2)</sup>    | Indonesia                   | Oil palm plantation          | 81.23                               | 81.23     |

(1) Audited by member firm of Ernst & Young Global in Indonesia

(2) Audited by KAP Anwar & Rekan

(3) Not required to be audited by law in its country of incorporation.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 9. INVESTMENTS IN SUBSIDIARIES (Continued)

#### (a) Interest in subsidiaries with material Non-Controlling Interest ("NCI")

The Group has the following subsidiaries that have 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<br>IDR million | Accumulated NCI at the end of reporting period<br>IDR million | Dividends paid to NCI<br>IDR million |
|--------------------------|-----------------------------|---|--|---|--------------------------------------|
| <b>31 December 2017:</b> |                             |   |  |   |                                      |
| BGA                      | Indonesia                   | 10%   | 138,005  | 498,066   | 72,188                               |
| <b>31 December 2016:</b> |                             |   |  |   |                                      |
| BGA                      | Indonesia                   | 10%   | 101,342  | 360,061   | 1,644                                |

#### (b) Summarised financial information about subsidiaries with material NCI

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

*Summarised balance sheet*

|                        | BGA                 |                     |
|------------------------|---------------------|---------------------|
|                        | 2017<br>IDR million | 2016<br>IDR million |
| <b>Current</b>         |                     |                     |
| Assets                 | 1,013,001           | 1,462,427           |
| Liabilities            | (990,091)           | (923,641)           |
| Net current assets     | 22,910              | 538,786             |
| <b>Non-current</b>     |                     |                     |
| Assets                 | 13,976,072          | 12,769,534          |
| Liabilities            | (7,317,349)         | (8,091,424)         |
| Net non-current assets | 6,658,723           | 4,678,110           |
| <b>Net assets</b>      | <b>6,681,633</b>    | <b>5,216,896</b>    |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 9. INVESTMENTS IN SUBSIDIARIES (Continued)

#### (b) Summarised financial information about subsidiaries with material NCI (Continued)

*Summarised statement of comprehensive income*

|                                   | BGA                 |                     |
|-----------------------------------|---------------------|---------------------|
|                                   | 2017<br>IDR million | 2016<br>IDR million |
| Revenue                           | 7,862,426           | 6,302,603           |
| Profit before taxation            | 1,917,122           | 1,610,635           |
| Income tax expense                | (354,792)           | (318,031)           |
| Profit after taxation             | 1,562,330           | 1,292,604           |
| Other comprehensive income        | 1,395               | 1,926               |
| <b>Total comprehensive income</b> | <b>1,563,725</b>    | <b>1,294,530</b>    |

*Other summarised information*

|  | BGA                 |                     |
|--|---------------------|---------------------|
|  | 2017<br>IDR million | 2016<br>IDR million |
| Net cash flows from operations               | 2,063,627           | 1,649,688           |
| Acquisition of property, plant and equipment | 266,624             | 271,242             |

#### (c) Acquisition of subsidiaries in 2017

On 3 April 2017, BGA together with PT Karya Manunggal Sawitindo ("KMS"), an associate of the Group's controlling shareholders, Dr. Lim Hariyanto Wijaya Sarwono and Mr. Lim Gunawan Hariyanto, acquired PT Agriplus ("AGP") from a third party for a total consideration of IDR 76,070 million. Upon completion of the acquisition, BGA and KMS own 95% and 5% of the issued and paid up share capital in AGP, respectively.

On 8 June 2017, BGA together with KMS acquired PT Hungarindo Persada ("HPE") from a third party for a total consideration of IDR 4,000 million. Upon completion of the acquisition, BGA and KMS own 95% and 5% of the issued and paid up share capital in HPE, respectively.

The acquisition of AGP and HPE are in line with the Group's expansion plan to increase the hectareage of its land bank.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of AGP and HPE's net identifiable assets.

No goodwill recognised upon acquisition of the above subsidiaries as the fair value of identifiable net assets approximate the acquisition value.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 9. INVESTMENTS IN SUBSIDIARIES (Continued)

#### (c) Acquisition of subsidiaries in 2017 (Continued)

The fair value of the identifiable assets and liabilities of the above subsidiaries as at the acquisition date were:

|   | <b>Total<br/>IDR million</b> |
|---|------------------------------|
| Bearer plants (Note 11)   | 163,498                      |
| Property, plant and equipment (Note 12)   | 9,431                        |
| Land use rights (Note 13)   | 49,686                       |
| Other non-current assets  | 1,369                        |
| Plasma receivables (Note 15)  | 26,071                       |
| Inventories   | 6,385                        |
| Trade and other receivables   | 1,757                        |
| Prepaid taxes   | 2,080                        |
| Other current assets  | 183                          |
| Cash at bank and on hand  | 1,630                        |
| Deferred tax liabilities  | (5,472)                      |
| Trade and other payables  | (2,881)                      |
| Due to related parties  | (159,167)                    |
| Accrued payable   | (14,491)                     |
| Other current liabilities   | (8)                          |
| Total identifiable net assets at fair value   | 80,071                       |
| Non-controlling interest measured at the non-controlling interest's proportionate share net identifiable assets | (4,004)                      |
| <b>Consideration paid</b>   | <b>76,067</b>                |

*Consideration transferred for the acquisition of AGP and HPE*

|  | <b>AGP<br/>IDR million</b> | <b>HPE<br/>IDR million</b> | <b>Total<br/>IDR million</b> |
|--|----------------------------|----------------------------|------------------------------|
| <b>Cash paid, representing total consideration transferred</b> | <b>72,267</b>              | <b>3,800</b>               | <b>76,067</b>                |

*Effect of the acquisition AGP and HPE on cash flows*

|   | <b>AGP<br/>IDR million</b> | <b>HPE<br/>IDR million</b> | <b>Total<br/>IDR million</b> |
|---|----------------------------|----------------------------|------------------------------|
| Consideration transferred                               | 72,267                     | 3,800                      | 76,067                       |
| Less: Cash at bank and on hand of subsidiaries acquired | (1,210)                    | (420)                      | (1,630)                      |
| <b>Net cash inflow on acquisition</b>                   | <b>71,057</b>              | <b>3,380</b>               | <b>74,437</b>                |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 9. INVESTMENTS IN SUBSIDIARIES (Continued)

#### (c) *Acquisition of subsidiaries in 2017* (Continued)

##### *Impact of the acquisition on profit or loss*

From their acquisition dates, the acquired subsidiaries contributed revenue of IDR 10,604 million, and loss of IDR 568 million to the Group's revenue and profit, net of tax, for the year, respectively. Had the business combinations took place at the beginning of the financial year, the Group's revenue from the operations would have been IDR 8,135,343 million and the Group's profit, net of tax, for the year would have been IDR 1,424,736 million.

#### (d) *Acquisition of subsidiaries in 2016*

On 3 February 2016, BSL together with PT Karya Manunggal Sawitindo ("KMS"), an associate of the Group's controlling shareholders, Dr. Lim Hariyanto Wijaya Sarwono and Mr. Lim Gunawan Hariyanto, entered into a Sale and Purchase Agreement with the Lim Family (which include one of the Company's Controlling Shareholders, the Hariyantos) to acquire PT Sukses Manunggal Sawitindo ("SMS") for a total consideration of IDR 76,957 million. Upon completion of the acquisition, BSL and KMS own 95% and 5% of the issued and paid up share capital in SMS, respectively.

On 7 June 2016, BSL together with KMS acquired PT Langgeng Makmur Sejahtera ("LMS") from a third party for a total consideration of IDR 250 million. Upon completion of the acquisition, BSL and KMS own 95% and 5% of the issued and paid up share capital in LMS, respectively.

On 13 September 2016, BSL together with KMS acquired PT Gemilang Makmur Subur ("GMS") from Westbrook International Pte Ltd. for a total consideration of IDR 12,274 million. Upon completion of the acquisition, BSL and KMS own 95% and 5% of the issued and paid up share capital in GMS, respectively.

On 30 December 2016, BSL together with KMS acquired PT Damai Agro Sejahtera ("DAS") from a third party for a total consideration of IDR 250 million. Upon completion of the acquisition, BSL and KMS own 90% and 10% of the issued and paid up share capital in DAS, respectively.

During 2016, the Group through one of its subsidiaries, BSL, together with KMS acquired several less material subsidiaries with total amount of purchase consideration of IDR 11,567 million.

No goodwill recognised upon acquisition of the above subsidiaries as the fair value of identifiable net assets are approximate the acquisition value.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 9. INVESTMENTS IN SUBSIDIARIES (Continued)

#### (d) Acquisition of subsidiaries in 2016 (Continued)

The fair value of the identifiable assets and liabilities of the above subsidiaries as at the acquisition date were:

|   | <b>Total<br/>IDR million</b> |
|---|------------------------------|
| Bearer plants (Note 11)   | 633,156                      |
| Property, plant and equipment (Note 12)   | 18,421                       |
| Land use rights (Note 13)   | 24,559                       |
| Other non-current assets  | 23,607                       |
| Plasma receivables (Note 15)  | 91,150                       |
| Inventories   | 10,031                       |
| Trade and other receivables   | 14,043                       |
| Prepaid expenses  | 2,027                        |
| Prepaid taxes   | 35,621                       |
| Deferred tax liabilities  | (35,037)                     |
| Bank loan   | (54,217)                     |
| Trade and other payables  | (387,963)                    |
| Due to related parties  | (258,457)                    |
| Other current liabilities   | (15,632)                     |
| Total identifiable net assets at fair value   | 101,309                      |
| Non-controlling interest measured at the non-controlling interest's proportionate share net identifiable assets | (5,106)                      |
| <b>Consideration paid</b>   | <b>96,203</b>                |

#### Impact of the acquisition on profit or loss

From their acquisition dates, the acquired subsidiaries contributed revenue of IDR 70,065 million, and loss of IDR 26,153 million to the Group's revenue and profit, net of tax, for the year, respectively. Had the business combinations took place at the beginning of the financial year, the Group's revenue from the operations would have been IDR 6,634,109 million and the Group's profit, net of tax, for the year would have been IDR 1,177,236 million.

### 10. INVESTMENTS IN ASSOCIATE COMPANIES

|                                   | <b>Group</b>       |                    | <b>Company</b>     |                    |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                   | <b>2017</b>        | <b>2016</b>        | <b>2017</b>        | <b>2016</b>        |
|                                   | <b>IDR million</b> | <b>IDR million</b> | <b>IDR million</b> | <b>IDR million</b> |
| Balance as at 1 January           | 2,285              | 24,043             | 142,952            | 145,886            |
| Additions                         | –                  | 840                | –                  | 840                |
| Share of post-acquisition reserve | (2,285)            | (21,784)           | –                  | –                  |
| Translation differences           | –                  | (814)              | 1,192              | (3,774)            |
| <b>Balance as at 31 December</b>  | <b>–</b>           | <b>2,285</b>       | <b>144,144</b>     | <b>142,952</b>     |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 10. INVESTMENTS IN ASSOCIATE COMPANIES (Continued)

Details of the associate companies are as follows:

| Name  | Country of<br>incorporation | Principal activities | Proportion of<br>ownership interest |           |
|---|-----------------------------|----------------------|-------------------------------------|-----------|
|   |                             |                      | 2017<br>%                           | 2016<br>% |
| <b>Held through the Company:</b>                |                             |                      |                                     |           |
| PT Sawit Nabati Agro ("SNA") <sup>(1)</sup>     | Indonesia                   | Oil palm plantation  | 28.00                               | 28.00     |
| PT Berkat Agro Sawitindo ("BAS") <sup>(1)</sup> | Indonesia                   | Oil palm plantation  | 28.00                               | 28.00     |

(1) Audited by member firm of Ernst & Young Global in Indonesia

The activities of the associates are strategic to the Group activities. The Group has not recognised losses relating to the associate companies where its share of losses exceeds the Group's interest in the associate companies. The Group's cumulative share of unrecognised losses at the end of the reporting period was IDR 51,005 million (2016: Nil). The Group has no obligation in respect of these losses.

The summarised unaudited financial information of the associate companies not adjusted for the proportion of ownership interest held by the Group is as follows:

|   | Group               |                     |
|---|---------------------|---------------------|
|   | 2017<br>IDR million | 2016<br>IDR million |
| <b>Summarised balance sheet</b>                         |                     |                     |
| Current assets  | 120,786             | 156,904             |
| Non-current assets                                      | 1,406,192           | 1,251,335           |
| Total assets  | 1,526,978           | 1,408,239           |
| Current liabilities                                     | 347,700             | 1,576,438           |
| Non-current liabilities                                 | 1,947,220           | 402,083             |
| Total liabilities                                       | 2,294,920           | 1,978,521           |
| <b>Summarised statement of comprehensive income</b>     |                     |                     |
| Revenue   | 188,080             | 111,325             |
| Loss after tax, representing total comprehensive income | (190,322)           | (77,800)            |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 11. BEARER PLANTS

Bearer plants are classified into mature plantations, immature plantations and nurseries.

|  | Group            |                  |
|--|------------------|------------------|
|  | 2017             | 2016             |
|  | IDR million      | IDR million      |
| <b>Mature plantations</b>                |                  |                  |
| <b>Cost</b>                              |                  |                  |
| Balance as at 1 January                  | 5,754,456        | 4,217,361        |
| Transfer from immature plantations       | 1,124,607        | 1,074,892        |
| Transfer from a related party            | –                | 176,546          |
| Transfer to plasma receivables (Note 15) | (83,121)         | (153,847)        |
| Acquisition of subsidiaries (Note 9)     | 46,032           | 439,504          |
| <b>Balance as at 31 December</b>         | <b>6,841,974</b> | <b>5,754,456</b> |
| <b>Accumulated depreciation</b>          |                  |                  |
| Balance as at 1 January                  | 777,200          | 591,114          |
| Additions (Note 5)                       | 279,438          | 212,739          |
| Transfer to plasma receivables (Note 15) | (18,350)         | (26,653)         |
| <b>Balance as at 31 December</b>         | <b>1,038,288</b> | <b>777,200</b>   |
| <b>Net carrying amount</b>               | <b>5,803,686</b> | <b>4,977,256</b> |
| <b>Immature plantations</b>              |                  |                  |
| <b>Cost</b>                              |                  |                  |
| Balance as at 1 January                  | 1,971,030        | 2,368,556        |
| Development costs                        | 495,043          | 461,566          |
| Reclass from land use rights (Note 13)   | 29,933           | –                |
| Transferred from nurseries               | 25,575           | 50,250           |
| Acquisition of subsidiaries (Note 9)     | 104,861          | 193,652          |
|  | 2,626,442        | 3,074,024        |
| Transferred to mature plantations        | (1,124,607)      | (1,074,892)      |
| Transfer to plasma receivables (Note 15) | (71,824)         | (28,102)         |
| <b>Balance as at 31 December</b>         | <b>1,430,011</b> | <b>1,971,030</b> |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 11. BEARER PLANTS (Continued)

|                                      | Group               |                     |
|--------------------------------------|---------------------|---------------------|
|                                      | 2017<br>IDR million | 2016<br>IDR million |
| <b>Nurseries</b>                     |                     |                     |
| <b>Cost</b>                          |                     |                     |
| Balance as at 1 January              | 76,404              | 96,610              |
| Development costs                    | 4,306               | 41,206              |
| Deduction                            | (8,313)             | (11,162)            |
| Acquisition of subsidiaries (Note 9) | 12,605              | -                   |
|                                      | 85,002              | 126,654             |
| Transferred to immature plantations  | (25,575)            | (50,250)            |
| <b>Balance as at 31 December</b>     | <b>59,427</b>       | <b>76,404</b>       |
| <b>Total carrying amount</b>         | <b>7,293,124</b>    | <b>7,024,690</b>    |

The plantations of the Group have been insured against the risk of fire, covering an aggregate area of approximately 8,579 hectares (2016: 10,599 hectares) for up to approximately IDR 321 billion (2016: IDR 319 billion) as at 31 December 2017. Total nucleus planted area for the year ended 31 December 2017 accounted for approximately 131,421 hectares (2016: 128,966 hectares).

Depreciation of property, plant and equipment capitalised to immature plantations for the financial years ended 31 December 2017 and 2016 amounted to IDR 10,068 million and IDR 13,870 million, respectively (Note 12).

Borrowing costs capitalised to immature plantations for the financial years ended 31 December 2017 and 2016 amounted to IDR 58,103 million and IDR 86,957 million, respectively (Note 6).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 12. PROPERTY, PLANT AND EQUIPMENT

| Group                           | Buildings<br>IDR million | Renovation<br>IDR million | Infrastructure<br>IDR million | Machinery<br>and<br>equipment   | Vehicles<br>and heavy<br>equipment | Furniture<br>and fixtures<br>IDR million | Assets under<br>construction<br>IDR million | Total<br>IDR million |
|---------------------------------|--------------------------|---------------------------|-------------------------------|---------------------------------|------------------------------------|--|---|----------------------|
|                                 |                          |                           |                               | and<br>equipment<br>IDR million | and<br>equipment<br>IDR million    |  |   |                      |
| <b>Cost</b>                     |                          |                           |                               |                                 |                                    |  |   |                      |
| Balance as at                   |                          |                           |                               |                                 |                                    |  |   |                      |
| 1 January 2016                  | 1,359,296                | 2,551                     | 592,734                       | 1,251,016                       | 442,002                            | 112,882                                  | 429,318                                     | 4,189,799            |
| Additions (Note 23(c))          | 44,952                   | -                         | 54,574                        | 49,070                          | 12,911                             | 7,262                                    | 128,558                                     | 297,327              |
| Acquisition of subsidiaries     |                          |                           |                               |                                 |                                    |  |   |                      |
| (Note 9)                        | 14,469                   | -                         | 378                           | 98                              | 2,625                              | 851                                      | -   | 18,421               |
| Disposals                       | (772)                    | -                         | -                             | -                               | (12,903)                           | -  | -   | (13,675)             |
| Reclassifications               | 35,627                   | -                         | 41,180                        | 208,226                         | 494                                | 40                                       | (285,567)                                   | -                    |
| Balance as at                   |                          |                           |                               |                                 |                                    |  |   |                      |
| 31 December 2016 and            |                          |                           |                               |                                 |                                    |  |   |                      |
| 1 January 2017                  | 1,453,572                | 2,551                     | 688,866                       | 1,508,410                       | 445,129                            | 121,035                                  | 272,309                                     | 4,491,872            |
| Additions (Note 23(c))          | 17,740                   | -                         | 36,333                        | 164,146                         | 49,073                             | 2,405                                    | 144,740                                     | 414,437              |
| Acquisition of subsidiaries     |                          |                           |                               |                                 |                                    |  |   |                      |
| (Note 9)                        | 5,305                    | -                         | 39                            | 2,435                           | 940                                | 712                                      | -   | 9,431                |
| Disposals                       | (350)                    | -                         | -                             | -                               | (8,758)                            | -  | -   | (9,108)              |
| Impairment                      | (5,943)                  | -                         | (513)                         | (18,411)                        | -                                  | -  | -   | (24,867)             |
| Reclassifications               | 6,634                    | -                         | 12,265                        | 280,707                         | -                                  | 272                                      | (299,878)                                   | -                    |
| Balance as at                   |                          |                           |                               |                                 |                                    |  |   |                      |
| 31 December 2017                | 1,476,958                | 2,551                     | 736,990                       | 1,937,287                       | 486,384                            | 124,424                                  | 117,171                                     | 4,881,765            |
| <b>Accumulated depreciation</b> |                          |                           |                               |                                 |                                    |  |   |                      |
| Balance as at                   |                          |                           |                               |                                 |                                    |  |   |                      |
| 1 January 2016                  | 265,617                  | 2,551                     | 81,327                        | 246,369                         | 277,550                            | 71,997                                   | -   | 945,411              |
| Charge for the year             | 70,395                   | -                         | 33,028                        | 76,808                          | 54,978                             | 15,179                                   | -   | 250,388              |
| Disposals                       | (412)                    | -                         | -                             | -                               | (10,895)                           | -  | -   | (11,307)             |
| Balance as at                   |                          |                           |                               |                                 |                                    |  |   |                      |
| 31 December 2016 and            |                          |                           |                               |                                 |                                    |  |   |                      |
| 1 January 2017                  | 335,600                  | 2,551                     | 114,355                       | 323,177                         | 321,633                            | 87,176                                   | -   | 1,184,492            |
| Charge for the year             | 74,585                   | -                         | 33,313                        | 93,003                          | 44,885                             | 14,184                                   | -   | 259,970              |
| Disposals                       | (349)                    | -                         | -                             | (5,681)                         | -                                  | -  | -   | (6,030)              |
| Balance as at                   |                          |                           |                               |                                 |                                    |  |   |                      |
| 31 December 2017                | 409,836                  | 2,551                     | 147,668                       | 410,499                         | 366,518                            | 101,360                                  | -   | 1,438,432            |
| <b>Net carrying amount</b>      |                          |                           |                               |                                 |                                    |  |   |                      |
| <b>Balance as at</b>            |                          |                           |                               |                                 |                                    |  |   |                      |
| <b>31 December 2016</b>         | <b>1,117,972</b>         | <b>-</b>                  | <b>574,511</b>                | <b>1,185,233</b>                | <b>123,496</b>                     | <b>33,859</b>                            | <b>272,309</b>                              | <b>3,307,380</b>     |
| <b>Balance as at</b>            |                          |                           |                               |                                 |                                    |  |   |                      |
| <b>31 December 2017</b>         | <b>1,067,122</b>         | <b>-</b>                  | <b>589,322</b>                | <b>1,526,788</b>                | <b>119,866</b>                     | <b>23,064</b>                            | <b>117,171</b>                              | <b>3,443,333</b>     |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

#### *Impairment of assets*

During the financial year, the Group had discontinued its biodiesel production plant which carried out thin profit margin and uncertain biodiesel market conditions. An impairment loss of IDR 24,867 million (2016: Nil), representing the write-down of buildings, infrastructure, and machinery and equipment to the recoverable amount was recognised in "Other expenses" line item of profit or loss for the financial year ended 31 December 2017.

| Company  | Renovations<br>IDR million | Furniture<br>and fixtures<br>IDR million | Total<br>IDR million |
|--|----------------------------|--|----------------------|
| <b>Cost</b>  |                            |  |                      |
| Balance as at 1 January 2016, 31 December 2016,<br>1 January 2017 and 31 December 2017 | 2,551                      | 286                                      | 2,837                |
| <b>Accumulated depreciation</b>  |                            |  |                      |
| Balance as at 1 January 2016   | 2,551                      | 146                                      | 2,697                |
| Charge for the year  | –                          | 61                                       | 61                   |
| Balance as at 31 December 2016 and 1 January 2017                                      | 2,551                      | 207                                      | 2,758                |
| Charge for the year  | –                          | 45                                       | 45                   |
| Balance as at 31 December 2017   | 2,551                      | 252                                      | 2,803                |
| <b>Net carrying amount</b>   |                            |  |                      |
| <b>Balance as at 31 December 2016</b>  | –                          | 79                                       | 79                   |
| <b>Balance as at 31 December 2017</b>  | –                          | 34                                       | 34                   |

#### *Depreciation*

Depreciation of property, plant and equipment was charged and allocated as follows:

|  | Group               |                     |
|--|---------------------|---------------------|
|  | 2017<br>IDR million | 2016<br>IDR million |
| Cost of sales (Note 5)                       |                     |                     |
| – FFB  | 92,438              | 93,037              |
| – CPO and PK                                 | 125,049             | 108,633             |
| – Biodiesel                                  | 5,442               | 5,196               |
| General and administrative expenses (Note 6) | 9,412               | 9,514               |
| Immature plantations (Note 11)               | 10,068              | 13,870              |
| Plasma receivables                           | 17,011              | 20,138              |
| Other expenses                               | 550                 | –                   |
| <b>Total depreciation</b>                    | <b>259,970</b>      | <b>250,388</b>      |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 13. LAND USE RIGHTS

|   | Group               |                     |
|---|---------------------|---------------------|
|   | 2017<br>IDR million | 2016<br>IDR million |
| <b>Cost</b>   |                     |                     |
| Balance as at 1 January                             | 830,257             | 626,274             |
| Additions (Note 23(c))                              | 79,325              | 179,424             |
| Acquisition of subsidiaries (Note 9)                | 49,686              | 24,559              |
| Reclass to immature plantation (Note 11)            | (29,933)            | –                   |
| Balance as at 31 December                           | 929,335             | 830,257             |
| <b>Accumulated amortisation</b>                     |                     |                     |
| Balance as at 1 January                             | 15,223              | 10,714              |
| Amortisation for the year                           | 4,509               | 4,509               |
| Balance as at 31 December                           | 19,732              | 15,223              |
| <b>Net carrying amount</b>                          | <b>909,603</b>      | <b>815,034</b>      |
| Amounts to be amortised:                            |                     |                     |
| – Not later than one year                           | 4,509               | 4,509               |
| – Later than one year but not later than five years | 18,036              | 18,036              |
| – Later than five years                             | 887,058             | 792,489             |
|   | <b>909,603</b>      | <b>815,034</b>      |

Land use rights represent the cost of land use rights owned by the Group and cost associated with the legal transfer or renewal for titles of land use rights such as, among others, legal fees, land survey and re-measurement fees, taxes and other related expenses. Land use rights are amortised on a straight-line basis over their terms of 25 to 35 years. The terms can be extended up to a period of 25 years from the initial recognition, subject to agreement with the Government of Indonesia and payments of premium.

As at 31 December 2017, the land use rights have remaining tenure ranging from 19 years to 30 years (2016: 20 years to 30 years).

Amortisation of land use rights was charged and allocated as follows:

|  | Group               |                     |
|--|---------------------|---------------------|
|  | 2017<br>IDR million | 2016<br>IDR million |
| Cost of sales (Note 5)                       | 4,419               | 4,419               |
| General and administrative expenses (Note 6) | 90                  | 90                  |
|  | <b>4,509</b>        | <b>4,509</b>        |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 14. INTANGIBLE ASSETS

| Group   | Goodwill<br>IDR million | Software<br>IDR million | Total<br>IDR million |
|---|-------------------------|-------------------------|----------------------|
| <b>Cost</b>   |                         |                         |                      |
| Balance as at 1 January 2016                                      | 175,054                 | 20,348                  | 195,402              |
| Additions   | –                       | 5,601                   | 5,601                |
| Adjustment arising from finalisation of purchase price allocation | (590)                   | –                       | (590)                |
| Balance as at 31 December 2016 and 1 January 2017                 | 174,464                 | 25,949                  | 200,413              |
| Additions   | –                       | 574                     | 574                  |
| Balance as at 31 December 2017                                    | 174,464                 | 26,523                  | 200,987              |
| <b>Accumulated amortisation and impairment losses</b>             |                         |                         |                      |
| Balance as at 1 January 2016                                      | 6,563                   | 15,538                  | 22,101               |
| Amortisation for the year (Note 6)                                | –                       | 2,278                   | 2,278                |
| Balance as at 31 December 2016 and 1 January 2017                 | 6,563                   | 17,816                  | 24,379               |
| Amortisation for the year (Note 6)                                | –                       | 2,443                   | 2,443                |
| Balance as at 31 December 2017                                    | 6,563                   | 20,259                  | 26,822               |
| <b>Net carrying amount</b>  |                         |                         |                      |
| <b>Balance as at 31 December 2016</b>                             | <b>167,901</b>          | <b>8,133</b>            | <b>176,034</b>       |
| <b>Balance as at 31 December 2017</b>                             | <b>167,901</b>          | <b>6,264</b>            | <b>174,165</b>       |

### Goodwill

#### *Impairment testing of goodwill*

Goodwill arising from business combinations is allocated to the individual cash-generating units (“CGU”) for the purpose of impairment testing. The CGUs relating to the goodwill as at 31 December are as follows:

|                  | Group               |                     |
|------------------|---------------------|---------------------|
|                  | 2017<br>IDR million | 2016<br>IDR million |
| Carrying values: |                     |                     |
| – KMB            | 22,885              | 22,885              |
| – LGI            | 48,809              | 48,809              |
| – NKU            | 96,207              | 96,207              |
|                  | <b>167,901</b>      | <b>167,901</b>      |



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 14. INTANGIBLE ASSETS (Continued)

#### Goodwill (Continued)

##### Impairment testing of goodwill (Continued)

The recoverable amount of the CGUs as at 31 December 2017 and 2016 was determined based on value-in-use ("VIU") calculations using cash flow projections from financial budgets approved by Board of Directors. The calculations were based on the following key assumptions:

|                              | 2017          | 2016          |
|------------------------------|---------------|---------------|
| Discount rate (pre-tax)      | 10.8%         | 11.63%        |
| Inflation rate               | 3.5% – 4%     | 3.41% – 5%    |
| Projected CPO price (IDR/Kg) | 7,960 – 8,596 | 7,054 – 7,360 |

The VIU calculations applied a discounted cash flow model using cash flow projections and projected CPO price of IDR 7,960 – IDR 8,596 per kg (2016: IDR 7,054 – IDR 7,360 per kg). The cash flows calculated is based on a professional valuer's judgement with reference to monetary policy report published by Bank Indonesia, International Monetary Fund data and World Economic Outlook Database.

##### Key assumptions used in VIU calculations

The calculations of VIU are most sensitive to the following assumptions:

*Pre-tax discount rate* – The discount rate applied to the cash flow projection is a combination of both pre-tax and post-tax derived from the weighted average cost of capital of the oil palm plantation sectors.

*Inflation rate* – The inflation rate is based on the International Monetary Fund data.

*Projected CPO price* – The CPO price was based on the international market price retrieved from Economist Intelligence Unit and World Bank and local market price retrieved from Badan Pengawas Perdagangan Berjangka Komoditi ("Bappebti").

Based on the above analysis, management has assessed that the goodwill is not impaired as at 31 December 2017 and 2016.

##### Sensitivity to changes in assumptions

Changes to the assumptions used by management to determine the recoverable amounts may have an 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 each CGU, including goodwill, to materially exceed their recoverable amount.

#### Software

Software represents the cost of software that covers all direct cost related to the acquisition and preparation of the software for its intended use which is not part of an integral part of hardware. Amortisation of software is recognised in the "General and administrative expenses" line item in the consolidated income statement.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 15. PLASMA RECEIVABLES

Plasma receivables represent costs incurred for plasma plantations development which was financed by the Subsidiaries while waiting for funding investment credit from the bank or shall be reimbursed by the plasma farmers. Plasma receivables also include advances to plasma farmers for payments of loan installments to the banks.

The Subsidiaries develop plasma plantations under the “Kredit Koperasi Primer untuk Anggota” (“KKPA”) scheme. Plasma plantations development is financed through investment credit from banks. Under the KKPA scheme, investment credit agreement is signed by plasma farmers through cooperative (*Koperasi Unit Desa/KUD*) as their representative and the Subsidiaries act as guarantors for the loan repayments.

As the guarantors for the loan installments, the Subsidiaries deduct plasma farmers’ sales of FFB based on bank loan installments until the plasma farmers’ loans to the bank are fully paid. The amount deducted will be paid by the Subsidiaries as the plasma farmers’ loan installments to the bank. Deficits from difference between deductions from sales of FFB with bank loan installments, which must be paid by the Subsidiaries as guarantors of loan repayments, are recorded as plasma receivables until reimbursed by plasma farmers.

As of 31 December 2017 and 2016, the Company has developed plasma plantations through bank partnerships covering a total area of 51,254 hectares and 46,277 hectares, respectively.

Details of plasma plantation receivables as at 31 December 2017 and 2016 are as follows:

|   | <b>Group</b>       |                    |
|---|--------------------|--------------------|
|   | <b>2017</b>        | <b>2016</b>        |
|   | <b>IDR million</b> | <b>IDR million</b> |
| At 1 January  | 1,225,577          | 1,139,986          |
| Additional development cost, net of collections                 | 272,813            | 121,674            |
| Financing from banks  | (328,341)          | (814,206)          |
| Payment of self financing of receivables from plasma plantation | 185,396            | 531,677            |
| Reclassification from bearer plants (Note 11)                   | 136,595            | 155,296            |
| Acquisition of subsidiaries (Note 9)                            | 26,071             | 91,150             |
| <b>At 31 December</b>   | <b>1,518,111</b>   | <b>1,225,577</b>   |
| Less: Current portion of plasma receivables                     | (259,675)          | (302,246)          |
| <b>Non-current portion of plasma receivables</b>                | <b>1,258,436</b>   | <b>923,331</b>     |

### 16. DUE FROM SUBSIDIARIES

|                              | <b>Company</b>     |                    |
|------------------------------|--------------------|--------------------|
|                              | <b>2017</b>        | <b>2016</b>        |
|                              | <b>IDR million</b> | <b>IDR million</b> |
| <b>Loans to subsidiaries</b> | <b>7,262,010</b>   | <b>8,041,210</b>   |

As at 31 December 2017, loans to subsidiaries are non-trade, bear interest at rates of 3.55% (2016: 3.55%) per annum above the one month USD London Interbank Offered Rate (“LIBOR”). The loans are unsecured and the settlement are neither planned nor likely to occur in the foreseeable future as they are, in substance, a part of the Company’s net investments in the subsidiaries. These amounts are denominated in USD.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 17. LOAN TO AN ASSOCIATE COMPANY

Loan to an associate company is non-trade, bears interest at 5.0% (2016: 5.0%) per annum above the three months USD LIBOR, unsecured and is repayable at the end of the fifth anniversary from 20 March 2012. The amount is denominated in USD.

The loan agreement has been extended to 8 years commencing from 20 March 2017. The repayment date of the loan shall be over a period of 3 years commencing from 20 September 2022 until 20 March 2025, by way of 6 equal bi-annual installments.

### 18. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

|   | Balance sheet    |                  | Income statement |                 |
|---|------------------|------------------|------------------|-----------------|
|   | Group            |                  | Group            |                 |
|   | 2017             | 2016             | 2017             | 2016            |
|   | IDR million      | IDR million      | IDR million      | IDR million     |
| <b>Deferred tax assets:</b>                           |                  |                  |                  |                 |
| Property, plant and equipment                         | 7,138            | 5,383            | 1,755            | 1,283           |
| Unutilised tax losses                                 | 121,773          | 120,219          | 1,554            | (3,611)         |
| Bearer plants   | 146,247          | 59,264           | 86,983           | 59,264          |
| Re-measurement on defined benefit plan (Note 28)      | 2,197            | 2,661            | –                | –               |
| <b>Gross deferred tax assets, net</b>                 | <b>277,355</b>   | <b>187,527</b>   | <b>90,292</b>    | <b>56,936</b>   |
| <b>Deferred tax liabilities:</b>                      |                  |                  |                  |                 |
| Property, plant and equipment                         | (24,498)         | (20,851)         | (3,647)          | (1,708)         |
| Bearer plants   | (80,342)         | (57,192)         | (17,678)         | (22,536)        |
| Biological assets                                     | (74,017)         | (65,063)         | (8,954)          | (6,736)         |
| Fair value adjustments on acquisition of subsidiaries | (50,337)         | (59,796)         | 9,325            | –               |
| <b>Gross deferred tax liabilities, net</b>            | <b>(229,194)</b> | <b>(202,902)</b> | <b>(20,954)</b>  | <b>(30,980)</b> |
| Net deferred tax assets/(liabilities)                 | 48,161           | (15,375)         |                  |                 |
| Deferred tax benefits                                 |                  |                  | 69,338           | 25,956          |
| <b>Presented in balance sheet</b>                     |                  |                  |                  |                 |
| Deferred tax assets                                   | 231,920          | 149,113          |                  |                 |
| Deferred tax liabilities                              | (183,759)        | (164,488)        |                  |                 |
| Net deferred tax assets/(liabilities)                 | 48,161           | (15,375)         |                  |                 |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 18. DEFERRED TAX (Continued)

#### *Unrecognised tax losses and tax credits*

At the balance sheet date, the Group recognised deferred tax assets of IDR 121,773 million (2016: IDR 120,219 million) arising from unutilised tax losses as disclosed above. The Group has deferred tax on unutilised tax losses and tax credits of approximately IDR 12,903 million and IDR 403 billion (2016: IDR 11,148 million and IDR 505 billion), respectively, that are available for offset against future taxable profits of the companies in which these arose, for which no deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses and tax credits are subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

If the Group was able to recognise all unrecognised unutilised tax losses and tax credits, profit would increase by the same amount of the unutilised tax losses and tax credits as described above. Under Indonesian taxation laws, tax losses may be carried forward for a period of 5 years.

#### *Unrecognised temporary differences relating to investments in subsidiaries*

At the end of the reporting period, no deferred tax liability (2016: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to approximately IDR 9,364,952 million (2016: IDR 8,007,086 million). The deferred tax liability is estimated to be IDR 936,495 million (2016: IDR 800,709 million).

### 19. BIOLOGICAL ASSETS

|                   | Group               |                     |
|-------------------|---------------------|---------------------|
|                   | 2017<br>IDR million | 2016<br>IDR million |
| Biological assets | 296,070             | 260,251             |

Biological assets comprise primarily of fresh fruit bunches ("FFB"). The fair value of the Group's biological assets have been determined based on estimated FFB quantities and publicly available index price set by the local government.

As at 31 December 2017, the Group recognised fair value change of IDR 35,819 million (2016: fair value change of IDR 26,943 million).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 19. BIOLOGICAL ASSETS (Continued)

Significant assumptions made in determining the fair values of the biological assets include the following:

|   | Group   |         |
|---|---------|---------|
|   | 2017    | 2016    |
| <b><i>Nucleus volume (tonnes)</i></b>         |         |         |
| FFB   | 175,082 | 148,781 |
| <b><i>Nucleus planted area (hectares)</i></b> |         |         |
| Mature  | 110,699 | 104,970 |
| Average FFB price (IDR/kg)                    | 1,691   | 1,749   |

The following table shows the impact on the fair value measurement of assets that are sensitive to changes in market price that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

|             | Increase/<br>(decrease) | Changes in<br>fair values<br>IDR million |
|-------------|-------------------------|--|
| <b>2017</b> |                         |  |
| Index price | +10%                    | 29,608                                   |
|             | -10%                    | (29,608)                                 |
| <b>2016</b> |                         |  |
| Index price | +10%                    | 26,025                                   |
|             | -10%                    | (26,025)                                 |

### 20. INVENTORIES

|  | Group               |                     |
|--|---------------------|---------------------|
|  | 2017<br>IDR million | 2016<br>IDR million |
| <b>Balance sheet:</b>                            |                     |                     |
| <i>At lower of cost and net realisable value</i> |                     |                     |
| Finished goods:                                  |                     |                     |
| CPO  | 97,369              | 156,186             |
| PK   | 38,135              | 16,299              |
| Biodiesel  | 7,168               | 22,627              |
|  | 142,672             | 195,112             |



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 20. INVENTORIES (Continued)

|  | Group               |                     |
|--|---------------------|---------------------|
|  | 2017<br>IDR million | 2016<br>IDR million |
| Raw materials:   |                     |                     |
| Fertilisers and chemicals                                      | 155,024             | 292,182             |
| Spare parts and other consumables                              | 145,195             | 120,514             |
| Biodiesel materials  | 668                 | 3,809               |
|  | 300,887             | 416,505             |
| <b>Total inventories</b>                                       | <b>443,559</b>      | <b>611,617</b>      |
| <b>Income statement:</b>                                       |                     |                     |
| Inventories recognised as an expense in cost of sales (Note 5) | 3,130,904           | 2,644,414           |

### 21. TRADE AND OTHER RECEIVABLES

|   | Group               |                     | Company             |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 2017<br>IDR million | 2016<br>IDR million | 2017<br>IDR million | 2016<br>IDR million |
| Trade and other receivables:              |                     |                     |                     |                     |
| Trade receivables                         | 250,328             | 236,941             | –                   | –                   |
| Other receivables                         | 36,190              | 40,829              | –                   | –                   |
| Total trade and other receivables         | 286,518             | 277,770             | –                   | –                   |
| Due from subsidiaries (Note 16)           | –                   | –                   | 7,262,010           | 8,041,210           |
| Loan to an associate company (Note 17)    | 72,541              | 68,084              | 72,541              | 68,084              |
| Due from related companies (Note 22)      | 50                  | 478                 | –                   | –                   |
| Dividend receivables                      | –                   | –                   | –                   | 13,314              |
| Plasma receivables (Note 15)              | 1,518,111           | 1,225,577           | –                   | –                   |
| Cash and short-term deposits (Note 23(a)) | 216,715             | 517,097             | 28,236              | 23,700              |
| <b>Total loans and receivables</b>        | <b>2,093,935</b>    | <b>2,089,006</b>    | <b>7,362,787</b>    | <b>8,146,308</b>    |

#### Trade receivables

Trade receivables are non-interest bearing and are generally on less than 30 days credit terms for CPO and PK. They are recognised at their original invoice amounts which represent their fair values on initial recognition. They are not secured by any collateral or credit enhancement. All trade receivables are denominated in IDR.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 21. TRADE AND OTHER RECEIVABLES (Continued)

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

The Group has trade receivables as at 31 December 2017 amounting to IDR 50,707 million (2016: IDR 98,112 million) that are past due but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

|                             | <b>Group</b>       |                    |
|-----------------------------|--------------------|--------------------|
|                             | <b>2017</b>        | <b>2016</b>        |
|                             | <b>IDR million</b> | <b>IDR million</b> |
| Trade receivables past due: |                    |                    |
| Less than 30 days           | 37,889             | 68,455             |
| 30 to 60 days               | 12,729             | 14,697             |
| More than 61 days           | 89                 | 14,960             |
|                             | <b>50,707</b>      | <b>98,112</b>      |

There are no trade receivables that are impaired either individually or collectively as at the end of each reporting period.

#### Other receivables

Other receivables are non-trade related, non-interest bearing, unsecured, repayable upon demand and are to be settled in cash.

Included in other receivables is an amount due from non-controlling interest for IDR 2,640 million (2016: IDR 28,029 million). The amount is non-trade related, non-interest bearing, unsecured, repayable upon demand and is to be settled in cash.

### 22. DUE FROM RELATED COMPANIES

Due from related companies are non-trade related, non-interest bearing, unsecured, repayable upon demand and are to be settled in cash. All amounts due from related companies are denominated in IDR.

### 23. CASH AND SHORT-TERM DEPOSITS

#### (a) *Cash and short-term deposits*

|                                    | <b>Group</b>       |                    | <b>Company</b>     |                    |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                    | <b>2017</b>        | <b>2016</b>        | <b>2017</b>        | <b>2016</b>        |
|                                    | <b>IDR million</b> | <b>IDR million</b> | <b>IDR million</b> | <b>IDR million</b> |
| Cash at bank and on hand           | 185,620            | 356,002            | 28,236             | 23,700             |
| Time deposits                      | 31,095             | 161,095            | –                  | –                  |
| Total cash and short-term deposits | <b>216,715</b>     | <b>517,097</b>     | <b>28,236</b>      | <b>23,700</b>      |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 23. CASH AND SHORT-TERM DEPOSITS (Continued)

#### (a) Cash and short-term deposits (Continued)

Cash at bank earns interest at floating rates based on daily bank deposit rate. Time deposits are made for varying periods of not more than three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit interest rates of 2% per annum to 8.75% per annum (2016: 8% per annum to 9.25% per annum).

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

|     | Group               |                     | Company             |                     |
|-----|---------------------|---------------------|---------------------|---------------------|
|     | 2017<br>IDR million | 2016<br>IDR million | 2017<br>IDR million | 2016<br>IDR million |
| USD | 38,850              | 35,890              | –                   | –                   |
| SGD | 19,891              | 2,117               | 19,891              | 2,117               |
| MYR | 266                 | 34                  | 266                 | 34                  |
| EUR | 3,498               | 1,096               | –                   | –                   |

#### (b) Cash flow from operating activities

|   | Group               |                     |
|---|---------------------|---------------------|
|   | 2017<br>IDR million | 2016<br>IDR million |
| Profit before taxation                                    | 1,894,456           | 1,551,198           |
| Adjustments:  |                     |                     |
| Depreciation and amortisation                             | 518,046             | 435,907             |
| Finance cost  | 166,028             | 163,344             |
| Interest income   | (147,919)           | (182,223)           |
| Post employment benefits                                  | 17,666              | 16,919              |
| Foreign exchange loss/(gain)                              | 23,898              | (87,483)            |
| Impairment of property, plant and equipment               | 24,867              | –                   |
| Gain on disposal of property, plant, and equipment        | –                   | (75)                |
| Share of loss of associate companies                      | 2,285               | 21,784              |
| Fair value changes in biological assets                   | (35,819)            | (26,943)            |
| Operating cash flows before working capital changes       | 2,463,508           | 1,892,428           |
| (Increase)/decrease in trade and other receivables        | (6,766)             | 354,203             |
| Decrease in inventories                                   | 165,643             | 43,298              |
| (Increase)/decrease in prepaid taxes                      | (91,143)            | 24,719              |
| Decrease in prepayment and advances                       | 322                 | 69,551              |
| (Increase)/decrease in deferred charges                   | (1,395)             | 2,767               |
| Decrease in trade and other payables                      | (148,535)           | (568,581)           |
| Decrease in accrued operating expenses                    | (31,366)            | (51,179)            |
| Decrease in other taxes payable                           | (110,056)           | (97,137)            |
| Decrease/(increase) in sales advances                     | 19,499              | (31,124)            |
| Cash flows from operations                                | 2,259,711           | 1,638,945           |
| Income tax paid   | (361,166)           | (266,722)           |
| Employee benefits contribution paid                       | (15,754)            | –                   |
| <b>Net cash flows generated from operating activities</b> | <b>1,882,791</b>    | <b>1,372,223</b>    |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 23. CASH AND SHORT-TERM DEPOSITS (Continued)

#### (c) Notes to the consolidated statement of cash flows

During the financial year, the total addition in property, plant and equipment was IDR 414,437 million (2016: IDR 297,327 million), of which IDR 42,386 million (2016: Nil) have not been paid. In prior year, the purchase of property, plant and equipment included in the statement of cash flows include payment for prior years' addition of IDR 94,988 million (Note 12).

During the financial year, the addition to the land use rights was IDR 79,325 million (2016: IDR 179,424 million) and which has been fully paid (2016: IDR 125 million have not been paid) (Note 13).

### 24. LOANS AND BORROWINGS

|  | Maturity date                                 | Group and Company   |                     |
|--|---|---------------------|---------------------|
|  |   | 2017<br>IDR million | 2016<br>IDR million |
| <i>Current:</i>                        |   |                     |                     |
| USD floating revolving loan facilities | February 2018,<br>April 2018, and<br>May 2018 | 338,700             | 1,007,700           |
| <i>Non-current:</i>                    |   |                     |                     |
| USD floating revolving loan facilities | January 2019,<br>and February 2020            | 1,077,638           | 868,634             |
| <b>Loans and borrowings</b>            |   | <b>1,416,338</b>    | <b>1,876,334</b>    |

#### Revolving loan facilities:

On 25 May 2016, the Company had entered into bilateral facility agreements with Taipei Fubon Commercial Bank Co. Ltd. Singapore branch. With this new facility, the Company has an aggregate principal amount of up to USD 275 million comprising of both committed and uncommitted facilities.

As at 31 December 2017, the aggregate outstanding balances of the facilities amounted to USD 105 million (equivalent to IDR 1,416,338 million) (2016: USD 140 million or equivalent to IDR 1,876,334 million), of which USD 80 million (equivalent to IDR 1,077,638 million) (2016: USD 65 million or equivalent to IDR 868,634 million) of these facilities was presented as a non-current liability.

The revolving loan facilities is renewed for a further same term with prior written notice of its intention to extend the facility before the maturity date of the facility. For the non-current portion, the loan is repayable up to 24 months after reporting date as the Company has the discretion to exercise the rights under the facility agreements to extend the facility.

These facilities bear average interest rate as at reporting date of 2.56% per annum (2016: 1.98% per annum).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 24. LOANS AND BORROWINGS (Continued)

A reconciliation of liabilities arising from financing activities is as follows:

|                              | 2016<br>IDR million | Cash<br>inflows<br>IDR million | Cash<br>outflows<br>IDR million | Foreign<br>exchange<br>IDR million | Non-cash changes                                    |                      | 2017<br>IDR million |
|------------------------------|---------------------|--------------------------------|---------------------------------|------------------------------------|---|----------------------|---------------------|
|                              |                     |                                |                                 |                                    | Amortisation<br>of issuance<br>costs<br>IDR million | Other<br>IDR million |                     |
| <b>Loans and borrowings:</b> |                     |                                |                                 |                                    |   |                      |                     |
| – current                    | 1,007,700           | 199,800                        | (335,380)                       | 8,500                              | –   | (541,920)            | 338,700             |
| – non-current                | 868,634             | –                              | (332,935)                       | 1,515                              | (1,496)   | 541,920              | 1,077,638           |
|                              | <b>1,876,334</b>    | <b>199,800</b>                 | <b>(668,315)</b>                | <b>10,015</b>                      | <b>(1,496)</b>                                      | <b>–</b>             | <b>1,416,338</b>    |

The “other” column relates to reclassification of current portion of loans and borrowings to non-current due to extension of the maturity date of the facility agreements.

### 25. TRADE AND OTHER PAYABLES

|  | Group               |                     | Company             |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | 2017<br>IDR million | 2016<br>IDR million | 2017<br>IDR million | 2016<br>IDR million |
| Trade and other payables:                                    |                     |                     |                     |                     |
| Trade payables   | 357,404             | 472,898             | –                   | –                   |
| Other payables   | 142,201             | 99,131              | 1,303               | 13                  |
| Total trade and other payables                               | 499,605             | 572,029             | 1,303               | 13                  |
| Loans and borrowings (Note 24)                               | 1,416,338           | 1,876,334           | 1,416,338           | 1,876,334           |
| Dividend payables  | –                   | 1,397               | –                   | –                   |
| Accrued operating expenses (Note 26)*                        | 73,160              | 77,237              | 54,233              | 55,640              |
| Islamic medium term notes (Note 27)                          | 3,332,622           | 2,991,828           | 3,332,622           | 2,991,828           |
| <b>Total financial liabilities carried at amortised cost</b> | <b>5,321,725</b>    | <b>5,518,825</b>    | <b>4,804,496</b>    | <b>4,923,815</b>    |

\* excluding accrued salaries and wages

#### Trade and other payables

These amounts are non-interest bearing. Trade payables are normally settled within 30 to 90 (2016: 30 to 90) days from date of invoice while other payables have an average term of 6 (2016: 6) months. All trade payables are denominated in IDR.

### 26. ACCRUED OPERATING EXPENSES

|   | Group               |                     | Company             |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 2017<br>IDR million | 2016<br>IDR million | 2017<br>IDR million | 2016<br>IDR million |
| Accrued salaries and wages              | 117,519             | 93,775              | 744                 | 726                 |
| Accrued interests                       | 63,484              | 60,655              | 53,335              | 50,475              |
| Professional fees                       | 5,855               | 5,435               | 890                 | 755                 |
| Others                                  | 3,821               | 11,147              | 8                   | 4,410               |
| <b>Total accrued operating expenses</b> | <b>190,679</b>      | <b>171,012</b>      | <b>54,977</b>       | <b>56,366</b>       |



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 27. ISLAMIC MEDIUM TERM NOTES

On 10 January 2014, the Company was granted approval by the Securities Commission of Malaysia to establish a Ringgit-denominated Islamic Medium Term Note Programme (“IMTN”) of up to MYR 2.0 billion under the laws of Malaysia. Under the programme, the Group may issue IMTN from time to time in Malaysian Ringgit in various amounts and tenures of more than a year and up to a maximum tenure of fifteen years from the date of the first issuance.

The first issuance amounting to MYR 500 million was completed on 18 March 2014 with 5-years tenure and coupon of 5.25% per annum.

The second issuance amounting to MYR 500 million was completed on 2 September 2014 with 5-years tenure and coupon of 5.00% per annum.

The IMTNs are unsecured and not listed on any stock exchange.

The carrying amount of IMTNs as at end of the reporting period is as follows:

|                                       | Maturity date    | Distribution rate<br>(per annum) | Group and Company   |                     |
|---------------------------------------|------------------|----------------------------------|---------------------|---------------------|
|                                       |                  |                                  | 2017<br>IDR million | 2016<br>IDR million |
| First issuance                        | 18 March 2019    | 5.25%                            | 1,667,655           | 1,498,053           |
| Second issuance                       | 2 September 2019 | 5.00%                            | 1,667,655           | 1,498,053           |
|                                       |                  |                                  | 3,335,310           | 2,996,106           |
| Less:                                 |                  |                                  |                     |                     |
| Issuance costs                        |                  |                                  | 9,829               | 8,830               |
| Accumulated amortisation              |                  |                                  | (7,141)             | (4,552)             |
|                                       |                  |                                  | 2,688               | 4,278               |
| <b>Islamic medium term notes, net</b> |                  |                                  | <b>3,332,622</b>    | <b>2,991,828</b>    |

### 28. EMPLOYEE BENEFITS LIABILITY

#### Defined benefit plans

The Group recognised post-employment benefits for all its permanent employees in Indonesia pursuant to Indonesian Labor Law No. 13/2003 and the Group has set-up plan assets. The provision for post employment benefits is based on the calculation of an independent actuary, using the “Projected Unit Credit” method. As at 31 December 2017, number of employees of 3,818 (2016: 3,743), were included in the computation.

The principal assumptions used in determining post-employment benefits as of 31 December are as follows:

|                                 | 2017                   | 2016                   |
|---------------------------------|------------------------|------------------------|
| Normal Pension Age              | 55 years               | 55 years               |
| Salary Increment Rate per annum | 6.0 %                  | 7.0 %                  |
| Discount Rate per annum         | 7.5 %                  | 8.6 %                  |
| Mortality Rate                  | Indonesia – III        | Indonesia – III        |
| Resignation Level per annum     | 3% of<br>18 – 44 years | 3% of<br>18 – 44 years |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 28. EMPLOYEE BENEFITS LIABILITY (Continued)

#### *Defined benefit plans (Continued)*

The estimated liability for post-employment benefits as at balance sheet date is as follows:

|  | Group               |                     |
|--|---------------------|---------------------|
|  | 2017<br>IDR million | 2016<br>IDR million |
| Present value of defined benefit obligation                  | 101,427             | 88,015              |
| Fair value of plan assets                                    | (62,288)            | (48,933)            |
| <b>Net liability arising from defined benefit obligation</b> | <b>39,139</b>       | <b>39,082</b>       |

Re-measurement on defined benefit plans recognised in other comprehensive income are as follows:

|  | Group               |                     |
|--|---------------------|---------------------|
|  | 2017<br>IDR million | 2016<br>IDR million |
| Actuarial gain arising from changes in financial assumptions | (1,856)             | (3,023)             |
| Deferred tax effect from actuarial gain (Note 18)            | 464                 | 756                 |
|  | <b>(1,392)</b>      | <b>(2,267)</b>      |

Changes in the present value of defined benefit obligations are as follows:

|  |                |               |
|--|----------------|---------------|
| Balance as at 1 January                            | 88,015         | 72,994        |
| Interest cost                                      | 7,569          | 6,632         |
| Current service cost                               | 14,549         | 13,650        |
| Actuarial gain arising from changes in assumptions | (3,913)        | (5,914)       |
| Past service cost                                  | 537            | 985           |
| Benefits paid                                      | (4,677)        | (332)         |
| Curtailement                                       | (653)          | -             |
| <b>Balance as at 31 December</b>                   | <b>101,427</b> | <b>88,015</b> |

Changes in the fair value of plan assets are as follows:

|                                  |               |               |
|----------------------------------|---------------|---------------|
| Balance as at 1 January          | 48,933        | 47,770        |
| Expected return on plan assets   | 4,209         | 4,339         |
| Contribution during the year     | 12,125        | -             |
| Benefits paid                    | (1,049)       | -             |
| Actuarial loss on plan assets    | (1,930)       | (3,176)       |
| <b>Balance as at 31 December</b> | <b>62,288</b> | <b>48,933</b> |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 28. EMPLOYEE BENEFITS LIABILITY (Continued)

#### Defined benefit plans (Continued)

The allocation of the plan assets by each classes as at the end of the reporting period comprise the following:

|                                     | Group |      |
|-------------------------------------|-------|------|
|                                     | 2017  | 2016 |
| Interest-bearing cash/bank deposits | 80%   | 80%  |
| Debt instruments:                   |       |      |
| Bank Indonesia Certificates         | 10%   | 10%  |
| Indonesia Government Bonds          | 10%   | 10%  |

All debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The following table summarises the components of net post-employment benefits expense recognised in profit or loss as follows:

|   | Group               |                     |
|---|---------------------|---------------------|
|   | 2017<br>IDR million | 2016<br>IDR million |
| Current service cost                        | 14,549              | 13,650              |
| Interest cost on defined benefit obligation | 7,569               | 6,632               |
| Expected return on plan assets              | (4,209)             | (4,339)             |
| Past service cost                           | 537                 | 985                 |
| Curtailement                                | (653)               | -                   |
| <b>Post-employment benefits expense</b>     | <b>17,793</b>       | <b>16,928</b>       |

Post-employment benefits expense is recognised in the "General and administrative expenses" line item in the consolidated income statement.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

|                                 | Sensitivity analysis    |   |
|---------------------------------|-------------------------|---|
|                                 | Increase/<br>(decrease) | Changes in<br>actuarial gain<br>IDR million |
| <b>2017</b>                     |                         |   |
| Discount rates                  | +1%                     | (10,834)                                    |
|                                 | -1%                     | 12,807                                      |
| Salary increment rate per annum | +1%                     | 12,808                                      |
|                                 | -1%                     | (11,015)                                    |
| <b>2016</b>                     |                         |   |
| Discount rates                  | +1%                     | (8,651)                                     |
|                                 | -1%                     | 10,112                                      |
| Salary increment rate per annum | +1%                     | 10,122                                      |
|                                 | -1%                     | (8,801)                                     |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 28. EMPLOYEE BENEFITS LIABILITY (Continued)

#### *Defined benefit plans (Continued)*

The Group has no specific matching strategies between the retirement plan assets and the defined benefit obligation under the retirement plans.

The average duration of the defined benefit obligation at the end of the reporting period is 12.59 years (2016: 12.53 years).

Shown below is the maturity analysis of the undiscounted benefit payments:

|   | Group               |                     |
|---|---------------------|---------------------|
|   | 2017<br>IDR million | 2016<br>IDR million |
| Not later than one year                           | 1,885               | 3,076               |
| Later than one year but not later than five years | 19,583              | 19,221              |
| Later than five years                             | 1,766,058           | 1,943,935           |
| <b>Total</b>                                      | <b>1,787,526</b>    | <b>1,966,232</b>    |

### 29. DERIVATIVE FINANCIAL LIABILITIES

#### *Cross currency swaps*

In 2014, the Company had entered into cross currency swap agreements with financial institutions for swapping its Ringgit-denominated IMTN indebtedness (Note 27) into USD 312 million. Based on the agreements, the financial institutions will swap the principal as well as the profit-distribution amounts of the Company's IMTN from Malaysian Ringgit into United States Dollar. Cash flow hedge accounting has been applied to these cross currency swap agreements as they have been assessed by management to be effective hedging instruments. For the financial year ended 31 December 2017, fair value reserve adjustment of a gain of IDR 55,126 million (2016: fair value loss of IDR 37,461 million) had been included in other comprehensive income in respect of these contracts.

|                      | Group and Company                           |                            |   |                            |
|----------------------|---|----------------------------|---|----------------------------|
|                      | 2017  |                            | 2016  |                            |
|                      | Contract/<br>Notional Amount<br>MYR million | Liabilities<br>IDR million | Contract/<br>Notional Amount<br>MYR million | Liabilities<br>IDR million |
| Cross currency swaps | 1,000                                       | 906,840                    | 1,000                                       | 1,265,881                  |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 30. SHARE CAPITAL AND TREASURY SHARES

|  | Group and Company |                |                  |                |
|--|-------------------|----------------|------------------|----------------|
|  | 2017              |                | 2016             |                |
|  | No. of<br>shares  | IDR<br>million | No. of<br>shares | IDR<br>million |
| Issued and fully paid ordinary shares      |                   |                |                  |                |
| Balance as at 1 January and at 31 December | 1,757,531,844     | 1,807,045      | 1,757,531,844    | 1,807,045      |

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

|                                   | Group and Company |                |                  |                |
|-----------------------------------|-------------------|----------------|------------------|----------------|
|                                   | 2017              |                | 2016             |                |
|                                   | No. of<br>shares  | IDR<br>million | No. of<br>shares | IDR<br>million |
| Treasury shares as at 31 December | 17,707,900        | 131,028        | 2,255,300        | 17,946         |

During the financial year, the Company purchased a total of 15,452,600 (2016: Nil) ordinary shares from the public, and held them as treasury shares. Other than these buy backs, there were no other changes in the Company's share capital. Treasury shares relate to ordinary shares of the Company that is held by the Company.

### 31. OTHER RESERVES

Other reserves comprise:

|  | Group            |                  | Company         |                 |
|--|------------------|------------------|-----------------|-----------------|
|  | 2017             | 2016             | 2017            | 2016            |
|  | IDR million      | IDR million      | IDR million     | IDR million     |
| Premium paid on acquisition of non-controlling interests | (184,938)        | (184,938)        | -               | -               |
| Fair value reserve from derivative financial liabilities | (14,870)         | (69,996)         | (14,870)        | (69,996)        |
|  | <b>(199,808)</b> | <b>(254,934)</b> | <b>(14,870)</b> | <b>(69,996)</b> |

The premium paid on acquisition of non-controlling interest represents the difference between the consideration paid/(received) and the carrying value of the additional/(reduction in) interest acquired/(disposed).

Fair value reserve from derivative financial liabilities resulted from mark-to-market foreign currency swap of IMTN as at 31 December 2017 and 2016.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 32. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of companies in the Group whose functional currencies are different from that of the Group's presentation currency.

## 33. RELATED PARTY TRANSACTIONS

### (a) *Sale and purchase of goods and services and other transactions*

In addition to the related party transactions disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

|                                       | Group       |             |
|---------------------------------------|-------------|-------------|
|                                       | 2017        | 2016        |
|                                       | IDR million | IDR million |
| <b>Non-trade:</b>                     |             |             |
| Management fee from related companies | –           | 396         |
| Rental fee to related parties         | 9,600       | 9,300       |

The Group has entered into office premise lease agreements with Mr. Gunardi Hariyanto Lim for an amount of IDR 2,400 million for the year ended 31 December 2017 (2016: IDR 2,400 million).

The Group has also entered into barge lease agreement with PT Lima Srikandi Jaya, a related party, amounting to IDR 7,200 million for the year ended 31 December 2017 (2016: IDR 6,900 million).

### (b) *Compensation of key management personnel*

|                                   | Group       |             |
|-----------------------------------|-------------|-------------|
|                                   | 2017        | 2016        |
|                                   | IDR million | IDR million |
| Directors' fee                    | 2,998       | 2,855       |
| Short-term employee benefits      | 80,727      | 59,745      |
|                                   | 83,725      | 62,600      |
| Comprise amounts paid/payable to: |             |             |
| Directors of the Company          | 27,394      | 22,917      |
| Other key management personnel    | 56,331      | 39,683      |
|                                   | 83,725      | 62,600      |

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 34. CONTINGENCIES AND COMMITMENTS

#### (a) *Contingent liabilities*

In relation to agreements between PT Bank Mandiri (Persero) Tbk, PT Bank CIMB Niaga Tbk and several cooperatives, certain subsidiaries act as guarantors of plasma credits until full settlement of the outstanding credits.

As at 31 December 2017 and 2016, these credits are secured by land certificates held by the plasma farmers who participate in the plasma programme and certain subsidiaries' corporate guarantees of IDR 1,799,519 million and IDR 1,656,574 million, respectively. The harvested FFB will be sold to the Group and repayment of the credit facilities are through deduction of plasma farmers' sales of FFB to the Group (Note 15).

#### (b) *Operating lease commitments – as lessee*

The Group has the following lease commitments on premises with initial or remaining term of one year or more:

|   | Group               |                     | Company             |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 2017<br>IDR million | 2016<br>IDR million | 2017<br>IDR million | 2016<br>IDR million |
| Not later than one year                           | 11,549              | 11,528              | 1,949               | 1,928               |
| Later than one year but not later than five years | 600                 | 3,000               | –                   | –                   |
|   | <b>12,149</b>       | <b>14,528</b>       | <b>1,949</b>        | <b>1,928</b>        |

Certain rentals include options to renew the rentals after the expiry of the initial tenure. Rental payments under these agreements are usually fixed for the entire initial tenure. There are no restrictions placed upon the lessee by entering into these rentals. Lease commitments represent rental payable by the Group for the rental of office premises. The lease commitments are for a lease term of less than five years.

Minimum lease payments, recognised as an expense in the Group's profit or loss for the financial years ended 31 December 2017 and 2016 amounted to IDR 10,549 million and IDR 10,716 million, respectively.

#### (c) *Purchase commitments*

|                                   | Group          |                |
|-----------------------------------|----------------|----------------|
|                                   | 2017<br>tonnes | 2016<br>tonnes |
| <b>Non-cancellable purchases:</b> |                |                |
| Not later than one year           | <b>497</b>     | <b>4,950</b>   |

Purchase commitments relate to non-cancellable purchases of fertilisers based on committed tonnage and computed based on market prices as at 31 December 2017 and 2016.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 34. CONTINGENCIES AND COMMITMENTS (Continued)

#### (d) Sales commitments

As at 31 December 2017, the Group has entered into non-cancellable sales commitments to deliver 29,838 metric tonnes of CPO (2016: 81,111 metric tonnes of CPO and 8,375 metric tonnes of PK) based on their prevailing market prices at the date of delivery.

#### (e) Capital commitments

Capital expenditure contracted for as at 31 December 2017 and 2016 but not recognised in the financial statements are as follows:

|  | <b>Group</b>       |                    |
|--|--------------------|--------------------|
|  | <b>2017</b>        | <b>2016</b>        |
|  | <b>IDR million</b> | <b>IDR million</b> |
| Capital commitment in respect of property, plant and equipment | 116,529            | 185,048            |

Capital commitments comprise amounts related to committed cost to build new mills, land clearing and construction of employees' houses and offices.

### 35. FAIR VALUE OF ASSETS AND LIABILITIES

#### (a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 35. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

#### (b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

| Group                                     | Quoted prices<br>in active<br>markets for<br>identical<br>instruments<br>(Level 1)<br>IDR million | Significant<br>other<br>observable<br>inputs<br>(Level 2)<br>IDR million | Significant<br>unobservable<br>inputs<br>(Level 3)<br>IDR million | Total<br>IDR million |
|---|---|--|---|----------------------|
| <b>2017</b>                               |   |  |   |                      |
| <b>Asset measured at fair value</b>       |   |  |   |                      |
| Non-financial assets:                     |   |  |   |                      |
| Biological assets                         | –   | –  | 296,070   | 296,070              |
| <b>Liabilities measured at fair value</b> |   |  |   |                      |
| Financial liabilities:                    |   |  |   |                      |
| Derivative financial liabilities          | –   | 906,840  | –   | 906,840              |
| <b>2016</b>                               |   |  |   |                      |
| <b>Asset measured at fair value</b>       |   |  |   |                      |
| Non-financial assets:                     |   |  |   |                      |
| Biological assets                         | –   | –  | 260,251   | 260,251              |
| <b>Liabilities measured at fair value</b> |   |  |   |                      |
| Financial liabilities:                    |   |  |   |                      |
| Derivative financial liabilities          | –   | 1,265,881  | –   | 1,265,881            |
| <b>Company</b>                            |   |  |   |                      |
| <b>2017</b>                               |   |  |   |                      |
| <b>Liabilities measured at fair value</b> |   |  |   |                      |
| Financial liabilities:                    |   |  |   |                      |
| Derivative financial liabilities          | –   | 906,840  | –   | 906,840              |
| <b>2016</b>                               |   |  |   |                      |
| <b>Liabilities measured at fair value</b> |   |  |   |                      |
| Financial liabilities:                    |   |  |   |                      |
| Derivative financial liabilities          | –   | 1,265,881  | –   | 1,265,881            |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 35. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

### (c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for liabilities that are categorised within Level 2 of the fair value hierarchy:

#### Derivative financial liabilities

Cross currency swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

### (d) Level 3 fair value measurements

#### Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

| Description                              | Fair value at<br>31 December<br>2017<br>IDR million | Valuation<br>techniques | Unobservable<br>inputs   | Value                              |
|--|---|-------------------------|--|------------------------------------|
| <b>Recurring fair value measurements</b> |   |                         |  |                                    |
| Biological assets                        | 296,070   | Income<br>approach      | Projected<br>harvested<br>quantities<br>Average market<br>price of FFB | 175,082 Tonnes<br><br>1,691 IDR/kg |
| Description                              | Fair value at<br>31 December<br>2016<br>IDR million | Valuation<br>techniques | Unobservable<br>inputs   | Value                              |
| <b>Recurring fair value measurements</b> |   |                         |  |                                    |
| Biological assets                        | 260,251   | Income<br>approach      | Projected<br>harvested<br>quantities<br>Average market<br>price of FFB | 148,781 Tonnes<br><br>1,749 IDR/kg |

For biological assets, a significant increase/(decrease) in the market price of FFB and projected harvested quantities would result in a significantly higher/(lower) fair value measurement.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 35. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

#### (d) *Level 3 fair value measurements* (Continued)

##### *Movements in Level 3 assets measured at fair value*

The movements in biological assets measured at fair value are disclosed in Note 19.

##### *Valuation policies and procedures*

To determine the fair value of biological assets, the corporate finance team obtained the projected harvest quantities and the market price of the FFB from the physical census reports and from the publicly available index price set by the local government.

Significant changes in fair value measurements from period to period are evaluated by the corporate finance team for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

#### (e) *Assets and liabilities not carried at fair value but for which fair value is disclosed*

The following table shows an analysis of the assets and liabilities not measured at fair value but for which fair value is disclosed:

|                           | Fair value measurements at the end of the reporting period using                              |  |   |                      | Carrying amount<br>IDR million |
|---------------------------|---|--|---|----------------------|--------------------------------|
|                           | Quoted prices<br>in active market<br>for identical<br>instruments<br>(Level 1)<br>IDR million | Significant<br>other<br>observable<br>inputs<br>(Level 2)<br>IDR million | Significant<br>unobservable<br>inputs<br>(Level 3)<br>IDR million | Total<br>IDR million |                                |
| <b>2017</b>               |   |  |   |                      |                                |
| <b>Group</b>              |   |  |   |                      |                                |
| <b>Liabilities</b>        |   |  |   |                      |                                |
| Islamic medium term notes | –   | 3,364,777  | –   | 3,364,777            | 3,332,622                      |
| <b>Company</b>            |   |  |   |                      |                                |
| <b>Liabilities</b>        |   |  |   |                      |                                |
| Islamic medium term notes | –   | 3,364,777  | –   | 3,364,777            | 3,332,622                      |
| <b>2016</b>               |   |  |   |                      |                                |
| <b>Group</b>              |   |  |   |                      |                                |
| <b>Liabilities</b>        |   |  |   |                      |                                |
| Islamic medium term notes | –   | 3,025,235  | –   | 3,025,235            | 2,991,828                      |
| <b>Company</b>            |   |  |   |                      |                                |
| <b>Liabilities</b>        |   |  |   |                      |                                |
| Islamic medium term notes | –   | 3,025,235  | –   | 3,025,235            | 2,991,828                      |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 35. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

### (e) *Assets and liabilities not carried at fair value but for which fair value is disclosed* (Continued)

#### Determination of fair value

##### *Islamic medium term notes*

The fair value as disclosed in the table above is estimated by reference to the latest transacted prices at the end of the reporting period.

#### ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

*Loan to an associate company, trade and other receivables, due from related companies, due from subsidiaries, dividend receivables, plasma receivables, cash and short-term deposits, loans and borrowings, trade and other payables, accrued operating expenses (excluding accrued salaries and wages)*

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market rates on or near the end of the reporting period.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group 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 foreign currency risk and commodity price risk), credit risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks and 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 derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

### (a) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and Company's exposure to interest rate risk arises primarily from time deposits and loans and borrowings, which bear interest at floating rates.

The Group's and Company's policy is to manage interest cost by switching to lower rate of loans and borrowings whenever the opportunity arises.

#### Sensitivity analysis for interest rate risk

At the balance sheet date, if interest rates had been 2% (2016: 2%) lower/higher with all other variables held constant, the Group's profit before taxation would have been IDR 752 million (2016: IDR 750 million) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (b) Foreign currency risk

The Group has transactional currency exposures arising from purchases that are denominated in a currency other than the respective functional currency of the Group's entities, Indonesian Rupiah ("IDR"). The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD") and Singapore Dollars ("SGD"). The Group does not consider foreign exchange risk from SGD to be significant to the Group.

As at 31 December 2017 and 2016, the Group's costs denominated in foreign currencies amounted to approximately 0.1% and 2.8%, respectively.

The Group is exposed to currency translation risk arising from its financial assets and liabilities that are denominated in currencies other than the respective functional currencies of the companies in the Group.

It is the Group's policy not to enter into forward contracts until a firm commitment is in place. The Group's policy is to negotiate the terms of the forward currency contracts to match the terms of the firm commitment to maximise hedge effectiveness. As at the respective balance sheet date, the Group did not enter into any forward currency contracts to hedge its foreign currency exposures for sales and purchases.

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's increase/(decrease) in profit before taxation to a reasonably possible change in the USD exchange rates against the respective functional currencies of the companies in the Group, with all other variables held constant.

|                      | <b>Group</b>                                      |   |
|----------------------|---|---|
|                      | <b>2017</b>                                       | <b>2016</b>                                       |
|                      | <b>Profit before<br/>taxation<br/>IDR million</b> | <b>Profit before<br/>taxation<br/>IDR million</b> |
| IDR/USD              |   |   |
| – Strengthened by 5% | 1,942   | 1,794   |
| – Weakened by 5%     | (1,942)   | (1,794)   |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (c) *Commodity price risk*

The Group's exposure to commodity price risk arises primarily from its purchases of raw materials and sales of palm based products. Prices of raw materials and palm based products may fluctuate significantly depending on the market situation and factors such as weather, government policy, level of demand and supply in the market and the global economic environment. During periods of unfavourable price volatility, the Group may enter into forward physical contracts with the suppliers and customers or use commodity futures, options and swap contracts in the conduct of business to manage the price risk.

#### Sensitivity analysis for commodity price risk

During the reporting period, had the average selling prices of palm based products been 10% higher/lower, ceteris paribus, profit before taxation for the financial year ended 31 December 2017 would have been IDR 784,937 million (2016: IDR 631,891 million) higher/lower.

#### (d) *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

The Group only trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group conducts business by the requirement of payment in advance, cash on delivery terms or may grant customers credit terms, where appropriate. In addition, receivable balances are monitored on an ongoing basis to minimise the Group's exposure to bad debts.

For other financial assets (including cash and short-term deposits), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

#### Exposure to credit risk

At the balance sheet date, 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; and
- The nominal amount of financial guarantees provided by the Group for repayment of plasma farmers' loans to the banks (Note 34).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (d) **Credit risk** (Continued)

##### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual customers' outstanding balances on an ongoing basis.

As at 31 December 2017, approximately 80.5% (2016: 52.4%) of the Group's trade receivables were due from 3 major customers in 2017 (2016: 3 major customers) who are multi-industry conglomerates.

The Group's customers are concentrated in Indonesia.

##### Information on major customers

Revenues from 2 major customers (2016: 2 major customers) of the Group contribute approximately 75.4% (2016: 76.8%) of the Group's total revenues for the year ended 31 December 2017.

##### Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good payment record with the Group. Cash and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

##### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

#### (e) **Liquidity risk**

Liquidity risk is the risk that the Group of the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

As at 31 December 2017, approximately 23.9% (2016: 53.7%) of the Group's and Company's total loans and borrowings (Note 24) will mature in less than one year based on the carrying amount reflected in the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (e) Liquidity risk (Continued)

#### *Analysis of financial instruments by remaining contractual maturities*

The following table summarises the Group's and the Company's financial assets and financial liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

|   | 1 year<br>or less<br>IDR million | More than<br>1 year to<br>5 years<br>IDR million | More than<br>5 years<br>IDR million | Total<br>IDR million |
|---|----------------------------------|--|-------------------------------------|----------------------|
| <b>Group</b>  |                                  |  |                                     |                      |
| <b>31 December 2017</b>                             |                                  |  |                                     |                      |
| <b>Financial assets:</b>                            |                                  |  |                                     |                      |
| Loan to an associate company                        | 4,856                            | 31,288   | 65,387                              | 101,531              |
| Trade and other receivables                         | 286,518                          | –  | –                                   | 286,518              |
| Due from related companies                          | 50                               | –  | –                                   | 50                   |
| Plasma receivables                                  | 259,675                          | 1,258,436  | –                                   | 1,518,111            |
| Cash and short-term deposits                        | 216,715                          | –  | –                                   | 216,715              |
| Total undiscounted financial assets                 | 767,814                          | 1,289,724  | 65,387                              | 2,122,925            |
| <b>Financial liabilities:</b>                       |                                  |  |                                     |                      |
| Loans and borrowings                                | 373,946                          | 1,102,305  | –                                   | 1,476,251            |
| Islamic medium term notes                           | 170,935                          | 3,409,281  | –                                   | 3,580,216            |
| Trade and other payables                            | 499,605                          | –  | –                                   | 499,605              |
| Accrued operating expenses*                         | 73,160                           | –  | –                                   | 73,160               |
| Derivative financial liabilities:                   |                                  |  |                                     |                      |
| – Cross currency swaps (gross receipts)             | (170,935)                        | (3,409,281)                                      | –                                   | (3,580,216)          |
| – Cross currency swaps (gross payments)             | 156,210                          | 4,299,665  | –                                   | 4,455,875            |
| Total undiscounted financial liabilities            | 1,102,921                        | 5,401,970  | –                                   | 6,504,891            |
| <b>Total net undiscounted financial liabilities</b> | <b>(335,107)</b>                 | <b>(4,112,246)</b>                               | <b>65,387</b>                       | <b>(4,381,966)</b>   |

\* excluding accrued salaries and wages

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (e) Liquidity risk (Continued)

##### Analysis of financial instruments by remaining contractual maturities (Continued)

|  | 1 year<br>or less<br>IDR million | More than<br>1 year to<br>5 years<br>IDR million | Total<br>IDR million |
|--|----------------------------------|--|----------------------|
| <b>Group</b>                                 |                                  |  |                      |
| <b>31 December 2016</b>                      |                                  |  |                      |
| <b>Financial assets:</b>                     |                                  |  |                      |
| Loan to an associate company                 | 4,070                            | 87,551   | 91,621               |
| Trade and other receivables                  | 277,770                          | –  | 277,770              |
| Due from related companies                   | 478                              | –  | 478                  |
| Plasma receivables                           | 302,246                          | 923,331  | 1,225,577            |
| Cash and short-term deposits                 | 517,097                          | –  | 517,097              |
| Total undiscounted financial assets          | 1,101,661                        | 1,010,882  | 2,112,543            |
| <b>Financial liabilities:</b>                |                                  |  |                      |
| Loans and borrowings                         | 1,028,976                        | 875,423  | 1,904,399            |
| Islamic medium term notes                    | 153,550                          | 3,216,103  | 3,369,653            |
| Trade and other payables                     | 572,029                          | –  | 572,029              |
| Accrued operating expenses*                  | 77,237                           | –  | 77,237               |
| Dividends payable                            | 1,397                            | –  | 1,397                |
| Derivative financial liabilities:            |                                  |  |                      |
| – Cross currency swaps (gross receipts)      | (153,550)                        | (3,216,103)                                      | (3,369,653)          |
| – Cross currency swaps (gross payments)      | 143,857                          | 4,400,479  | 4,544,336            |
| Total undiscounted financial liabilities     | 1,823,496                        | 5,275,902  | 7,099,398            |
| Total net undiscounted financial liabilities | (721,835)                        | (4,265,020)                                      | (4,986,855)          |

\* excluding accrued salaries and wages

|   | 1 year<br>or less<br>IDR million | More than<br>1 year to<br>5 years<br>IDR million | More than<br>5 years<br>IDR million | Total<br>IDR million |
|---|----------------------------------|--|-------------------------------------|----------------------|
| <b>Company</b>  |                                  |  |                                     |                      |
| <b>31 December 2017</b>                               |                                  |  |                                     |                      |
| <b>Financial assets:</b>                              |                                  |  |                                     |                      |
| Loan to an associate company                          | 4,856                            | 31,288   | 65,387                              | 101,531              |
| Due from subsidiaries                                 | 373,931                          | 7,262,011  | –                                   | 7,635,942            |
| Cash and short-term deposits                          | 28,236                           | –  | –                                   | 28,236               |
| Total undiscounted financial assets                   | 407,023                          | 7,293,299  | 65,387                              | 7,765,709            |
| <b>Financial liabilities:</b>                         |                                  |  |                                     |                      |
| Trade and other payables                              | 1,303                            | –  | –                                   | 1,303                |
| Loans and borrowings                                  | 373,946                          | 1,102,305  | –                                   | 1,476,251            |
| Islamic medium term notes                             | 170,935                          | 3,409,281  | –                                   | 3,580,216            |
| Accrued operating expenses*                           | 54,233                           | –  | –                                   | 54,233               |
| Derivative financial liabilities:                     |                                  |  |                                     |                      |
| – Cross currency swaps (gross receipts)               | (170,935)                        | (3,409,281)                                      | –                                   | (3,580,216)          |
| – Cross currency swaps (gross payments)               | 156,210                          | 4,299,665  | –                                   | 4,455,875            |
| Total undiscounted financial liabilities              | 585,692                          | 5,401,970  | –                                   | 5,987,662            |
| Total net undiscounted financial (liabilities)/assets | <b>(178,669)</b>                 | <b>1,891,329</b>                                 | <b>65,387</b>                       | <b>1,778,047</b>     |

\* excluding accrued salaries and wages

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (e) Liquidity risk (Continued)

#### Analysis of financial instruments by remaining contractual maturities (Continued)

|   | 1 year<br>or less<br>IDR million | More than<br>1 year to<br>5 years<br>IDR million | Total<br>IDR million |
|---|----------------------------------|--|----------------------|
| <b>Company</b>  |                                  |  |                      |
| <b>31 December 2016</b>                               |                                  |  |                      |
| <b>Financial assets:</b>                              |                                  |  |                      |
| Loan to an associate company                          | 4,070                            | 87,551   | 91,621               |
| Due from subsidiaries                                 | 341,922                          | 8,356,214  | 8,698,136            |
| Dividend receivables                                  | 13,314                           | –  | 13,314               |
| Cash and short-term deposits                          | 23,700                           | –  | 23,700               |
| Total undiscounted financial assets                   | 383,006                          | 8,443,765  | 8,826,771            |
| <b>Financial liabilities:</b>                         |                                  |  |                      |
| Trade and other payables                              | 13                               | –  | 13                   |
| Loans and borrowing                                   | 1,028,476                        | 875,423  | 1,903,899            |
| Islamic medium term notes                             | 153,550                          | 3,216,103  | 3,369,653            |
| Accrued operating expenses*                           | 55,640                           | –  | 55,640               |
| Derivative financial liabilities:                     |                                  |  |                      |
| – Cross currency swaps (gross receipts)               | (153,550)                        | (3,216,103)                                      | (3,369,653)          |
| – Cross currency swaps (gross payments)               | 143,857                          | 4,400,479  | 4,544,336            |
| Total undiscounted financial liabilities              | 1,228,986                        | 5,275,902  | 6,503,888            |
| Total net undiscounted financial (liabilities)/assets | <b>(844,980)</b>                 | <b>3,167,863</b>                                 | <b>2,322,883</b>     |

\* excluding accrued salaries and wages

## 37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders.

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 financial years ended 31 December 2017 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group's policy is to maintain the gearing ratio within the range of gearing ratios of leading companies in similar industry in order to secure access to finance at a reasonable cost. The Group includes within net debt, loans and borrowings, Islamic medium term notes, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 37. CAPITAL MANAGEMENT (Continued)

The Group's net debt to adjusted equity ratio at the end of the financial years ended 31 December 2017 and 2016 are as follows:

|   | Group               |                     |
|---|---------------------|---------------------|
|   | 2017<br>IDR million | 2016<br>IDR million |
| Loans and borrowings (Note 24)                      | 1,416,388           | 1,876,334           |
| Islamic medium term notes (Note 27)                 | 3,332,622           | 2,991,828           |
| Less:   |                     |                     |
| Cash and short-term deposits (Note 23(a))           | (216,715)           | (517,097)           |
| <b>Net debt</b>                                     | <b>4,532,295</b>    | <b>4,351,065</b>    |
| <b>Equity attributable to owners of the Company</b> | <b>7,449,407</b>    | <b>6,718,091</b>    |
| <b>Gearing ratio</b>                                | <b>60.8%</b>        | <b>64.8%</b>        |

The Group monitors its key financial ratios that form part of its obligations under its loans and borrowings and Islamic medium term notes covenants to ensure compliance with them.

### 38. DIVIDENDS

|  | Group and Company   |                     |
|--|---------------------|---------------------|
|  | 2017<br>IDR million | 2016<br>IDR million |
| <b>Declared and paid during the financial year:</b>  |                     |                     |
| Dividend on ordinary shares:   |                     |                     |
| – Final tax exempt (one-tier) dividend for 2016 at SGD 0.015 per share<br>(2016: Final tax exempt (one-tier) dividend for 2015 at SGD 0.005 per share) | 249,828             | 86,587              |
| – Interim tax exempt (one-tier) dividend for 2017 at SGD 0.0075 per share<br>(2016: Nil)   | 129,034             | –                   |
|  | <b>378,862</b>      | <b>86,587</b>       |

The Directors have recommended for the Company to pay a final dividend in respect of the financial year ended 31 December 2017. The payment of the dividend will be subject to the approval by shareholders, at the forthcoming Annual General Meeting to be convened at the end of April 2018.

### 39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the years ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 23 March 2018.

## SHAREHOLDERS' INFORMATION

AS AT 7 MARCH 2018

|  |   |                        |
|--|---|------------------------|
| Class of shares  | : | Ordinary Shares        |
| Issued and fully paid-up capital (including Treasury Shares and subsidiary holdings) | : | S\$255,242,545         |
| Issued and fully paid-up capital (excluding Treasury Shares and subsidiary holdings) | : | S\$241,891,614         |
| Number of shares issued (including Treasury Shares and subsidiary holdings)          | : | 1,757,531,844          |
| Number of shares issued (excluding Treasury Shares and subsidiary holdings)          | : | 1,739,823,944          |
| Number/Percentage of Treasury Shares   | : | 17,707,900 (1.01%)     |
| Number/Percentage of Subsidiary Holdings   | : | Nil (0%)               |
| Voting rights (excluding Treasury Shares and subsidiary holdings)                    | : | One vote for per share |

### Distribution of Shareholdings

| Size of Shareholding | No. of Shareholders |        | No. of Shares |        |
|----------------------|---------------------|--------|---------------|--------|
|                      |                     | %      |               | %      |
| 1 – 99               | 8                   | 0.49   | 219           | 0.00   |
| 100 – 1,000          | 188                 | 11.51  | 174,326       | 0.01   |
| 1,001 – 10,000       | 795                 | 48.68  | 4,811,685     | 0.28   |
| 10,001 – 1,000,000   | 621                 | 38.03  | 41,077,709    | 2.36   |
| 1,000,001 and above  | 21                  | 1.29   | 1,693,760,005 | 97.35  |
|                      | 1,633               | 100.00 | 1,739,823,944 | 100.00 |

### Twenty Largest Shareholders

| No. | Name of Shareholders                        | No. of Shares | %     |
|-----|---|---------------|-------|
| 1.  | Wellpoint Pacific Holdings Ltd.             | 749,157,774   | 43.06 |
| 2.  | Oakridge Investments Pte Ltd.               | 535,050,070   | 30.75 |
| 3.  | DBS Nominees Pte Ltd.                       | 177,398,907   | 10.20 |
| 4.  | HSBC (Singapore) Nominees Pte Ltd.          | 58,472,271    | 3.36  |
| 5.  | Citibank Nominees Singapore Pte Ltd.        | 47,537,443    | 2.73  |
| 6.  | Raffles Nominees (Pte) Ltd.                 | 24,700,185    | 1.42  |
| 7.  | Lynwood Capital Resources Pte Ltd.          | 21,622,000    | 1.24  |
| 8.  | DBSN Services Pte Ltd.                      | 14,080,575    | 0.81  |
| 9.  | OCBC Securities Private Ltd.                | 11,792,600    | 0.68  |
| 10. | BPSS Nominees Singapore (Pte.) Ltd.         | 11,141,100    | 0.64  |
| 11. | UOB Kay Hian Pte Ltd.                       | 10,130,100    | 0.58  |
| 12. | Morgan Stanley Asia (S) Securities Pte Ltd. | 5,849,200     | 0.33  |
| 13. | DBS Vickers Securities (S) Pte Ltd.         | 5,710,400     | 0.33  |
| 14. | United Overseas Bank Nominees Pte Ltd.      | 4,487,900     | 0.26  |
| 15. | Phillip Securities Pte Ltd.                 | 4,019,600     | 0.23  |
| 16. | CGS-CIMB Securities (S) Pte Ltd.            | 3,059,101     | 0.18  |
| 17. | BNP Paribas Nominees Singapore Pte Ltd.     | 2,413,700     | 0.14  |
| 18. | Maybank Kim Eng Securities Pte Ltd.         | 2,370,748     | 0.14  |
| 19. | RHB Securities Singapore Pte Ltd.           | 2,368,800     | 0.14  |
| 20. | DB Nominees (S) Pte Ltd.                    | 1,287,531     | 0.07  |
|     | Total                                       | 1,692,650,005 | 97.29 |



# SHAREHOLDERS' INFORMATION

AS AT 7 MARCH 2018

## Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

|   | Direct Interest  |                  | Deemed Interest  |                  |
|---|------------------|------------------|------------------|------------------|
|   | Number of Shares | % <sup>(1)</sup> | Number of Shares | % <sup>(1)</sup> |
| <b>Substantial Shareholders</b>                   |                  |                  |                  |                  |
| Wellpoint Pacific Holdings Ltd. <sup>(2)(4)</sup> | 903,157,774      | 51.911           | –                | –                |
| Lim Hariyanto Wijaya Sarwono <sup>(2)</sup>       | –                | –                | 903,157,774      | 51.911           |
| Lim Gunawan Hariyanto <sup>(2)</sup>              | –                | –                | 903,157,774      | 51.911           |
| Fortune Corp Limited <sup>(2)</sup>               | –                | –                | 903,157,774      | 51.911           |
| Fortune Holdings Limited <sup>(2)</sup>           | –                | –                | 903,157,774      | 51.911           |
| Oakridge Investments Pte Ltd. <sup>(3)</sup>      | 535,050,070      | 30.753           | –                | –                |
| IOI Corporation Berhad <sup>(3)</sup>             | –                | –                | 556,672,070      | 31.996           |
| Vertical Capacity Sdn Bhd <sup>(3)</sup>          | –                | –                | 556,672,070      | 31.996           |
| Progressive Holdings Sdn Bhd <sup>(3)</sup>       | –                | –                | 556,672,070      | 31.996           |
| Tan Sri Dato' Lee Shin Cheng <sup>(3)</sup>       | –                | –                | 556,672,070      | 31.996           |
| Puan Sri Datin Hoong May Kuan <sup>(3)</sup>      | –                | –                | 556,672,070      | 31.996           |
| Dato' Lee Yeow Chor <sup>(3)</sup>                | –                | –                | 556,672,070      | 31.996           |
| Lee Yeow Seng <sup>(3)</sup>                      | –                | –                | 556,672,070      | 31.996           |

### Notes:

- (1) Percentages are based on the issued share capital of the Company of 1,739,823,944 Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.
- (2) Each of Dr. Lim Hariyanto Wijaya Sarwono and Mr. Lim Gunawan Hariyanto is deemed to be interested in the Shares held by Wellpoint Pacific Holdings Ltd., a wholly owned subsidiary of Fortune Holdings Limited, by virtue of his joint interest in Fortune Holdings Limited and in Fortune Corp Limited, the fund management company that manages Fortune Holdings Limited. Dr. Lim Hariyanto Wijaya Sarwono and Mr. Lim Gunawan Hariyanto are the only directors of Fortune Corp Limited. Under the discretionary fund management mandate, Fortune Corp Limited is vested with the power to manage the voting rights of Fortune Holdings Limited. Fortune Holdings Limited is in turn deemed to be interested in the Shares held by Wellpoint Pacific Holdings Ltd. by virtue of its 100% shareholding interest in Wellpoint Pacific Holdings Ltd.
- (3) Tan Sri Dato' Lee Shin Cheng, Puan Sri Datin Hoong May Kuan, Dato' Lee Yeow Chor and Mr. Lee Yeow Seng are immediate family members and are deemed to be interested in the Shares held by Oakridge Investments Pte Ltd. (535,050,070 Shares) and Lynwood Capital Resources Pte Ltd. (21,622,000 Shares), each a subsidiary of IOI Corporation Berhad, by virtue of their collective 100% shareholding interest in Progressive Holdings Sdn Bhd. Progressive Holdings Sdn Bhd is deemed to be interested in the Shares held by Oakridge Investments Pte Ltd. and Lynwood Capital Resources Pte Ltd. by virtue of its 100% shareholding interest in Vertical Capacity Sdn Bhd. Vertical Capacity Sdn Bhd is deemed to be interested in the Shares held by Oakridge Investments Pte Ltd. and Lynwood Capital Resources Pte Ltd. by virtue of its shareholding interest in IOI Corporation Berhad. IOI Corporation Berhad is in turn deemed to be interested in the Shares held by Oakridge Investments Pte Ltd. and Lynwood Capital Resources Pte Ltd. by virtue of its 100% shareholding interest in each of Oakridge Investments Pte Ltd. and Lynwood Capital Resources Pte Ltd.
- (4) Includes 154,000,000 Shares which are held through bank nominees.

### Shareholdings held in the hands of public

Based on information available and to the best knowledge of the Company, as at 7 March 2018, approximately 16.067% of the total number of issued ordinary shares (excluding Treasury Shares and subsidiary holdings) of the Company is held by the public. The Company is therefore in compliance with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of BUMITAMA AGRI LTD. (the “**Company**”) will be held at Raffles City Convention Centre, Orchard Room, Level 4, 80 Bras Basah Road, Singapore 189560 on Monday, 23 April 2018 at 10.30 am for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the year ended 31 December 2017 together with the Auditors’ Report thereon.

**(Resolution 1)**

2. To declare final dividend of S\$0.02 per share (one-tier tax exempt) for the year ended 31 December 2017 (2016: S\$0.015)

**(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Regulations 91 and 97 of the Company’s Constitution:

|                                |                                |                       |
|--------------------------------|--------------------------------|-----------------------|
| Dato’ Lee Yeow Chor            | (Retiring under Regulation 91) | <b>(Resolution 3)</b> |
| Mr. Chua Chun Guan Christopher | (Retiring under Regulation 91) | <b>(Resolution 4)</b> |
| Ms. Lim Christina Hariyanto    | (Retiring under Regulation 97) | <b>(Resolution 5)</b> |
| Mr. Lee Lap Wah George         | (Retiring under Regulation 97) | <b>(Resolution 6)</b> |

*Mr. Chua Chun Guan Christopher will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, the Remuneration Committee, the Nominating Committee and the Conflicts Resolution Committee. Mr. Chua Chun Guan Christopher will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*

*Mr. Lee Lap Wah George will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and as a member of the Audit Committee, the Remuneration Committee and the Conflicts Resolution Committee. Mr. Lee Lap Wah George will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*

4. To approve the payment of Directors’ fees of S\$317,500 for the year ending 31 December 2018, to be paid quarterly in arrears. (2017: S\$307,000)

**(Resolution 7)**

5. To re-appoint Ernst & Young LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration.

**(Resolution 8)**

6. To transact any other ordinary business which may be transacted at an Annual General Meeting.

# NOTICE OF ANNUAL GENERAL MEETING

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

### 7. RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH IOI CORPORATION AND ITS ASSOCIATES

That for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"):

- (a) approval be given for the renewal of the mandate for the Company, its subsidiaries and target associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out in Annexure I to the Appendix dated 6 April 2018 to the Annual Report in relation to the renewal of certain shareholders' mandates for interested person transactions (the "**Appendix**"), with any party who is of the class of Interested Persons described in Annexure I to the Appendix, provided that such transactions are carried out in the normal course of business, at arm's length and on normal commercial terms and in accordance with the guidelines of the Company for such Interested Person Transactions as set out in Annexure I to the Appendix (the "**Shareholders' Mandate for IOI Transactions**");
- (b) the Shareholders' Mandate for IOI Transactions shall, unless revoked or varied by the Company in general meeting, continue in force until the date that the next Annual General Meeting is held or is required by law to be held, whichever is earlier;
- (c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of such 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
- (d) authority be given to the Directors to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate for IOI Transactions as they may think fit.

*[See Explanatory Note (i)]*

**(Resolution 9)**

## NOTICE OF ANNUAL GENERAL MEETING

### 8. RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH THE SNA GROUP

That for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"):

- (a) approval be given for the renewal of the mandate for the Company, its subsidiaries and target associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out in Annexure II to the Appendix dated 6 April 2018 to the Annual Report in relation to the renewal of certain shareholders' mandates for interested person transactions (the "**Appendix**") with any party who is of the class of Interested Persons described in Annexure II to the Appendix, provided that such transactions are carried out in the normal course of business, at arm's length and on normal commercial terms and in accordance with the guidelines of the Company for such Interested Person Transactions as set out in Annexure II to the Appendix (the "**Shareholders' Mandate for SNA Transactions**");
- (b) the Shareholders' Mandate for SNA Transactions shall, unless revoked or varied by the Company in general meeting, continue in force until the date that the next Annual General Meeting is held or is required by law to be held, whichever is earlier;
- (c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of such 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
- (d) authority be given to the Directors to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate for SNA Transactions as they may think fit.

*[See Explanatory Note (i)]*

**(Resolution 10)**

## NOTICE OF ANNUAL GENERAL MEETING

### 9. SHARE ISSUE MANDATE

That pursuant to Section 161 of the Companies Act (Cap. 50) of Singapore and in accordance with Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), approval be and is hereby given to the Directors to issue:

- (a) shares in the capital of the Company (whether by way of rights, bonus or otherwise); or
- (b) convertible securities; or
- (c) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or other capitalisation issues; or
- (d) shares arising from the conversion of convertible securities,

at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that:

- (i) the aggregate number of shares and convertible securities that may be issued shall not be more than 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;
- (ii) the aggregate number of shares and convertible securities that may be issued other than on a pro-rata basis to existing shareholders shall not be more than 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;
- (iii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (i) and (ii) above, the percentage of issued shares shall be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company as at the date the resolution approving the general mandate is passed after adjusting for new shares arising from the conversion, exercise or vesting of any convertible securities, employee share options or share awards in issue, outstanding or subsisting as at the date the resolution approving the general mandate is passed, and after adjusting for any subsequent bonus issue, consolidation or subdivision of the Company’s shares; and
- (iv) unless earlier revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier.

*[See Explanatory Note (ii)]*

**(Resolution 11)**



# NOTICE OF ANNUAL GENERAL MEETING

## 10. RENEWAL OF SHARE BUYBACK MANDATE

That:

(a) for the purposes of the Companies Act (Cap. 50) of Singapore and the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire the issued ordinary shares fully paid in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Prescribed Limit (as hereafter defined) during the Relevant Period, at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

- (i) on-market purchases (“**Market Purchases**”), transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (ii) off-market purchases (“**Off-Market Purchases**”) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act (Cap. 50) of Singapore and the Listing Manual of the SGX-ST,

and otherwise in accordance with all other provisions of the Companies Act (Cap. 50) of Singapore and the Listing Manual of the SGX-ST as may for the time being be applicable (the “**Share Buyback 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 Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

- (i) the date on which the next Annual General Meeting of the Company is held or required by law or the Constitution of the Company to be held;
- (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or
- (iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the shareholders of the Company in a general meeting;

(c) in this Resolution:

“**Prescribed Limit**” means that number of issued Shares representing 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution, unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act (Cap. 50) of Singapore at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered;

## NOTICE OF ANNUAL GENERAL MEETING

“**Relevant Period**” means the period commencing from the date on which the Annual General Meeting at which this Resolution is passed is held and expiring on the date the next Annual General Meeting is held or is required by law or the Constitution of the Company to be held, whichever is the earlier, after the date 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;
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme: 120% of the Average Closing Price, where:

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last five market days, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase or, as the case may be, the day 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; and

“**day of the making of the offer**” means the day on which the Company announces its intention to make an offer for the purchase 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

- (d) any of 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.

*[See Explanatory Note (iii)]*

**(Resolution 12)**

By Order of the Board

Yoo Loo Ping  
Chiang Wai Ming  
Joint Company Secretaries

Singapore, 6 April 2018

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes on Resolutions to be passed:

- (i) The Ordinary Resolutions 9 and 10 proposed in items 7 and 8 above, respectively, if passed, will authorise the relevant Interested Person Transactions described in the Appendix dated 6 April 2018 to the Annual Report (in relation to the renewal of certain shareholders' mandate for interested person transactions) and recurring in the year and will empower the Directors to do all acts necessary to give effect to the Shareholders' Mandate for IOI Transactions and the Shareholders' Mandate for SNA Transactions, respectively. Such authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.
- (ii) The Ordinary Resolution 11 proposed in item 9 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis.
- (iii) The Ordinary Resolution 12 proposed in item 10 above, if passed, will empower the Directors from the date of the above Meeting until the next Annual General Meeting to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten percent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings as at that date) in the capital of the Company at the Maximum Price. Information relating to this proposed Resolution is set out in the Appendix dated 6 April 2018 (in relation to the renewal of the share buyback mandate) attached.

## Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
3. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Anson Road #11-19, International Plaza, Singapore 079903, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

## Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (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 (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 (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 (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.

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# BUMITAMA AGRI LTD.

(Incorporated in Singapore)

(Co. Reg. No: 200516741R)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT

1. A relevant intermediary may appoint one or more proxies to attend the Annual General Meeting and vote (please see Note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

\*I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of Bumitama Agri Ltd. (the "Company"), hereby appoint:

| Name    | NRIC/Passport No. | Proportion of Shareholdings |   |
|---------|-------------------|-----------------------------|---|
|         |                   | No. of Shares               | % |
| Address |                   |                             |   |

and/or (delete as appropriate)

| Name    | NRIC/Passport No. | Proportion of Shareholdings |   |
|---------|-------------------|-----------------------------|---|
|         |                   | No. of Shares               | % |
| Address |                   |                             |   |

as \*my/our \*proxy/proxies to vote for \*me/us and on \*my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Raffles City Convention Centre, Orchard Room, Level 4, 80 Bras Basah Road, Singapore 189560 on Monday, 23 April 2018 at 10.30 am and at any adjournment thereof. \*I/We direct \*my/our \*proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the \*proxy/proxies will vote or abstain from voting at \*his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

**(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)**

| No. | Resolutions relating to:  | For | Against |
|-----|---|-----|---------|
| 1   | Directors' Statement and Audited Financial Statements for the year ended 31 December 2017                   |     |         |
| 2   | Payment of a final dividend   |     |         |
| 3   | Re-election of Dato' Lee Yeow Chor as Director  |     |         |
| 4   | Re-election of Mr. Chua Chun Guan Christopher as Director   |     |         |
| 5   | Re-election of Ms. Lim Christina Hariyanto as Director  |     |         |
| 6   | Re-election of Mr. Lee Lap Wah George as Director   |     |         |
| 7   | Approval of Directors' fees amounting to S\$317,500 for the year ending 31 December 2018                    |     |         |
| 8   | Re-appointment of Ernst & Young LLP as Auditors   |     |         |
| 9   | Renewal of Shareholders' Mandate for Interested Person Transactions with IOI Corporation and its Associates |     |         |
| 10  | Renewal of Shareholders' Mandate for Interested Person Transactions with the SNA Group                      |     |         |
| 11  | Share Issue Mandate   |     |         |
| 12  | Renewal of Share Buyback Mandate  |     |         |

\* Delete where inapplicable

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

| Total number of Shares in: | No. of Shares |
|----------------------------|---------------|
| (a) CDP Register           |               |
| (b) Register of Members    |               |

\_\_\_\_\_  
Signature of Shareholder(s)/  
and Common Seal of Corporate Shareholder



## NOTES

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, (Cap 289)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this form of proxy or proxies will be deemed to relate to all the Shares held by you.
2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his/her behalf at the Meeting. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. Any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Anson Road #11-19, International Plaza, Singapore 079903, not less than forty-eight (48) hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

## PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2018.

## GENERAL

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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# CORPORATE INFORMATION

|                                       |  |
|---------------------------------------|--|
| <b>BOARD OF DIRECTORS</b>             | <b>Executive:</b><br>Lim Gunawan Hariyanto (Executive Chairman and Chief Executive Officer)<br>Lim Christina Hariyanto (Executive Director)<br><br><b>Non-Executive &amp; Non-Independent:</b><br>Dato' Lee Yeow Chor<br><br><b>Independent:</b><br>Tan Boon Hoo (Lead Independent Director)<br>Chua Chun Guan Christopher<br>Lee Lap Wah George |
| <b>AUDIT COMMITTEE</b>                | Tan Boon Hoo (Chairman)<br>Chua Chun Guan Christopher<br>Lee Lap Wah George  |
| <b>NOMINATING COMMITTEE</b>           | Lee Lap Wah George (Chairman)<br>Tan Boon Hoo<br>Chua Chun Guan Christopher  |
| <b>REMUNERATION COMMITTEE</b>         | Tan Boon Hoo (Chairman)<br>Chua Chun Guan Christopher<br>Lee Lap Wah George  |
| <b>CONFLICTS RESOLUTION COMMITTEE</b> | Tan Boon Hoo (Chairman)<br>Chua Chun Guan Christopher<br>Lee Lap Wah George  |
| <b>COMPANY SECRETARIES</b>            | Yoo Loo Ping, ACIS<br>Chiang Wai Ming, ACIS  |
| <b>REGISTERED OFFICE</b>              | 10 Anson Road #11-19 International Plaza,<br>Singapore 079903<br>Tel: (65) 6222 1332<br>Fax: (65) 6222 1336<br>www.bumitama-agri.com   |
| <b>SHARE REGISTRARS</b>               | B.A.C.S. Private Limited,<br>8 Robinson Road #03-00 ASO Building,<br>Singapore 048544  |
| <b>AUDITOR</b>                        | Ernst & Young LLP,<br>One Raffles Quay, North Tower, Level 18,<br>Singapore 048583   |
| <b>PARTNER-IN-CHARGE</b>              | Low, Bek Teng<br>(with effect from the financial year ended 2016)  |
| <b>INVESTOR RELATIONS</b>             | <b>Christina Lim</b><br>clim@bumitama-agri.com<br><br><b>Glenn Ho</b><br>glenn.ho@bumitama-agri.com  |



**Bumitama Agri Ltd.**  
*Excellence Through Discipline*

**PRINCIPAL OFFICE**

Jl. Melawai Raya No. 10 | Kebayoran Baru  
Jakarta 12160 | Indonesia

**REGISTERED OFFICE**

10 Anson Road | #11-19 International Plaza  
Singapore 079903  
Tel: (65) 6222 1332 | Fax: (65) 6222 1336

**[www.bumitama-agri.com](http://www.bumitama-agri.com)**