Bumitama Agri Ltd.

Excellence Through Discipline

2014 ANNUAL REPORT

WORKING TOGETHER

for a sustainable future

CONTENTS


KAGE

OUR VISION

To be a leading palm oil producer focused on the continuous improvement of productivity, cost efficiency 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.


Special Region
of Aceh
Dumai
Duri
Riau
Singapore
Sumatra
West
Kalimantan
Pontianak
Central
Kalimantan
Ketapang
Palangkaraya
Pangkalan Bun
Jakarta
Java
Surabaya
Special Region
of Yogyakarta
Bali
Office
Plantation
CPO Mill

CORPORATE PROFILE

Bumitama Agri Ltd. ("Bumitama" or the "Group") is a young emerging crude palm oil ("CPO") and palm kernel ("PK") producer with oil palm plantations in Indonesia. Listed on the Singapore Exchange since 2012, the Group's core business activities are cultivating oil palm trees, harvesting and processing fresh palm fruit bunches ("FFB") into CPO and PK.

Bumitama has a total land bank of about 199,000 hectares in three provinces: Central Kalimantan, West Kalimantan and Riau, areas which are well-suited for the palm oil industry. As at 1 January 2015, the weighted average age of the Group's oil palm trees is about 6.9 years, and as at 31 December 2014 only about 40.2% of the planted area has reached peak production age.

The Group also has ten CPO mills that are strategically located in close proximity to its plantations for efficient logistics support. Together, the mills have a total FFB processing capacity of 3.42 million tpa (metric tonne per annum).

Bumitama is committed to sustainable palm oil development as a member of the internationally recognised Roundtable on Sustainable Palm Oil as well as adhering to the mandatory requirement of Indonesian Sustainable Palm Oil. The Group is also committed to improving the social and economic welfare of local communities, as it strives to become a leading palm oil producer.

CHAIRMAN'S MESSAGE

"As we continue to grow and entrench our operations, we put into practice our value of *Heart to Serve* for our community"

DEAR SHAREHOLDERS,

The year 2014 was a challenging year. The supply of palm oil was affected by two weather phenomena, starting with drought in the first half of the year and ending with floods in the fourth quarter of 2014. The reduction of imports from China due to the tightening of credit facilities, weak crude oil prices, oversupply of soy (palm oil's primary substitute) in the market, the political and regulatory uncertainty in Indonesia during the government elections, and stricter global sustainability policies and expectations added complexity to the palm oil industry.

With all these macro and micro factors pressuring the industry, there was a strong need to focus on improving FFB production yield, CPO production and improving the efficiency of our administrative systems. Our focus in this area of plantation management as well as maturing young palm trees have helped support the growth in our operational and financial performance.

We also made a deliberate decision to decrease new plantings for the year in order to better align our company with the global standards for sustainable palm oil. The commitment of our team towards sustainability is evident by the receipt of two Roundtable of Sustainable Palm Oil ("RSPO") certificates and one Indonesian Sustainable Palm Oil ("ISPO") certificate.

PERFORMANCE REVIEW

The Group remains on a growth trajectory, with net profit increasing by 39.7% from IDR 982 billion in FY2013 to IDR 1,372 billion in FY2014. Total revenue also crossed the IDR 5,000 billion mark, increasing by 41.7% to IDR 5,757 billion, primarily on the back of higher sales volume and selling prices of CPO and PK.

Internal FFB production, which includes nucleus and plasma, grew by 23.7% from 1,620,211 metric tonnes ("MT") in FY2013 to 2,004,769 MT in FY2014, with nucleus FFB production growing by 26.7% and plasma FFB production growing by 17.3%.

During the year, CPO production increased by 18.3% from 522,743 MT to 618,665 MT for FY2014; PK production increased by 16.1% from 99,397 MT to 115,431 MT.

Our total hectarage of matured palms improved from 60.4% in FY2013 to 69.1% or 105,869 hectares in FY2014. The age of our palm trees increased from 5.4 years in FY2013 to 6.0 years in FY2014. FFB yield reached 18.4 MT per hectare, an increase of 5.7% from the previous year, while CPO yield also recorded a 4.9% increase to 4.3 MT per hectare.

We planted approximately 3,585 hectares in 2014, bringing our total planted area to 153,268 hectares. Out of this total planted area, 24.7% is set aside for plasma smallholders.

We continually review our performance, drawing lessons from our past strategies and activities. One of the outcomes of this exercise is our five-year Vision, Mission & Corporate Objectives ("VMCO") Master Plan, which was started in 2014 to provide the management with a clear roadmap of objectives and strategies, ensuring the whole Group is moving in unison and in one direction. We also inculcate a culture of striving for excellence towards the achievement of long-term growth and financial sustainability.

CONTINUING ON A SUSTAINABLE JOURNEY

The palm oil industry is experiencing increasing scrutiny on environment conservation and sustainability, and it is important for us to be aware and learn from such changes. We recognise that the development of our CPO business has an impact on our surrounding environment and community. We will therefore continually adapt sustainable approaches while being mindful of the need for a balanced approach towards the "4Ps" namely planet, people, product and profit to ensure all our strategies and actions are beneficial for the long-term interests of all stakeholders.

In 2014, we took great strides to further refine our sustainability system and processes, incorporating many SOPs and testing the patrolling, monitoring and reporting tools like SMART (Spatial Monitoring and Reporting Tool) for PT Ladang Sawit Mas, PT Andalan Sukses Makmur and PT Nabatindo Karya Utama. The constant communication and engagement with the RSPO, ISPO and civil society has enabled the Group to make considerable progress towards fulfilling the various principles and criteria like New Planting Procedure ("NPP") and Land Use Change ("LUC") necessary for this sustainability certification journey. We were rewarded with our first two RSPO certificates in June and July 2014 for PT Windu Nabatindo Lestari and PT Karya Makmur Bahagia ("KMB") respectively for a total of 26,600 hectares. In September 2014, KMB received its ISPO certificate. The Group will continue in this direction, to ensure all CPO and PK is certified sustainable.

During the year, we conducted a Rapid High Carbon Stock Assessment ("HCS Assessment") and peat delineation survey at five of our subsidiaries in Kalimantan for approximately 55,000 hectares in April 2014. The HCS Assessment is an initiative undertaken to identify and preserve forest areas with high carbon stock ("HCS") in an effort to ensure that the Group continues to pursue growth in a responsible way. The Group has set aside potential HCS and peat area of 8,459 hectares and will not plant on areas that are of high conservation value ("HCV"), HCS and or peat land for the five subsidiaries. We will work in a participatory manner with the community and will continuously seek information, assistance and consult with other stakeholders as we do not have full knowledge to carry out the sustainability programme alone.

CHAIRMAN'S MESSAGE

The Group is looking to build a model and experimental site of this landscape approach of HCS and HCV areas, managed together with oil palm plantation on 50 hectares of land in Central Kalimantan as part of learning and risk mitigation. The above landscape approach which also incorporates participation from the community and collaboration and consultation with other stakeholders is new and is still a work-in-progress.

Bumitama has started to conduct preliminary assessment of Greenhouse Gas ("GHG") emissions and is in discussion with consultants for the installation of biogas/methane gas capture in two mills, both in Central Kalimantan as part of GHG emissions reduction. The Group is also looking into initiating a traceability project with independent smallholders for one of its mills. Lastly, the Group will publish its revised Sustainability Policy and first Sustainability Report in 2015.

We maintain strong relationships with the local community through various programmes and activities. One way in which this is achieved is through the Plasma Programme. As at end FY2014, we have allocated over 37,805 hectares of land to approximately 19,000 smallholders, accounting for 24.7% of our total planted area. In 2014, the Group distributed IDR 171.0 billion in dividends to the smallholders. We remain committed to the above programme and will work in a participatory manner to meet the needs of our smallholders and community through active interaction and communication. We will also co-operate with other stakeholders to drive for higher effectiveness and to close any gaps in our system and processes.

With a view towards enhancing the well-being of the surrounding community in which we operate, we also took efforts to identify and pursue opportunities in the areas of Local Community Development (known as Local Economic Empowerment Programme), Education and Health services under our comprehensive Corporate Social Responsibility ("CSR") programmes. As we continue to grow and entrench our operations in Kalimantan and Riau, it is our wish to put into practice our value of "*Heart to Serve*" by utilising our resources in a concerted and coordinated manner with the community, to improve the quality of life and to inspire a better future for the community and people of Indonesia.

COMMITTED TO VALUE CREATION

The global commodities market expects the year 2015 to be another challenging year for the palm oil industry with subdued CPO prices, slowing global economy and a strong US dollar. We are hopeful that the recent announcement on

the new Indonesian B15 mandate will help support CPO prices, although the extent of its impact largely depends on the implementation.

We saw the start of an acquisition trend for this industry in Indonesia in the second half of 2014 and we expect this to continue into 2015. Should opportunities arise, the Group is well-placed to capitalise on the consolidation trend. We had drawn down MYR 1.0 billion in 2014 by tapping into our MYR 2.0 billion Ringgit-denominated Islamic Medium Term Notes programme and had received overwhelming responses from the investing community, reflecting the strong vote of confidence the market has in the Group.

Supported by the foundation we have laid, the relatively young age profile of our plantation, available land bank for planting, our core competencies in upstream production and a healthy balance sheet, we are optimistic that the Group will continue to experience organic growth and deliver greater value for all stakeholders in the years ahead.

We are also heartened that our focus on striving for excellence through discipline in every facet of Bumitama has earned us the prestigious "Frost & Sullivan Indonesia Emerging Palm Oil Plantation Company of the Year Award 2014" at the Frost & Sullivan Indonesia Excellence Award 2014. This achievement marks a milestone in our growth journey, endorsing the progress we have made as a growing upstream plantation company.

DIVIDENDS

To share with shareholders the fruits of our labour, the Board of Directors had declared and paid an interim dividend of 1.3 Singapore cents per ordinary share on 3 June 2014, which was approximately 18% of its distributable income.

The Board of Directors has also proposed a final dividend of 1.5 Singapore cents per ordinary share. The proposed dividend, which is subject to shareholders' approval, represents a payout of about 22% of our net profit and a yield of 1.5%[1].

IN APPRECIATION

It has been a privilege for me to serve as Chairman and Chief Executive Officer of this Group. Despite the many challenges we, as well as the palm oil industry as a whole, have been presented with, our management has continued to lead the Group forward with resilience, discipline and passion. The continued dedication and support of our Bumitama family, from our workers to business partners, associates and shareholders, will ensure our continued growth. On behalf of the Board of Directors, I would like to express my heartfelt appreciation to you.

I sincerely look forward to your support as we advance into yet another year of opportunities and challenges!

Yours faithfully,
LIM GUNAWAN HARIYANTO
Executive Chairman and Chief Executive Officer
26 March 2015

1 Based on closing share price of S$0.995 as at 25 March 2015

OPERATIONAL & FINANCIAL HIGHLIGHT

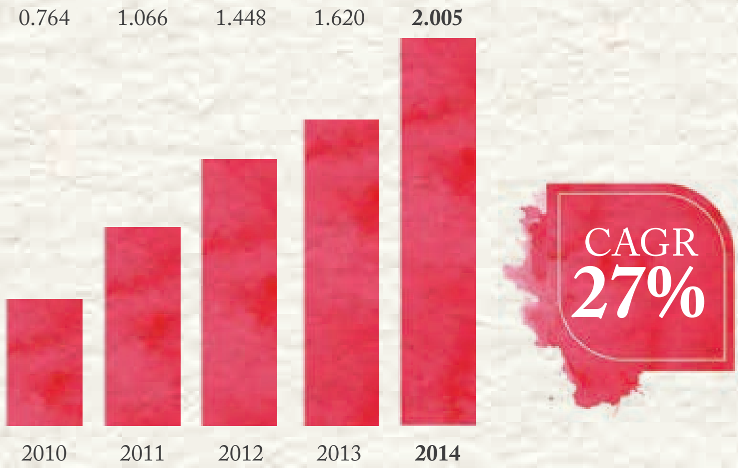
OPERATIONAL HIGHLIGHT

FINANCIAL YEAR	2014	2013	2012	2011	2010
PLANTATION AREA (Hectares)[1]					
Total Planted Area	**153,268**	**149,683**	**133,367**	**118,460**	**107,502**
Mature	105,869	90,483	75,420	61,562	45,857
Immature	47,399	59,200	57,947	56,898	61,645
Nucleus Planted Area	**115,463**	**114,952**	**101,182**	**87,581**	**76,987**
Mature	77,177	63,677	51,532	41,084	28,252
Immature	38,286	51,275	49,650	46,497	48,735
Plasma Planted Area	**37,805**	**34,731**	**32,185**	**30,879**	**30,515**
Mature	28,692	26,806	23,888	20,478	17,605
Immature	9,113	7,925	8,297	10,401	12,910
Planted Area by Location					
Kalimantan	150,959	147,374	131,058	116,152	105,197
Riau	2,309	2,309	2,309	2,308	2,305
PRODUCTION VOLUME (Tonnes)					
Fresh Fruit Bunches ("FFB")	**2,004,769**	**1,620,211**	**1,448,016**	**1,065,644**	**764,241**
Nucleus	1,401,040	1,105,358	948,603	678,330	473,576
Plasma	603,729	514,853	499,413	387,314	290,665
Crude Palm Oil ("CPO")	**618,665**	**522,743**	**462,291**	**345,111**	**256,883**
Palm Kernel ("PK")	**115,431**	**99,397**	**87,252**	**64,875**	**52,989**
PRODUCTIVITY					
FFB Yield per Mature Hectare (tonnes)	**18.4**	**17.4**	**18.8**	**16.3**	**15.1**
CPO Yield per Mature Hectare (tonnes)	**4.3**	**4.1**	**4.5**	**3.9**	**3.3**
CPO Extraction Rate (%)	**23.2**	**23.3**	**23.8**	**24.0**	**22.0**
PK Extraction Rate (%)	**4.3**	**4.4**	**4.5**	**4.5**	**4.5**

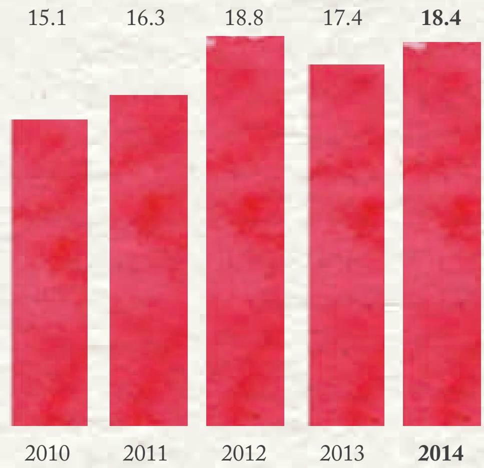
Note:

(1) The planted area as at end of 2014 still included PT Hatiprima Agro (PT HPA) which will taken out on the beginning of January 2015.

FRESH FRUIT BUNCHES PRODUCTION
(MILLION TONNES)

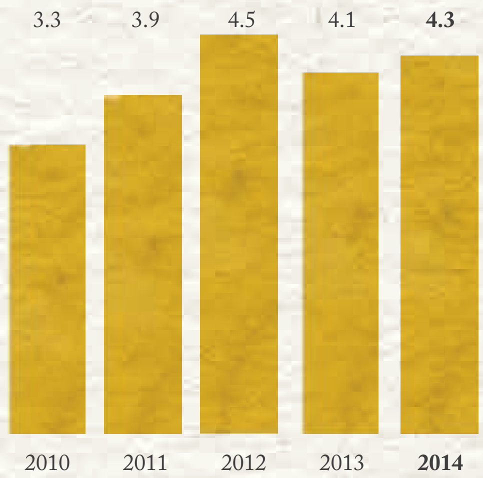


FRESH FRUIT BUNCHES YIELD
(TONNES/MATURE HECTARE)



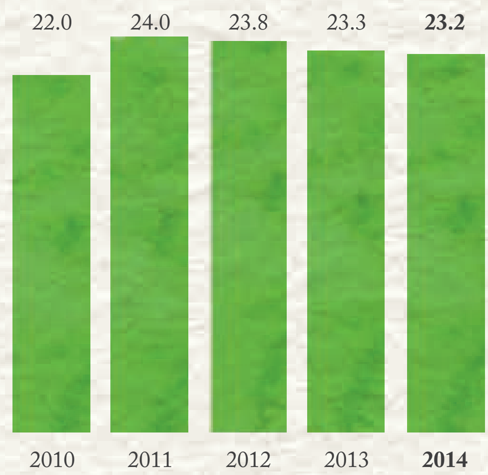
CRUDE PALM OIL PRODUCTION
(TONNES)

CRUDE PALM OIL YIELD
(TONNES/MATURE HECTARE)



PALM KERNEL PRODUCTION
(TONNES)

CRUDE PALM OIL EXTRACTION RATE
(TONNES/MATURE HECTARE)



OPERATIONAL & FINANCIAL HIGHLIGHT

FINANCIAL HIGHLIGHT

FINANCIAL YEAR	2014	2013	2012	2011	2010
Consolidated Income Statement (IDR Billion)					
Revenue	**5,757**	4,063	3,526	2,805	1,961
Gross Profit	**2,342**	1,600	1,423	1,240	717
(Loss)/Gain arising from fair value changes in biological assets	**(38)**	29	58	181	831
Profit before tax	**1,805**	1,268	1,164	1,190	1,355
EBITDA	**2,145**	1,468	1,285	1,132	637
Net Profit	**1,372**	982	902	893	1,026
Net Profit Attributable to Owners of the Company	**1,153**	855	788	762	893
EPS Attributable to Owners of the Company (IDR per Share)(1)	**656**	487	448	513	601
Consolidated Statement of Financial Position (IDR Billion)					
Total Assets	**13,803**	11,844	9,089	6,507	5,562
Total Current Assets	**1,344**	1,302	1,509	663	593
Total Current Liabilities	**1,923**	1,483	1,012	1,293	721
Total Non-current Liabilities	**4,772**	4,220	2,790	2,288	2,568
Total Equity	**7,109**	6,141	5,287	2,925	2,273
Equity Attributable to Owners of the Company	**6,483**	5,630	4,888	2,681	2,008
Financial Statistics					
Revenue Growth	**41.7%**	15.2%	25.7%	43.1%	37.0%
Gross Profit Margin	**40.7%**	39.4%	40.4%	44.2%	36.6%
Operating Profit Margin	**34.5%**	33.3%	33.8%	37.3%	29.2%
EBITDA Margin	**37.3%**	36.1%	36.5%	40.4%	32.5%
Net Profit Margin	**23.8%**	24.2%	25.6%	31.8%	52.3%
Return on Equity(2)	**17.8%**	15.2%	16.1%	28.4%	44.5%
Return on Assets(3)	**8.4%**	7.2%	8.7%	11.7%	16.0%
Debt/Total Equity (Times)	**0.6**	0.7	0.5	0.8	1.0
Net Debt(4)/Total Assets (Times)	**0.3**	0.3	0.2	0.3	0.4
Net Debt(4)/EBITDA (Times)	**1.9**	2.5	1.3	1.8	3.2

Remarks:

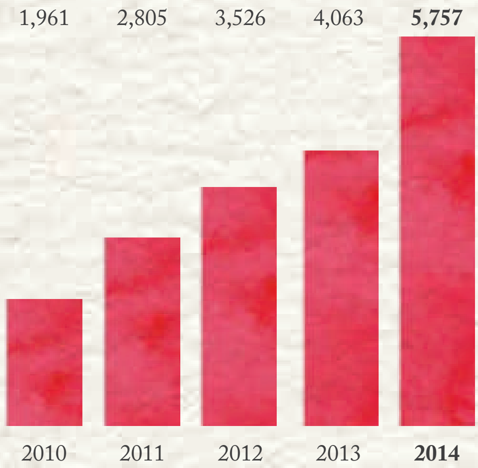
(1) The earnings per share has been computed based on the Company's post offering share capital of 1,757,531,844 shares for FY2012-FY2014 and pre-offering share capital of 1,484,197,844 shares for FY2010-FY2011

(2) Return on Equity = Net Profit Attributable to Owners of the Company/Equity Attributable to Owners of the Company

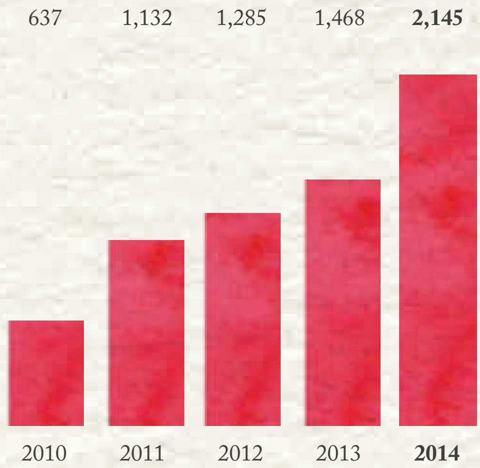
(3) Return on Assets = Net Profit Attributable to Owners of the Company/Total Assets

(4) Interest bearing debts less cash and bank balances

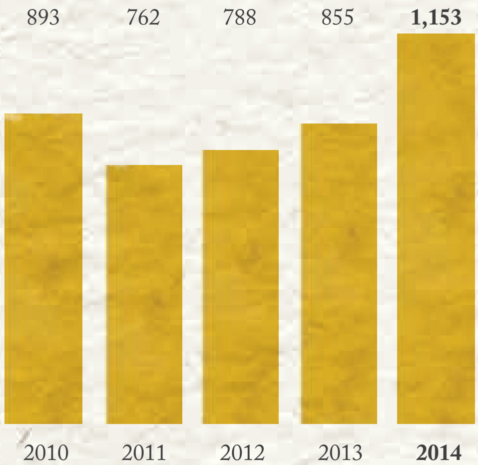
REVENUE
(IDR BILLION)



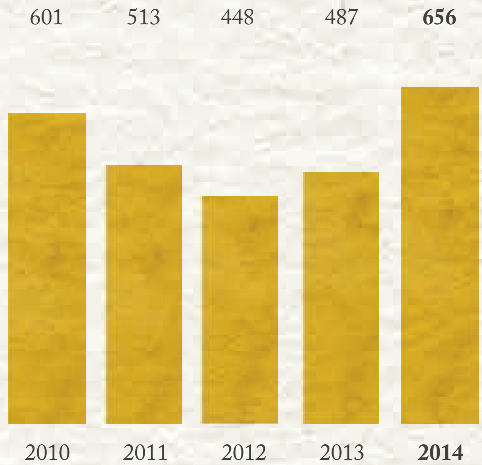
EBITDA
(IDR BILLION)



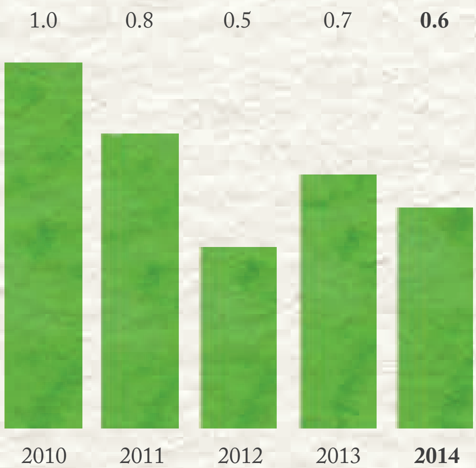
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(IDR BILLION)



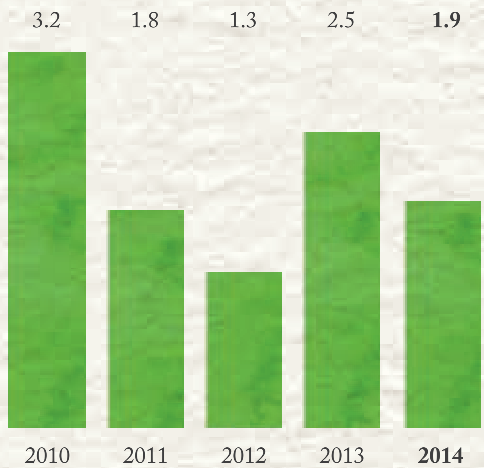
BASIC EARNINGS PER SHARE
(IDR PER SHARE)



DEBT PER TOTAL EQUITY
(TIMES)



NET DEBT PER EBITDA
(TIMES)



OPERATIONAL AND FINANCIAL REVIEW

OPERATIONAL REVIEW

A YEAR OF SUSTAINING GROWTH

The Group continually reviews and ensures the implementation of best agronomy practices at our estates. We recognise the need for a strong focus on improving and optimising management practices in estate management and operational processes at various stages of the value chain. This practice provides crucial support for the Group's growth and market competitiveness.

In FY2014, the Group's total mature planted area increased to 69.1% as at 1 January 2014, from 60.4% a year ago. The weighted average age of our trees increased to 6.0 years as at 1 January 2014 from approximately 5.4 years as at 1 January 2013. Oil palm trees have an average lifespan of 25 years, reaching maturity between 4-18 years and registering peak production period ranging from 7-18 years of age. The relatively young age profile of our growing estates ensures long-term growth sustainability for the Group.

Total FFB output increased 18.4% from 2.2 million MT in FY2013 to 2.7 million MT in FY2014. This was driven by a 26.7% increase in FFB nucleus from 1.1 million MT in FY2013 to 1.4 million MT in FY2014. Internal FFB contributed 75.3% of total FFB compared to 72.0% in FY2013 and external sourced FFB contributed 24.7% and 28.0% of total FFB volume for FY2014 and FY2013, respectively. The increase in mature hectarage, complemented by an improvement in productivity, brought about higher FFB yield per hectare.

Correspondingly, CPO production volume also rose 18.3% to 618,665 MT in FY2014, from 522,743 MT in FY2013. PK production volume grew 16.1% to 115,431 MT in FY2014, compared to 99,397 MT in FY2013.

FFB yield per hectare for FY2014 was 18.4 MT per hectare, up 5.7% from FY2013 of 17.4 MT per hectare. Concurrently, the Group experienced an increase in CPO yield to 4.3 MT per hectare in FY2014, an increase of 4.9% from 4.1 MT per hectare in FY2013. During the year, CPO and PK extraction rates experienced a marginal decline of 0.4% and 2.3%, to 23.2% and 4.3%, respectively.

During the year, the Group expanded its total planted area to 153,268 hectares through approximately 3,585 hectares of new plantings; most of which was allocated for plasma. Of this total planted area 37,805 hectares were allocated to plasma smallholders, with nucleus estates accounting for the remaining 115,463 hectares.

The slower than expected planting rate was to allow the Group to reinforce and enhance compliance with global standards for sustainable palm oil, in particular RSPO Principles and Criteria. The Group also took the opportunity to conduct a Rapid High Carbon Stock Assessment ("HCS Assessment") for five subsidiaries (for 55,000 hectares) in Kalimantan in April 2014.

To meet growing FFB volume, we embarked on an expansion plan for our mills, which are designed to ensure effectiveness, efficiency and safety. In FY2014, we completed the construction of two new mills in West Kalimantan, bringing our total capacity to 3.42 million tpa.

To complement its growing upstream operations, the Group incorporated two subsidiaries, PT. Bumitama Energi Lestari ("BEL") and PT. Bumitama Oleo Sentosa ("BOS"). BEL, the holding company for manufacturing of downstream product in the areas of biodiesel and general trading of CPO and related products and investment holding, acquired a biodiesel plant, PT Energi Baharu Lestari ("EBL"), in December 2014. EBL is currently testing and commissioning a biodiesel refinery with capacity of 20,000 tpa.

In August 2014, the Group announced the termination of two prior Cooperation Agreements; GY Cooperation Agreement and GHL Cooperation Agreement.

Separately, PT. Hatiprima Agro ("HPA") and a non-related company called PT Langgeng Makmur Sejahtera ("LMS") have entered into a conditional sales and purchase agreement on 7 January 2015 in relation to the transfer of the plantation (biological assets) and other moveable assets, inventories and plasma receivables from HPA to LMS; further to the Indonesia Supreme Court's decision in July 2014 to accept a cassation appeal filed by the Indonesian Ministry of Forestry relating to Ijin Lokasi (Location Permit) over approximately 4,810 hectares (4,209 hectares planted) of plantation land belonging to HPA. The date of transfer, amount of compensation and the terms of payment will be further negotiated and agreed upon by HPA and LMS.

FINANCIAL REVIEW

GROWTH IN REVENUE AND NET PROFIT

The Group was able to achieve credible growth amidst global economic challenges and weak crude oil prices in 2014. The Group's revenue increased 41.7% to IDR 5,757 billion in FY2014 from IDR 4,063 billion in FY2013. This was mainly due to an increase in sales volume of both CPO and PK by 19.4% and 16.1% year-on-year as well as improved selling prices of both CPO and PK.

The Group's cost of sales increased by 38.7% to IDR 3,416 billion in FY2014 compared to the previous corresponding period. Cost of sales per kg for CPO in FY2014 increased by 16.1% compared to FY2013 (FY2014: IDR 5,473/kg; FY2013: IDR 4,713/kg). The year-on-year increase was mainly due to higher external FFB purchase, plantation and mill maintenance cost.

Cost of sales comprised mainly costs in relation to plantation maintenance, harvesting, plantation overhead, depreciation and amortisation, processing, and FFB purchased externally (including plasma and third parties).

The Group recorded an increase of 46.4% in gross profit to IDR 2,342 billion in FY2014, as compared to IDR 1,600 billion in FY2013.

Interest income increased 377.7% to IDR 107 billion in FY2014 from IDR 22 billion in FY2013 as a result of an increase in short-term deposits during the year and interest income earned from advances granted to the plasma farmers. Correspondingly, finance costs increased 85.5% to IDR 105 billion in FY2014 from IDR 57 billion in FY2013, mainly due to additional loans from the issuance of Malaysian Ringgit-denominated Islamic Medium Term Notes ("IMTN") worth MYR 1 billion during the period under review.

The Group recognised a loss arising from fair value changes in biological assets of IDR 38 billion in FY2014 compared to a gain of IDR 29 billion in FY2013. The loss from fair value changes was mainly due to depreciation of IDR against USD for the period under review.

Selling expenses rose 63.9% to IDR 173 billion in FY2014 in comparison to IDR 106 billion in FY2013 as a result of an increase in sales volume, higher average freight costs and higher volume of Cost, Insurance and Freight sales term. General and administrative expenses increased 29.2% to IDR 184 billion in FY2014 from IDR 143 billion in FY2013, primarily due to an increase in salaries and employee benefits and office expenses due to an increase in headcount, professional fees and insurance premium tariffs.

For FY2014, the Group recorded a net foreign exchange loss of IDR 76 billion compared to a loss of IDR 45 billion in FY2013. This was primarily due to the depreciation of the IDR against the USD during the period under review which resulted in translation losses on USD denominated borrowings.

OPERATIONAL AND FINANCIAL REVIEW

Share of loss of associate companies amounted to IDR 17 billion in FY2014, up from IDR 16 billion in FY2013 mainly due to share of losses from the Group's investments in two associate companies, PT Sawit Nabati Agro and PT Berkat Agro Sawitindo, which have young tree profiles and hence low yields.

Overall, EBITDA for FY2014 increased 46.1% to IDR 2,145 billion from IDR 1,468 billion in FY2013. The Group registered a 39.7% increase in net profit to IDR 1,372 billion from IDR 982 billion in FY2013.

A STRONG FINANCIAL POSITION

As at 31 December 2014, the Group maintained a strong balance sheet. Total assets amounted to IDR 13,803 billion, an increase from IDR 11,844 billion as at 31 December 2013, while total liabilities increased to IDR 6,695 billion during the period from IDR 5,703 billion.

Total current assets as at 31 December 2014 increased to IDR 1,344 billion from IDR 1,302 billion for the corresponding period in 2013. An increase in inventories, trade and other receivables as well as prepaid taxes were offset by a decrease in cash and cash equivalents from IDR 482 billion in FY2013 to IDR 311 billion in FY2014. The increase in cash flows from operating activities was offset by net cash used in investing activities for the acquisition of plantation assets, other property, plant and equipment and a subsidiary in FY2014 and net cash used in financing activities for bank loan repayment/refinancing, interest payment and dividend payment.

The Group's non-current assets increased to IDR 12,459 billion from IDR 10,541 billion, due mainly to an increase in biological assets, plasma receivables and property, plant and equipment. Biological assets increased as a result of maintenance of immature plantation, seeds procurement, and capitalisation of financing related costs. This was partially offset by a IDR 24 billion decrease in investment in associate companies and a IDR 25 billion decrease in tax refundable.

The Group's current liabilities rose to IDR 1,923 billion from IDR 1,483 billion as at 31 December 2013, due mainly to higher trade and other payables and income taxes payable. The increase in non-current liabilities to IDR 4,772 billion from IDR 4,220 billion a year ago was attributable to the issuance of Malaysian Ringgit-denominated IMTN and derivative financial liabilities from mark-to-market foreign currency swap of IMTN as at 31 December 2014.

In the Group's pursuit for operational excellence and product quality, Bumitama leverages its competitive strengths and best practices in plantation management and manufacturing practices, allowing for value creation on multiple fronts.

CORPORATE MILESTONES

1996

Acquired first land bank (in Central Kalimantan)

1998

Commenced planting

2003

Commissioned first CPO mill (in Central Kalimantan)

2004

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

2007

- Passed 50,000 ha planted area
- IOI Group acquired 33% stake

2010

Surpassed 100,000 ha planted area

2011

Commissioned the 6th CPO mill, bringing total processing capacity to 2,070,000 tpa

2012

Listed on the Mainboard of the Singapore Exchange in April

2013

- Maiden Annual Report FY2012
- First dividend payment
- Commissioned the 8th CPO mill, bringing total processing capacity to 3,060,000 tpa

2014

- Two RSPO and one ISPO certificates
- Bumitama received "Frost & Sullivan Indonesia Excellence Award 2014"

BOARD OF DIRECTORS

LEFT TO RIGHT: ONG CHAN HWA | TAN BOON HOO | LIM GUNAWAN HARIYANTO
DATO' LEE YEOW CHOR | CHUA CHUN GUAN CHRISTOPHER

LIM GUNAWAN HARIYANTO

Executive Chairman and Chief Executive Officer

Mr. Lim Gunawan Hariyanto, Executive Chairman and Chief Executive Officer of the Company, joined the Group in 1997 when he was appointed Director of KMB. Mr. Gunawan was first appointed to the Board on 23 March 2012 and re-elected on 29 March 2012. 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 16 years. Mr. Gunawan started his career in 1984 as the Vice President Director of PT Tirta Mahakam Resources, 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.

DATO' LEE YEOW CHOR

Non-executive Director

Dato' Lee Yeow Chor, a non-executive Director of the Company was first appointed to our Board on 23 March 2012 and re-elected on 29 April 2013. He is presently the Chief Executive Officer ("CEO") 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 CEO of IOI Corporation Berhad in January 2014.

Dato' Lee is 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 the IOI Group as a General Manager in 1994, Dato' Lee served in 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 25 April 2014.

Mr. Tan is currently the Corporate Adviser at TBH International Consulting, specialising in finance, securities and corporate consultation matters. Mr. Tan is also a director of Ren Ci Hospital.

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 was promoted to Deputy Director in 1988 before leaving 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. 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 the Company, was appointed to our Board on 8 February 2012 and re-elected on 29 April 2013.

Mr. Chua joined the Singapore Armed Forces 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 Singapore Armed Forces, 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 in the Singapore Embassy in Jakarta, where he served for three and a half years. Besides 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 Singapore Armed Forces, 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 Tohuku Tsunami in Japan and the Typhoon Washi in Cagayan and Iligan, Philippines.

ONG CHAN HWA

Independent Director

Mr. Ong Chan Hwa, an Independent Director of the Company, was appointed to our Board on 23 March 2012 and re-elected on 25 April 2014. Mr. Ong has almost 40 years' of experience in the palm oil and vegetable oils and fats industry, and had been engaged in various managerial positions along the palm oil value chain.

Mr. Ong started his career in 1975 with the Palmco Group, where his responsibilities included overseeing the trading and product development of, and exploring new markets for, palm oil products. In 1980 he joined Socoil Corporation Berhad as a Commercial Development Manager and was subsequently promoted to the Vice-President, Manufacturing. Mr. Ong was engaged by Phoenix Saguaro (M) Sdn Bhd a dealer in PK expeller cakes, as a General Manager in 1984 and by Karlshamns (Malaysia) Sdn Bhd, a specialty oils and fats manufacturer, as a Managing Director in 1989. Mr. Ong acted as an adviser to the General Manager of Kosma Plantations from 2002 to 2003, and as a director of Malaysian Vegetable Oil Refinery from 2003 to 2005. He was engaged from 2005 to 2007 as a Managing Director of AAA Oils & Fats Pte Ltd, an Indonesian oil palm plantation company. Mr. Ong acted as the Managing Director of GateTrade (M) Sdn Bhd from 2008 to 2010. Since 2008, Mr. Ong has also been engaged as an arbitrator on the Panel of Arbitrators of the Palm Oil Refiners Association of Malaysia. Also Mr. Ong is currently the director of HIV Hope Berhad and New Life Community Sdn Berhad.

Mr. Ong Chan Hwa obtained his Bachelor of Economics (Hons.) in Business Administration from the University of Malaya in 1975.

TOP KEY MANAGEMENT

JOHANNES TANUWIJAYA
Chief Strategy Officer

Mr. Johannes Tanuwijaya is the Group's Chief Strategy Officer ("CSO"). Mr. Johannes joined the Group in 2003 and was previously Director and Chief Financial Officer of PT Windu Nabatindo Abadi ("WNA"), a subsidiary of the Group. He is now responsible for the oversight of 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 Indonesia 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 a general manager in the engineering division of BGA. He has oversight and control of the Group's overall operational activities, including our 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 the Salim Group during his tenure with them. Mr. Roebianto left the Salim Group in 1999, and was appointed as a director at Chua Sea Joo Plywood Industry Sdn Bhd, Malaysia, from 1999 to 2003. Mr. Roebianto spent four months in 2003 as a 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, 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 an associate director. In 2005, he was recruited by Sampoerna Strategic Group as a Business Development Executive, and in 2007, he was appointed as Chief Financial Officer of PT Sampoerna Agro Tbk., a plantation company listed in the Indonesian Stock Exchange.

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

Bumitama is led by a strong and committed Board of Directors and leadership team. Together, they aim to build a socially-responsible company guided by our core values of Morality, Capability and Integrity.

Bumitama will always commit to improve our corporate social responsibility policies, to ensure achievement of our objectives.

CORPORATE SOCIAL RESPONSIBILITY

TOWARDS A GREEN AND SUSTAINABLE COMPANY THROUGH GROWING WITH OUR COMMUNITY

For all of us at Bumitama, Corporate Social Responsibility ("CSR") is an integral part of our corporate DNA, and we endeavour to grow in harmony with the environment in which we operate in, and are committed to support the cultivation and enhancement of the social-economic welfare of the community in areas the Group operates in.

The core value which forms the foundation of Bumitama's CSR programme is *Heart to Serve* and it moulds our three objectives of CSR which are:

- Ensure conducive living standards and welfare of the employees and their families and the surrounding community through plasma (partnership) programme, employment opportunities, community empowerment programmes on education, economy, health, culture, infrastructure and others;
- Build commitment and trust with the community, regional government, suppliers, buyers, civil society and media; and
- Establish a sustainable oil palm plantation which complies with recognised sustainability standards, regulations and commitment with appropriate environmental conservation and social programmes.

Our CSR programme, project and activities are based on systematic annual review of the needs, feedback, past results, resources and growth cycle of our plantation and they are divided into three broad stakeholder groups:

– *Internal Community:* Comprising all human resources under Bumitama, which encompasses our employees and their families and extends to all new trainees under our various training programmes;

– *Wider (External) Community:* Covers a broad spectrum of stakeholders covering mainly the local community, regional government, civil society, local institutions and media; and

– *Smallholders:* Via the implementation of the Indonesian Government's Plasma Programme which seeks to encourage Indonesian plantation owners to support the social and economic development of its local community.

Detailed activities relating to smallholders through the implementation of our Plasma Programme can be found in the Plasma Programme section.

IMPROVING LIVES AND ENVIRONMENT

We also have in place a CSR programme comprising activities aimed at enhancing the quality of life of the community in areas where we operate by improving economy, education, health, culture and religion, infrastructure and other areas.

Economic Programme: Towards Empowerment

One of the main implementation for enhancing the surrounding community living standards and welfare is through plasma (partnership) programme.

Plasma Programme

The Plasma Programme is an initiative introduced by the Indonesian Government, supported and implemented by plantation owners, to foster the social and economic development of the surrounding community in which they operate; to alleviate poverty and to assist smallholders to become independent growers. Bumitama has been participating in the Plasma Programme since 2003. Under the Plasma Programme, Bumitama has added another 3,074 hectares in 2014 to the existing 37,805 hectares, pushing the ratio of plasma to nucleus to 24.7 : 75.3 as at 31 December 2014.

Our active participation in the Plasma Programme has seen encouraging results, bringing about benefits for both the local community and the Group. The programme provides the local community with increased income and training, education and knowledge pertaining to oil palm cultivation and management as well as provides job and business opportunities via the other programmes. Thus far,

the Group's Plasma Programme has benefitted over 19,000 smallholder farmers and their families in Indonesia. Bumitama has distributed IDR 171.0 billion in dividends to the smallholders in FY2014.

We recognise that the Plasma Programme has far reaching effects on the community; it uplifts living standards, yields social and economic progress; and brings with it other long-term benefits that may only be fully realised across generations. While the implementation of the programme is a gargantuan, complex and at times a difficult task that calls for a high level of focus, constant interaction and engagement and co-operation amongst multiple stakeholder groups, the Group remains committed, and will continue to work closely with our partners at various levels to plug the gaps and enhance the existing processes and procedures, with a view towards meeting the needs of our smallholders and the community.

Local Economic Empowerment Programme

An integral aspect of our CSR Programme is the on-going efforts to help the community in and surrounding our plantations to achieve economic progress and improved standards of living via our Local Economic Empowerment Programme. We are mindful that such empowerment programmes may involve a shift in social norms and living habits that have been embedded within the community's living culture, and we have taken efforts and will continue our efforts to build acceptance and encourage participation.

To help the community start their business, we provide capital, in form and/or in kind, for various entrepreneurial activities such as aquaculture, poultry and vegetable farming. We observed that this 'joint-venture' approach brings about higher level of participation from the community. We continually provide mentoring guidance to the local community groups on the development of aquaculture and agriculture knowledge and conduct training programmes on how to increase productivity. We also provide support in sourcing for marketplaces and/or commercial buyers for the harvested crops and farmed fishes. To further boost local business development, the Group also employs the services and manpower of local contractors when possible.

Our gradual change of approach, from a sporadic to a systematic and coordinated approach, is yielding encouraging responses from the community as well as credible financial returns for the community that participated in this economic programme. Some of these results can be seen below:

1) ***Aquaculture fish-farming programme***: Began in 2012 and has seen support from the local community, gaining visible traction in just two years and growing from one seed community group in 2012 to 23 groups in 2014.
2) ***Vegetable farming programme***: Efforts in promoting integrated farming to the locals has also continued to yield encouraging results. Bumitama's agriculture cultivation programme, first introduced in 2011 with a single participating group, is reaching out to 16 groups of farmers today.
3) ***Poultry farming programme***: We have expanded our activities to encourage livestock farming, mainly chicken and duck, rendering financing in the form of chicks and business mentoring assistance to aspiring smallholders across our community in 2014. This newly implemented programme has seen initial success, with four community groups adopting this project.

A total of IDR 0.7 billion was spent in 2014 on activities and projects to develop the local economy as part of our Local Economic Empowerment Programme.

CORPORATE SOCIAL RESPONSIBILITY

Education: Laying the Foundation for the Future

Improving the Quality of Education

Bumitama continues to play a pivotal role in providing education for its internal focus group and the wider community since 2004. We recognise the pivotal role quality education plays in enhancing social-economic development, and have continued to forge ahead by focusing on increasing and or improving:

a) Facilities;

b) Quality of educators and curriculum; and

c) Quality of students.

Since the inception of our education programme, we have to-date contributed to the building of 35 schools in our plantations in Central and West Kalimantan and Riau, and currently employ over 256 teachers, teaching administrators and helpers and nurturing and educating more than 4,000 schoolchildren aged 4 to 18, who are enrolled in our schools.

These are some of our joint community projects focusing on education:

a) Construction of Tunas Bhakti Kindergarten of Kelampai Village in Kedondong, Ketapang District, West Kalimantan;

b) Providing building materials for repair and maintenance of school buildings and fences e.g. in Nanga Tayap, Ketapang District, West Kalimantan;

c) Providing scholarships and achievement rewards to students e.g. to 80 students with outstanding results across the Bumitama network of schools;

d) In conjunction with the *UPPK-Unit Pelaksana Pendidikan Kecamatan* (Education Implementation Unit) of Kendawangan District, West Kalimantan, in January 2014, Bumitama jointly conducted a training seminar attended by 130 teachers across the Bumitama network of schools in Kalimantan; from elementary, secondary and tertiary levels;

e) Bumitama hosted an annual scout activity for approximately 300 students from elementary schools from the Kendawangan District; and

f) Providing allowance to some community teachers as incentive for them to stay in more challenging areas.

The Group's contribution for such activities exceeded IDR 1.2 billion.

The Character Camp Programme

With a focus on instilling values in students, the Group hosted and sponsored IDR 164.5 million for the second installment of the Character

Camp Programme, which aims to instill character traits such as obedience and attentiveness whilst teaching students English. A total of about 1,100 students, teachers and guests from our internal and external stakeholder groups participated in this year's camp in three strategic locations of our plantations in Central and West Kalimantan.

Learning Centres

We continue to improve and provide growth and learning opportunities internally through the comprehensive training programmes offered at our two training centres, Pundu Learning Centre and Kendawangan Learning Centre and training events in Jogjakarta, Bandung and Jakarta. In 2014, the Group invested around IDR 8.5 billion towards the running of the two training centres. To-date this programme have benefitted over 1,550 undergraduates, trainees and employees. The learning centres help the Group to develop its human resources and talent to ensure business sustainability and long-term growth.

Our various educational and development programmes are aligned to the Group's corporate culture and core values (programme improved and reinforced through our partnership with the Institute with Agricultural Stiper Yogyakarta).

Health: Improving the Livelihood of Our Community

Prevention is Better than Cure

Our health programmes are predominantly organised and carried out by our team of plantation doctors, nurses as well as other helpers. Bumitama provides free basic healthcare services to all employees through six clinics located in areas we operate and these healthcare facilities addresses basic medical needs. Every year, we also work with healthcare centres and hospitals to arrange for:

a) Free health check-ups for employees and their families and provide free medication where necessary;
b) Regular fumigation of housing areas to prevent spread of diseases like malaria or dengue fever; and
c) Constant weed trimming as safe-guard against dangerous pests like snakes.

During the year, Bumitama contributed IDR 0.5 billion in support of the Group's medical outreach efforts. Our medical team continued to lend a helping hand to the community surrounding our plantations with such projects:

a) Regular visits/check-ups;
b) Promote and cultivate the importance of personal and home hygiene to reduce the risk of spreading infectious diseases. This is carried out through activities like conducting workshops for the young children at the community schools to instil good habits and educating them on proper hygiene techniques such as teeth brushing and hand-washing;
c) Improve sanitation in rural communities with the construction of public toilets with the support of the Indonesian army in West Kalimantan;
d) Conduct mass circumcision events;
e) Organise blood donation drive together with the Indonesian Red Cross ("*Palang Merah Indonesia*" or "PMI") such as the three blood donation drives in the Jakarta headquarters, raising a total of 107 litres of blood from 238 employees;
f) Provide clean water facilities either directly or in collaboration with external parties to villages like Luwuk Kowan. These villages had previously relied on river water for their daily needs; and
g) Organise a cataract project for select communities in Ketapang, West Kalimantan in June 2014 with a team of seven ophthalmologists and doctors. We provided free cataract screenings for 300 locals as well as conducted cataract surgeries for 107 people over the weekend.

CORPORATE SOCIAL RESPONSIBILITY

The First Blood Bank Storage House in West Kotawaringin

The Group also worked together with PMI in West Kotawaringin to construct a blood bank storage building. Bumitama sponsored IDR 142.0 million to construct this blood bank storage and an emergency room, as well as provided two units of air-conditioners and a generator. As of 31 December 2014, the building was fully utilised to store blood from blood donors and to meet the demand for servicing blood from hospitals in several districts such as West Kotawaringin, Lamandau and Seruyan. The emergency room was used for rescue and evacuation activities for the crash of AirAsia Flight 8501 in December 2014.

Occupational Health & Safety

The Group's occupational health and safety policy stresses the importance of ensuring safety and security of work environment/place for our employees and visitors. As our employees are the key to our success, we are dedicated to creating a safe and healthy working environment through regular training programmes and safety campaigns; and ensuring that all members adhere to the health and safety regulations and standards.

These initiatives are but some of the ways in which we are working on to improve the overall health care, safety and sanitary conditions for our employees as well as for the surrounding community. We will seek to further develop and grow our health and safety programmes in enhancing the work environment and the living conditions of the rural community in areas in which we operate.

BUILDING TRUST WITH THE COMMUNITY

Socio-Cultural & Religion and Infrastructural Projects

Supporting Our Community

Of equal importance as promoting economic empowerment is our community's social and cultural development. Religion is central to our community's life and social-cultural environment, and Bumitama has supported the development of multi-cultural religious traditions in these regions. Some examples of the socio-cultural and religious projects including sponsoring activities for Saka New Year and Kartini Day, and providing building materials towards construction of places of worship in Sungai Hanya Village and Tanjung Perak Village. The Group contributed and sponsored IDR 1.4 billion and IDR 0.8 billion for socio-cultural and religious projects respectively.

To commemorate the Indonesian National Education Day, the Group co-organised an acoustic festival & band music event. A total of 15 student bands in the sub-districts of Antang Kalang, Telaga Antang, Kuala Kuayan, Tualan Hulu and Parenggean participated in the event.

Bumitama employees also spearheaded the formation of the Tresno Budoyo society, an art group, which helps to preserve Javanese cultural arts. The society was founded in March 2014 and has 40 members currently.

Construction and Restoration of Infrastructure

Connectivity and logistic networks are important ingredients in developing the economy of any particular area. During the year, the Group carried out activities to restore and improve infrastructure (e.g. in Mangkul Village and Tanjung Toba Village, Ketapang), funded the installation of electricity generators in Rantau Tampang Village in East Kotawaringin, constructed fire watch towers in Kumai Hilir Village, West Kotawaringin. The Group contributed in excess of IDR 2.8 billion for the numerous infrastructure projects.

Building Trust Through Sharing Knowledge

As the importance of palm oil and the number of oil palm plantations increases, there has also been a surge in interest in the role and impact of the industry in the environment and society. As part of our efforts to promote sustainable practices in the palm oil industry and educate the public about the importance of the industry, the Group periodically conducts talk shows at local universities. This includes a talk show conducted by the Group in May 2014 at the State Agriculture University of Indonesia – Bogor Agricultural Institute. The Group was also a keynote speaker at the International Oil Palm Conference 2014 with a presentation titled "Enhancing Oil Palm in Sandy Soil Production through Best Management Practices".

TOWARDS A GREEN & SUSTAINABLE FUTURE

2014 marked a year of change for Bumitama's sustainability journey where land clearing and planting took a back seat to ensure sustainability processes prior to planting had been completed and queries and complaints from civil society and other stakeholders are communicated and addressed. 2014 also marked the receipt of the Group's first Roundtable on RSPO and ISPO certificates.

Certifications – Journey towards Sustainability

From the end of FY2013 to FY2014, Bumitama took great strides to update its compliances to the Principle and Criteria of the RSPO ("RSPO P&C") and increase its participation in the activities of the RSPO and thereby deepen the understanding of the RSPO P&C. Some of the major activities that were conducted during this period were:

a) Submitted 10 New Planting Procedures ("NPP"), a procedure that needs to be undertaken prior to planting;
b) Conducted two independent audits for two of its plantations as part of the complaint procedure; the audit listed area which the plantation would need to continue with; one of which was the need to conduct NPP;
c) Conducted rapid biodiversity (orang-utan) studies for two plantations in Central Kalimantan and rewriting the Standard Operating Procedure on biodiversity mitigation in consultation with civil society;
d) Revisited participatory mapping and high conservation value ("HCV") assessment using the latest technology of unmanned aerial vehicle ("UAV") in one plantation in West Kalimantan as part of NPP procedure;
e) Participated as an active member in the national interpretation of revision of RSPO P&C and Emission Reduction Working Group; and
f) Speaker at some of the workshops organised by the RSPO.

The Group arranged for external audits for PT Windu Nabatindo Lestari ("WNL") and KMB in late 2013 and was awarded its first two certificates in June and July 2014 for the annual volume of CPO & PK produced of 117,000 tonnes covering a total hectarage of 26,600 hectares.

The Group has also been active in ISPO, preparing all the matured plantation for ISPO audit, conducting internal training on GHG with ISPO (the training being led by Dr Rosediana Suharto, the Executive Chairman of ISPO), contribute and participate as presenter in ISPO events and conducting first stage audits and second stage audits for 6 and 2 of its plantation respectively; out of which the ISPO council awarded KMB an ISPO certificate in September 2014.

CORPORATE SOCIAL RESPONSIBILITY

High Carbon Stock

In recognition of changing global trends, buyers' and other stakeholders' policies and to gain further understanding of HCS Assessment, the Group undertook a HCS Assessment for five subsidiaries (for 55,000 hectares) in Kalimantan in April 2014. The HCS Assessment involved an estimation of the current natural forest carbon stocks; and identification and subsequent conservation of forested areas holding high carbon stocks. In addition, the delineation of peat soil was also carried out. Following the assessment for these five subsidiaries, the Group has set aside potential HCS area of approximately 8,459 hectares of its land for conservation purposes. For the remaining area of unplanted land bank in these five subsidiaries, the Group *will not plant on areas that are HCV, HCS and/or peat land*. The Group is also mindful to ensure the area and community is not exploited. Plans are in place for the launch of a revised Sustainability Policy and the first Sustainability Report in 2015.

The Group works closely together with the local community and other stakeholders on various matters with regards to the conservation of the potential HCS area. Some of these challenging issues and matters are:

a) Fitting conservation areas into existing license as unplanted areas are normally excluded from the *Hak Guna Usaha*;

b) Regional government buy-in and acceptance to the idea of conservation on an area allocated for plantation purposes;

c) Community engagement and buy-in to the idea of conservation;

d) Ensure eventual planted area is manageable and economical; and

e) Changing and educating existing planters to a new paradigm.

The above landscape concept of planning a plantation with conserving HCS areas in participation with the community and other stakeholders is new and is still work in progress for the Group. The Group is seeking information, assistance and consulting with various stakeholders that include the community, academicians, civil societies, research centres, external lawyers and governments on the aforesaid. The Group is also building a model and experimental site for this landscape approach towards HCS conservation being managed alongside a plantation as part of learning and risk mitigation.

Conserving the Environment

The Group has a "zero-burning policy" implemented across its operations, allowing for an environmentally friendly land-clearing method that minimises air pollution and GHG emissions. The Group also collaborated with the BKSDA and Tanjung Puting National Park ("TNTP") management on forest fire prevention activities. In 2014, Bumitama conducted three training sessions to impart techniques on how to control land and forest fires during the dry season and El-nino not only for employees but also with the community. Additionally, the Group constructed a 10 meter tall fire watchtower with TNTP. Another two more towers will be constructed in 2015. Despite these measures, occasional fires do occur, mostly near to the Group's plantation area. The Group will be working with a consultant on building more robust fire prevention measures whilst working towards stepping up checks on the readiness of fire-fighting equipment.

As part of reforestation and remediation, Bumitama nurtured three nurseries for more than 100,000 indigenous and fruit plant seedlings and planted close to 70,000 indigenous and fruit trees in various riparian and conservation areas of its plantations. We have adopted a "zero waste management" policy for CPO production waste, whereby Empty Fruit Bunches are recycled as ground cover material and organic fertiliser and for composting with Palm Oil Mill Effluent in the plantation.

Integrated pest management is an essential part of oil palm cultivation and we are careful to minimise and mitigate the impact of chemical pesticides on the environment. The preferred method is to deploy biological controls. We use beneficial plants, natural predators and pathogens or bacteria, and handpicking or mechanical traps.

The Group is now capturing data for the calculation of GHG and will be looking at various ways of reducing GHG emissions. The Group is in discussion with consultants for plans of building a biogas/methane capture plant soon. In addition, the Group minimises GHG by generating electricity from waste by-products such as fiber and PK shells, minimising the need to purchase electricity from an external source.

Improving efficiency and productivity in the plantations and mills are key activities towards sustainability. In this area of improvement, our agronomists are working together with the Research, Quality Control and Engineering department on various areas of improvement inclusive of yield, oil content and bunch weight improvement. The trends and results of the major productivity indices are:

	2011	2012	2013	2014
FFB yield (tonnes/ha)	16.3	18.8	17.4	18.4
OER (%)	24.0	23.8	23.3	23.2

All the CSR initiatives, whether for the community or environment is a work in progress and therefore, it is vital that we continually refine and adapt our sustainable approaches, always mindful of the need for a balanced approach towards planet, people, product and profit and all our strategies and actions are beneficial to the long-term interests of all stakeholders.

CORPORATE GOVERNANCE

The Board of Directors recognises the importance of, and is committed to, observing and attaining high standards of corporate governance set out in the Code of Corporate Governance 2012 (the "Code") in keeping with the Group's cultural pillar of morality, capability and integrity. The Board constantly reviews the Group's corporate governance practices and seeks to align its practices with the development and changes in the Code of Corporate Governance. The Group has complied substantially with the principles and guidelines set out in the Code, where they are applicable, relevant and practicable.

ACHIEVEMENT

The Company has been accorded the Frost & Sullivan Indonesia Emerging Palm Oil Plantation Company of the Year Award of 2014 and this award was presented to the Group's Executive Chairman & Chief Executive Officer, Mr. Lim Gunawan Hariyanto.

This Report sets out the Group's corporate governance processes and activities with specific references to the Code, and provides explanation for any deviations.

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:

(a) providing entrepreneurial leadership, setting the corporate strategy and direction;

(b) overseeing the process of evaluating the adequacy of enterprise risks management and internal controls; and

(c) supervising the proper conduct of matters brought to its attention.

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 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 scope 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. The Company's Articles of Association ("Articles") 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 exchange views outside the formal environment of Board meetings.

The Board met four times in respect of the financial year ended 31 December 2014 ("FY2014"). The attendance of each Director at the Board Meetings and Board Committee Meetings for FY2014 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
Dato' Lee Yeow Chor	4	NA	NA	NA	NA
Tan Boon Hoo	4	4	1	2	1
Chua Chun Guan Christopher	4	4	1	2	1
Ong Chan Hwa	4	4	1	2	1

NA: Not Applicable

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.

Although no new Director was appointed in FY2014, the Company has a programme in place whereby newly appointed Directors would receive orientation and training, if necessary, to enable them to familiarize 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.

CORPORATE GOVERNANCE

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.

The Company will fund the Directors' attendance at appropriate courses, conferences and seminars conducted by professionals (including the Singapore Institute of Directors) to keep abreast with developments in corporate, financial, legal and other compliance requirements and update on palm oil technology and industry as and when the need arises. Relevant updates, news releases issued by the Singapore Exchange Trading Limited ("SGX-ST") and the Accounting and Corporate Regulatory Authority ("ACRA") are also circulated to the Board for information.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board comprises five members and more than half of the Board comprises Independent Directors as follows:

Name	Board	AC	RC	NC	CRC
Lim Gunawan Hariyanto	Executive Chairman	–	–	–	–
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
Ong Chan Hwa	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 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 22 to 23 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. 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 had, in the spirit of good corporate governance, appointed Mr. Tan Boon Hoo as Lead Independent Director. As the Lead Independent Director, Mr. Tan Boon Hoo is available to shareholders if they have any concerns relating to matters when contact through the normal channels of the Chairman/CEO or the Chief Finance Officer ("CFO") has failed to resolve the matter or for which such contact is inappropriate.

PRINCIPLE 4: BOARD MEMBERSHIP

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

Mr. Ong Chan Hwa (Chairman)
Mr. Tan Boon Hoo (Lead Independent Director)
Mr. Chua Chun Guan Christopher

The NC met twice in FY2014.

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;
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.

In accordance with Article 91 of the Company's Articles, one-third of the Directors will retire from office at every Annual General Meeting of the Company and every Director must retire from office at least once every three years. A retiring Director is eligible and may be nominated for re-election.

Mr. Lim Gunawan Hariyanto and Mr. Chua Chun Guan Christopher, who are both subject to retire by rotation, will be offering themselves for re-election at the forthcoming Annual General Meeting ("AGM"). 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 Committee meetings but also the time and efforts devoted to the Group's business and affairs. The NC has recommended the re-election of Mr. Lim Gunawan Hariyanto and Mr. Chua Chun Guan Christopher at the forthcoming AGM. 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, Mr. Chua Chun Guan Christopher has abstained from the deliberation and decision in respect of his 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. Ong Chan Hwa are deemed 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, none of the other Non-Executive Directors are 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).

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 performing 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.

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 improved upon, with feedback from the Board and the review incorporates factors such as attendance and conduct of Board and various Board committees at meetings, the contributions of the various Board Committees, keeping updated on current trends in the industry, Board composition, and quality, availability and sufficiency of information.

The Chairman, in consultation with the NC, would act on the results of the assessment.

For FY2014, the NC is generally satisfied with the Board evaluation results, which indicated areas of strengths and those that could be improved further. No significant problems had been identified. The NC had discussed these results with the Board and the Board has agreed to work on these areas that could be improved further.

The NC was of the view that given the small Board size and the cohesiveness of the Board members and that the same Independent Directors sit on the various Board Committees, there would not be any value-add in having separate assessments of the performance of each Board committee.

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 Committee 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 is subject to Board approval.

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises three Independent Directors, and is chaired by the Lead Independent Director. The members of the RC are:

Mr. Tan Boon Hoo (Chairman)
Mr. Ong Chan Hwa
Mr. Chua Chun Guan Christopher

CORPORATE GOVERNANCE

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);
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

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 responsibilities of the Directors. The payment of such fees is recommended for Shareholders' approval at the AGM of the Company. No Director is involved in deciding his own remuneration.

The Executive Director/CEO does not receive any Directors' fee. The remuneration packages of the Executive Director/CEO 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.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The remuneration packages for the Executive Director/CEO 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.

The Executive Director/CEO, Mr. Lim Gunawan Hariyanto, had signed a Service Agreement with the Company commencing from the date of listing of the Company on 12 April 2012 and valid for the initial three years. This agreement which has an auto renewal clause for subsequent periods of one year each is now automatically renewed for a further one year. The Service Agreement may be terminated during such term either as provided in the Service Agreement 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 Director/CEO. The Executive Director 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 resulting in financial loss to the Group.

The RC, with the concurrence of the Board, has recommended that an amount of S$291,000 as Directors' fees be paid to the Non-Executive Directors quarterly in arrears for financial year ending 31 December 2015 ("FY2015"). 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 FY2014 are set out below:

Name	Remuneration Band	Fixed Salary	Variable Bonus and Benefit	Directors' Fee	Total
Directors					
Lim Gunawan Hariyanto	Band 4	60%	40%	–	100%
Dato' Lee Yeow Chor	Band 1	–	–	100%	100%
Tan Boon Hoo	Band 1	–	–	100%	100%
Chua Chun Guan Christopher	Band 1	–	–	100%	100%
Ong Chan Hwa	Band 1	–	–	100%	100%
Key Management Personnel					
Johannes Tanuwijaya	Band 3	76%	24%	–	100%
Roebianto	Band 3	82%	18%	–	100%
Sie Eddy Kurniawan	Band 3	79%	21%	–	100%

Notes:
Band 1: compensation of up to S$250,000 per annum
Band 2: compensation of between S$250,001 to S$500,000 per annum
Band 3: compensation of between S$500,001 to S$1,000,000 per annum
Band 4: compensation of between S$1,000,001 to S$1,500,000 per annum

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.

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, 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.

CORPORATE GOVERNANCE

There are four employees, who are immediate family members of a Director and/or the CEO whose remuneration exceeded S$50,000 during FY2014. The information is set out below:

Name of Executives	Related to	Remuneration Band
Lim Liana Sarwono	Sister of the Board Chairman	Band B
Lim Christina Hariyanto	Sister of the Board Chairman	Band C
Michael Raben	Brother-in-law of the Board Chairman	Band A
Lim Shu Hua, Cheryl	Daughter of the Board Chairman	Band C

Notes:
Band A: compensation of between S$50,001 to S$100,000 per annum
Band B: compensation of between S$100,001 to S$150,000 per annum
Band C: compensation of between S$150,001 to S$200,000 per annum

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 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.

The senior management is accountable to the Board by providing the Board with the necessary financial information as and when required for the discharge of its duties.

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 39 of the "Notes to the Financial Statements" on pages 142 to 148. 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 have 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 appropriate 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 was formed to oversee the ERM and ensure that the risk register is reviewed 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 Internal Audit Quality Control 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 is conducting an assessment on the adequacy of the framework, processes and procedures and risk identified and measured. The results and recommendation of this assessment will be shared with the AC and Board once it is completed by mid 2015.

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 FY2014.

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. Ong Chan Hwa
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 2014, 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;

CORPORATE GOVERNANCE

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 is found in Note 7 "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

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 was satisfied that the resources and experience of Ernst & Young LLP, 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 Ernst & Young Jakarta.

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 10 of the "Notes to the Financial Statements" on pages 103 and 108 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 effect such a policy, has been reviewed by the AC and made available to all employees.

During FY2014, 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.

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 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.

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 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 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.

CORPORATE GOVERNANCE

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 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.

Shareholders will be given the opportunity to air their views and ask questions regarding matters affecting the Group. The Company's Articles allows a Shareholder to appoint one or two proxies to attend and vote at the general meetings on his/her behalf. 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.

DIVIDEND POLICY

The Group has a dividend policy to distribute up to 20% 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 FY2014, the Group had declared and paid an interim dividend of S$0.013 per ordinary share on 3 June 2014, which was approximately 18% of its distributable income. A final dividend of S$0.015 per ordinary share for FY2014 was recommended 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.

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

Mr. Tan Boon Hoo (Chairman)
Mr. Ong Chan Hwa
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.

The CRC will on a quarterly basis 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 FY2014 pursuant to Rule 1207(19) of the SGX-ST Listing Manual.

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.

CORPORATE GOVERNANCE

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 FY2014 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(6)	–
PT Sawit Nabati Agro Group	–	2,473(1)
PT Gemilang Makmur Subur (formerly known as PT GY Plantation Indonesia)	–	3,364(2)
IOI Corporation Berhad	–	44,549(3)
PT Gunajaya Harapan Lestari	1,872(4)	113,618(4)
PT Lima Srikandi Jaya	8,550(5)	–
TOTAL	**12,822**	**164,004**

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 closing rate IDR 9,422: SGD 1.00

(1) PT Sawit Nabati Agro is the Group's associated company which is controlled by IOI Corporation.

(2) PT Gemilang Makmur Subur (formerly known as PT GY Plantation Indonesia) is an associate of Dr. Lim Hariyanto Wijaya Sarwono and Mr. Lim Gunawan Hariyanto, each a controlling shareholder of the Company.

(3) In respect of transactions conducted pursuant to the Shareholders' Mandate for Transactions with IOI Corporation and its Associates (as described in the Prospectus).

(4) In respect of the loan extended by the Group to PT Gunajaya Harapan Lestari for the repayment by PT Gunajaya Harapan Lestari of its then outstanding bank loan.

(5) In respect of the rental agreement of vessels and tugboat 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 Group's controlling shareholders.

(6) 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.

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 FY2014 or if not then subsisting, entered into since the end of FY2014.

USE OF IPO PROCEEDS

As at 31 December 2014, all proceeds in relation to the Initial Public Offering in respect of 297,570,000 shares or S$195.2 million had been fully utilised as follows:

Intended Use	Amount Allocated (S$)	Amount Utilised (S$)
Capital expenditure for expansion and development of the Group's existing uncultivated land bank and palm plantations	142.0 million	142.0 million
Repayment of Shareholder Loans	12.6 million	12.6 million
Financing the Group's share of the capital expenditure of subsidiaries under *SNA and *BAS for cultivation	27.9 million	27.9 million
General working capital requirements	12.7 million	12.7 million
Total	**195.2 million**	**195.2 million**

* Note:

SNA – PT Sawit Nabati Agro

BAS – PT Berkat Agro Sawitindo

FINANCIAL CONTENTS

DIRECTORS' REPORT

The Directors are pleased to present their report 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 sheets and statement of changes in equity of the Company for the financial year ended 31 December 2014.

1. Directors

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

Lim Gunawan Hariyanto
Tan Boon Hoo
Dato' Lee Yeow Chor
Ong Chan Hwa
Chua Chun Guan Christopher

2. 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 object 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.

3. 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, Cap. 50, an interest in shares of the Company as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Lim Gunawan Hariyanto	–	–	895,157,774	895,157,774
Dato' Lee Yeow Chor	–	–	548,556,070	552,051,070
Chua Chun Guan Christopher	450,000	450,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2015.

By virtue of Section 7 of the Singapore Companies Act, Cap.50, Lim Gunawan Hariyanto is deemed to have interests in shares of the subsidiaries of the Company.

3. **Directors' interest in shares and debentures (cont'd)**

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

4. **Directors' contractual benefits**

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

5. **Share plans**

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, Cap. 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 auditors' 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 auditors;

- Meets with the external auditors, 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;

DIRECTORS' REPORT

6. Audit Committee (cont'd)

- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors, 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 auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. 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 2015

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 201(15)

We, Lim Gunawan Hariyanto and Tan Boon Hoo, being two of the Directors of Bumitama Agri Ltd., do hereby state that, in the opinion of the Directors:

(a) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flows together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company 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.

On behalf of the Board of Directors,

Lim Gunawan Hariyanto
Director

Tan Boon Hoo
Lead Independent Director

Singapore
23 March 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUMITAMA AGRI LTD.

Report on the financial statements

We have audited the accompanying financial statements of Bumitama Agri Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 63 to 150, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company, the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUMITAMA AGRI LTD.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore
23 March 2015

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 IDR million	2013 IDR million
Revenue	5	5,757,264	4,062,708
Cost of sales	6	(3,415,585)	(2,462,875)
Gross profit		2,341,679	1,599,833
Other items of income:			
Other income		20,089	13,379
Interest income		106,540	22,303
Other items of expenses:			
Selling expenses		(173,048)	(105,606)
General and administrative expenses		(184,420)	(142,772)
Finance cost		(105,249)	(56,734)
Share of loss of associate companies		(17,127)	(15,834)
(Loss)/gain arising from fair value changes in biological assets	12	(38,263)	28,825
Foreign exchange loss		(75,694)	(45,174)
Other expense		(69,634)	(30,091)
Profit before taxation	7	1,804,873	1,268,129
Income tax expense	8	(433,094)	(286,394)
Profit for the year		**1,371,779**	**981,735**
Attributable to:			
Owners of the Company		1,153,006	855,460
Non-controlling interests		218,773	126,275
		1,371,779	**981,735**
Earnings per share			
Basic and diluted (IDR per share)	9	**656**	**487**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 IDR million	2013 IDR million
Profit for the year		**1,371,779**	**981,735**
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation		(24,393)	48,718
Item that will not be reclassified to profit or loss:			
Fair value reserve on derivative on financial liabilities		(55,225)	–
Re-measurement (loss)/gain on defined benefit plans	29	(10,237)	3,394
Other comprehensive income for the year, net of tax		(89,855)	52,112
Total comprehensive income for the year		**1,281,924**	**1,033,847**
Total comprehensive income attributable to:			
Owners of the Company		1,064,784	907,572
Non-controlling interests		217,140	126,275
		1,281,924	**1,033,847**

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2014

	Note	Group 2014 IDR million	Group 2013 IDR million	Company 2014 IDR million	Company 2013 IDR million
ASSETS					
Non-current assets					
Investment in subsidiaries	10	–	–	396,021	386,521
Investment in associate companies	11	84,250	108,061	131,556	123,894
Biological assets	12	7,517,948	6,758,331	–	–
Plasma receivables	13	784,662	612,756	–	–
Property, plant and equipment	14	2,865,809	2,092,508	184	541
Land use rights	15	486,160	403,684	–	–
Intangible assets	16	171,276	180,073	–	–
Due from subsidiaries	17	–	–	5,581,149	3,529,563
Loan to an associate company	18	282,167	228,562	282,167	228,562
Deferred tax assets	31	256,592	121,957	–	–
Deferred charges		10,263	10,023	11,883	11,654
Tax refundable	30(a)	–	25,330	–	–
Total non-current assets		12,459,127	10,541,285	6,402,960	4,280,735
Current assets					
Inventories	19	526,801	378,559	–	–
Deferred charges		8,326	13,274	–	5,449
Trade and other receivables	20	139,576	101,810	–	–
Due from subsidiaries	17	–	–	435,400	1,938,051
Due from related companies	21	126,270	141,183	–	–
Prepayments and advances		81,099	118,392	199	215
Dividend receivables		–	–	194,400	–
Prepaid taxes	30(b)	151,292	67,140	34	50
Cash and short-term deposits	22(a)	310,858	482,118	8,701	19,318
Total current assets		1,344,222	1,302,476	638,734	1,963,083
Total assets		**13,803,349**	**11,843,761**	**7,041,694**	**6,243,818**

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2014

	Note	Group 2014 IDR million	Group 2013 IDR million	Company 2014 IDR million	Company 2013 IDR million
LIABILITIES AND EQUITY					
Current liabilities					
Loans and borrowings	23	588,959	558,758	433,324	353,481
Obligations under finance leases	25	–	193	–	–
Trade and other payables	26	772,622	508,117	–	–
Accrued operating expenses	28	154,377	95,517	71,745	13,630
Dividend payables		20,400	–	–	–
Sales advances		165,237	263,469	–	–
Income tax payable		221,107	57,276	2,309	2,644
Total current liabilities		1,922,702	1,483,330	507,378	369,755
Net current (liabilities)/assets		(578,480)	(180,854)	131,356	1,593,328
Non-current liabilities					
Deferred tax liabilities	31	690,933	626,457	–	–
Due to a subsidiary	27	–	–	–	188,779
Loans and borrowings	23	139,769	3,584,903	–	3,308,659
Islamic medium term notes	24	3,551,370	–	3,551,370	–
Employee benefits liability	29	12,369	8,481	–	–
Derivative financial liabilities	32	377,480	–	377,480	–
Total non-current liabilities		4,771,921	4,219,841	3,928,850	3,497,438
Total liabilities		6,694,623	5,703,171	4,436,228	3,867,193
Net assets		**7,108,726**	**6,140,590**	**2,605,466**	**2,376,625**
Equity attributable to owners of the Company					
Share capital	33	1,807,045	1,807,045	1,807,045	1,807,045
Other reserves	34	(240,163)	(184,938)	(55,225)	–
Retained earnings		4,889,062	3,955,971	298,376	63,120
Foreign currency translation reserve	35	27,292	51,685	555,270	506,460
		6,483,236	5,629,763	2,605,466	2,376,625
Non-controlling interests		625,490	510,827	–	–
Total equity		**7,108,726**	**6,140,590**	**2,605,466**	**2,376,625**
Total liabilities and equity		**13,803,349**	**11,843,761**	**7,041,694**	**6,243,818**

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Group	Share capital IDR million	Retained earnings IDR million	Other reserves IDR million	Foreign currency translation reserves IDR million	Total share capital and reserves IDR million	Non-controlling interests IDR million	Total equity IDR million
	Attributable to owners of the Company						
2014							
Balance as of 1 January 2014	1,807,045	3,955,971	(184,938)	51,685	5,629,763	510,827	6,140,590
Profit for the year	–	1,153,006	–	–	1,153,006	218,773	1,371,779
Other comprehensive income:							
Re-measurement for defined benefit plan (Note 29)	–	(8,604)	–	–	(8,604)	(1,633)	(10,237)
Fair value reserve on derivate financial liabilities	–	–	(55,225)	–	(55,225)	–	(55,225)
Foreign currency translation	–	–	–	(24,393)	(24,393)	–	(24,393)
Total comprehensive income for the year, net of tax	–	1,144,402	(55,225)	(24,393)	1,064,784	217,140	1,281,924
Contributions by and distributions to owners:							
Contribution from non-controlling interests	–	–	–	–	–	625	625
Dividend on ordinary shares (Note 41)	–	(211,311)	–	–	(211,311)	–	(211,311)
Dividend paid to non-controlling interests	–	–	–	–	–	(103,102)	(103,102)
Balance as of 31 December 2014	**1,807,045**	**4,889,062**	**(240,163)**	**27,292**	**6,483,236**	**625,490**	**7,108,726**
2013							
Balance as of 1 January 2013	1,807,045	3,263,328	(184,938)	2,967	4,888,402	398,660	5,287,062
Profit for the year	–	855,460	–	–	855,460	126,275	981,735
Other comprehensive income:							
Re-measurement for defined benefit plan (Note 29)	–	3,394	–	–	3,394	–	3,394
Foreign currency translation	–	–	–	48,718	48,718	–	48,718
Total comprehensive income for the year, net of tax	–	858,854	–	48,718	907,572	126,275	1,033,847
Contributions by and distributions to owners:							
Contribution from non-controlling interests	–	–	–	–	–	3,000	3,000
Dividend on ordinary shares (Note 41)	–	(166,211)	–	–	(166,211)	–	(166,211)
Dividend paid to non-controlling interests	–	–	–	–	–	(17,108)	(17,108)
Balance as of 31 December 2013	**1,807,045**	**3,955,971**	**(184,938)**	**51,685**	**5,629,763**	**510,827**	**6,140,590**

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Company	Share capital IDR million	Retained earnings IDR million	Other reserves IDR million	Foreign currency translation reserves IDR million	Total equity IDR million
2014					
Balance as of 1 January 2014	1,807,045	63,120	–	506,460	2,376,625
Profit for the year	–	446,567	–	–	446,567
Other comprehensive income:					
Foreign currency translation	–	–	–	48,810	48,810
Fair value reserve on derivative financial liabilities	–	–	(55,225)	–	(55,225)
Total comprehensive income for the year, net of tax	–	446,567	(55,225)	48,810	440,152
Contributions by and distributions to owners:					
Dividends on ordinary shares (Note 41)	–	(211,311)	–	–	(211,311)
Balance as of 31 December 2014	**1,807,045**	**298,376**	**(55,225)**	**555,270**	**2,605,466**
2013					
Balance as of 1 January 2013	1,807,045	46,805	–	103,756	1,957,606
Profit for the year	–	182,526	–	–	182,526
Other comprehensive income:					
Foreign currency translation	–	–	–	402,704	402,704
Total comprehensive income for the year, net of tax	–	182,526	–	402,704	585,230
Contributions by and distributions to owners:					
Dividends on ordinary shares (Note 41)	–	(166,211)	–	–	(166,211)
Balance as of 31 December 2013	**1,807,045**	**63,120**	**–**	**506,460**	**2,376,625**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 IDR million	2013 IDR million
Cash flows from operating activities		
Cash receipts from customers	5,647,871	4,227,798
Cash payments to suppliers, employees and for other operating expenses	(3,232,922)	(2,632,767)
Cash receipts from operating activities	2,414,949	1,595,031
Corporate income tax paid	(291,187)	(321,994)
Net cash generated from operating activities (Note 22(b))	2,123,762	1,273,037
Cash flows from investing activities		
Increase in plasma receivables	(151,306)	(238,407)
Investment in intangible assets	–	(2,715)
Investment in biological assets	(811,650)	(643,493)
Purchase of property, plant and equipment	(941,349)	(735,196)
Investment in land use rights	(82,476)	(123,079)
Acquisition of subsidiaries	(8,016)	(204,946)
Interest received	106,540	22,303
Net cash flows used in investing activities	(1,888,257)	(1,925,533)
Cash flows from financing activities		
Proceeds from loans and borrowings	–	1,505,055
Repayment of loans and borrowings	(3,438,754)	(649,557)
Proceeds from issuance of Islamic medium term notes	3,579,503	–
Increase in amount due from related companies	(80,968)	(213,242)
Repayment of obligations under finance leases	(193)	–
Dividend paid	(211,311)	(166,211)
Dividend paid to non-controlling interests	(79,102)	(17,108)
Contribution from non-controlling interests	–	3,000
Advance for acquisition of subsidiaries	–	(9,709)
Interest paid	(155,588)	(218,126)
Net cash flows (used in)/generated from financing activities	(386,413)	234,102
Net decrease in cash and cash equivalents	(150,908)	(418,394)
Effect of exchange rate changes on cash and cash equivalents	(20,352)	13,749
Cash and cash equivalents at beginning of the year	482,118	886,763
Cash and cash equivalents at the end of the year (Note 22(a))	**310,858**	**482,118**

The accompanying notes form an integral part of these financial statements.

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 Hariyanto family.

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 group of companies.

2. Fundamental accounting concept

As at 31 December 2014, the Group's current liabilities exceeded its current assets by IDR 578,480 million (2013: IDR 180,854 million). The Group is able to continue as a going concern as the directors believe that the Group will be able to generate sufficient cash flows from its operations and also refinance its debts so as to meet its obligations as and when they fall due. Accordingly, the directors of the Group are of the view that the use of going concern assumption is appropriate for the preparation of these financial statements.

3. Summary of significant accounting policies

3.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity 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.

3. Summary of significant accounting policies (cont'd)

3.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as discussed below:

Amendments to FRS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The Amendments to FRS 36 *Recoverable Amount Disclosures for Non-Financial Assets* are effective for financial periods beginning on or after 1 January 2014.

The Amendments to FRS 36 require additional disclosure of the recoverable amount of each individual asset for which an impairment loss has been recognised or reversed during the period. Further, if the recoverable amount is fair value less costs of disposal, disclosure is also required for the present value techniques and key assumptions used to measure the recoverable amount of the impaired asset. Comparatively, for cash generating units containing goodwill or intangible assets with indefinite useful lives, the recoverable amount is not required to be disclosed. As the Amendments only affect the disclosure of items already recognised in the financial statements, there is no impact on its financial position or performance upon adoption of this standard.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 *Disclosure of Interests in Other Entities* is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, there is no impact to the financial position and financial performance of the Group upon adoption of this standard.

3. Summary of significant accounting policies (cont'd)

3.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 19 Defined Benefit Plans: *Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
Amendments to FRS 102 *Share Based Payment*	1 July 2014
Amendments to FRS 103 *Business Combinations*	1 July 2014
Amendments to FRS 108 *Operating Segments*	1 July 2014
Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
Amendments to FRS 16 *Property, Plant and Equipment and* FRS 38 *Intangible Assets*	1 July 2014
Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
Amendments to FRS 103 *Business Combinations*	1 July 2014
Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
FRS 114 *Regulatory Deferral accounts*	1 January 2016
Amendments to FRS 16 and FRS 41 *Agriculture: Bearer Plants*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to FRS 1: *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Improvements to FRSs (November 2014)	
Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
Amendment to FRS 19 *Employee Benefits*	1 January 2016
Amendment to FRS 34 *Interim Financial Reporting*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

3. Summary of significant accounting policies (cont'd)

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

Except for FRS 115 and the amendments to FRS 16 and FRS 41, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and the amendments to FRS 16 and FRS 41 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

Amendments to FRS 16 *Property, Plant and Equipment* and FRS 41 *Agriculture*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 41. Instead, FRS 16 will apply. After initial recognition, bearer plants will be measured under FRS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require agricultural produce growing on bearer plants will remain within the scope of FRS 41 measured at fair value less costs to sell. For government grants relating to bearer plants, FRS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group is currently assessing the impact of the amendments to FRS 16 and FRS 41 and plans to adopt the amendments on the required effective date.

3.4 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

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.

3. Summary of significant accounting policies (cont'd)

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

(a) Basis of consolidation (cont'd)

Basis of consolidation from 1 January 2010 (cont'd)

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 losses 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.

Whilst the above-mentioned requirements were applied on a prospective basis, the acquisition of non-controlling interests prior to 1 January 2010, continues to be accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill, in accordance with the previous basis of consolidation.

3. Summary of significant accounting policies (cont'd)

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

(b) Business combinations

Business combinations from 1 January 2010

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 3.14(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.

3. Summary of significant accounting policies (cont'd)

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

(b) Business combinations (cont'd)

Business combinations from 1 January 2010 (cont'd)

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 and the share capital of the acquired entity is reflected within equity as merger reserve. The income statement reflects the results of the combining entities for the full year, irrespective of when the combination takes 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.

Business combinations before 1 January 2010

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

3. Summary of significant accounting policies (cont'd)

3.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the balance sheet, separately from equity attributable 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.

3.6 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.

3. Summary of significant accounting policies (cont'd)

3.6 Foreign currency (cont'd)

(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.

3.7 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 is recognised upon the transfer of significant risks 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.

3.8 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.

3. Summary of significant accounting policies (cont'd)

3.9 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 or joint venture's profit or loss in the period in which the investment is acquired.

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.

3.10 Biological assets

Biological assets comprise of mature and immature oil palm plantations and nurseries.

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

3. Summary of significant accounting policies (cont'd)

3.10 Biological assets (cont'd)

The fair value of the biological assets is estimated by reference to independent professional valuations using the discounted cash flows of the underlying biological assets. The expected cash flows from the whole life cycle of the biological assets are estimated using the estimated yield of the oil palm plantation and the estimated market price of the crude palm oil ("CPO"). In determining the present value of expected net cash flows, an entity includes the net cash flows that market participants would expect the asset to generate in its most relevant market. The estimated yield of the biological assets is dependent on the age of the oil palm trees, the location, soil type and infrastructure.

Biological assets have an average life that ranges from 20 to 25 years; with the first 3 to 4 years as immature assets and the remaining as mature assets. A biological asset is considered mature when it starts to produce fresh fruit bunches ("FFB"), in general at about 4 years of age, of which approximately 1 year is spent as seedling in nurseries.

3.11 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. 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 included in plasma receivables as "Investment credits" in the balance sheet.

3.12 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 3.15. 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.

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3. Summary of significant accounting policies (cont'd)

3.12 Property, plant and equipment (cont'd)

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.

Cost includes purchase price and other incidental expenses to acquire or to secure the assets and bring the assets to its current location and condition.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

	Number of years
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 in construction is 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 3.16.

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 the profit or loss in the year the asset is derecognised.

3. Summary of significant accounting policies (cont'd)

3.13 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 according to the rights period, which are over the period of 25 to 35 years.

3.14 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, 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 Group are assigned to those units.

The cash-generating unit to which goodwill has 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, 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 in this circumstance is measured based on the relative fair values of the operations disposed and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are secured to be assets and liabilities of the Company and are recorded in USD at the rates prevailing at the date of acquisition.

3. Summary of significant accounting policies (cont'd)

3.14 Intangible assets (cont'd)

(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.

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.

3.15 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.

3. Summary of significant accounting policies (cont'd)

3.16 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.

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.

3.17 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and in banks, and short-term deposits that are readily convertible into known amounts 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.

3. Summary of significant accounting policies (cont'd)

3.18 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.

Fresh fruit bunches are initially recognised at fair value and subsequently at lower of net realisable value and initial recognition value.

3.19 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:

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.

3. Summary of significant accounting policies (cont'd)

3.19 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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.

Regular way purchase or sale of financial asset

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

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised 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.

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.

3. Summary of significant accounting policies (cont'd)

3.19 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement (cont'd)

Financial liabilities at fair value through profit or loss (cont'd)

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.

3. Summary of significant accounting policies (cont'd)

3.20 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 assets 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.

3.21 Leases

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

3. Summary of significant accounting policies (cont'd)

3.21 Leases (cont'd)

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

As lessee

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

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

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

3.22 Income tax

(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.

3. Summary of significant accounting policies (cont'd)

3.22 Income tax (cont'd)

(b) Deferred tax

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

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

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

– In respect of taxable temporary differences associated with investments in subsidiaries 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, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

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

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred 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.

3. Summary of significant accounting policies (cont'd)

3.22 Income tax (cont'd)

(b) Deferred tax (cont'd)

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 incurred 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.

3.23 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.

3. Summary of significant accounting policies (cont'd)

3.24 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, which are unfunded, 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
– Remeasurements 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.

3. Summary of significant accounting policies (cont'd)

3.24 Employee benefits (cont'd)

(b) Defined benefit plans (cont'd)

Remeasurements 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. Remeasurements 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.

3.25 Contingencies

A contingent liability is:

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

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

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

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

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

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

3.26 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.

3. Summary of significant accounting policies (cont'd)

3.27 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).

3.28 Segment reporting

As the Group only has one line of business at present and operates in one country, it does not present separate segment information.

3. Summary of significant accounting policies (cont'd)

3.29 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.

4. Significant accounting judgements and estimates

The preparation of the Group's 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 period.

4.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

(a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Income taxes

The Group has exposure to income taxes in mainly two jurisdictions, Singapore and Indonesia. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the year in which such determination is made.

4. Significant accounting judgements and estimates (cont'd)

4.1 Judgements made in applying accounting policies (cont'd)

(b) Income taxes (cont'd)

The carrying amount of the Group's income tax payables as at 31 December 2014 and 2013 were IDR 221,107 million and IDR 57,276 million, respectively. The carrying values of the Group's deferred tax assets and liabilities are disclosed in Note 31.

(c) Value added tax ("VAT") relating to FFB

The Group has VAT receivable relating to the production of FFB. With effect from 1 January 2007, FFB has been classified as a Certain Strategic Taxable Good and is therefore exempted from the imposition of VAT in Indonesia. Accordingly, VAT relating to cost components of FFB could no longer be claimed as VAT refundable, but instead should be expensed. Management is of the opinion that the production of CPO, which uses FFB produced by the Group, is not covered by this exemption and all input VAT in the production of the FFB can be claimed and offset against the output VAT of CPO. Accordingly, the net VAT for the period from 2007 to 2011 has been accounted for as a recoverable amount in the balance sheet.

For the financial year ended 31 December 2012, pursuant to ruling PP No. 1/2012, input VAT recognised on an integrated oil palm plantation will no longer be allowed to be claimable, the Group has expensed all input VAT to profit or loss account accordingly.

On 4 February 2014, the Indonesia Finance Ministry issued a new regulation, No. 21/PMK.011/2014, for integrated businesses. As per the regulation, the production chain needs to be considered in its entirety, the input VAT associated with the production of the end product will be considered recoverable, and that output VAT is ultimately charged on the end product on sale. Management is of the opinion that the Group complies and operates as an integrated producer of crude palm oil and its processes are a continuous process chain. Accordingly, the net VAT recoverable from the date of this new regulation continues to be refundable.

On 25 July 2014, the Director General of Taxes issued Circular Letter No. 24/PJ./2014 (SE-24/2014) to serve as a guideline in the implementation of Supreme Court Decision No. 70P/HUM/2013 dated 25 February 2014, which decided in favor of the Indonesian Chamber of Commerce and Industry (KADIN). The KADIN filed a case for judicial review of Government Regulation No. 31/2007 (GR 31/2007) regarding the Fourth Amendment to Government Regulation No. 12/2001 on the Import and/or Delivery of Certain Strategic Taxable Goods Exempt from Value Added Tax petitioning the Supreme Court to delete the four provisions in GR 31/2007 concerning agricultural products, which are considered in contradiction with Paragraph 2(b) of Article 4A of the VAT Law.

4. Significant accounting judgements and estimates (cont'd)

4.1 Judgements made in applying accounting policies (cont'd)

(c) Value added tax ("VAT") relating to FFB (cont'd)

Under SE-24/2014, agricultural products which are the produce of plantations, ornamental and medicinal plants, food crops, forest products as listed in the attachment to GR 31/2007, which were previously VAT-exempt are now subject to VAT such that the delivery/supply, import and export of such is subject to VAT.

The carrying amount of VAT recoverable at the balance sheet date is disclosed in Note 30(a).

4.2 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) Biological assets valuation

The Group engages an independent valuer to assist in estimating the value of biological assets. The Group carries its biological assets and agriculture products at fair value less estimated point-of-sale costs using the Discounted Cash Flow method ("DCF"), which require extensive use of accounting estimates. Significant components of fair value measurement were determined using assumptions including average lives of plantations, period of being immature and mature plantations, yield per hectare, average selling price and annual discount rates. The amount of changes in fair values would differ if there are changes to the assumptions used. Any changes in fair values of these plantations would affect the profit or loss. The carrying amount of the Group's biological assets is disclosed in Note 12.

(b) Estimation of residual values and useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 20 years. These are common life expectancies applied in the oil palm industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the balance sheet date is disclosed in Note 14.

4. Significant accounting judgements and estimates (cont'd)

4.2 Key sources of estimation uncertainty (cont'd)

(c) Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 20.

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3.14(a). As disclosed in Note 16 to the financial statements, 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 16 to the financial statements.

(e) Defined benefit plan

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management has derived the applicable interest rates from high quality corporate bonds in Indonesia with an AAA or AA rating. The bonds have been selected based on the expected duration of the defined benefit obligation and taking into consideration the yield curve respectively. In this process, the current credit spread of the underlying bonds has been taken into account to avoid selecting bonds with a significant volatility and inherent risk, which would not address the long term perspective of the cash flows appropriately.

4. Significant accounting judgements and estimates (cont'd)

4.2 Key sources of estimation uncertainty (cont'd)

(e) Defined benefit plan (cont'd)

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

The carrying amount of the provision for post employment benefits, together with further details about the assumptions, is disclosed in Note 29.

5. Revenue

	Group	
	2014	**2013**
	IDR million	**IDR million**
Sale of Crude Palm Oil ("CPO")	5,198,666	3,746,501
Sale of Palm Kernel ("PK")	558,598	316,207
Total revenue	**5,757,264**	**4,062,708**

6. Cost of sales

	Group 2014 IDR million	Group 2013 IDR million
FFB		
Upkeep and cultivation	270,206	161,882
Fertilising	422,265	309,993
Harvesting	327,414	230,071
Indirect cost	117,379	84,620
Depreciation of property, plant and equipment (Note 14)	76,786	58,594
Amortisation of land use rights (Note 15)	1,291	972
Production cost of FFB	1,215,341	846,132
FFB purchased – related parties and third parties	1,993,255	1,469,580
Cost of FFB transferred to CPO and PK	3,208,596	2,315,712
CPO and PK		
Cost of FFB to be processed into CPO and PK	3,208,596	2,315,712
Processing expenses:		
CPO and PK	136,110	79,559
Depreciation of property, plant and equipment (Note 14)	62,901	46,331
Indirect cost	31,819	23,495
Biodiesel		
Processing expenses:		
Biodiesel	4,401	–
Depreciation of property, plant and equipment (Note 14)	246	–
Indirect	913	–
Cost of production	3,444,986	2,465,097
Finished goods:		
Beginning balance of CPO and PK	163,520	161,298
Ending balance of CPO and PK (Note 19)	(187,361)	(163,520)
Beginning balance of Biodiesel	–	–
Ending balance of Biodiesel (Note 19)	(5,560)	–
Total cost of sales	**3,415,585**	**2,462,875**

7. Profit before tax

	Group 2014 IDR million	Group 2013 IDR million
Other income		
Management fee	5,157	7,122
Processing income	3,679	37
Other	11,253	6,220
Total other income	**20,089**	**13,379**
Selling expenses		
Freight	(148,718)	(94,607)
Loading expense	(24,330)	(10,999)
Total selling expenses	**(173,048)**	**(105,606)**
General and administrative expenses		
Audit fees:		
– Auditors of the Company	(1,224)	(1,019)
– Other auditors	(2,845)	(2,687)
Non-audit fees:		
– Auditors of the Company	(206)	(182)
– Other consultants	(36)	–
Employees' benefit expense:		
– Salaries, wages and other staff related expenses	(104,253)	(76,724)
– Defined benefit plan (Note 29)	(6,236)	(8,298)
– Defined contribution plan	(513)	(389)
Transportation	(6,528)	(3,917)
Training	(9,004)	(5,109)
Depreciation of property, plant and equipment (Note 14)	(8,727)	(9,049)
Amortisation of land use rights (Note 15)	(90)	(90)
Amortisation of intangible assets (Note 16)	(2,234)	(3,046)
Maintenance	(2,991)	(2,295)
Rental	(3,762)	(3,168)
Professional fees	(3,922)	(1,329)
Insurance	(4,007)	(1,324)
Security	(2,706)	(4,098)
Electricity, water and telephone	(823)	(529)
Licenses	(7,699)	(5,333)
Office expenses	(5,977)	(4,601)
Others	(10,637)	(9,585)
Total general and administrative expenses	**(184,420)**	**(142,772)**
Finance costs		
Interest expense and amortisation on:		
Loans and borrowings	(248,697)	(154,129)
Less:		
Capitalised to biological assets (Note 12)	143,448	97,395
Total finance costs	**(105,249)**	**(56,734)**

8. Income tax expenses

Major components of income tax expense

	Group	
	2014	2013
	IDR million	IDR million
Current income tax:		
– Current year	(442,298)	(276,545)
Deferred income tax:		
– Origination/reversal of temporary differences	9,204	(9,849)
Income tax expense recognised in profit or loss	**(433,094)**	**(286,394)**

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 are as follows:

	Group	
	2014	2013
	IDR million	IDR million
Profit before tax	1,804,873	1,268,129
Tax at the domestic rates applicable to profits in the countries where the Group operates	(419,598)	(255,322)
Net permanent differences at maximum marginal tax rate	(23,151)	(29,927)
Fair value changes of biological assets	9,655	(1,145)
Income tax expense recognised in profit or loss	**(433,094)**	**(286,394)**

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:

	2014	2013
Singapore	17%	17%
Indonesia	25%	25%

9. 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 respective financial years.

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 respective 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 2014 and 2013.

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

	2014 IDR million	2013 IDR million
Profit for the year attributable to ordinary equity holders of the Company	1,153,006	855,460
	No. of shares	**No. of shares**
Weighted average number of ordinary shares for basic earnings per share computation	1,757,531,844	1,757,531,844
Earnings per share (IDR)		
– Basic and diluted	**656**	**487**

10. Investment in subsidiaries

	Company	
	2014 IDR million	**2013 IDR million**
Unquoted equity shares, at cost	**396,021**	**386,521**

10. Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2014 %	2013 %
Held by the Company				
PT Bumitama Gunajaya Agro ("BGA")(1)	Indonesia	Wholesale distribution, agriculture and plantations development	90.00	90.00
PT Bumitama Sawit Lestari ("BSL")(1)	Indonesia	Investment holding	90.00	90.00
PT Bumitama Energi Lestari ("BEL")(1)	Indonesia	Wholesale distribution	95.00	–
PT Bumitama Oleo Sentosa ("BOS")(3)	Indonesia	Wholesale distribution	95.00	–
Held via BGA:				
PT Karya Makmur Bahagia ("KMB")(1)	Indonesia	Oil palm plantation and mill	85.50	85.50
PT Windu Nabatindo Lestari ("WNL")(1)	Indonesia	Oil palm plantation and mill	81.00	81.00
PT Rohul Sawit Industri ("RSI")(1)	Indonesia	Palm oil mill	81.00	81.00
PT Bumitama Gunajaya Abadi ("BG Abadi")(1)	Indonesia	Oil palm plantation and mill	85.50	85.50
PT Windu Nabatindo Abadi ("WNA")(1)	Indonesia	Oil palm plantation and mill	85.50	85.50
PT Masuba Citra Mandiri ("MCM")(1)	Indonesia	Oil palm plantation	85.50	85.50
PT Windu Nabatindo Sejahtera ("WNS")(3)	Indonesia	Oil palm plantation	85.50	85.50
PT Agro Manunggal Sawitindo ("AMS")(1)	Indonesia	Oil palm plantation	85.50	85.50
PT Lestari Gemilang Intisawit ("LGI")(1)	Indonesia	Oil palm plantation and mill	81.00	81.00
PT Ladang Sawit Mas ("LSM")(2)	Indonesia	Oil palm plantation and mill	85.50	85.50
Held via BSL:				
PT Tanah Tani Lestari ("TTL")(3)	Indonesia	Oil palm plantation	85.50	85.50
PT Nabatindo Karya Utama ("NKU")(1)	Indonesia	Oil palm plantation	72.00	72.00
PT Andalan Sukses Makmur ("ASMR")(2)	Indonesia	Oil palm plantation	85.50	85.50
Held via KMB:				
PT Hatiprima Agro ("HPA")(2)	Indonesia	Oil palm plantation	85.73	85.73

10. Investment in subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2014 %	2013 %
Held via AMS:				
PT Gunajaya Karya Gemilang ("GKG")(1)	Indonesia	Oil palm plantation and mill	85.52	85.52
PT Gunajaya Ketapang Sentosa ("GKS")(1)	Indonesia	Oil palm plantation	85.52	85.52
PT Karya Bakti Agro Sejahtera ("KBAS")(1)	Indonesia	Oil palm plantation	85.52	85.52
Held via LGI:				
PT Agro Sejahtera Manunggal ("ASM")(1)	Indonesia	Oil palm plantation and mill	82.37	82.37
PT Karya Makmur Langgeng ("KML")(1)	Indonesia	Oil palm plantation	82.37	82.37
Held via BEL:				
PT Energi Baharu Lestari ("EBL")(1)	Indonesia	Wholesale distribution	90.25	–

(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.

(a) *Incorporation of subsidiaries in 2014*

During the year, the Group incorporated PT Bumitama Energi Lestari ("BEL") and PT Bumitama Oleo Sentosa ("BOS") under the laws of the Republic of Indonesia. These subsidiaries have an authorised and paid-up capital of IDR 10 billion and IDR 5 billion, respectively. The principal activities of BEL and BOS are wholesale distribution of downstream products and investment holding.

The Company holds 95% of the total shareholdings of these subsidiaries while the remaining 5% is held by PT Harita Jayaraya, an associate of the Group controlling shareholders, Dr. Lim Hariyanto Wijaya Sarwono and Mr Lim Gunawan Hariyanto.

(b) *Acquisition of subsidiaries in 2014*

On 18 December 2014, BEL 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 Energi Baharu Lestari ("EBL") from a third party for a total consideration of IDR 9,916 million. Upon completion of the acquisition, BEL and KMS own 95% and 5% of the issued and paid up share capital in EBL, respectively. The net carrying value of the interest acquired approximates the fair consideration paid at the date of the acquisition.

10. Investment in subsidiaries (cont'd)

(b) Acquisition of subsidiaries in 2014 (cont'd)

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

	EBL IDR million
Land use rights (Note 15)	53,174
Property, plant and equipment	21,246
Other non-current assets	7,628
Inventories	54
Other receivables	3,500
Prepayments and advances	27
Prepaid taxes	6,629
Cash and cash equivalents	1,900
Tax payable	(39)
Other long-term liabilities	(81,681)
Total identifiable net assets at fair value	12,438
Non-controlling interest measured at the non-controlling interest's proportionate share of EBL's net identifiable assets	(622)
Consideration paid	**11,816**

Consideration transferred for the acquisition of EBL

	EBL IDR million
Cash paid	9,916
Deferred cash settlement	1,900
	11,816

Effect of the acquisition of EBL on cash flows

	EBL IDR million
Consideration transferred	11,816
Less: Deferred cash settlement	(1,900)
Consideration settled in cash	9,916
Less: Cash and cash equivalents of subsidiaries acquired	(1,900)
	8,016

10. Investment in subsidiaries (cont'd)

(c) Acquisition of subsidiaries in 2013

On 29 April 2013, BSL acquired PT Nabatindo Karya Utama ("NKU") for a total consideration of IDR 175,662 million from a third party. Upon completion of the acquisition, BSL and one of the existing owner own 80% and 20% of the issued and paid up share capital in NKU, respectively. The net carrying value of the interest acquired approximates the fair consideration paid at the date of acquisition.

On 8 July 2013, BSL together with KMS acquired PT Andalan Sukses Makmur ("ASMR") for a total consideration of IDR 31,235 million from a third party. Upon completion of the acquisition, BSL and KMS own 95% and 5% of the issued and paid up share capital in ASMR, respectively. The net carrying value of the interest acquired approximates the fair consideration paid at the date of acquisition.

The Group acquired NKU and ASMR to increase its land bank. In addition, the land bank of NKU and ASMR is situated near the land bank of the Group. The close proximity would allow the Group to achieve operational efficiency through the sharing of resources such as labour and infrastructure.

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

The fair value of the identifiable assets and liabilities of NKU and ASMR as at the acquisition date were:

	NKU IDR million	**ASMR IDR million**
Land use rights (Note 15)	18,948	32,879
Biological assets	144,377	–
Property, plant and equipment	8,055	–
Trade receivables	88	–
Inventories	147	–
Cash and cash equivalents	2,041	–
Trade payables	(267)	–
Accrued expenses	(75)	–
Loans and borrowings	(43,048)	–
Total identifiable net assets at fair value	130,266	32,879
Non-controlling interest measured at the non-controlling interests proportionate share of NKU and ASMR's	(26,053)	(1,644)
Deferred tax liabilities arising from fair value gain (Note 31)	(24,758)	–
Goodwill arising from acquisition (Note 16)	96,207	–
Consideration paid	**175,662**	**31,235**

10. Investment in subsidiaries (cont'd)

(c) Acquisition of subsidiaries in 2013 (cont'd)

Consideration transferred for the acquisition of NKU and ASMR

	NKU IDR million	ASMR IDR million
Cash and total consideration transferred	**175,662**	**31,325**

Effect of the acquisition of NKU and ASMR on cash flows

	NKU IDR million	ASMR IDR million
Total consideration settled in cash for equity interest acquired	175,662	31,325
Less: Cash and cash equivalents of subsidiaries acquired	(2,041)	–
	173,621	31,325

Transaction costs

Transaction costs related to the acquisition of IDR 28.7 million have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2013.

Goodwill arising from acquisition

The goodwill of IDR 96,207 million comprises the value of biological assets, strategic land bank area and operational efficiency through sharing of resources. None of the goodwill is expected to be deductible for income tax purposes.

Impact of the acquisition on profit or loss

From the acquisition date and from the beginning of 2013, NKU and ASMR have no revenue and profit for the year.

11. Investment in associate companies

	Group		Company	
	2014 IDR million	2013 IDR million	2014 IDR million	2013 IDR million
Acquisition of associate companies	97,081	97,081	97,081	97,081
Share of post-acquisition reserve	(40,895)	(15,833)	–	–
Exchange differences	28,064	26,813	34,475	26,813
Balance at end of financial year	**84,250**	**108,061**	**131,556**	**123,894**

Details of the associate companies are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2014 %	2013 %
Held through the Company:				
PT Sawit Nabati Agro ("SNA")(1)	Indonesia	Oil palm plantation	28.00	28.00
PT Berkat Agro Sawitindo ("BAS")(1)	Indonesia	Oil palm plantation	28.00	28.00

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

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	
	2014 IDR million	2013 IDR million
Assets and liabilities		
Total assets	1,042,745	782,480
Total liabilities	1,325,798	868,690
Results		
Revenue	32,944	8,909
Loss for the year	(61,032)	(56,475)

12. Biological assets

Biological assets are classified into mature plantations, immature plantations and nurseries.

	Group 2014 IDR million	Group 2013 IDR million
Mature plantations		
At fair value:		
Beginning balance	4,342,181	3,555,203
Transfer from immature plantations	1,039,563	571,154
Acquisition of a subsidiary	–	49,662
	5,381,744	4,176,019
Gain arising from fair value changes in biological assets	331,768	166,162
Ending balance	5,713,512	4,342,181
Immature plantations		
At fair value:		
Beginning balance	2,195,947	1,596,664
Development costs	794,090	1,162,793
Transferred from nurseries	34,967	100,867
Acquisition of a subsidiary	–	93,086
	3,025,004	2,953,410
Transferred to mature plantations	(1,039,563)	(571,154)
Loss arising from fair value changes in biological assets	(375,110)	(186,309)
Ending balance	1,610,331	2,195,947
Nurseries		
At fair value:		
Beginning balance	220,203	111,463
Development costs	3,790	159,006
Acquisition of a subsidiary	–	1,629
	223,993	272,098
Transferred to immature plantations	(34,967)	(100,867)
Gain arising from fair value changes in biological assets	5,079	48,972
Ending balance	194,105	220,203
Total biological assets	**7,517,948**	**6,758,331**
Total (loss)/gain arising from fair values changes in biological assets	**(38,263)**	**28,825**

12. Biological assets (cont'd)

The fair values of biological assets are determined by an independent valuer using the discounted future cash flows of the underlying plantations. The expected future cash flows of the biological assets are determined using the projected selling prices of CPO in the market.

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

(a) no new planting or re-planting activities are assumed;

(b) oil palm trees have an average life of 25 years, with the first 4 years as immature and the remaining years as mature;

(c) determination of production calculation was taken from standard yield of seeds from leading oil palm seeds producers, which took into account factors such as seed types, land classification and the soil consideration in each estate, taking into consideration the weather characteristic;

(d) the discount rate used for the Group's plantation operations which is applied in the discounted future cash flows calculation for 31 December 2014 and 2013 is 13.39% and 13.40%, respectively;

(e) the exchange rate applied in the valuation for 31 December 2014 and 2013 is IDR 12,200/USD and IDR 10,500/USD, respectively;

(f) the projected selling prices of CPO for the financial years ended 31 December 2014 and 2013 referenced to independent professional valuer's report.

	Group	
	2014	2013
Projected CPO price (IDR/kg)	7,756 – 7,838	7,303 – 7,864
Projected CPO price (MYR/metric ton)	2,177 – 2,200	1,970 – 2,121
	Tonnes	**Tonnes**
FFB harvested	1,401,040	1,105,358
	Hectares	**Hectares**
Mature biological assets (planted nucleus)	77,177	63,677
Immature biological assets (planted nucleus)	38,286	51,275

The plantations of the Group have been insured against the risk of fire, covering an aggregate area of approximately 14,911 hectares (2013: 1,491 hectares) for up to approximately IDR 430 billion (2013: IDR 44.7 billion) as at 31 December 2014. Total nucleus planted area for the year ended 31 December 2014 accounted for approximately 115,463 hectares (2013: 114,952 hectares).

12. Biological assets (cont'd)

Depreciation of property, plant and equipment capitalised to immature plantations for the financial years ended 31 December 2014 and 2013 amounted to IDR 6,829 million and IDR 11,425 million, respectively (Note 14).

Borrowing costs capitalised to immature plantations for the financial years ended 31 December 2014 and 2013 amounted to IDR 143,448 million and IDR 97,395 million, respectively (Note 7).

As at 31 December 2014 and 2013, biological assets pledged as collateral for the bank loans was approximately IDR 1,041,000 million.

13. Plasma receivables

Plasma receivables represent costs incurred for plasma plantations development which was financed by the Subsidiaries while waiting 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 installment, the Subsidiaries deduct up to 40% of plasma farmers' sales of FFB to the Subsidiaries until the plasma farmers' loans to the bank are fully paid. The amount deducted will be paid by the Company as the plasma farmers' loan installment 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 2014 and 2013, the Company has developed plasma plantations through bank partnerships covering a total area of 37,805 hectares and 34,731 hectares, and plasma farmers of approximately 19,000 and 17,000, respectively.

13. Plasma receivables (cont'd)

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

Group	Plasma plantation development costs IDR million	Investment credits IDR million	Net plasma plantation receivables IDR million
KKPA			
At 1 January 2014	1,518,235	(905,479)	612,756
Development costs net of plasma FFB purchased by the Group	133,589	–	133,589
Additional credits	–	(129,302)	(129,302)
Depreciation expense capitalised (Note 14)	20,632	–	20,632
Interest capitalised	22,049	–	22,049
Payment of self financing of receivables from plasma plantation	–	124,938	124,938
At 31 December 2014	**1,694,505**	**(909,843)**	**784,662**
At 1 January 2013	1,034,903	(832,830)	202,073
Development costs net of plasma FFB purchased by the Group	438,235	–	438,235
Additional credits	–	(138,901)	(138,901)
Depreciation expense capitalised (Note 14)	16,220	–	16,220
Interest capitalised	28,877	–	28,877
Payment of self financing of receivables from plasma plantation	–	66,252	66,252
At 31 December 2013	**1,518,235**	**(905,479)**	**612,756**

14. Property, plant and equipment

Group	Buildings IDR million	Renovation IDR million	Infrastructure IDR million	Machinery and equipment IDR million	Vehicles and heavy equipment IDR million	Furniture and fixtures IDR million	Assets under construction IDR million	Total IDR million
Cost								
At 1 January 2013	616,430	2,024	167,372	453,345	297,954	58,346	328,499	1,923,970
Additions	210,552	527	147,411	266,149	68,303	24,430	233,075	950,447
Disposals	–	–	(218)	(91,546)	(187)	(69)	(124,681)	(216,701)
At 31 December 2013 and 1 January 2014	826,982	2,551	314,565	627,948	366,070	82,707	436,893	2,657,716
Additions	157,959	–	173,927	188,586	72,298	15,459	341,193	949,422
Reclassification	107,392	–	38,281	113,863	3,183	–	(262,719)	–
At 31 December 2014	1,092,333	2,551	526,773	930,397	441,551	98,166	515,367	3,607,138
Accumulated depreciation								
At 1 January 2013	117,018	674	24,063	109,563	137,662	34,817	–	423,797
Charge for the year	37,926	1,452	11,802	31,427	47,418	11,594	–	141,619
Disposals	–	–	(22)	–	(186)	–	–	(208)
At 31 December 2013 and 1 January 2014	154,944	2,126	35,843	140,990	184,894	46,411	–	565,208
Charge for the year	49,353	425	19,505	42,742	51,311	12,785	–	176,121
At 31 December 2014	204,297	2,551	55,348	183,732	236,205	59,196	–	741,329
Net carrying amount								
At 31 December 2013	**672,038**	**425**	**278,722**	**486,958**	**181,176**	**36,296**	**436,893**	**2,092,508**
At 31 December 2014	**888,036**	**–**	**471,425**	**746,665**	**205,346**	**38,970**	**515,367**	**2,865,809**

14. Property, plant and equipment (cont'd)

Assets held under finance lease

The net carrying amount of vehicles and heavy equipment held under obligations of finance lease for the year ended 31 December 2014 amounted to IDR Nil million (2013: IDR 2,044 million).

Company	**Renovations IDR million**	**Furniture and fixtures IDR million**	**Total IDR million**
Cost			
At 1 January 2013	2,024	121	2,145
Additions	527	42	569
At 31 December 2013 and 1 January 2014	2,551	163	2,714
Additions	–	108	108
At 31 December 2014	2,551	271	2,822
Accumulated depreciation			
At 1 January 2013	675	12	687
Charge for the year	1,451	35	1,486
At 31 December 2013 and 1 January 2014	2,126	47	2,173
Charge for the year	425	40	465
At 31 December 2014	2,551	87	2,638
Net carrying amount			
At 31 December 2013	**425**	**116**	**541**
At 31 December 2014	**–**	**184**	**184**

Assets pledged as security

As at 31 December 2014 and 2013, the Group's property, plant and equipment with a net carrying amount of IDR 111,063 million, are pledged to secure the Group's bank loans.

14. Property, plant and equipment (cont'd)

Depreciation

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

	Group	
	2014	**2013**
	IDR million	**IDR million**
Cost of sales (Note 6)	139,933	104,925
General and administrative expenses (Note 7)	8,727	9,049
Immature plantations (Note 12)	6,829	11,425
Plasma receivables (Note 13)	20,632	16,220
Total depreciation	**176,121**	**141,619**

15. Land use rights

	Group	
	2014	**2013**
	IDR million	**IDR million**
Cost		
At 1 January	408,508	284,367
Additions	30,683	72,314
Acquisition of subsidiaries (Note 10)	53,174	51,827
At 31 December	492,365	408,508
Accumulated amortisation		
At 1 January	4,824	3,762
Amortisation for the year	1,381	1,062
At 31 December	6,205	4,824
Net carrying amount	**486,160**	**403,684**
Amount to be amortised:		
– Not later than one year	1,381	1,073
– Later than one year but not more than five years	5,525	4,291
– Later than five years	479,254	398,320
	486,160	**403,684**

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 3.5 years from the initial recognition, subject to agreement with the Government of Indonesia and payments of premium.

15. Land use rights (cont'd)

As at 31 December 2014, the land use rights have remaining tenure ranging from 22 years to 30 years (2013: 23 years to 30 years).

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

	2014 IDR million	2013 IDR million
Cost of sales (Note 6)	1,291	972
General and administrative expenses (Note 7)	90	90
	1,381	**1,062**

As at 31 December 2014 and 2013, land use rights pledged as collateral for the bank loans facilities amounted to IDR 67,024 million.

16. Intangible assets

	Goodwill IDR million	Software IDR million	Total IDR million
Cost			
At 1 January 2013	78,257	13,683	91,940
Acquisition of subsidiaries (Note 9)	96,207	–	96,207
Additions	–	2,715	2,715
At 31 December 2013, 1 January 2014 and 31 December 2014	174,464	16,398	190,862
Accumulated amortisation and impairment losses			
At 1 January 2013	–	7,743	7,743
Amortisation for the year (Note 7)	–	3,046	3,046
At 31 December 2013 and 1 January 2014	–	10,789	10,789
Impairment goodwill	6,563	–	6,563
Amortisation for the year (Note 7)	–	2,234	2,234
At 31 December 2014	6,563	13,023	19,586
Net carrying amount			
At 31 December 2013	**174,464**	**5,609**	**180,073**
At 31 December 2014	**167,901**	**3,375**	**171,276**

16. Intangible assets (cont'd)

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 CGU relating to the goodwill as at 31 December is as follows:

	2014 **IDR million**	**2013** **IDR million**
Carrying values:		
– KMB	22,885	22,885
– LGI	48,809	48,809
– LSM	–	6,563
– NKU	96,207	96,207
	167,901	174,464

The recoverable amount of goodwill as at 31 December was determined based on value-in-use calculations using cash flow projections from financial budgets approved by management. The calculations were based on the following key assumptions:

	2014	**2013**
Discount rate (pre-tax)	13.39%	13.40%
Inflation rate	5.00% – 6.65%	5.00% – 6.00%
Projected CPO price (IDR/kg)	7,756 – 7,838	7,303 – 7,864

The recoverable value calculation applied a discounted cash flow model using cash flow projections covering a period of 9 years, and a projected CPO price of IDR 7,756 – IDR 7,838 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. The inflation rate in sixth year carries inflation rate of 5% and the cash flows beyond the projected periods are extrapolated using the inflation rate of 5%.

The calculations of value-in-use are most sensitive to the following assumptions:

Pre-tax discount rate – The discount rate applied to the cash flow projection is pre-tax and 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 and World Economic Outlook Database.

Projected CPO price – The CPO price was based on the international market price retrieved from Oil World Statistic and actual CPO price transacted by PT Bumitama Gunajaya Agro and its subsidiaries.

16. Intangible assets (cont'd)

Goodwill (cont'd)

Impairment loss recognised

During the current financial year, an impairment loss was recognised to fully write down the carrying amount of goodwill attributable to the acquisition of LSM. The impairment was made as the Group has expected that the fair value of LSM's net assets was lower than its carrying amount. The impairment loss of IDR 6,563 million (2013: IDR Nil) has been recognised in profit or loss under the line item "Other expenses".

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 statements.

17. Due from Subsidiaries

	Company	
	2014	2013
	IDR million	IDR million
Non-current:		
Loan to subsidiaries	5,581,149	3,529,563
Current:		
Loan to subsidiaries	435,400	1,938,051
Total due from subsidiaries	**6,016,549**	**5,467,614**

Loan to subsidiaries

As at 31 December 2014, loan to subsidiaries include loans that are non-trade, bear interest at rates of 5% per annum, 3.06% per annum above the six month London Interbank Offered Rate ("LIBOR") and 3.75% per annum above the six month LIBOR. The loans are unsecured and have a maturity of five years. The amounts are denominated in USD.

As at 31 December 2013, loan to subsidiaries include loans that are non-trade, bear interest at 3.75% per annum above the six month LIBOR, unsecured and have a maturity of five years. The amounts are denominated in USD.

18. Loan to an associate company

Loan to an associate company is non-trade, bears interest at 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.

19. Inventories

	Group	
	2014	**2013**
	IDR million	**IDR million**
At lower of cost and net realisable value		
Finished goods:		
CPO	176,164	147,686
PK	11,197	15,834
Biodiesel	5,560	–
	192,921	163,520
Raw materials:		
Fertilisers and chemicals	186,674	94,465
Spare parts and other consumables	145,314	120,574
Biodiesel materials	1,892	–
	333,880	215,039
Total inventories	**526,801**	**378,559**
Inventories recognised as an expense in cost of sales (Note 6)	**3,415,585**	**2,462,875**

20. Trade and other receivables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	IDR million	**IDR million**	**IDR million**	**IDR million**
Trade and other receivables:				
Trade receivables	58,635	47,473	–	–
Other receivables	80,941	54,337	–	–
Total trade and other receivables	139,576	101,810	–	–
Plasma receivables (Note 13)	784,662	612,756	–	–
Due from subsidiaries (Note 17)	–	–	6,016,549	5,467,614
Loan to an associate company (Note 18)	282,167	228,562	282,167	228,562
Due from related companies (Note 21)	126,270	141,183	–	–
Cash and short-term deposits (Note 22)	310,858	482,118	8,701	19,318
Total loans and receivables	**1,643,533**	**1,566,429**	**6,307,417**	**5,715,494**

20. Trade and other receivables (cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally less than 30 days credit terms. 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.

Receivables that are past due but not impaired

The Group has trade receivables as at 31 December 2014 amounting to IDR 6,549 million (2013: IDR 10,171 million), that are past due but not impaired. These receivables are unsecured and the analysis of their ageing at the balance sheet date is as follows:

	Group	
	2014	**2013**
	IDR million	**IDR million**
Trade receivables past due:		
Less than 30 days	3,587	864
30 to 60 days	1,538	75
More than 61 days	1,424	9,232
	6,549	**10,171**

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-interest bearing, unsecured, repayable on demand, and are to be settled in cash.

21. Due from related companies

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

22. Cash and short-term deposits

(a) Cash and short-term deposits

	Group		Company	
	2014 IDR million	2013 IDR million	2014 IDR million	2013 IDR million
Cash at bank and on hand	89,111	167,436	8,701	19,318
Time deposit	221,747	314,682	–	–
Total cash and short-term deposits	310,858	482,118	8,701	19,318

Cash at bank earns interest at floating rates based on daily bank deposit rate. Time deposits are made for varying periods of between three months depending on the immediate cash requirements of the Group, and earn interest at the annual interest rates of 2.75% to 3.30% (2013: 3.25% to 10.25%).

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

	Group		Company	
	2014 IDR million	2013 IDR million	2014 IDR million	2013 IDR million
USD	221,341	93,615	5,860	16,945
SGD	3,007	3,563	2,012	2,372
MYR	818	–	818	–

22. Cash and short-term deposits (cont'd)

(b) Cash flow from operating activities

	Group	
	2014	**2013**
	IDR million	**IDR million**
Profit before tax	1,804,873	1,268,129
Adjustments:		
Depreciation and amortisation	183,880	133,659
Finance cost	105,249	56,734
Interest income	(106,540)	(22,303)
Post employment benefits	16,474	8,298
Impairment of goodwill	6,563	–
Unrealised foreign exchange loss	288,758	34,054
Share of loss of associate companies	17,127	15,833
Loss/(gain) arising from fair value changes in biological assets	38,263	(28,825)
Operating cash flows before working capital changes	2,354,647	1,465,579
Decrease/(increase) in trade and other receivables	4,509	(54,221)
Increase in inventories	(148,242)	(55,057)
Increase in prepaid taxes	(84,152)	(28,492)
Decrease in prepayment and advances	37,293	28,157
Increase in deferred charges	(5,307)	(6,653)
Decrease in tax refundable	25,330	2
Increase in trade and other payables	264,505	39,833
Increase in accrued operating expenses	58,860	21,923
Taxes payable	18,324	8,712
(Decrease)/increase in sales advances	(98,232)	187,792
Decrease in post employment benefits	(12,586)	(12,542)
Cash flows from operations	2,414,949	1,595,033
Corporate income tax paid	(291,187)	(321,996)
Net cash resulting from operating activities	**2,123,762**	**1,273,037**

23. Loans and borrowings

	Group		Company	
	2014	**2013**	**2014**	**2013**
	IDR million	**IDR million**	**IDR million**	**IDR million**
Current:				
Revolving loan facility	400,436	558,758	433,324	353,481
Term loan	188,523	–	–	–
	588,959	558,758	433,324	353,481
Non-current:				
Revolving loan facility	–	1,584,570	–	1,584,570
Term loan	139,769	2,000,333	–	1,724,089
	139,769	3,584,903	–	3,308,659
Loans and borrowings	**728,728**	**4,143,661**	**433,324**	**3,662,140**

Loans and borrowings denominated in foreign currency as at 31 December are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	IDR million	IDR million	IDR million	IDR million
USD	400,436	3,610,093	400,436	3,662,140

Revolving loan facility:

(a) facility from a syndicate of foreign banks with maximum limit of USD 50 million and USD 80 million obtained by the Group and the Company during 2012 and 2013, respectively. The facility for USD 50 million had commenced on 12 November 2012 and the interest rate for the financial year ended 31 December 2014 was computed based on LIBOR plus 2.00% per annum (2013: the USD Singapore Inter Bank Offered Rate ("SIBOR") plus 2.00% per annum). Whilst, the facility for USD 80 million had commenced on 8 May 2013, and the interest rate for the financial year ended 31 December 2014 and 2013 was computed based on LIBOR plus 2.00% per annum. Both facilities will mature on 12 November 2015 and 9 May 2016 (extendable to another 2 years, i.e. 9 May 2018, subject to lenders' approval), respectively. As at 31 December 2014, the remaining outstanding balance of both facilities was IDR 400,436 million (2013: IDR 1,584,570 million). Both facilities include financial covenants which require the Group to maintain a net debt to EBITDA not exceeding 3 times, debt service coverage ratio not less than 1.25 times and total debt to equity shall not exceed 1.5 times.

23. Loans and borrowings (cont'd)

Term loans:

(a) loans from an Indonesian bank obtained by a subsidiary during 2010 and 2012 for palm oil plantations. These loans were obtained in 2 stages and bore interest payable of 10.00% to 10.75% per annum, respectively, and will mature on 23 May 2015 and 23 October 2016, respectively. The loans are secured over certain of the subsidiary's assets and repayable in quarterly installments, with a total amount of IDR 281,900 million outstanding as at 31 December 2014 (2013: IDR 410,900 million). These loans include financial covenants which require certain subsidiary to maintain a current ratio exceeding 100%, debt to equity ratios not exceeding 300%, and debt service coverage ratio exceeding 100%.

(b) loan from an Indonesian bank obtained by a subsidiary during 2010 for palm oil plantations purposes. The loan bore interest payable of 10.00% to 10.75% per annum and will mature on 23 May 2015. The loan is secured over certain of the subsidiary's assets and repayable in quarterly installments commencing from 28 April 2010, with a total amount of IDR 47,600 million outstanding as at 31 December 2014 (2013: IDR 125,600 million). This loan includes financial covenants which require certain subsidiaries to maintain a current ratio exceeding 100%, debt to equity ratios not exceeding 300%, and debt service coverage ratio exceeding 100%.

(c) loan from an Indonesian bank obtained by a subsidiary during 2010 for palm oil plantations purposes. The loan bore interest payable of 10.25 % per annum and was secured over certain of the subsidiary's assets. The loan was repayable on a monthly basis and it was fully repaid in 2013.

(d) loan from an Indonesian bank obtained by a subsidiary during 2006 and 2010 for palm oil plantations purposes. The loan was obtained in 2 stages and bore interest of 10.00% per annum and was secured over certain of the subsidiary's assets. The loan was repayable in quarterly installments and was fully repaid in 2013.

(e) loans from a syndicate of foreign banks with maximum limit of USD 120 million and USD 70 million obtained by the Group and Company during 2012 and 2013, respectively. The loan for USD 120 million had commenced from 19 November 2012 and the interest rate for the financial year ended 31 December 2014 was computed based on the LIBOR plus 2.15% per annum (2013: SIBOR plus 2.15% per annum). Whilst, the loan for USD 70 million had commenced on 11 June 2013 and the interest rate for the financial year ended 31 December 2014 was computed based on LIBOR plus a 2.15% per annum (2013: LIBOR plus a 2.15% per annum). The loan was repayable in quarterly installments and was fully repaid in the current year.

24. 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 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.

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 will not be listed on any stock exchange.

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

	Maturity date	Distribution rate (per annum)	Group and Company 2014 IDR million
First issuance	18 March 2019	5.25%	1,780,963
Less:			
Issuance costs			(10,633)
Accumulated amortisation			1,259
			(9,374)
Islamic medium term notes, net			**1,771,589**

	Maturity date	Distribution rate (per annum)	Group and Company 2014 IDR million
Second issuance	2 September 2019	5.00%	1,780,963
Less:			
Issuance costs			(1,243)
Accumulated amortisation			61
			(1,182)
Islamic medium term notes, net			**1,779,781**
Total			**3,551,370**

25. Obligations under finance leases

The Group entered into capital lease agreements for purchase of farming equipment and motor vehicles incidental to the ordinary course of the business. These capital leases are repayable within 1 year. As at 31 December 2014, the finance lease liabilities have been fully paid by the Group.

	Group	
	2014	**2013**
	IDR million	**IDR million**
Current portion	**–**	**193**

26. Trade and other payables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	IDR million	**IDR million**	**IDR million**	**IDR million**
Trade and other payables:				
Trade payables	631,449	414,075	–	–
Other payables	141,173	94,042	–	–
Total trade and other payables	772,622	508,117	–	–
Loans and borrowings (Note 23)	728,728	4,143,661	433,324	3,662,140
Islamic medium term notes (Note 24)	3,551,370	–	3,551,370	–
Obligations under finance leases (Note 25)	–	193	–	–
Due to a subsidiary (Note 27)	–	–	–	188,779
Accrued liabilities (Note 28)	80,516	25,165	71,112	12,478
Total financial liabilities carried at amortised cost	**5,133,236**	**4,677,136**	**4,055,806**	**3,863,397**

Trade and other payables

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

27. Due to a subsidiary

As at 31 December 2013, amount due to a subsidiary is non-trade, bears interest at six months LIBOR + 3.75% per annum, unsecured and repayable on 1 July 2018. The amount is denominated in USD. As at 31 December 2014, amount due to a subsidiary was fully settled.

28. Accrued operating expenses

	Group		Company	
	2014	2013	2014	2013
	IDR million	IDR million	IDR million	IDR million
Accrued interests	71,142	15,249	69,527	6,661
Professional fees	5,911	5,456	754	1,539
Others	3,463	4,460	831	4,278
Total accrued liabilities	80,516	25,165	71,112	12,478
Add: Salaries and wages	73,861	70,352	633	1,152
Total accrued operating expenses	**154,377**	**95,517**	**71,745**	**13,630**

29. Employee benefit 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. The provision for post employment benefits is based on the calculation of an independent actuary, using the "Projected Unit Credit" method. No fund was provided for such liability for post employment benefits. As at 31 December 2014, number of employees of 3,312 (2013: 3,034), were included in the computation.

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

	2014	2013
Normal Pension Age	55 years	55 years
Salary Increment Rate per annum	5.0 %	5.0 %
Discount Rate per annum	8.0 %	9.0 %
Mortality Rate	Indonesia – II	Indonesia – II
Resignation level per annum	2% of 18 – 44 years	2% of 18 – 44 years

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

	Group	
	2014	2013
	IDR million	IDR million
Present value of defined benefit obligation	53,062	36,723
Assets at fair value	(40,693)	(28,242)
Total post employment benefits	**12,369**	**8,481**

29. Employee benefit liability (cont'd)

Defined benefit plans (cont'd)

Remeasurement on defined benefit plan recognised to other comprehensive income are as follows:

	Group	
	2014	**2013**
	IDR million	**IDR million**
Actuarial loss/(gain) arising from changes in financial assumptions	13,649	(4,526)
Deferred tax (asset)/liability from actuarial loss/(gain) arising (Note 31)	(3,412)	1,132
	10,237	(3,394)

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

Balance at 1 January	36,723	41,275
Interest cost	3,280	2,674
Current service cost	10,954	8,397
Actuarial loss/(gain) arising from changes in assumptions	3,065	(13,651)
Past service cost	377	173
Benefits paid	(343)	(293)
Curtailment	(994)	(1,852)
Balance at 31 December	**53,062**	**36,723**

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

Balance at 1 January	28,242	15,442
Expected return on plan assets	2,259	1,390
Contribution during the year	12,242	12,242
Actuarial loss on asset	(2,050)	(832)
Balance at 31 December	**40,693**	**28,242**

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

Current service cost	10,954	8,397
Interest cost on defined benefit obligation	3,280	2,674
Expected return on asset	(2,259)	(1,390)
Interest on effect of assets ceiling	68	–
Actuarial loss	–	296
Past service cost	377	173
Curtailment	(994)	(1,852)
Post employment benefits expense	**11,426**	**8,298**

29. Employee benefit liability (cont'd)

Defined benefit plans (cont'd)

Post employment benefits expense is recognised in the "General and administrative expenses" line item in the Group's profit or loss.

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/ (decrease)	**Changes in actuarial gain**
Discount rates	+1%	(5,675)
	-1%	6,509
Salary increment rate per annum	+1%	6,268
	-1%	(5,498)

30. Taxation

(a) Tax refundable

(i) PT Windu Nabatindo Lestari ("WNL")

On 1 July 2011, WNL, a subsidiary, was issued additional Value Added Tax ("VAT") assessments for periods of January, February and March 2007 amounting to IDR 1,834 million, IDR 3,608 million and IDR 1,900 million, respectively. WNL applied objections to the Directorate General of Tax and has partially paid an amount totaling IDR 6,432 million.

In 2012, WNL was issued additional VAT assessments for the period from April 2007 to December 2007 amounting to IDR 11,954 million. In 2012, WNL had paid up the additional VAT assessed amounting to IDR 12,864 million. The total amounts paid of IDR 19,296 million was presented as "Tax refundable" for the year ended 31 December 2013.

On 20 December 2013, WNL obtained a tax court decision which ruled that the total underpayment amounted to IDR 1,437 million instead of IDR 19,294 million and the remaining balances amounted to IDR 17,857 million will be refunded to the Company.

On 5 March 2014, WNL received the refund amounting to IDR 17,857 million from the Tax Authority along with the interest amounting to IDR 7,414 million.

30. Taxation (cont'd)

(a) Tax refundable (cont'd)

(ii) PT Bumitama Gunajaya Abadi ("BG Abadi")

On 12 April 2010, BG Abadi, a subsidiary, was issued two additional VAT assessments for periods of January – April 2008 and May 2008 amounting to IDR 15,758 million and IDR 1,735 million, respectively. BG Abadi has objected to these additional assessments to the Directorate General of Tax. On 20 May 2011, the objections were partially accepted for the period January – April 2008 and the liability was reduced to IDR 4,301 million but declined for May 2008. BG Abadi has appealed against the decisions and the amounts paid for the remaining underpayment amounting to IDR 6,036 million was presented as "Tax refundable" for the year ended 31 December 2013.

As at 31 December 2014, the appeal is still in progress, but BG Abadi had written off and charged the claimed amount of IDR 6,036 million (2013: IDR Nil) to profit or loss.

(b) Prepaid taxes

Prepaid taxes represent VAT input as at 31 December 2014 and 2013.

31. Deferred tax

Deferred tax as at 31 December relates to the following:

	Balance sheet Group		Income statement Group	
	2014 IDR million	2013 IDR million	2014 IDR million	2013 IDR million
Deferred tax assets:				
Property, plant and equipment	3,126	6,395	(3,269)	4,019
Tax loss carried forward	36,760	8,716	28,044	(1,320)
Biological assets	214,426	106,846	107,579	85,742
Remeasurement on defined benefit plan (Note 29)	2,280	–	–	–
Deferred tax assets, net	**256,592**	**121,957**	**132,354**	**88,441**
Deferred tax liabilities:				
Property, plant and equipment	(38,010)	(31,718)	(6,292)	(6,490)
Biological assets	(628,165)	(568,849)	(116,858)	(91,800)
Acquisition of subsidiary (Note 10)	(24,758)	(24,758)	–	–
Remeasurement on defined benefit plan (Note 29)	–	(1,132)	–	–
Deferred tax liabilities, net	**(690,933)**	**(626,457)**	**(123,150)**	**(98,290)**
Deferred tax expense			**9,204**	**(9,849)**

31. Deferred tax (cont'd)

The recognition deferred tax assets relating to tax loss carried forward by subsidiaries of the Group have been reassessed by the management annually. The management believes that sufficient taxable profit will be available to allow the benefit to be utilized. Accordingly, the relevant subsidiaries recognised deferred tax assets relating to the tax loss carried forward.

32. Derivative financial liabilities

Cross currency swaps

In the current financial year, the Company had entered into cross currency swap agreements with financial institutions for swapping its Ringgit-denominated IMTN indebtedness 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 2014, fair value reserve adjustment of IDR 55,225 million had been included in other comprehensive income in respect of these contracts.

33. Share capital

	Group and Company			
	2014		2013	
	No. of shares	IDR million	No. of shares	IDR million
Issued and fully paid ordinary shares				
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 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.

34. Other reserves

Other reserves comprise:

	Group		Company	
	2014	2013	2014	2013
	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	(55,225)	–	(55,225)	–
	(240,163)	**(184,938)**	**(55,225)**	**–**

34. Other reserves (cont'd)

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 resulted from mark-to-market foreign currency swap of IMTN as at 31 December 2014.

35. 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.

36. 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		Company	
	2014	2013	2014	2013
	IDR million	IDR million	IDR million	IDR million
Trade:				
Purchase of FFB from a related company	–	46,531	–	–
Non-trade:				
Management fee from related companies	4,803	6,810	–	–
Rental fee to related parties	12,292	7,563	1,809	1,413

The Group has entered into lease agreements with Mr. Gunardi Hariyanto Lim and Goldwood Investments Ltd. for the lease of office premises for an amount of IDR 4,209 million and IDR 3,813 million for the years ended 31 December 2014 and 2013, respectively. On 30 September 2014, the rental agreement between the Group with Goldwood Investments Ltd. had been terminated. No balance was outstanding at the end of the reporting periods ended 31 December 2014 and 2013.

36. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group		Company	
	2014	2013	2014	2013
	IDR million	IDR million	IDR million	IDR million
Short-term employee benefits	25,498	20,898	–	–

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. The above amounts for key management compensation relate to the directors of the subsidiaries.

37. Commitments

(a) Contingent liability

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 2014 and 2013, 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 909,843 million and IDR 905,479 million, respectively. The harvested FFB will be sold to the Group and repayment of the credit facilities are through 40% deduction of plasma farmers' sales of FFB to the Group (Note 13).

37. Commitments (cont'd)

(b) *Finance lease commitments*

As lessee

The Group has finance leases for certain property, plant and equipment. Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

	2014		2013	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	IDR million	IDR million	IDR million	IDR million
Not later than one year	193	–	200	193
Total minimum lease payments	193	–	200	193
Less: Amount representing finance charges	(193)	–	(7)	–
Present value of minimum lease payments	**–**	**–**	**193**	**193**

(c) *Rental commitments*

As lessee

The Group has the following rental commitments on premises with initial or remaining term of one year or more:

	Group		Company	
	2014	2013	2014	2013
	IDR million	IDR million	IDR million	IDR million
Not later than one year	11,465	13,261	1,865	1,861
Later than one year but not more than five years	600	5,224	–	2,224
	12,065	**18,485**	**1,865**	**4,085**

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. Rental commitments represent rental payable by the Group for the rental of office premises. The rental commitments are for a lease term of less than five years.

37. Commitments (cont'd)

(c) *Rental commitments (cont'd)*

As lessee (cont'd)

The rental payments are recognised as an expense in the Group's profit or loss for the financial years ended 31 December 2014 and 2013 amounted to approximately IDR 12,292 million and IDR 7,563 million, respectively.

(d) *Purchase commitments*

	Group	
	2014	2013
	IDR million	IDR million
Non-cancellable purchases:		
Not later than one year	**23,488**	**789**

Purchase commitments relate to non-cancellable purchases of fertilisers based on committed tonnage and computed based on market prices as at respective year ends.

(e) *Sales commitments*

As at 31 December 2014, the Group has entered into non-cancellable sales commitments to deliver 39,226 and 7,949 metric tonnes (2013: 60,076 and 6,313 metric tonnes) of CPO and PK based at their prevailing market prices on date of delivery.

(f) *Capital commitments*

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2014	2013
	IDR million	IDR million
Capital commitment in respect of property, plant and equipment	**385,113**	**530,363**

Capital commitments comprise amounts related to committed cost to build new mills, land clearing and construction of employees' houses and offices.

38. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorise 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.

(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	Significant observable inputs other than quoted prices (Level 2) IDR million	Significant unobservable inputs (Level 3) IDR million	Total IDR million
2014			
Assets measured at fair value			
Non-financial assets:			
Biological assets	–	7,517,948	7,517,948
Liabilities measured at fair value			
Financial liabilites:			
Derivative financial liabilities	377,480	–	377,480
2013			
Assets measured at fair value			
Non-financial assets:			
Biological assets	–	6,758,331	6,758,331

38. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

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:

Derivatives

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.

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 31 December 2014** IDR million	**Valuation techniques**	**Unobservable inputs**	**Rate**
Recurring fair value measurements				
Biological assets	7,517,948	Discounted cash flow	Discount rate	13.39%
			FFB yield	4 – 27 tonnes per hectare

Description	**Fair value at 31 December 2013** IDR million	**Valuation techniques**	**Unobservable inputs**	**Rate**
Recurring fair value measurements				
Biological assets	6,758,331	Discounted cash flow	Discount rate	13.40%
			FFB yield	4 – 28 tonnes per hectare

38. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

Level 3 fair value measurements (cont'd)

Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

For biological assets, a significant increase/(decrease) in the discount rate would result in a significantly lower/(higher) fair value measurement. Changes in FFB yield will result in directionally similar changes in fair value.

The following table shows the impact on the Level 3 fair value measurement of assets and liabilities that are sensitive to changes in discount rate that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

	31 December 2014	
		Effect of reasonably possible alternative assumptions
	Carrying amount IDR million	Profit or loss IDR million
Recurring fair value measurements		
Biological assets	**7,517,948**	**(23,691)**

	31 December 2013	
		Effect of reasonably possible alternative assumptions
	Carrying amount IDR million	Profit or loss IDR million
Recurring fair value measurements		
Biological assets	**6,758,331**	**562,324**

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the key unobservable input, used in the fair value measurement, by adjusting the discount rate by increasing and decreasing the assumptions by 1%.

The details of biological assets and the valuation methodology used to determine the fair value of the biological assets are disclosed and described in Note 12.

38. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

Level 3 fair value measurements (cont'd)

Movements in Level 3 assets measured at fair value

The movements in biological assets measured at fair value are disclosed in Note 12.

Valuation policies and procedures

To determine the fair value of biological assets, the Group engages external valuation experts to perform the valuation. The corporate finance team is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

The corporate finance team reviews the appropriateness of the valuation methodologies and assumptions adopted by the external valuation experts. The corporate finance team also evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

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.

38. Fair value of assets and liabilities (cont'd)

(c) 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				
	Quoted prices in active market for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
	IDR million	IDR million	IDR million	IDR million	IDR million
2014					
Group					
Liabilities					
Islamic medium term notes	–	3,626,240	–	3,626,240	3,551,370
Company					
Liabilities					
Islamic medium term notes	–	3,626,240	–	3,626,240	3,551,370

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.

39. 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 is 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 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 financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from time deposits, loans and borrowings and shareholder loan, which bear interest at floating rates.

The Group's policy is to manage interest cost by switching to lower rate of loans whenever the opportunity arises.

Sensitivity analysis for interest rate risk

The table below illustrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit before tax (through the impact on interest expense on floating rate loans and borrowings).

	2014 Effect on profit before tax IDR million	**2013 Effect on profit before tax** IDR million
Increase by 200 basis points	(10,140)	(76,580)
Decrease by 200 basis points	10,140	76,580

(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, Indonesia 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.

39. Financial risk management objectives and policies (cont'd)

(b) Foreign currency risk (cont'd)

As at 31 December 2014 and 2013, the Group's costs denominated in foreign currencies amounted to approximately 20.5% and 7.8%, 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 tax to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group, with all other variables held constant.

	2014	**2013**
	Profit before tax	**Profit before tax**
	IDR million	IDR million
IDR/USD		
– Strengthened by 5%	174,586	164,397
– Weakened by 5%	(174,586)	(164,397)

(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 our 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 tax for the financial year ended 31 December 2014 would have been IDR 575,726 million (2013: IDR 406,271 million) higher/lower.

39. Financial risk management objectives and policies (cont'd)

(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 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 restricted cash and cash and short-term deposits), the Group 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 37).

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 2014, approximately 91.4% (2013: 88.1%) of the Group's trade receivables were due from 3 major customers in 2014 (2013: 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 of the Group contribute approximately 86.4% (2013: 91.3%) of the Group's total revenues for the year ended 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

39. Financial risk management objectives and policies (cont'd)

(d) Credit risk (cont'd)

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. Restricted cash and 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 20.

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

As at 31 December 2014 and 2013, approximately 80.8% and 13.5% of the Group's total loans and borrowings (Note 23) will mature in less than one year based on the carrying amount reflected in the financial statements.

39. Financial risk management objectives and policies (cont'd)

(e) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The following table summarises the Group's financial assets and financial liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

	1 year or less	More than 1 year to 5 years	Total
	IDR million	IDR million	IDR million
Group			
31 December 2014			
Financial assets:			
Loan to an associate company (Note 18)	–	316,006	316,006
Trade and other receivables (Note 20)	139,576	–	139,576
Due from related companies (Note 21)	126,270	–	126,270
Cash and short-term deposits (Note 22)	310,858	–	310,858
Total undiscounted financial assets	576,704	316,006	892,710
Financial liabilities:			
Loans and borrowings (Note 23)	588,959	146,591	735,550
Islamic medium term notes (Note 24)	–	4,550,643	4,550,643
Trade and other payables (Note 26)	772,622	–	772,622
Accrued liabilities (Note 28)	80,516	–	80,516
Derivative financial liabilities (Note 32)	–	377,480	377,480
Total undiscounted financial liabilities	1,442,097	5,074,714	6,516,811
Total net undiscounted financial liabilities	**(865,393)**	**(4,758,708)**	**(5,624,101)**

39. Financial risk management objectives and policies (cont'd)

(e) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	1 year or less IDR million	More than 1 year to 5 years IDR million	Total IDR million
Group			
31 December 2013			
Financial assets:			
Loan to an associate company (Note 18)	–	268,155	268,155
Trade and other receivables (Note 20)	101,810	–	101,810
Due from related companies (Note 21)	141,183	–	141,183
Cash and short-term deposits (Note 22)	482,118	–	482,118
Total undiscounted financial assets	725,111	268,155	993,266
Financial liabilities:			
Loans and borrowings (Note 23)	558,758	3,734,976	4,293,734
Trade and other payables (Note 26)	508,117	–	508,117
Obligations under finance leases (Note 25)	193	–	193
Accrued liabilities (Note 28)	25,165	–	25,165
Total undiscounted financial liabilities	1,092,233	3,734,976	4,827,209
Total net undiscounted financial liabilities	**(367,122)**	**(3,466,821)**	**(3,833,943)**
Company			
31 December 2014			
Financial assets:			
Loan to an associate company (Note 18)	–	316,006	316,006
Due from subsidiaries (Note 17)	435,400	6,335,891	6,771,291
Cash and short-term deposits (Note 22)	8,701	–	8,701
Total undiscounted financial assets	444,101	6,651,897	7,095,998
Financial liabilities:			
Loans and borrowings (Note 23)	433,324	–	433,324
Islamic medium term notes (Note 24)	–	4,540,146	4,540,146
Accrued liabilities (Note 28)	71,112	–	71,112
Derivative financial liabilities (Note 32)	–	377,480	377,480
Total undiscounted financial liabilities	504,436	4,917,626	5,422,062
Total net undiscounted financial (liabilities)/assets	**(60,335)**	**1,734,271**	**1,673,936**

39. Financial risk management objectives and policies (cont'd)

(e) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	1 year or less	More than 1 year to 5 years	Total
	IDR million	IDR million	IDR million
Company			
31 December 2013			
Financial assets:			
Loan to an associate company (Note 18)	–	268,155	268,155
Due from subsidiaries (Note 17)	1,938,051	4,435,768	6,373,819
Cash and short-term deposits (Note 22)	19,318	–	19,318
Total undiscounted financial assets	1,957,369	4,703,923	6,661,292
Financial liabilities:			
Loans and borrowings (Note 23)	353,481	3,438,178	3,791,659
Due to a subsidiary (Note 27)	–	225,589	225,589
Accrued liabilities (Note 28)	12,478	–	12,478
Total undiscounted financial liabilities	365,959	3,663,767	4,029,726
Total net undiscounted financial assets	**1,591,410**	**1,040,156**	**2,631,566**

40. 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 2014 and 2013.

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, obligations under finance leases, less restricted cash and cash and short-term deposits. Capital includes equity attributable to the owners of the Company.

40. Capital management (cont'd)

The Group's net debt to adjusted equity ratio at the end of the financial years ended 31 December 2014 and 2013 are as follows:

	Group	
	2014	**2013**
	IDR million	IDR million
Loans and borrowings (Note 23)	728,728	4,143,661
Islamic medium term notes (Note 24)	3,551,370	–
Obligations under finance leases (Note 25)	–	193
Less:		
Cash and short-term deposits (Note 22)	(310,858)	(482,118)
Net debt	**3,969,240**	**3,661,736**
Equity attributable to owners of the Company	**6,483,236**	**5,629,763**
Gearing ratio	**61.2%**	**65.0%**

The Group monitors its key financial ratios that form part of its obligations under its bank loan and Islamic medium term notes covenants to ensure compliance with them.

41. Dividends

	Group and Company	
	2014	**2013**
	IDR million	IDR million
Declared and paid during the financial year:		
Dividend on ordinary shares:		
– Interim exempt (one-tier) dividend for 2014: SGD 0.013 per share (2013: SGD 0.012 per share)	**211,311**	**166,211**

42. Prior year reclassifications

The following profit or loss comparative figures have been reclassified to conform with current year's presentation:

	As previously classified 2013 IDR million	As reclassified 2013 IDR million
The Group		
Income statement		
General and administrative expenses	(142,772)	(150,716)
Other expense	(22,148)	(30,091)

43. Subsequent events

On 7 January 2015, HPA and PT Langgeng Makmur Sejahtera ("LMS"), a third party, had entered into a conditional sales and purchase agreement in relation to the transfer of HPA's plantation (biological assets) and other fixed assets over the land, inventories and plasma receivables. The date of transfer, amount of compensation and the terms of payment will be further negotiated and agreed upon by HPA and LMS.

On 3 February 2015, the Company had entered into bilateral facility agreements with DBS Bank Ltd, United Overseas Bank Ltd, OCBC Bank Ltd, Sumitomo Mitsui Banking Corporation Singapore branch, Maybank Berhad Singapore branch and CIMB Bank Berhad Singapore branch as lenders (collectively, "the Banks"). The Banks have agreed to grant committed and uncommitted facilities of an aggregate principal amount up to USD 265 million. A drawdown of USD 160 million has been made as of the date of this report.

On 27 February 2015, the Company had settled in full the outstanding balance of its syndicated loan facilities amounting to USD 35 million. The syndicated loan facilities were cancelled on the same date.

44. Authorisation of financial statements for issue

The financial statements for the years ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 23 March 2015.

SHAREHOLDERS' INFORMATION

AS AT 13 MARCH 2015

Number of shares issued	:	1,757,531,844
Class of shares	:	Ordinary Shares
Voting rights	:	One vote for per share

Distribution of Shareholdings

Size of Shareholding	No. of Shareholders	%	No. of Shares	%
1 – 99	6	0.56	153	0.00
100 – 1,000	162	15.10	159,026	0.01
1,001 – 10,000	569	53.03	3,294,070	0.19
10,001 – 1,000,000	313	29.17	19,544,100	1.11
1,000,001 and above	23	2.14	1,734,534,495	98.69
	1,073	100.00	1,757,531,844	100.00

Treasury Shares

Pursuant to Rule 1207(9)(f) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company does not hold any treasury shares.

Twenty Largest Shareholders

No.	Name of Shareholders	No. of Shares	%
1.	Wellpoint Pacific Holdings Ltd	749,157,774	42.63
2.	Oakridge Investments Pte Ltd	535,050,070	30.44
3.	DBS Nominees Pte Ltd	157,310,575	8.95
4.	HSBC (Singapore) Nominees Pte Ltd	110,047,374	6.26
5.	Citibank Nominees Singapore Pte Ltd	61,120,682	3.48
6.	DB Nominees (S) Pte Ltd	33,807,846	1.92
7.	BNP Paribas Securities Services	17,568,363	1.00
8.	Lynwood Capital Resources Pte Ltd	17,001,000	0.97
9.	Raffles Nominees (Pte) Ltd	14,953,843	0.85
10.	DBSN Services Pte Ltd	8,358,397	0.48
11.	DBS Vickers Securities (S) Pte Ltd	5,643,700	0.32
12.	Maybank Kim Eng Securities Pte Ltd	3,403,500	0.19
13.	UOB Kay Hian Pte Ltd	3,362,000	0.19
14.	Bank of Singapore Nominees Pte Ltd	3,018,570	0.17
15.	Liew Chee Kong	2,065,000	0.12
16.	CIMB Securities (Singapore) Pte Ltd	2,044,050	0.12
17.	RHB Securities Singapore Pte Ltd	1,975,500	0.11
18.	OCBC Securities Private Ltd	1,930,000	0.11
19.	Phillip Securities Pte Ltd	1,703,700	0.10
20.	United Overseas Bank Nominees Pte Ltd	1,393,351	0.08
	Total	1,730,915,295	98.49

SHAREHOLDERS' INFORMATION

AS AT 13 MARCH 2015

Substantial Shareholders

Substantial Shareholders	Direct Interest (Number of Shares)	%(1)	Deemed Interest (Number of Shares)	%(1)
Wellpoint Pacific Holdings Ltd(2)	895,157,774(4)	50.93	–	–
Lim Hariyanto Wijaya Sarwono(2)	–	–	895,157,774	50.93
Lim Gunawan Hariyanto(2)	–	–	895,157,774	50.93
Fortune Corp Limited(2)	–	–	895,157,774	50.93
Fortune Holdings Limited(2)	–	–	895,157,774	50.93
Oakridge Investments Pte Ltd(3)	535,050,070	30.44	–	–
IOI Corporation Berhad(3)	–	–	552,051,070	31.41
Vertical Capacity Sdn Bhd(3)	–	–	552,051,070	31.41
Progressive Holdings Sdn Bhd(3)	–	–	552,051,070	31.41
Tan Sri Dato' Lee Shin Cheng(3)	–	–	552,051,070	31.41
Puan Sri Datin Hoong May Kuan(3)	–	–	552,051,070	31.41
Dato' Lee Yeow Chor(3)	–	–	552,051,070	31.41
Lee Yeow Seng(3)	–	–	552,051,070	31.41

Notes:

(1) Percentages are based on the issued share capital of the Company of 1,757,531,844 Shares 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 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 (17,001,000 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 146,000,000 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 13 March 2015, approximately 17.63% of the issued ordinary shares 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 The Fullerton Hotel, Boardroom, Lower Lobby, 1 Fullerton Square, Singapore 049178 on Monday, 27 April 2015 at 10.00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon.

   (Resolution 1)

2. To declare final dividend of S$0.015 per share (one-tier tax exempt) for the year ended 31 December 2014 (2013: Nil)

   (Resolution 2)

3. To re-elect the following Directors of the company retiring pursuant to Article 91 of the Company's Articles of Association:

   Mr. Lim Gunawan Hariyanto **(Resolution 3)**
   Mr. Chua Chun Guan Christopher **(Resolution 4)**

   Mr. Chua Chun Guan Cristopher will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, the Nominating Committee, the Remuneration Committee and the Conflicts Resolution Committee. Mr Chua Chun Guan Cristopher 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$291,000 for the year ending 31 December 2015, to be paid quarterly in arrears. (2014: S$279,000)

   (Resolution 5)

5. To re-appoint Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.

   (Resolution 6)

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:

(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 10 April 2015 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 7)

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:

(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 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 8)

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:

(i) shares in the capital of the Company (whether by way of rights, bonus or otherwise) or;

(ii) convertible securities; or

(iii) 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

(iv) 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) 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) 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) in the capital of the Company as at the date 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 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 9)

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 Articles of Association 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;

"**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 Articles of Association 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 10)

By Order of the Board

Yeo Poh Noi Caroline
Toh Lei Mui
Company Secretaries

Singapore, 10 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Resolutions to be passed:

(i) The Ordinary Resolutions 7 and 8 proposed in items 7 and 8 above, respectively, if passed, will authorise the relevant Interested Person Transactions described in the Appendix dated 10 April 2015 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 9 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) 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 10 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) in the capital of the Company at the Maximum Price. Information relating to this proposed Resolution are set out in the Appendix dated 10 April 2015 (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 (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. 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.

3. 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 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.

BUMITAMA AGRI LTD.

(Incorporated in Singapore)
(Co. Reg. No: 200516741R)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. For investors who have used their CPF monies to buy Bumitama Agri Ltd.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

Personal Data Privacy

4. 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 Company's Notice of Annual General Meeting.

* 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			

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at The Fullerton Hotel, Boardroom, Lower Lobby, 1 Fullerton Square, Singapore 049178 on Monday, 27 April 2015 at 10.00 am and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions 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' Report and Audited Financial Statements for the year ended 31 December 2014		
2	Payment of a final dividend		
3	Re-election of Mr. Lim Gunawan Hariyanto as Director		
4	Re-election of Mr. Chua Chun Guan Christopher as Director		
5	Approval of Directors' fees amounting to S$291,000 for the year ending 31 December 2015		
6	Re-appointment of Ernst & Young LLP as Auditors		
7	Renewal of Shareholders' Mandate for Interested Person Transactions with IOI Corporation and its Associates		
8	Renewal of Shareholders' Mandate for Interested Person Transactions with the SNA Group		
9	Share Issue Mandate		
10	Renewal of Share Buyback Mandate		

* *Delete where inapplicable*

Dated this __________ day of ______________ 2015

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 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, 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, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company 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.

3. 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.

4. 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.

5. 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.

6. 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.

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 name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:
Lim Gunawan Hariyanto
(Executive Chairman and
Chief Executive Officer)

Non-Executive & Non-Independent:
Dato' Lee Yeow Chor

Independent:
Tan Boon Hoo
(Lead Independent Director)
Chua Chun Guan Christopher
Ong Chan Hwa

AUDIT COMMITTEE
Tan Boon Hoo (Chairman)
Chua Chun Guan Christopher
Ong Chan Hwa

NOMINATING COMMITTEE
Ong Chan Hwa (Chairman)
Tan Boon Hoo
Chua Chun Guan Christopher

REMUNERATION COMMITTEE
Tan Boon Hoo (Chairman)
Chua Chun Guan Christopher
Ong Chan Hwa

CONFLICTS RESOLUTION COMMITTEE
Tan Boon Hoo (Chairman)
Chua Chun Guan Christopher
Ong Chan Hwa

COMPANY SECRETARIES
Yeo Poh Noi Caroline, FCIS
Toh Lei Mui, ACIS

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Fax: (65) 6222 1336
www.bumitama-agri.com

SHARE REGISTRARS
B.A.C.S. Private Limited,
63 Cantonment Road,
Singapore 089758

AUDITOR
Ernst & Young LLP, 1 Raffles Quay
#18-01, North Tower,
Singapore 048583

PARTNER-IN-CHARGE
Toong Weng Sum, Vincent
(with effect from the financial year
ended 2010)

INVESTOR RELATIONS
Christina Lim
clim@bumitama-agri.com

Glenn Ho
glenn.ho@bumitama-agri.com

Bumitama Agri Ltd.

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