Bumitama Agri Ltd.

Excellence Through Discipline

2013
ANNUAL REPORT

BUILDING A SUSTAINABLE FUTURE

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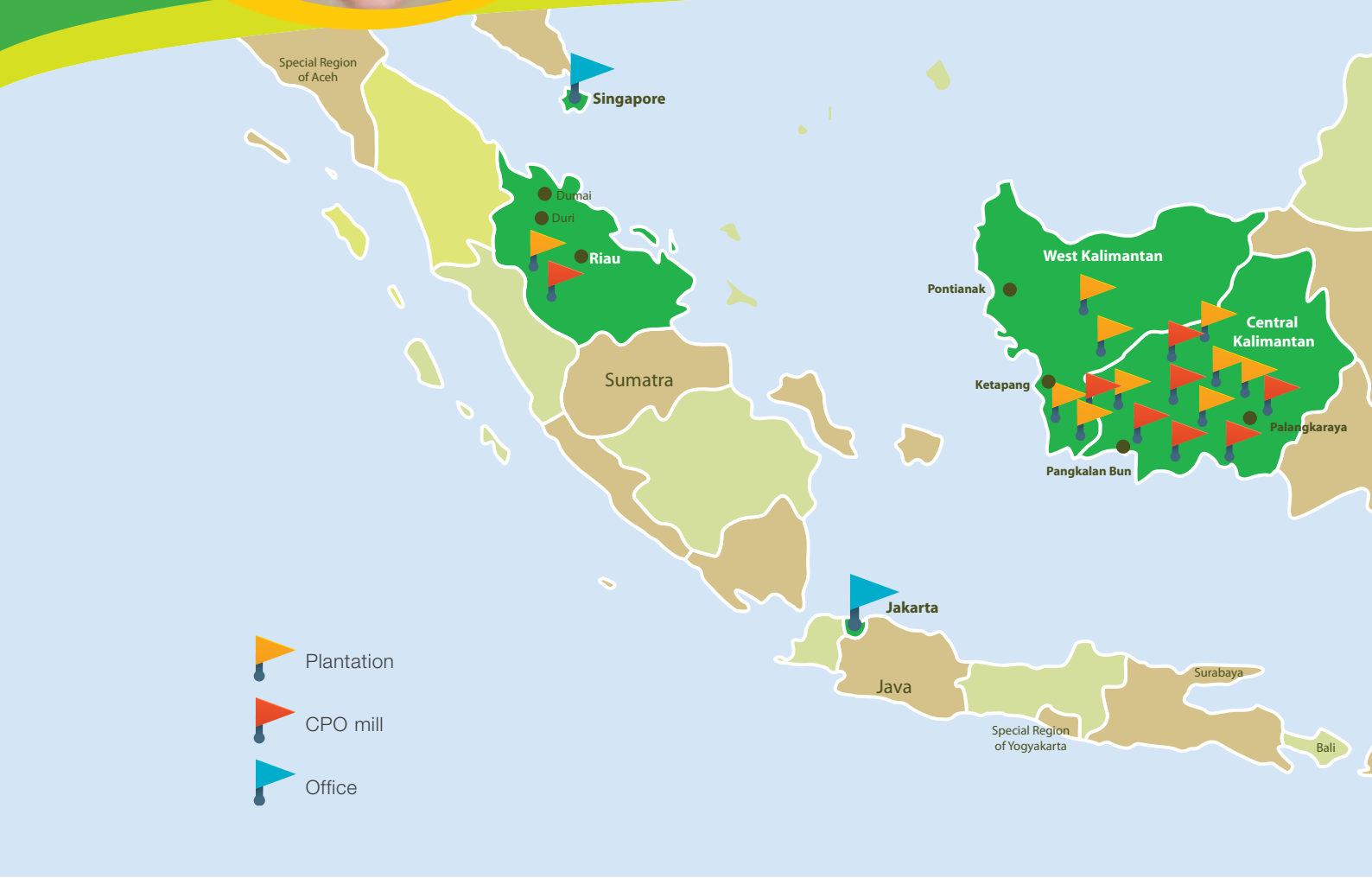
CORPORATE PROFILE

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 200,000 hectares in three provinces: Central Kalimantan, West Kalimantan and Riau, areas which are well-suited for the oil palm industry. As at 1 January 2014, the weighted average age of the Group's oil palm trees is about six years, and as at 31 December 2013 only about 30.6% of the planted area has reached peak production age.

The Group also has eight 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 3.06 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

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of Bumitama, I am pleased to present the Group's annual report for the financial year ended 31 December 2013 ("FY2013").

During the year under review, the global economy grew at a sluggish pace, exacerbated by slowing growth in emerging markets. Despite these challenges, Bumitama achieved a commendable performance for FY2013 as our pursuit for continuous improvement at every level of our value chain, has strengthened our position as a young emerging palm oil company and brightened the longer term outlook for the Group.

STRONG FINANCIAL PERFORMANCE

I am pleased to report that the Group achieved a strong performance in FY2013, with Group revenue up 15.2% to IDR 4,063 billion from IDR 3,526 billion in FY2012. This was primarily due to higher sales volume of CPO and PK, which was partially offset by lower CPO and PK prices.

EBITDA in FY2013 increased 14.2% to IDR 1,468 billion from IDR 1,285 billion in FY2012. Net profit was 8.9% higher at IDR 982 billion in FY2013, compared to IDR 902 billion in FY2012. Earnings per share was IDR 487 per share and net asset per share was IDR 1,352 per share.

OPERATIONAL ACHIEVEMENTS

The Group recorded higher volumes in FFB, CPO and PK production in FY2013 as a result of increased productivity and the continued maturity of our palm trees. Total FFB nucleus output increased 16.5% from 0.95 million metric tonnes in FY2012 to 1.11 million metric tonnes in FY2013. However, our oil extraction rate ("OER") decreased to 23.3% in FY2013 from 23.8% in FY2012, mainly due to two new mills which started operations in September 2013. CPO production volume increased 13.1% to 522,743 metric tonnes in FY2013, from 462,291 metric tonnes in FY2012, while PK production grew 13.9% to 99,397 metric tonnes in FY2013, compared to 87,252 metric tonnes in FY2012.

"We seek to strike a balance between planet, people and profit in our corporate social responsibility strategy and initiatives."

We are focused on long-term production growth, and have introduced many productivity programmes so as to maximize output from our planted resources and are carefully planning the planting of existing land resources in a compliant and sustainable manner. As at 31 December 2013, the Group's total planted area increased by 12,942 hectares or 12.2% to 149,683 hectares, through new planting and the acquisition of PT Nabatindo Karya Utama ("NKU") with 3,374 hectares.

SUSTAINABILITY DEVELOPMENTS

Sustainability is an integral part of our business and has the unwavering support of the Board and Management. Our products touch the lives of many in the global community which is why we seek to strike a balance between planet, people and profit in our corporate social responsibility ("CSR") strategy and initiatives which are aligned with the interests of our internal and external stakeholders and the environment.

One particular area which we would like to highlight was the compliance gap identified due to some complaints directed at our new acquisitions with regard to the RSPO New Planting procedures. We wish to inform our shareholders and other stakeholders that we are cognizant of the importance of a globally recognised and multi-stakeholder approach certification body like the RSPO and had taken immediate actions to remedy the situation by moving the RSPO membership to the listed company level, instead of the subsidiaries level thus ensuring consistent practices throughout the Group. We recognise the need for further alignment and improvement and are implementing changes. Moving forward, we will continue to change and adapt, not only meeting the legal requirement but steadily moving in a systematic and sustainable manner. We also understands that we do not have the full knowledge to carry out the sustainability programme alone, and we are forming strategic alliances with universities and research houses, and working closely with governmental bodies and non-governmental organisations ("NGOs") to help us move forward holistically.

We are working towards achieving RSPO as per time bound plan and had got two of our plantations and mills ready for the RSPO certification. We will also adhere to the mandatory requirements of Indonesia by ensuring our mills are certified with ISPO within the required timeframe.

Bumitama takes a holistic approach to its CSR programme. To complement the Group's Plasma programme, Bumitama has rolled out focused CSR programmes related to community development, education and health, with a view to enrich the lives of the local community. As part of a study undertaken in 2013, we will continued to strengthen our CSR activities and on-going partnerships using the concept of free prior inform consent as well as continuous engagement of stakeholders.

CHAIRMAN'S MESSAGE

DIVIDEND

In recognition of the strong performance in 2012 and first quarter of 2013 and as a reward to the shareholders for their support; and also in line with the Group's dividend policy, the Board approved and paid for the distribution of an interim dividend of S$0.012 per share on 20 June 2013. No final dividend for FY2013 will be recommended as we have met our dividend policy quideline for the above dividend represent 21% of the distributable income.

GOING FORWARD

The future remains bright for our industry as palm oil remains the most consumed vegetable oil in the world. There is a gradual recovery of CPO price supported by biodiesel blending mandate of Malaysia and Indonesia and lower than expected production growth of CPO. These factors provide an improved outlook for palm oil in 2014.

The Group has taken cognizance of the key challenges in the palm oil industry and initiated management programmes to ensure achievement of its growth and cost plans. At the same time, the Group remains committed towards sustainability and improving the social and economic welfare of the local communities as the Group strives to be a leading palm oil producer.

We will continue to leverage on our core competencies to deliver on our strategies and objectives. We will also focus strongly on reinforcing the sustainability practices and compliances; improve communication and involvement of stakeholders in our sustainability and social programmes.

In 10 January 2014 we got approval from the Securities Commission of Malaysia to establish a 15 year Ringgit-denominated Islamic Medium Term Note Programme for MYR 2 billion. We have since tap into the programme on 18 March 2014 with the drawdown of MRY500 million at competitive rate to be used mainly for our capital expenditure requirement of 2014.

With a strong management team and a robust balance sheet and financial capacity, we remain confident of taking the Group to the next level and growing our business into the future.

On behalf of the Board and Management, I would like to convey our appreciation for the continued support from our employees, customers, business partners and bankers. I would also like to thank my brother, Gunardi for his invaluable support and contribution since the start of this Group. Last but not least, I would like to thank our shareholders for their trust and strong support in the Group.

LIM GUNAWAN HARIYANTO
Executive Chairman and
Chief Executive Officer
24 March 2014

OPERATIONAL & FINANCIAL HIGHLIGHT

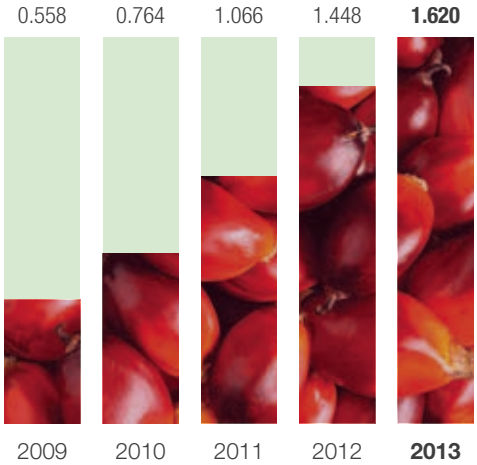
OPERATIONAL HIGHLIGHT

FINANCIAL YEAR	2013	2012	2011	2010	2009
PLANTATION AREA (Hectares)					
Total Planted Area	**149,683**	**133,367**	**118,460**	**107,502**	**84,755**
Mature	**90,483**	75,420	61,562	45,857	33,438
Immature	**59,200**	57,947	56,898	61,645	51,317
Nucleus Planted Area	**114,952**	**101,182**	**87,581**	**76,987**	**59,013**
Mature	**63,677**	51,532	41,084	28,252	20,415
Immature	**51,275**	49,650	46,497	48,735	38,598
Plasma Planted Area	**34,731**	**32,185**	**30,879**	**30,515**	**25,742**
Mature	**26,806**	23,888	20,478	17,605	13,023
Immature	**7,925**	8,297	10,401	12,910	12,719
Planted Area by Location					
Kalimantan[1]	**147,374**	131,058	116,158	105,197	82,472
Riau	**2,309**	2,309	2,308	2,305	2,283
PRODUCTION VOLUME (Tonnes)					
Fresh Fruit Bunches ("FFB")	**1,620,211**	**1,448,016**	**1,065,644**	**764,241**	**558,240**
Nucleus	**1,105,358**	948,603	678,330	473,576	332,373
Plasma	**514,853**	499,413	387,314	290,665	225,867
Crude Palm Oil ("CPO")	**522,743**	**462,291**	**345,111**	**256,883**	**222,985**
Palm Kernel ("PK")	**99,397**	**87,252**	**64,875**	**52,989**	**45,267**
PRODUCTIVITY					
FFB Yield per Mature Hectare (tonnes)	**17.4**	**18.8**	**16.3**	**15.1**	**14.8**
CPO Yield per Mature Hectare (tonnes)	**4.1**	**4.5**	**3.9**	**3.3**	**3.3**
CPO Extraction Rate (%)	**23.3**	**23.8**	**24.0**	**22.0**	**22.3**
PK Extraction Rate (%)	**4.5**	**4.5**	**4.5**	**4.5**	**4.5**

Notes:

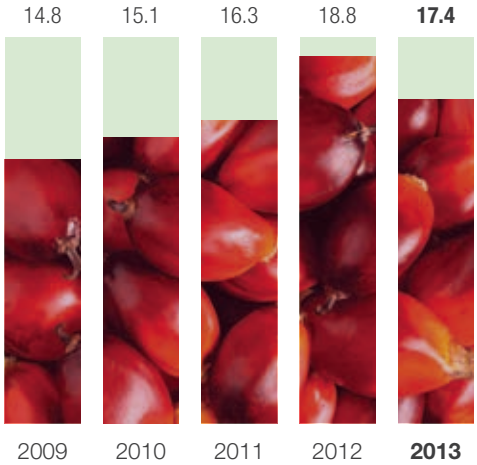
(1) The planted area as at end of 2013 included PT Nabatindo Karya Utama (PT NKU) which was acquired in April 2013.

FRESH FRUIT BUNCHES PRODUCTION
(MILLION TONNES)

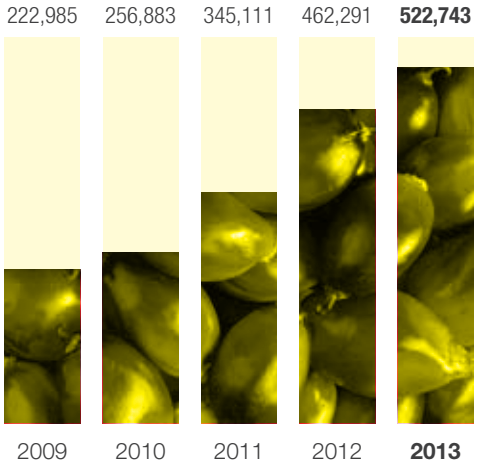


CAGR
31%

FRESH FRUIT BUNCHES YIELD
(TONNES/MATURE HECTARE)

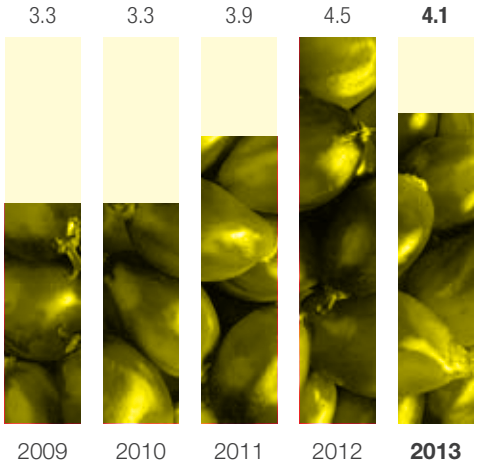


CRUDE PALM OIL PRODUCTION
(TONNES)

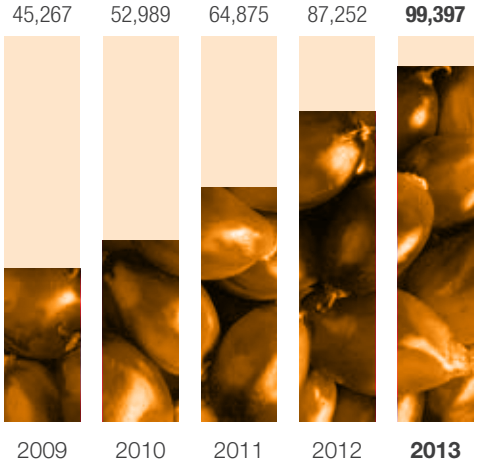


CAGR
24%

CRUDE PALM OIL YIELD
(TONNES/MATURE HECTARE)

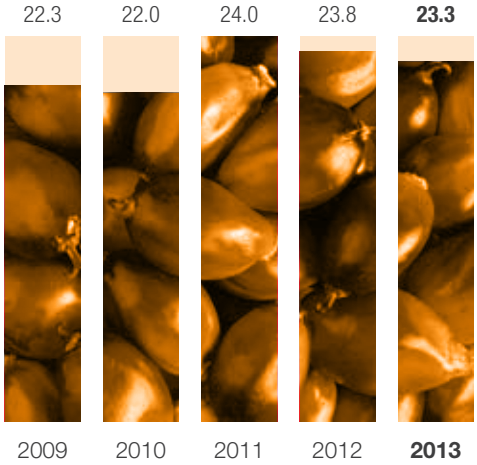


PALM KERNEL PRODUCTION
(TONNES)



CAGR
22%

CRUDE PALM OIL EXTRACTION RATE
(TONNES/MATURE HECTARE)



OPERATIONAL & FINANCIAL HIGHLIGHT

FINANCIAL HIGHLIGHT

FINANCIAL YEAR	2013	2012	2011	2010	2009
INCOME STATEMENT (IDR' Billion)					
Revenue	**4,063**	3,526	2,805	1,961	1,431
Gross Profit	**1,600**	1,423	1,240	717	475
Gain/(Loss) arising from Changes in Fair Value of Biological Assets	**29**	58	181	831	94
Profit before tax	**1,268**	1,164	1,190	1,355	469
EBITDA	**1,468**	1,285	1,132	637	420
Net Profit	**982**	902	893	1,026	349
Net Profit Attributable to Owners of the Company	**855**	788	762	893	320
EPS Attributable to Owners of the Company (IDR per Share)(1)	**487**	448	513	601	215
BALANCE SHEETS (IDR' Billion)					
Total Assets	**11,844**	9,089	6,507	5,562	3,340
Total Current Assets	**1,302**	1,509	663	593	250
Total Current Liabilities	**1,483**	1,012	1,293	721	654
Total Non-current Liabilities	**4,220**	2,790	2,288	2,568	1,408
Total Equity	**6,141**	5,287	2,925	2,273	1,278
Equity Attributable to Owners of the Company	**5,630**	4,888	2,681	2,008	1,158
FINANCIAL STATISTICS					
Revenue Growth	**15.2%**	25.7%	43.1%	37.0%	36.3%
Gross Profit Margin	**39.4%**	40.4%	44.2%	36.6%	33.2%
Operating Profit Margin	**33.1%**	33.8%	37.3%	29.2%	25.8%
EBITDA Margin	**36.1%**	36.5%	40.4%	32.5%	29.3%
Net Profit Margin	**24.2%**	25.6%	31.8%	52.3%	24.4%
Return on Equity(2)	**15.2%**	16.1%	28.4%	44.5%	27.6%
Return on Assets(3)	**7.2%**	8.7%	11.7%	16.0%	9.6%
Debt/Total Equity (Times)	**0.7**	0.5	0.8	1.0	0.7
Net Debt(4)/Total Assets (Times)	**0.3**	0.2	0.3	0.4	0.4
Net Debt(4)/EBITDA (Times)	**2.5**	1.3	1.8	3.2	3.3

Remarks:

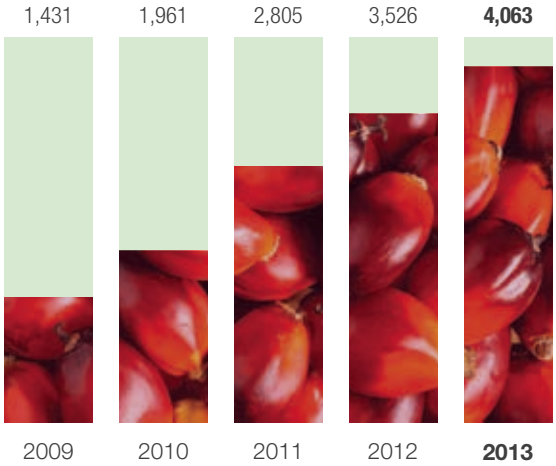
(1) The earnings per share has been computed based on the Company's post offering share capital of 1,757,531,844 shares for FY2012-FY2013 and pre-offering share capital of 1,484,197,844 shares for FY2009-FY2011

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

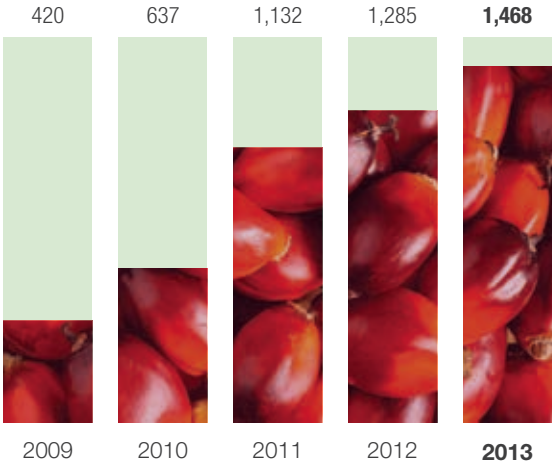
(3) Return on Assets = Net Profit Attributable to Owners of the Company/Total Assets

(4) Interest bearing debts less cash and bank balances

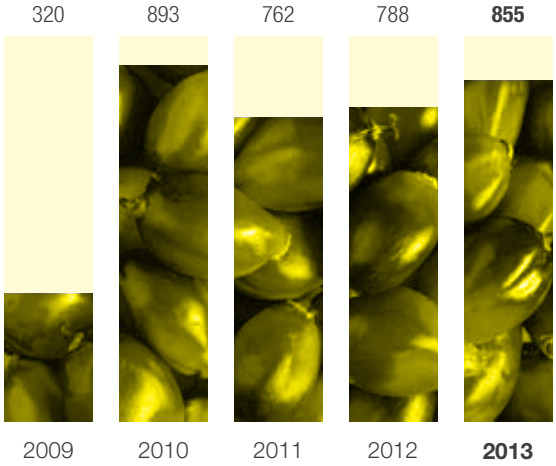
REVENUE
(IDR' BILLION)



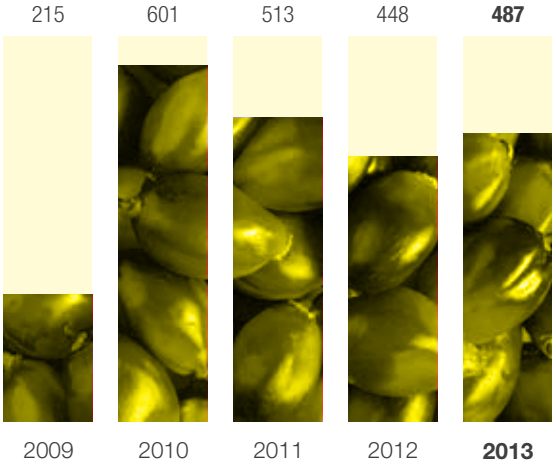
EBITDA
(IDR' BILLION)



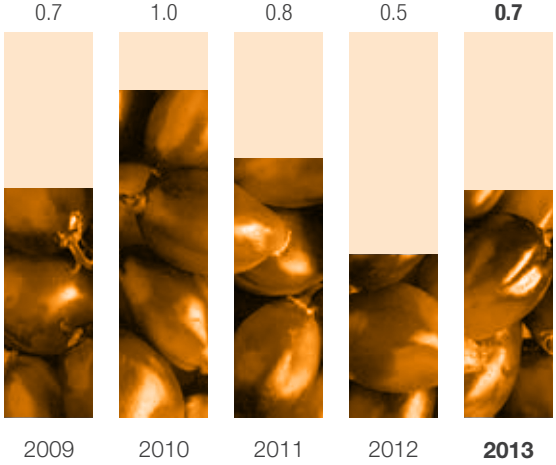
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(IDR' BILLION)



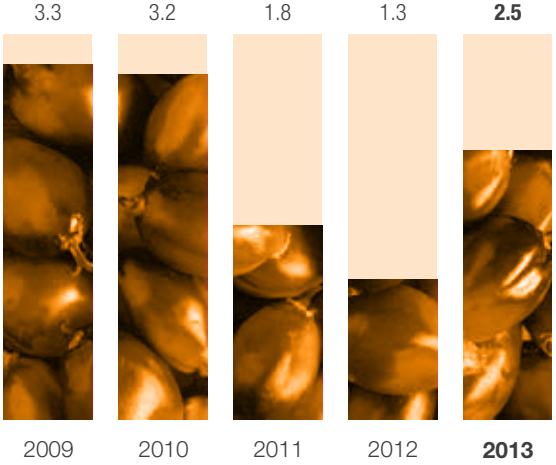
BASIC EARNINGS PER SHARE
(IDR PER SHARE)



DEBT PER TOTAL EQUITY
(TIMES)



NET DEBT PER EBITDA
(TIMES)



OPERATIONAL AND FINANCIAL REVIEW

OPERATIONAL REVIEW

BEST PRACTICES IN PLANTATION MANAGEMENT FOR QUALITY AND SUSTAINABILITY

The Group's adopts and implement best practices in estate management and operational processes at numerous stages of our value chain. On this front, we continue to review and enhance our internal operating procedures to include standards and principals set by the RSPO and ISPO, an international organisation and a national body promoting sustainable production of palm oil.

During the year, the Group achieved new plantings of 12,942 hectares, and 3,374 hectares through the acquisition of PT NKU, increasing the total planted areas to 149,683 hectares as at 31 December 2013. Out of the total planted of 149,683 hectares, 34,731 hectares had been allocated for the plasma smallholders.

The percentage of mature trees (aged 4-18 years) within our total planted area was 60.4% as at 31 December 2013, compared to 56.6% as at 31 December 2012. With the increase in percentage of mature trees, the weighted average age of our trees also increased from approximately 5.0 years as at 31 December 2012 to 5.4 years as at 31 December 2013.

As a result of increased productivity and continued maturity of our palm trees, we saw increasing volumes in FFB, CPO and PK production in FY2013. Total FFB output increased 15.7% from 1.94 million metric tonnes in FY2012 to 2.25 million metric tonnes in FY2013. This was driven by a 16.5% increase in FFB nucleus from 0.95 million metric tonnes in FY2012 to 1.11 million metric tonnes in FY2013.

In tandem with the growth in FFB production volume, the Group's CPO production volume increased 13.1% to 522,743 metric tonnes in FY2013, from 462,291 metric tonnes in FY2012. PK production grew 13.9% to 99,397 metric tonnes in FY2013, compared to 87,252 metric tonnes in FY2012.

These are some of the Group's best practices in the plantations which ensure better FFB and CPO yields at competitive cost and they are:

(a) using high quality oil palm seeds procured from established seeds producers;

(b) focus on soil management and providing the soil with the right nutrients for a good harvest but mindful of the cost, at the right time and with the right dosage determined by regular soil and leaf analysis;

(c) using high quality fertiliser that are suitable for the oil palm trees;

(d) improving the productive area by increasing the trees per hectare planted between 136 to 143 trees;

(e) effective water management system; and

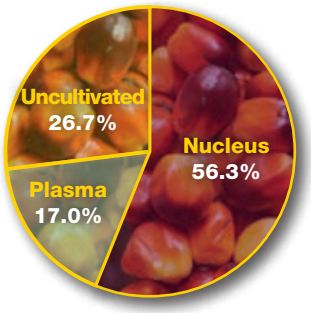
(f) systematic and supervised harvesting rotation with strong emphasis on ensuring all loose fruits are picked and accounted for by the harvesters.

With the Group's continued efforts as highlighted above on improving its efficiency and productivity, the Group's oil extraction rate and FFB yield per hectare remained healthy. For FY2013, FFB yield was 17.4 metric tonnes per hectare. This yield is expected to improve as the plantation continues to mature.

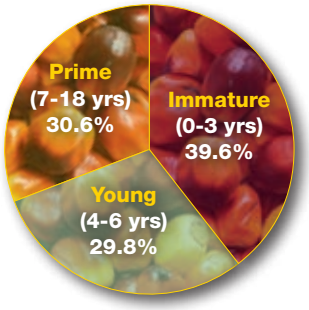
During the year, along with palm oil industries in Malaysia and Indonesia, the Group experienced a decline in CPO yield, attributed to adverse weather patterns of FY2012. The Group's CPO yield was 4.1 metric tonnes per hectare in FY2013 down approximately 8.9% from a yield of 4.5 metric tonnes per hectare in FY2012. For the year, CPO and PK extraction rates remained relatively unchanged from the previous year at 23.3% and 4.4% respectively.

In FY2013, in tandem with the anticipated growth in FFB production, we embarked on an expansion plan for our existing mills, increasing our total production capacity from 2.34 million metric tonnes per annum in FY2012 to 3.06 million metric tonnes per annum in FY2013. This 30.8% increase in mill capacity will allow the Group to maximise its effectiveness and efficiency in meeting the increasing FFB from internal sources.

Total Land Bank



Age Profile of Trees



OPERATIONAL AND FINANCIAL REVIEW

FINANCIAL REVIEW

GROWTH IN REVENUE AND NET PROFIT

Amidst a year marked by economic challenges, the Group was able to achieve a commendable performance, increasing Group revenues by 15.2% from IDR 3,526 billion in FY2012 to IDR 4,063 billion in FY2013. This was largely attributed to increases in sales volume of CPO and PK by 15.7% and 15.1% respectively, partially offset by marginal declines in average selling prices of CPO and PK by 0.3% and 0.9% respectively.

Cost of sales increased by 17.1% from IDR 2,103 billion in FY2012 to IDR 2,463 billion in FY2013. This was mainly due to a 15.0% increase in the production volume in FY2013. The cost per kg CPO comparison of FY2012 with FY2013 showed cost to be relatively flat, at IDR 4,656/kg and IDR 4,713/kg respectively.

In line with higher sales volume, the Group's gross profit increased by 12.4% from IDR 1,423 billion in FY2012 to IDR 1,600 billion in FY2013.

Gains arising from fair value changes in biological assets are annually computed based on the discounted cash flow method. The Group recognised a gain of IDR 29 billion in FY2013 mainly due to increase in the Group's plantation hectarage as compared to the previous corresponding period and price assumption used.

Selling expenses increased by 66.7% to IDR 106 billion in FY2013, mainly due to an increase in sales volume of CPO and PK and higher freight costs. General and administrative expenses decreased by 9.8% to IDR 151 billion in FY2013 due to lower professional fees, training, maintenance and insurance expenses.

Finance costs decreased by 49.6% from IDR 112 billion in FY2012 to IDR 57 billion in FY2013, primarily due to lower average interest rates on borrowings during the period arising mainly from IDR loans being restructured to USD and ability to obtain more competitive interest rates.

During the year, the Group recorded a net foreign exchange loss of IDR 45 billion compared to a loss of IDR 38 billion in FY2012. This was mainly due to the depreciation of the IDR against the US dollar during the period.

Share of loss of associate companies amounted to IDR 16 billion in FY2013, primarily due to share of losses from investments in two plantation companies, PT Sawit Nabati Agro and PT Berkat Agro Sawitindo, which have young tree profiles.

Overall, FY2013 EBITDA was IDR 1,468 billion, an increase of 14.2% from IDR 1,285 billion in FY2012. Net profit was IDR 982 billion in FY2013, an increase of 8.9% compared to IDR 902 billion in FY2012.

STRONG FINANCIAL POSITION

The Group's financial position remained strong with total assets of IDR 11,844 billion as at 31 December 2013, an increase of 30.3% from IDR 9,089 billion as at 31 December 2012. Non-current assets increased from IDR 7,580 billion to IDR 10,541 billion, primarily due to an increase in the value of biological asset by IDR 1,495 billion, as a result of new plantings, maintenance of immature plantation, seeds procurement, and capitalisation of financing related costs. An increase in property, plant and equipment by IDR 592 billion, attributed to the construction of new palm oil mills, machineries and heavy equipment, workers' housing and office building also contributed to this increased in non-current assets.

The Group's total current assets decreased from IDR 1,509 billion to IDR 1,302 billion, mainly due to a decline in cash and cash equivalents from IDR 887 billion to IDR 482 billion, as a result of an increase in investments in plantation assets and nursery, acquisitions of property, plant and equipment as well as acquisition of subsidiaries and the repayment of some loans and payment of dividend in the current year.

Total liabilities increased from IDR 3,802 billion to IDR 5,703 billion during the period, as a strong balance sheet was required to support the Group's rapid expansion. The increase in current and non-current liabilities was primarily due to additional revolving credit facility and term loan facility draw down during the period.

CORPORATE MILESTONES

2013

- Maiden Annual Report year 2012
- First dividend payment
- Commissioned the 8th CPO mill, bringing total processing capacity to 3,060,000 tpa

2012

Listed on the Mainboard of the Singapore Exchange in April

2011

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

2010

Surpassed 100,000 ha planted area

2007

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

2004

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

2003

Commissioned first CPO mill (in Central Kalimantan)

1998

Commenced planting

1996

Acquired first land bank (in Central Kalimantan)

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 PT Karya Makmur Bahagia ("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; as well as business development and management of the Group's business and operations.

Mr. Gunawan developed his expertise in business operations and development based on his knowledge and experience gained in the oil palm plantation industry over the past 15 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, including the subsidiaries of the Group.

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. 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. Prior to joining the IOI Group as a General Manager in 1994, he 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.

Dato' Lee holds a LLB (Honours) from King's College London and a Postgraduate Diploma in Finance and Accounting from the London School of Economics.

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 29 March 2012.

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.

BOARD OF DIRECTORS

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 29 March 2012. Mr. Ong has more than 35 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 and in March 2012 he was appointed as Commissioner of PT Bumitama Gunajaya Agro ("BGA").

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.


Team From Malaysia
Attentiveness


Attentiveness
Attentiveness
Attentiveness

CORPORATE SOCIAL RESPONSIBILITY

As a young emerging palm oil producer, Bumitama is building the sustainability practices and standards throughout its value chain. We recognise that our products touch the lives of many in the global community and there are concerns that the growing demand for food and fuel could lead to rapid expansion of palm oil production and result in serious social and environmental consequences. This is why we seek to strike a balance between planet, people and profit in our CSR strategy and initiatives and align the interests of our internal and external stakeholders and the environment.

True to our core value, *Heart to Serve*, Bumitama Agri Ltd. will always commit to improve our CSR principles, programmes and initiatives so as to ensure achievement of our objectives. The Group's corporate social responsibility objectives endeavour:

- to ensure improvement in the living standards and welfare of the employees and their families and the surrounding community through partnership programmes (plasma), employment opportunities, community programmes, education and health care services;
- to ensure a strong corporate image and trust in the principality and with regional government, suppliers and customers, media and non-governmental organisations (NGOs); and
- to establish a sustainable palm oil plantation that complies with recognised sustainability standards and regulations with appropriate environmental conservation programmes.

In 2013, we continued to strengthen our CSR activities and on-going partnerships with various stakeholders by conducting a review of our major processes. Frequent contact and communication, analysis of data, constant engagement with stakeholders and fast and factual response to questions and queries were important pulse points which we have to strengthen; to improve our reach and speed of response to the community and other stakeholders. Concurrently we also tooth-combed our plasma programme and our initiatives relating to community development, education, health, and the environment to ensure our programmes are objective centric.

One particular area which we would like to highlight was the compliance gap identified due to some complaints directed at our new acquisitions with regards to the RSPO New Planting procedures. We wish to inform our stakeholders that the Group is cognizant of the importance of a globally recognised and multi-stakeholder approach certification body like the RSPO and had taken immediate actions to remedy the situation by moving the RSPO membership to the listed company level, instead of the subsidiaries level thus ensuring consistent practices throughout the Group. The Group recognises the need for further alignment and improvements and is in the process of implementing changes. Moving forward, we will continue to change and adapt, not only meeting the legal requirement but steadily moving in a systematic and sustainable manner beyond requirement. The Group also understands that we do not have the full knowledge to carry out the sustainability programme alone, and we are forming strategic alliances with universities and research houses, and working closely with governmental bodies and NGOs to help us move forward holistically.

PLASMA PROGAMME: FORMING PARTNERSHIPS

The plasma programme is an initiative by the Indonesian Government that seeks to encourage Indonesian plantation owners to support the economic and social development of the local community. Under this programme, plantation owners who own Plantation Business License ("PBL") with a minimum area of 250 hectares have an obligation to facilitate the development of plantation for the local community for a minimum of 20% of its plantation area to the extent that the plasma plantation can be located outside the PBL and distributed to the surrounding local people as smallholders (2 hectares per household) under the management of the nucleus company. The implementation of our plasma programme via cooperatives has enabled us to form long-term partnerships with smallholder cooperatives in the surrounding community. Through these partnerships, we have assisted smallholders with the development of uncultivated land

allocated for the plasma programme into oil palm plantations, provided management for the cooperatives, arranged for bank loans to these cooperatives and purchased the harvested FFB at prevailing government pricing. Through this arrangement, locals in the community can become self-sufficient. While the palm trees mature, the locals in the community can be employed by the Group, drawing salaries as plantation workers or security officers whilst enjoying the upside of net profits derived from the plasma plantation.

Through our consistent plasma programme, we have allocated approximately 23.2% of our total planted area to plasma farmers and have paid dividend upon maturity of plasma plantations. In 2012 and 2013, Bumitama distributed dividends of approximately IDR 108.4 billion and IDR 107.3 billion respectively to the smallholders. This plasma programme has formed the cornerstone of our CSR programme and continues to be a catalyst for local economic activity and growth. In 2013, under our plasma cooperatives scheme, we have 17,000 members and are estimated to have touched the lives of roughly over 68,000 individuals over an area of 34,731 hectares. The Group purchased 514,853 metric tonnes of FFB from the plasma cooperatives or 22.9% of total FFB used for production.

CSR PROGRAMME

We are complementing our plasma programme with focused programmes related to community, education and health as shown below.

Community Development
During the year, Bumitama continued to contribute to the development of the local community by empowering locals with the equipment and means to raise their economic well-being, improving infrastructure and enhancing the socio-cultural environment. Several key projects were rolled out with the objective of fostering mutual respect for religious diversity within the community and strengthening the Group's ties with the community.

As part of the Group's effort to raise the economic well-being of local community both in Central Kalimantan and West Kalimantan, we are promoting the concept of integrated farming with the community. In 2013, we continued to provide the initial capital (in kind, like fishes, fish ponds, cows, goats and sheep) to the community. However going forward we are going to expand this programme from 2014 to 2016 to include training access (integrated farming model and financial management), and marketing and supervision. We have initiated this concept into our vocational school in SMK Gunajaya, Central Kalimantan with encouraging results. The positive feedback and success of this project had sealed the allocation of 30 hectares of land by the management to kick start this integrated farming project for Central Kalimantan. Other projects undertaken in 2013 included purchasing from the local suppliers in our effort to reduce our carbon foot print for produce, supplies and parts, using local contractors for maintenance and project works and providing training on enhancing yields for rubber small holders in Central Kalimantan.

In support of the government's efforts to enhance the security coverage in the region which the Group operates, the Group will be working with the police

CORPORATE SOCIAL RESPONSIBILITY

force as well as the regional government on the construction of police post cum house in various identified locations for the next 3 years. This project commenced in the second half year of 2013 with the donation of full building materials for the establishment of a police post cum house in Gunung Makmur Village, Antang Kalang district, under Bumitama's 'Lentera Bangsa' CSR programme. This police post currently serves the local community in Gunung Makmur Village, providing residents and workers with a safe and secure living environment. The benefit of having a police post cum house allows the policeman to enjoy a wholesome family experience with his family now living with him. The police post also houses a small library for children as part of our effort to encourage reading amongst the young and the Group is looking to add more facilities for the local community.

In line with the Group's efforts to enhance the socio-cultural environment of the local community, the Group donated funds totalling IDR 1,583 million in 2013 towards the purchase of building materials for the construction and repairs of places of worship. Three examples of these projects are:

(a) The donation for the construction of a new Paroki church of St. Mikael in Simpang Dua, West Kalimantan which will accommodate up to 750 people upon its completion in 2015;

(b) The donation for the construction of Mesjid Agung in Ketapang which is since completed; and

(c) The construction and installation of a 2,200 litre water tank complete with tower at the Al Ikhlas Mosque, in Hampalit Village, along Jalan Tjilik Riwut Hampalit in Kasongan Sampit.

A yearly event for the Group was to give assistance to the old by presenting them with food basket/packages. Using the same concept to assist flood victims affected by the heavy flood in mid-October 2013, the Group donated food packages to five affected villages in East Kotawaringin: Tumbang Kalang village, Sungai Hanya village, Kuluk Telawang village, Sungai Puring village and Tumbang Ngahan village. Although the floods have since subsided, the Group continues to reach out to the community, to help locals deal with the aftermath of this catastrophe.

As part of our efforts to preserve tradition, heritage and culture of community within and surrounding our plantations, the Group co-sponsored the Dayak Culture Fair 2013, Jakarta, an effort by the Dayak Culture National Assembly to promote awareness of the village lifestyle and its rich cultural history. The Group also contributed funds to build Balai Adat, a traditional public building one of which is in the Dayak village cultural site "Batu Bungkus Sangaji Jaya", located at Demung Adat.

Education

At Bumitama, we believe that education is the key to elevate the lifestyle of the less fortunate. By taking care of the education needs of the next generation, we can be assured that the parents of this generation and the children of the next generation will be taken care of. This is our way of bringing progress to our plantations and local community.

Over the past decade, we have built 29 schools, employed approximately 200 teachers and school administrators in the plantations where we operate, from kindergarten and elementary schools to junior high and vocational schools. We have also enlisted the assistance of the Indonesia Christian University to ensure that these institutions endow the next generation with the same standard of education as the national schools in Indonesia, and have sponsored a range of training programmes for teachers in order to enhance the proficiency and quality of our teachers. These efforts are progressing well, with the number of children enrolled in our schools and programmes standing at over 3,600 in 2013, a significant increase of 125% from 1,600 in 2011.

During the year, we funded and constructed a building to house three facilities in our plantation at the Riau Province: Early Childhood Childcare, a Kindergarten, as well as an Islamic school, Madrasah Diniyah Awaliyah.

In June 2013, we organised the first Character Education Training at Bumitama elementary school in Kotawaringin Lama, Central Kalimantan. This programme is aimed at nurturing and nourishing young minds with strong values and character and it also provides an opportunity to improve the children's English reading and speaking skills. The spill-over effect of this programme to the teachers and parents is strong when the children shares and encourages change in behaviour. This programme will be conducted over 3 years. More than 200 students and 93 teachers from elementary and junior high school of Bumitama and other schools in the community located in the operational region in Kotawaringin Lama District, as well as regional government bodies attended the programme.

In 2013, we awarded scholarships to 27 outstanding primary students attending schools at the local community near to the plantations of the Group. The scholarships, amounting to more than IDR 15 million, were disbursed by the Group.

To further develop its human capital, Bumitama hires, educates and trains employees to meet the needs of a plantation industry. For this purpose the Group reorganised its recruitment, training and development under Bumitama Academy in 2013. The Group has partnered with the Institute of Agricultural Stiper Yogyakarta as the advisor for the Academy. The Bumitama Academy will promote best practices in human capital management, including recruitment, people development, performance management, remuneration systems, talent management, successor identification and placement and seek to impart a culture of excellence amongst its students and graduates. We believe this learning institute will help transform the human capital of Bumitama to keep pace with the vision and mission of Bumitama and meet the challenges of this palm oil industry.

The Group continues to run its 6 monthly training programmes for undergraduates under its signature PAMA (*Pelatihan Ahli Madya-Agronomi*), PAMK (*Pelatihan Ahli Madya Kasie*), PAME (*Pelatihan Ahli Madya Engineering*) and introduced a new PAMP (*Pelatihan Ahli Madya Public Affair dan Partnership*) programmes in 2013 at the Pundu Learning Centre (PLNC). With the

CORPORATE SOCIAL RESPONSIBILITY

growth of Bumitama's plantations in West Kalimantan, the Group decided to build the second training centre in 2013 called Kendawangan Learning Centre (KLNC). Here the school grooms both fresh trainees and existing staff with the PAJ (*Pelatihan Ahli Juwana*) training programme, providing the trainees with an all-encompassing knowledge and experience to be a supervisor or administrative officer. In 2013, the Group conducted training for approximately 330 trainees, increasing the total number of trainees under the programme to 1,350 trainees since 2005. It cost the Group about IDR 8 billion in 2013 to staff, maintain and to recruit the trainees for the two training centres.

As part of the Group's continuous efforts to improve the internal training system, training methods and materials, Bumitama Academy obtained the First Party Professional Certification (LSPP-1) in August 2013. This certification recognises PLNC and KLNC for meeting the qualification standards set by the National Board of Professional Certification and the certification allow for the certification of 330 training subjects conducted by the two centres. PLNC and KLNC are the first of such centres in the palm oil industry to be awarded this certificate.

These projects as well as other management training, mentoring and development programmes for mid to senior management are testimony of our strong commitment in fulfilling the educational needs of our employees and the local community, with a view to enhance their talent, understanding and productivity.

Health

Bumitama provides free basic healthcare services to all employees through 6 clinics located in or around the areas in which we operate. These healthcare facilities operate 24 hours a day, 7 days a week and are equipped with emergency room facilities, inpatient room hospitalisation, delivery room facilities and pharmacies to address a variety of medical needs. Every year, we work with healthcare centres and hospitals to arrange for doctors from local clinics and hospitals to conduct health check-ups for employees and provide free medication where necessary.

Since health facilities are not easily available and reachable, our doctors and nurses organise regular visits to the community around our plantations. On one such occasion in April 2013, we held free medical check-ups and treatments in Kuluk Telawang Village, screening more than 200 villagers with the assistance of a team of one medical doctor and four qualified nurses. A second screening was held in Sungai Puring Village in August 2013, where approximately 200 villagers were attended to by a team consisting of one medical doctor and two qualified nurses. The Group is also looking to expand this area of services to provide eye examinations in 2014.

Taking a position that "an ounce of prevention is better than a pound of cure", we provided families in Tasik Randang village with vitamins to bolster their immunity. Free anthelmintic was also provided to children to ensure their well-being. During the year, the Group was also the main sponsor for a mass circumcision event at Astana Alnursari, which is organised by the Harian Borneo News and Palangka Pos.

Our medical initiatives continue to be well received by the local community and have helped us to maintain strong ties with these stakeholders. We believe that these initiatives are important factors in maintaining social harmony and will seek to further develop and grow our programmes in these areas.

ENVIRONMENT AND CONSERVATION

Sustainable developments continue to be an integral part of our Sustainability programme and to deliver our commitments, we will work closely with government bodies, universities and NGOs to reinforce our domain knowledge, systems and policies to further improve our sustainability programme.

The Group is working towards achieving RSPO and ISPO certification as per time bound plan shared with the RSPO and mandatory requirements of Indonesia. Important assessment like High Conservation Value ("HCV") and Social Impact Assessments ("SIA") and Social and Environment Impact Assessment ("SEIA") and New Planting Procedures will be undertaken by the Group.

Environmental Impact Management
Improving efficiency and productivity in the plantations and mills are key activities towards sustainability. The Group places strong emphasis on this area, looking into the development of Best Management Practises ("BMPs") and encoding these into our plantation management system. The Research and Development team and the Sustainability team have started preparing "BMP blocks", and SOPs on best practices for various areas like peat management and management of sandy areas. Transforming cost-effective research findings into best practices will continue. The Group is committed to improve these productivity indices as this will be the engine of growth for Bumitama whose average age of palms is only 5.4 years:

	2011	2012	2013
Yield per ha	16.3	18.8	17.4
OER (%)	24.0	23.8	23.3

On the conservation front, the Group has organised training sessions to educate its management, employees and community on the need to minimise conflict with the biodiversity, especially orangutans when found in our surrounding areas. These training sessions were organised with the assistance and active consultation of the local government as well as NGOs in West Kalimantan and Central Kalimantan. As a result, the Group has formed three patrolling teams to monitor its plantations and surrounding areas for possible presence of orangutans. The Group had also returned a tract of land under our concession to the regional government for conservation (809 hectares in PT Andalan Sukses Nakmur) and identified areas in our plantation for conservation. Plans are also in place to rehabilitate the buffer zone of various concessions together with some NGOs and conservationist experts as well to work with the Tanjung Puting National Park in reforestation and other programmes. Bumitama has more than 11,000 hectares of land under HCV area where rehabilitation plans and activities are on-going.

CORPORATE SOCIAL RESPONSIBILITY

The Group has a "zero-burning policy" implemented across its operations, allowing for an environmentally friendly land-clearing method that minimises air pollution and Greenhouse Gas ("GHG") emissions.

We have adopted a "zero waste management" policy for CPO production waste, whereby Empty Fruit Bunches ("EFB") are recycled as organic fertiliser in our plantations and for composting with Palm Oil Mill Effluent ("POME"). The Group is now capturing data for the calculation of GHG and will be looking at various ways of reducing GHG. In order to fast track this process, the Group is working with a consultant to study and provide recommendation for three out of the eight mills. In addition, the Group minimises GHG by generating electricity from waste by-products such as fiber and PK shells, minimizing the need to purchase electricity from an outside supplier. Other initiative undertaken by the Group is integrated pest management system and water management system.

Occupational Health & Safety
The Group's occupational health and safety policy, stress on the importance of ensuring safety and security of work environment/place for the employees. As our employees are the key to our success, we are dedicated to;

(a) ensuring the safety of our employees;

(b) creating a healthy working environment in accordance with government regulations;

(c) conducting regular training programmes throughout the year to ensure staff competency and understanding on areas of health and safety;

(d) equip, train and enforce usage of protective equipment and gears;

(e) increase awareness through usage of signboards, poster and promotional campaigns; and

(f) require contractors, suppliers and visitors to adhere to the health and safety regulations and standards.

In 2013, Bumitama was awarded Best Safety & Health Record by the Minister of Manpower and Transmigration. The award, also bestowed on the Group in 2009 and 2013, recognises the Group for having zero accidents in its palm oil mills during the year.

OUR COMMUNITY SPEAKS

My name is Yuliana MT Salusu, I have been working in KMB for 9 Years, and previously I worked at PT Windu Nabatindo Lestari ("WNL") for 7 Years.

I feel very comfortable working in BGA Group, my management cares and supports me in the work. I get trainings that make my spirit up in working and also the training give me the improvement in capability to work better.

Ms Yuliana MT Salusu,
One of Bumitama's employee

"The community has benefitted from partnering with BGA Group under the plasma programme. Many villagers, including myself, have become plasma farmers and we have seen economic benefits to better our lives. Pundu Village is now growing rapidly and its employment rate has increased significantly."

Mr Sabri Lui,
Community leader of Pundu Village

"We were greatly assisted by the plasma programme of the Bumitama Group. With the partnership between smallholders with Bumitama, we as members were greatly helped by the bi-monthly dividend distributions from Bumitama. This has helped us to pay for our children's education fees and allowed them to continue their education to a higher level."

Mr Duwin,
One of management of Sehati Pundu cooperative

"I have benefitted a lot from studying at SMPS 1 Bumitama Antang Kalang. The school has comfortable classrooms, well-rounded educators and comprehensive and educational materials. The students also have the opportunity to attend competitions both within and outside the school, even at the provincial level."

Ms Elisabeth Grace,
A student attending a high school of Bumitama

AWARDS

The most recent awards are shown below:

Year	Award/Certificate	Certifying Authority/Body
2013	200 "Best Under A Billion" Award 2013	Forbes Asia
2013	The Singapore Corporate Awards 2012: Silver award for Best Annual Report in the "First-Year Listed Companies" category	The Singapore Corporate Awards (SCA)
2013	Alpha Southeast Asia 6th Annual Deal & Solutions Awards 2012: Best IPO for Retail Investors in Southeast Asia	Alpha Southeast Asia
2013	2 Gold Medal & 1 Silver Medal Award at the International Quality & Productivity Convention 2013	Quality & Productivity Management Association of Indonesia
2013	Best Safety & Health Record (Zero Accident) in Palm Oil Mills	Minister of Manpower & Transmigration of the Republic of Indonesia
2012	Runner up, Most Transparent Award (New Issues Category)	Securities Investors Association Singapore (SIAS)

CORPORATE GOVERNANCE

The Board of Directors recognises the importance of, and are committed to, attaining high standards of corporate governance set out in the Code of Corporate Governance 2012 (the "Code"). The Company has complied substantially with the principles and guidelines set out in the Code, where they are applicable, relevant and practicable.

ACHIEVEMENT

The Company was awarded the Silver award for Best Annual Report in the "First-Year Listed Companies" category at the Singapore Corporate Awards 2012 organised by the Business Times, supported by Singapore Exchange.

The Company's subsidiaries had also won several other awards from various certifying authorities, details of which can be found on page 32 of this Annual Report.

This Report sets out the Company'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 role of the Board is to review and approve the Group's overall strategic plan and annual budget; review and approve major investment and funding decisions; provide entrepreneurial leadership; assess risks and take the necessary risk mitigation actions; and ensure that the necessary financial and human resources for the Group are in place.

The Board 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.

The Board and Board Committees meetings are scheduled in advance to coincide with the announcement of the Group's quarterly results. Additional meetings 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 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.

CORPORATE GOVERNANCE

The Board met four times in respect of the financial year ended 31 December 2013 ("FY2013"). The attendance of each Director at the Board Meetings and Board Committee Meetings for FY2013 is as follows:

	Board	**Audit Committee (AC)**	**Remuneration Committee (RC)**	**Nominating Committee (NC)**	**Conflicts Resolution Committee (CRC)**
Number of Meetings Held	4	4	1	1	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	1	1
Chua Chun Guan Christopher	4	4	1	1	1
Ong Chan Hwa	4	4	1	1	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 Company.

Newly appointed Directors receive orientation and training, if necessary, to enable them to be familiar with the Group's business activities and the relevant regulations and governance requirements. Directors also have the opportunity to visit the Group's operational facilities and meet with Management to gain a better understanding of the Group's business operations.

Directors who do not have prior experience or are not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo the necessary training and briefing.

Relevant updates, news releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("ACRA") are also circulated to the Board for information. The Company will fund the Directors to attend appropriate courses, conferences and seminars for them to keep abreast of the regulations of the Singapore Exchange Securities Trading Limited ("SGX-ST"), Companies Act, other statutory requirements and update on palm oil industry as and when the need arises. These include programmes run by the Singapore Institute of Directors.

CORPORATE GOVERNANCE

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board comprises five members who hold the following offices as at the date of this report:

Name	Board	Audit Committee	Remuneration Committee	Nominating Committee	Conflicts Resolution Committee
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

More than half the Board comprises independent Directors. 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 19 to 20 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 Company arranges for the Independent Directors to meet heads of departments and key employees of the Group without the presence of Management.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board, Mr. Lim Gunawan Hariyanto, is also the Chief Executive Officer. Mr. Lim Gunawan Hariyanto plays an instrumental role as the Chief Executive Officer 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.

Mr. Lim Gunawan Hariyanto was assisted by his brother, Mr. Gunardi Hariyanto Lim, an Executive Director and Deputy Chief Executive Officer of the Company, until his resignation on 21 November 2013.

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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 Company's business, the Board is of the view that these enable the Board to exercise objective decision-making in the interests of the Company. The Board believes that Mr. Lim Gunawan Hariyanto's dual role as Chairman and Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer, the Board had, in the spirit of good corporate governance, appointed Mr. Tan Boon Hoo as Lead Independent Director. The Lead Independent Director is available to shareholders if they have any concerns relating to matters when contact through the normal channels of the Chairman/Chief Executive Officer or the Chief Finance Officer 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 once in FY2013.

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;

CORPORATE GOVERNANCE

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 of Association, 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. Tan Boon Hoo and Mr. Ong Chan Hwa, who are both subject to retire by rotation, will be offering themselves for re-election at the forthcoming Annual General Meeting. 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. Tan Boon Hoo and Mr. Ong Chan Hwa 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. Tan Boon Hoo and Mr. Ong Chan Hwa have abstained from the deliberation and decision in respect of their own re-election.

The NC conducts an annual review of Directors' independence. The NC and the Board is of the view that Mr. Tan Boon Hoo, Mr. Christopher Chua Chun Guan, 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 to Oakridge Investments Pte Ltd ("Oakridge"), 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.

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The NC deliberates on succession planning for Executive Directors.

There was no new Director appointed during the year.

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 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.

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 Company.

PRINCIPLE 5: BOARD PERFORMANCE

The NC has adopted an appraisal process to assess the performance and effectiveness of the Board 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. This review is carried out on an annual basis.

The whole assessment process focuses on a set of criteria, which includes attendance and conduct of Board and various Board committees at meetings, the contributions of the various Board Committees, Board performance in relation to keeping updated on current trends in the industry and an evaluation of the size of the Board.

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

For FY2013, 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 Board committees.

PRINCIPLE 6: ACCESS TO INFORMATION

Prior to each Board Meeting, all Directors are provided with the relevant Board papers and report. These reports provide information on the Company'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 so as to ensure Board members are kept updated and informed of the progress of the Company 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 Company matters, as they require, at the Company's expense.

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

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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 requirement of the Companies Act, the rules of SGX-ST Listing Manual and any other applicable regulations. The Company Secretaries 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 also assists in the professional development of existing Directors, as and when required. The appointment and removal of the Company Secretaries are subject to Board approval.

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Remuneration Committee ("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

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. undertake such other functions and duties as may be delegated by the Board.

The Company 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 takes 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 Company has no employee share option scheme or any long-term scheme in place.

CORPORATE GOVERNANCE

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 Annual General Meeting of the Company. No Director is involved in deciding his own remuneration.

Executive Directors do not receive Directors' fees. The remuneration packages of Executive Directors packages are based on Service Agreements and the remuneration of 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 Executive Directors and key management personnel consist of both fixed and variable components. The variable component is determined based on the performance of the individual and the Group's performance in the relevant financial year. Annual increments and adjustments to remuneration are reviewed and approved taking into account the outcome of the annual appraisal of the employees.

The Executive Director' remuneration, Mr. Lim Gunawan Hariyanto is set out in his Service Agreement commencing from the date of listing of the Company from 12 April 2012 and valid for the initial three years. 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 subsidiary in the event of an early termination of the service of an Executive Director.

The RC, with the concurrence of the Board, has recommended that an amount of S$279,000 as Directors' fee be paid to Non-Executive Directors quarterly in arrears for FY2014. These fees will be tabled for shareholders' approval at the forthcoming Annual General Meeting.

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The annual remuneration bands for the Directors and key management personnel officers and the proportion of variable bonus and fixed remuneration, fee and salary of the benefit for FY2013 are set out below:

Name	Remuneration Band	Fixed Salary	Variable Bonus and Benefit	Directors' Fee	Total
Directors					
Lim Gunawan Hariyanto*	Band 3	60%	40%	–	100%
Gunardi Hariyanto Lim*[1]	Band 3	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%
Top Key Management Personnel					
Johannes Tanuwijaya*	Band 2	84%	16%	–	100%
Roebianto*	Band 2	84%	16%	–	100%
Sie Eddy Kurniawan*	Band 2	88%	12%	–	100%

* The aggregate total remuneration paid to the two Executive Directors and to the top three key management personnel was IDR 20.9 billion for the year ending 31 December 2013.

** The aggregate fees paid for the Non-Executive and Independent Directors was S$264,000 for the year ending 31 December 2013.

[1] Resigned as the Executive Director and Deputy Chief Executive Officer of the Company with effect from 21 November 2013.

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 exact remuneration of the Directors and eight key management personnel (who are not Directors) is not disclosed in this report as the Company does not believe it to be in its interest to disclose these details, having regard to the highly competitive human resource environment, the confidential nature of remuneration matters and so as not to hamper the Company's efforts to retain and nurture its talent pool.

There are four employees, who are immediate family member of a Director and/or the Chief Executive Officer whose remuneration exceeds S$50,000 during FY2013. The table 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 B
Michael Raben	Brother-in-law of the Board Chairman	Band A
Lim Shu Hua, Cheryl	Daughter of the Board Chairman	Band B

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

There is post-employment benefit granted to some of the key management personnel.

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PRINCIPLE 10: ACCOUNTABILITY

The Board promotes timely and balanced disclosure of all material matters concerning the Group. It updates Shareholders on the operations and financial position of the Group through 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 Company's operational highlights prepared on a quarterly basis is also released via SGXNet.

In line with the 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.

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 financial risk management objectives and policies are outlined under Note 38 of the Notes to the Financial Statements on pages 125 to 131. 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. 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, Senior General Manager for Operations, 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 at least annually. Under the ERM framework, Management updates and reports to the AC quarterly on the various mitigation actions the Group has taken in respect of some of the significant risks which have been identified. The Group's financial risk factors are discussed on Note 38 of the Annual Report under the section on "Notes to the Financial Statements".

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The Board has received written assurance 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 Company's operations and finances; and

(b) the Company'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, 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.

PRINCIPLE 12: AUDIT COMMITTEE

The Audit Committee ("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 2013, 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 Company and announcements relating to the Company'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 Company'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. as required in the Company's eligibility-to-list letter, the AC has reviewed and approved foreign exchange hedging policy and commodity hedging policy. The Group has in place a commodity hedging policy for Crude Palm Oil as well as the foreign exchange hedging policy, which is reviewed from time to time;

10. kept abreast of accounting standards and issues that could potentially impact financial reporting through quarterly updates and advice from the external auditors;

11. 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 of fees paid to the external auditors for FY2013 for audit and non-audit services amounted to S$457,000 and S$53,000 respectively. 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

12. reviewed and confirmed the Company'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 9 of the Notes to the Financial Statements on pages 92 and 93 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.

Therefore 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.

The Group has put in place a whistle-blowing policy, whereby any staff or any other persons of the Group and customers, suppliers, contractors or local communities may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. Arrangements are also in place for the independent investigation of such matters and for appropriate follow up actions. 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 FY2013, 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 in its activities and promote continuous improvement to the Group's operations. The IA who has free access to all of the Group's records and documents, reports directly to the AC on any material non-compliance and internal control weakness.

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The head of the IA reports directly to the Chairman of the AC on audit matters and to Management on administrative matters. Every quarter the internal auditor prepares the IA report and shares the key issues, highlighting concerns, if any, with 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 in each major activity 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.

During the year under review, a new head of the internal audit team was recruited following the promotion of the previous head of the internal audit team to another department. The Company's Human Capital department together with the NC members identified and interviewed appropriate candidates. Shortlisted candidates for the position were then subjected to a final interview with the AC. The AC has the final approval on the recruitment and the remuneration package of the head of the IA. 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 recommendation 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 Company'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 Company 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 performance and business.

Announcement on material information and the release of quarterly and full year results are released via SGXNET. Every quarter, the Company's senior management holds briefings 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 regularly as well as participating in roadshows and conferences both locally and overseas. For a more hands-on experience, investors, analyst, bankers and representatives from the government organisations were invited to the Group's plantations.

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

The Company'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 Company'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.

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Shareholders will be given the opportunity to air their views and ask questions regarding matters affecting the Company. The Company's Article of Association 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 Company has set a dividend policy to distribute up to 20% of its distributable income. The policy on distribution of dividend depends on the results of the Company's cash flow and financial position, capital expenditure plan, debt repayment schedule, dividends received from its subsidiaries, industry condition and prospects, and other factors deemed relevant by the Board of Directors.

For FY2013, the Company had declared and paid an interim dividend of S$0.012 per ordinary share on 20 June 2013, which was approximately 21% of its distributable income. No final dividend for FY2013 was recommended as the Company would like to conserve the cash to meet the working capital requirements of the Group's operations.

CONFLICT RESOLUTION COMMITTEE

In lights of the interest of the Company'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 Conflict Resolution Committee ("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 met once in FY2013 to perform the following functions:

1. to 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. to 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.

CORPORATE GOVERNANCE

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 FY2013 pursuant to Rule 1207(19) of the SGX-ST Listing Manual.

INTERESTED PERSON TRANSACTIONS

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

In particular, the Chief Financial Officer of the Company 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 Audit Committee reviews all transactions recorded in the register of interested persons at least 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 FY2013 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[5]	–
Goldwood Investments Ltd.	1,413[6]	–
PT Sawit Nabati Agro Group	–	3,971[1]
PT Gemilang Makmur Subur (formerly known as PT GY Plantation Indonesia)	–	51,509[2]
IOI Corporation Berhad	–	31,621[3]
PT Gunajaya Harapan Lestari	–	1,832[4]
PT Lima Srikandi Jaya	17,050[7]	–
TOTAL	**20,863**	**88,933**

CORPORATE GOVERNANCE

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 9,628: SGD 1.00

(1) PT Sawit Nabati Agro is the Group's associated companies 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 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.

(6) In respect of the aggregate rent paid by the Group to Goldwood Investments Ltd for FY 2013 pursuant to the lease agreement between Goldwood Investments Ltd and the Company as described on page 211 of the Prospectus.

(7) In respect of the sales and 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 Company's controlling shareholders.

Material contracts

Save as disclosed above in the section on "Interested Person Transactions" and Service Agreements entered into between the Company and the Executive Directors, 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 FY2013 or if not then subsisting, entered into since the end of FY2013.

Use of IPO proceeds

As at 31 December 2013, the utilisation of IPO proceeds in relation to the invitation in respect of 297,570,000 shares or S$221,689,650 is as follows:

Intended Use	Amount Allocated (S$)	Amount Utilised (S$)	Balance Amount (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	23.7 million	4.2 million**
General working capital requirements	12.7 million	12.7 million	–
Total	**195.2 million**	**191.0 million**	**4.2 million**

* Note:
SNA – PT Sawit Nabati Agro
BAS – PT Berkat Agro Sawitindo
** The balance of the utilisation of the proceeds from IPO for SNA and BAS will be fully utilised by 2014 for the financing of the Group's share of the capital expenditure of subsidiaries under SNA and BAS for cultivation.

FINANCIAL REPORT

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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 2013.

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**	**As at 21.1.2014**	**At the beginning of financial year**	**At the end of financial year**	**As at 21.1.2014**
Ordinary shares of the Company						
Lim Gunawan Hariyanto	–	–	–	895,157,774	895,157,774	895,157,774
Dato' Lee Yeow Chor	–	–	–	542,694,070	548,556,070	551,056,070
Chua Chun Guan Christopher	450,000	450,000	450,000	–	–	–

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.

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

DIRECTORS' REPORT

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 Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by 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 Company before their submission to the Board of Directors;
- Reviews effectiveness of 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;
- 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.

DIRECTORS' REPORT

6. Audit Committee (continued)

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
21 March 2014

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 2013 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
21 March 2014

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 56 to 133, which comprise the balance sheets of the Group and the Company as at 31 December 2013, 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 2013 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
21 March 2014

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 IDR'million	2012 IDR'million
Revenue	5	4,062,708	3,525,546
Cost of sales	6	(2,462,875)	(2,102,802)
Gross profit		1,599,833	1,422,744
Other income		13,379	13,836
Interest income		22,303	14,524
Gain arising from fair value changes in biological assets	11	28,825	57,648
Selling expenses		(105,606)	(63,358)
General and administrative expenses		(150,716)	(167,081)
Finance cost		(56,734)	(112,471)
Gain on hedging transactions	33	–	45,887
Share of loss of associate companies		(15,833)	(7,934)
Foreign exchange loss		(45,174)	(37,564)
Other expense		(22,148)	(2,620)
Profit before tax	7	1,268,129	1,163,611
Income tax expense	8	(286,394)	(261,791)
Profit for the year		**981,735**	**901,820**
Attributable to:			
Owners of the Company		855,460	787,896
Non-controlling interests		126,275	113,924
		981,735	**901,820**
Earnings per share attributable to owners of the Company (IDR per share)	34	**487**	**596**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 IDR'million	2012 IDR'million
Profit for the year		**981,735**	**901,820**
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation		48,718	(6,482)
Item that will not be reclassified to profit or loss:			
Re-measurement gain on defined benefit plans	27	3,394	–
Other comprehensive income for the year, net of tax		52,112	(6,482)
Total comprehensive income for the year		**1,033,847**	**895,338**
Attributable to:			
Owners of the Company		907,572	781,414
Non-controlling interests		126,275	113,924
Total comprehensive income for the year		**1,033,847**	**895,338**

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

BALANCE SHEETS

AS AT 31 DECEMBER 2013

	Note	Group 2013 IDR'million	Group 2012 IDR'million	Company 2013 IDR'million	Company 2012 IDR'million
Non-current assets					
Investment in subsidiaries	9	–	–	386,521	386,521
Investment in associate companies	10	108,061	94,328	123,894	102,262
Biological assets	11	6,758,331	5,263,330	–	–
Plasma receivables	12	612,756	202,073	–	–
Property, plant and equipment	13	2,092,508	1,500,173	541	1,458
Land use rights	14	403,684	280,605	–	–
Intangible assets	15	180,073	84,197	–	–
Due from subsidiaries	16	–	–	3,529,563	2,058,478
Loan to an associate company	17	228,562	87,209	228,562	87,209
Deferred tax assets	29	121,957	33,517	–	–
Deferred charges		10,023	9,106	11,654	9,106
Tax refundable	28(a)	25,330	25,332	–	–
Total non-current assets		10,541,285	7,579,870	4,280,735	2,645,034
Current assets					
Inventories	18	378,559	323,502	–	–
Deferred charges		13,274	6,621	5,449	–
Trade and other receivables	19	101,810	47,589	–	–
Due from subsidiaries	16	–	–	1,938,051	930,949
Due from related companies	20	141,183	69,293	–	–
Prepayments and advances		118,392	136,841	215	159
Prepaid taxes	28(b)	67,140	38,648	50	118
Cash and short-term deposits	21(a)	482,118	886,763	19,318	56,069
Total current assets		1,302,476	1,509,257	1,963,083	987,295
Current liabilities					
Loans and borrowings	22	558,758	310,638	353,481	110,980
Obligations under finance leases	23	193	–	–	–
Trade and other payables	24	508,117	468,284	–	1,677
Accrued operating expenses	26	95,517	73,594	13,630	8,149
Sales advances		263,469	75,677	–	–
Income tax payable	28(c)	57,276	84,163	2,644	–
Total current liabilities		1,483,330	1,012,356	369,755	120,806
Net current (liabilities)/assets		(180,854)	496,901	1,593,328	866,489

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

BALANCE SHEETS

AS AT 31 DECEMBER 2013

	Note	Group		Company	
		2013	2012	2013	2012
		IDR'million	IDR'million	IDR'million	IDR'million
Non-current liabilities					
Deferred tax liabilities	29	626,457	501,838	–	–
Due to a subsidiary	25	–	–	188,779	335,052
Loans and borrowings	22	3,584,903	2,271,752	3,308,659	1,218,865
Post employment benefits	27	8,481	16,119	–	–
Total non-current liabilities		4,219,841	2,789,709	3,497,438	1,553,917
Net assets		**6,140,590**	**5,287,062**	**2,376,625**	**1,957,606**
Equity attributable to owners of the Company					
Share capital	30	1,807,045	1,807,045	1,807,045	1,807,045
Other reserves	31	(184,938)	(184,938)	–	–
Retained earnings		3,955,971	3,263,328	63,120	46,805
Foreign currency translation reserve	32	51,685	2,967	506,460	103,756
		5,629,763	4,888,402	2,376,625	1,957,606
Non-controlling interests		510,827	398,660	–	–
Total equity		**6,140,590**	**5,287,062**	**2,376,625**	**1,957,606**

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company						
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**
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 27)	–	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 40)	–	(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 2013

	Attributable to owners of the Company						
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**
2012							
Balance as of 1 January 2012	45,000	2,475,432	151,511	9,449	2,681,392	244,061	2,925,453
Profit for the year	–	787,896	–	–	787,896	113,924	901,820
Other comprehensive income:							
Foreign currency translation	–	–	–	(6,482)	(6,482)	–	(6,482)
Total comprehensive income for the year, net of tax	–	787,896	–	(6,482)	781,414	113,924	895,338
Contributions by and distributions to owners:							
Arising from restructuring exercise	323,217	–	(336,449)	–	(13,232)	40,000	26,768
Contribution from non-controlling interests	–	–	–	–	–	500	500
Issuance of new shares (Note 30)	1,491,364	–	–	–	1,491,364	–	1,491,364
Share issuance expenses (Note 30)	(52,536)	–	–	–	(52,536)	–	(52,536)
Acquisition of subsidiaries (Note 9)	–	–	–	–	–	175	175
Balance as of 31 December 2012	**1,807,045**	**3,263,328**	**(184,938)**	**2,967**	**4,888,402**	**398,660**	**5,287,062**

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Company	Share capital IDR'million	Retained earnings IDR'million	Foreign currency translation reserves IDR'million	Total equity IDR'million
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	–	–	402,703	402,703
Total comprehensive income for the year, net of tax	–	182,526	402,703	585,229
Distributions to owners:				
Dividends on ordinary shares (Note 40)	–	(166,211)	–	(166,211)
Balance as of 31 December 2013	**1,807,045**	**63,120**	**506,460**	**2,376,625**
2012				
Balance as of 1 January 2012	45,000	(6,872)	651	38,779
Profit for the year	–	53,677	–	53,677
Other comprehensive income:				
Foreign currency translation	–	–	103,105	103,105
Total comprehensive income for the year, net of tax	–	53,677	103,105	156,782
Contributions by and distributions to owners:				
Arising from restructuring exercise	323,217	–	–	323,217
Issuance of new shares (Note 30)	1,491,364	–	–	1,491,364
Share issuance expenses (Note 30)	(52,536)	–	–	(52,536)
Balance as of 31 December 2012	**1,807,045**	**46,805**	**103,756**	**1,957,606**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013 IDR'million	2012 IDR'million
Cash flows from operating activities		
Cash receipts from customers	4,227,798	3,293,990
Cash payments to suppliers, employees and for other operating expenses	(2,632,767)	(2,098,068)
Cash receipts from operating activities	1,595,031	1,195,922
Corporate income tax paid	(321,994)	(318,632)
Net cash generated from operating activities (Note 21(b))	1,273,037	877,290
Cash flows from investing activities		
Increase in plasma receivables	(238,407)	(81,797)
Investment in associate companies	–	(97,081)
Investment in intangible assets	(2,715)	(2,734)
Investment in biological assets	(643,493)	(826,068)
Purchase of property, plant and equipment	(735,196)	(435,145)
Proceeds from disposal of property, plant and equipment	–	530
Investment in land use rights	(123,079)	(133,664)
Acquisition of subsidiaries	(204,946)	(9,263)
Interest received	22,303	14,524
Net cash flows used in investing activities	(1,925,533)	(1,570,698)
Cash flows from financing activities		
Proceeds from loans and borrowings	1,505,055	1,935,591
Repayment of loans and borrowings	(649,557)	(1,738,255)
Increase in amount due from related companies	(213,242)	(67,668)
Decrease in amount due to related companies	–	(73)
Decrease in amounts due to shareholders	–	(12,955)
Repayment of obligation under finance leases	–	(6,295)
Amount paid to shareholders as part of restructuring exercise	–	(295,088)
Dividend paid	(166,211)	–
Dividend paid to non-controlling interest	(17,108)	–
Contribution from non-controlling interests	3,000	500
Issuance of new shares	–	1,814,581
Share issuance expenses	–	(52,536)
Advance for acquisition of subsidiaries	(9,709)	(103,325)
Interest paid	(218,126)	(157,961)
Net cash flows generated from financing activities	234,102	1,316,516
Net (decrease)/increase in cash and cash equivalents	(418,394)	623,108
Effect of exchange rate changes on cash and cash equivalents	13,749	(6,484)
Cash and cash equivalents at beginning of the year	886,763	270,139
Cash and cash equivalents at the end of the year (Note 21(a))	**482,118**	**886,763**

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

1. General

Bumitama Agri Ltd. (the "Company") is a limited liability company, incorporated and domiciled in the Republic of Singapore. On 2 April 2012, it changed its name to Bumitama Agri Ltd. following its conversion into a public company limited by shares.

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.

1.1 Basis of preparation of consolidated financial statements

On 12 April 2012, the Company was admitted to the official list of Singapore Exchange Securities Trading Limited. The Company issued 273,334,000 new ordinary shares at SGD 0.745 per share, in connection with its public offering. The net proceeds arising from this amounted to approximately SGD 195.2 million (approximately IDR 1,438,828 million).

The Group was formed through a restructuring exercise in preparation for the Company's listing on the Singapore Exchange Securities Trading Limited ("SGX") (the "Restructuring Exercise"). Pursuant to the Restructuring Exercise, the Company became the holding company of the Group, comprising of PT Bumitama Gunajaya Agro and its subsidiaries. The consolidated financial statements for the financial year ended 31 December 2012 have been prepared on the basis for which the Group is in place from the date of completion of the restructuring and subsequent listing on the SGX.

Prior to the restructuring, the Company held 14.3% in PT Bumitama Gunajaya Agro ("BGA"). The Hariyantos, via PT Harita Jayaraya ("Harita"), held 52.7% in BGA. The remaining interest of 33.0% is held by IOI Corporation Berhad ("IOI") (via Lynwood Capital Resources Pte Ltd ("Lynwood") and Oakridge Investments Pte Ltd ("Oakridge")).

On 20 March 2012 Wellpoint and Oakridge subscribed for 17,920,459 and 14,080,265 new shares respectively, of the Company at SGD 1 per share. Following the completion of the new share subscription, Wellpoint and Oakridge hold 63.3% and 36.7% of the enlarged share capital of the Company, respectively. Wellpoint and Oakridge subsequently provided loans that bear interest at 4.5% per annum above the 3 month US dollar London Interbank Offer Rate ("LIBOR") amounting to SGD 6,171,837 and SGD 4,537,874 respectively, to the Company, as funding for the acquisitions of BGA shares from Oakridge, Lynwood and Harita, respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

1. General (continued)

1.1 Basis of preparation of consolidated financial statements (continued)

On 20 March 2012 the Company entered into various conditional sale and purchase agreements and acquired 77,939 shares (SGD 10,993,024), 54,061 shares (SGD 7,625,115) and 170,811 shares (SGD 24,092,296) from Oakridge, Lynwood and Harita in BGA, respectively. Following the acquisition, the Company's shareholding in BGA increased from 14.3% to 90.0% and Harita's interest in BGA decreased from 52.7% to 10.0%.

On 20 March 2012 the Company issued additional shares amounting to 657,114 shares taken up by Wellpoint, in consideration for the acquisition of PT Sawit Nabati Agro ("SNA") and PT Berkat Agro Sawitindo ("BAS"). On completion of the share issuance, Oakridge and Wellpoint held 36.0% and 64.0% of the enlarged share capital of the Company.

2. Fundamental accounting concept

As at 31 December 2013, the Group's current liabilities exceeded its current assets by IDR 180,854 million.

In the opinion of the directors, the Group is able to continue as a going concern despite its net current liabilities position as the Group generated net profits for the year ended 31 December 2013, and based on the cash flow projections for the Group, the directors believe that the Group will continue to be able to generate sufficient cash flows from its operations so as to pay off their debts 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.

3.2 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 2013. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

Accordingly to the transition provision of FRS 113 Fair Measurement, FRS 113 has been applied prospectively by the Group on 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

3.2 Changes in accounting policies (continued)

Revised FRS 19 *Employee Benefits*

On 1 January 2013, the Group adopted the Revised FRS 19 Employee Benefits.

For defined benefit plans, the Revised FRS 19 requires all actuarial gains and losses to be recognised in other comprehensive income and unvested past service costs previously recognised over the average vesting period to be recognised immediately in profit or loss when incurred.

Prior to adoption of the Revised FRS 19, the Group recognised actuarial gains and losses as income or expense when the net cumulative unrecognised gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognised unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised FRS 19, the Group changed its accounting policy to recognise all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

The Revised FRS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The changes in accounting policies should have been applied retrospectively. The Group have assessed and determined that the effect of retrospective application has no material impact to the financial statements.

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*
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 36 *Recoverable Amount Disclosures for Non-financial Assets*	1 January 2014
Amendments to FRS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014

Except for FRS 36 and FRS 112, the directors expect that the adoption of the other standards and interpretations 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 the amendment to FRS 36 and FRS 112 are described below.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

3.3 Standards issued but not yet effective (continued)

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, the Group does not expect any 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, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

3.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

3.4 Basis of consolidation and business combinations (continued)

(a) Basis of consolidation (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

3.4 Basis of consolidation and business combinations (continued)

(b) Business combinations (continued)

Business combinations from 1 January 2010 (continued)

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.

Business combinations prior to 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

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 transactions and balances

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.

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 determined.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

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 entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

3.9 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

3.9 Associates (continued)

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. 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 of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

3.10 Biological assets

Biological assets comprise 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

3.12 Property, plant and equipment (continued)

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.

3.13 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

3.14 Intangible assets (continued)

(a) Goodwill (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

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.

3.16 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

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: 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.
- Fertilisers and chemicals: purchase costs on a weighted average basis.
- Spare parts and consumables: purchase costs on a weighted average basis.
- Other inventories: purchase costs 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

3.19 Financial instruments (continued)

(a) Financial assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

3.19 Financial instruments (continued)

(b) Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit and 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.

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.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

3.20 Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

3.22 Income tax (continued)

(b) Deferred tax (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

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.

3.24 Post employment benefits

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

3.24 Post employment benefits (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Summary of significant accounting policies (continued)

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.

3.29 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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.

The carrying amount of the Group's income tax payables as at 31 December 2013 and 2012 were IDR 57,276 million and IDR 84,163 million, respectively. The carrying value of the Group's income tax payable is disclosed in Note 28(c).

The carrying values of the Group's deferred tax assets and liabilities are disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

4. Significant accounting judgements and estimates (continued)

4.1 Judgements made in applying accounting policies (continued)

(c) Value added tax ("VAT") relating to Fresh Fruit Bunches ("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 crude palm oil ("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.

(d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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 and agricultural products

The Group carries its biological assets and agriculture products at fair value less estimated point-of-sale costs, 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 11.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

4. Significant accounting judgements and estimates (continued)

4.2 *Key sources of estimation uncertainty* (continued)

(b) 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 13.

(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 19.

(d) Impairment of goodwill

As disclosed in Note 15 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 15 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.

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 27.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

5. Revenue

	Group	
	2013	2012
	IDR'million	IDR'million
Crude Palm Oil ("CPO")	3,746,501	3,248,513
Palm Kernel ("PK")	316,207	277,033
Total revenue	**4,062,708**	**3,525,546**

6. Cost of sales

	Group	
	2013	2012
	IDR'million	IDR'million
FFB		
Upkeep and cultivation	161,882	163,041
Fertilising	309,993	296,595
Harvesting	230,071	179,183
Indirect cost	84,620	59,909
Depreciation of property, plant and equipment (Note 13)	58,594	41,385
Amortisation of land use rights (Note 14)	972	558
Production cost of FFB	846,132	740,671
FFB purchased – related parties and third parties	1,469,580	1,284,397
Cost of FFB transferred to CPO and PK	2,315,712	2,025,068
CPO and PK		
Cost of FFB to be processed into CPO and PK	2,315,712	2,025,068
Processing expenses:		
CPO and PK	79,559	55,704
Depreciation of property, plant and equipment (Note 13)	46,331	38,273
Indirect cost	23,495	18,920
Cost of production	2,465,097	2,137,965
Finished goods:		
Beginning balance of CPO and PK	161,298	126,135
Ending balance of CPO and PK (Note 18)	(163,520)	(161,298)
Total cost of sales	**2,462,875**	**2,102,802**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

7. Profit before tax

	Group	
	2013	**2012**
	IDR'million	**IDR'million**
Other income		
Management fee	7,122	5,946
Processing income	37	629
Other	6,220	7,261
Total other income	**13,379**	**13,836**
Selling expenses		
Freight	(94,607)	(48,139)
Loading expense	(10,898)	(14,399)
Others	(101)	(820)
Total selling expenses	**(105,606)**	**(63,358)**
General and administrative expenses		
Salaries and employees' benefits	(85,411)	(106,586)
Transportation	(3,917)	(5,516)
Training	(5,109)	(8,611)
Depreciation of property, plant and equipment (Note 13)	(9,049)	(6,793)
Amortisation of land use rights (Note 14)	(90)	(90)
Amortisation of intangible assets (Note 15)	(3,046)	(2,688)
Maintenance	(2,295)	(4,059)
Rental	(3,168)	(2,720)
Professional fees	(5,217)	(6,167)
Insurance	(1,324)	(3,289)
Security	(4,098)	(794)
Electricity, water and telephone	(529)	(458)
Licenses	(13,277)	(8,629)
Office expenses	(4,601)	(4,022)
Bank fees	(524)	(37)
Others	(9,061)	(6,622)
Total general and administrative expenses	**(150,716)**	**(167,081)**
Finance costs		
Interest expense and amortisation on:		
Loans and borrowings	(154,129)	(144,163)
Less:		
Capitalised to biological assets (Note 11)	97,395	31,692
Total finance costs	**(56,734)**	**(112,471)**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

8. Income tax expenses

Major components of income tax expense

	Group	
	2013	2012
	IDR'million	IDR'million
Current income tax:		
– Current year	(276,545)	(249,969)
Deferred income tax:		
– Current year	(9,849)	(11,822)
Income tax expense recognised in profit or loss	**(286,394)**	**(261,791)**

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 2013 and 2012 are as follows:

	Group	
	2013	2012
	IDR'million	IDR'million
Profit before tax	**1,268,129**	**1,163,611**
Tax at the domestic rates applicable to profits in the countries where the Group operates	(255,322)	(251,435)
Net permanent differences at maximum marginal tax rate	(29,927)	(9,770)
Fair value changes of biological assets	(1,145)	(91)
Others	–	(495)
Income tax expense recognised in profit or loss	**(286,394)**	**(261,791)**

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9. Investment in subsidiaries

	Company	
	2013 IDR'million	2012 IDR'million
Unquoted equity shares, at cost	386,521	386,521

Details of the subsidiaries are as follows:

Subsidiaries	Country of incorporation	Business activities	Effective ownership held by the Group 2013 %	2012 %
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
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	85.50	85.50
PT Windu Nabatindo Abadi ("WNA") [1]	Indonesia	Oil palm plantation	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") [2]	Indonesia	Oil palm plantation	81.00	81.00
PT Ladang Sawit Mas ("LSM") [2]	Indonesia	Oil palm plantation	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	–
PT Andalan Sukses Makmur ("ASMR") [3]	Indonesia	Oil palm plantation	85.50	–

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9. Investment in subsidiaries (continued)

Subsidiaries	Country of incorporation	Business activities	Effective ownership held by the Group 2013 %	2012 %
Held via KMB:				
PT Hatiprima Agro ("HPA") [2]	Indonesia	Oil palm plantation	85.73	85.73
Held via AMS:				
PT Gunajaya Karya Gemilang ("GKG") [1]	Indonesia	Oil palm plantation	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") [2]	Indonesia	Oil palm plantation	82.37	82.37
PT Karya Makmur Langgeng ("KML") [2]	Indonesia	Oil palm plantation	82.37	82.37

(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 subsidiary company in 2012

In the financial year ended 2012, PT Bumitama Sawit Lestari ("BSL") was incorporated in Indonesia with an issued and paid up capital of IDR 5,000 million. The principal activities of BSL are wholesale of agricultural raw materials and investment holding. BSL facilitates the acquisition of new land banks in the future.

The Company holds a 90% equity interest in BSL while the remaining 10% is held by PT Harita Jayaraya, an associate of the controlling shareholders, Dr Lim Hariyanto Wijaya Sarwono and Mr Lim Gunawan Hariyanto.

(b) Acquisition of subsidiaries in 2012

On 20 March 2012, as part of the Group's restructuring exercise, the Company increased its shareholding in BGA from 14.30% to 90.00%. Upon completion of the restructuring exercise, BGA became a subsidiary of the Company.

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9. Investment in subsidiaries (continued)

(b) Acquisition of subsidiaries in 2012 (continued)

On 25 April 2012, BGA together with PT Karya Manunggal Sawitindo ("KMS"), an associate of the Group's controlling shareholders, Dr Lim Hariyanto Wijaya Sarwono and Mr Lim Gunawan Hariyanto, acquired wholly-owned subsidiary in PT Ladang Sawit Mas ("LSM") for a total consideration of USD 1 million (equivalent to IDR 9,063 million). Upon completion of the acquisition, BGA and KMS own 95.0% and 5.0% of the issued and paid up share capital in LSM, respectively. The net carrying value of the interest acquired approximates the fair consideration paid at the date of acquisition. The transaction was completed on 30 May 2012.

On 17 July 2012, BSL, together with KMS acquired wholly-owned subsidiary in PT Tanah Tani Lestari ("TTL") for a total consideration of IDR 1,000 million. Upon completion of the acquisition, BSL and KMS own 95.0% and 5.0% of the issued and paid-up shares capital in TTL, respectively. The net carrying value of the interest acquired approximates the fair consideration paid on the date of acquisition. The transaction was completed 30 November 2012.

The Group has acquired LSM and TTL in order to increase the hectarage of its land bank. In addition, the land bank of LSM and TTL 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 LSM and TTL's net identifiable assets.

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

	LSM	**TTL**
	IDR'million	**IDR'million**
Land use rights (Note 14)	2,500	175
Other receivables	–	200
Cash and cash equivalents	–	625
Total identifiable net assets at fair value	2,500	1,000
Non-controlling interest measured at the non-controlling interest's proportionate share of LSM and TTL's	(125)	(50)
Goodwill arising from acquisition (Note 15)	6,563	–
Consideration paid	**8,938**	**950**

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9. Investment in subsidiaries (continued)

(b) *Acquisition of subsidiaries in 2012* (continued)

Consideration transferred for the acquisition of LSM and TTL

	LSM IDR'million	TTL IDR'million
Cash and total consideration transferred	8,938	950

Effect of the acquisition of LSM and TTL on cash flows

	LSM IDR'million	TTL IDR'million
Total consideration settled in cash for equity interest acquired	8,938	950
Less: Cash and cash equivalents of subsidiaries acquired	–	(625)
	8,938	325

Transaction costs

Transaction costs related to the acquisition of IDR 13 million have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2012.

Goodwill arising from acquisition

During the year ended 31 December 2012, the goodwill which arose of IDR 6,563 million comprised the value of 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 the year ended 2012, LSM and TTL have no revenue and profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

9. Investment in subsidiaries (continued)

(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. 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 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 Andalan Sukses Makmur ("ASMR") for a total consideration of IDR 31,235 million. 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 14)	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	(24,758)	–
Goodwill arising from acquisition (Note 15)	96,207	–
Consideration paid	**175,662**	**31,235**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

9. Investment in subsidiaries (continued)

(c) *Acquisition of subsidiaries in 2013* (continued)

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 the year, NKU and ASMR have no revenue and profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

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10. Investment in associate companies

	Group		Company	
	2013 IDR'million	2012 IDR'million	2013 IDR'million	2012 IDR'million
Acquisition of associate companies	97,081	97,081	97,081	97,081
Share of post-acquisition reserve	(15,833)	(7,934)	–	–
Exchange differences	26,813	5,181	26,813	5,181
Balance at end of financial year	**108,061**	**94,328**	**123,894**	**102,262**

Details of the associate companies are as follows:

Name	Country of incorporation	Business activities	Effective ownership held by the Group	
			2013 %	2012 %
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.

On 20 March 2012, the company subscribed for 280 shares of SNA and BAS at SGD 47,453 (approximately IDR 347 million) per share, respectively in connection with the restructuring exercise in Note 1.

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	
	2013 IDR'million	2012 IDR'million
Assets and liabilities		
Total assets	782,480	464,419
Total liabilities	868,690	501,184
Results		
Revenue	8,909	3,397
Loss for the year	(56,475)	(28,337)

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11. Biological assets

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

	Group	
	2013	2012
	IDR'million	IDR'million
Mature plantations		
At fair value:		
Beginning balance	3,555,203	2,748,703
Transfer from immature plantations	571,154	455,251
Acquisition of a subsidiary	49,662	–
	4,176,019	3,203,954
Gain arising from fair value changes in biological assets	166,162	351,249
Ending balance	4,342,181	3,555,203
Immature plantations		
At fair value:		
Beginning balance	1,596,664	1,533,094
Development costs	1,162,793	765,319
Transferred from nurseries	100,867	39,156
Acquisition of a subsidiary	93,086	–
	2,953,410	2,337,569
Transferred to mature plantations	(571,154)	(455,251)
Loss arising from fair value changes in biological assets	(186,309)	(285,654)
Ending balance	2,195,947	1,596,664
Nurseries		
At fair value:		
Beginning balance	111,463	38,191
Development costs	159,006	120,375
Acquisition of a subsidiary	1,629	–
	272,098	158,566
Transferred to immature plantations	(100,867)	(39,156)
Gain/(loss) arising from fair value changes in biological assets	48,972	(7,947)
Ending balance	220,203	111,463
Total biological assets	**6,758,331**	**5,263,330**
Total gain arising from fair values changes in biological assets	**28,825**	**57,648**

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.

NOTES TO THE FINANCIAL STATEMENTS

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11. Biological assets (continued)

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 2013 and 2012 is 13.4% and 11.8%, respectively;

(e) the exchange rate applied in the valuation for 31 December 2013 and 2012 is IDR 10,500/USD and IDR 9,300/USD, respectively;

(f) the projected selling prices of CPO for the financial years ended 31 December 2013 and 2012 referenced to independent professional valuer's report.

	Group	
	2013	**2012**
Projected CPO price (IDR/kg)	7,303 – 7,864	6,297 – 6,696
Projected CPO price (MYR/metric ton)	1,970 – 2,121	1,993 – 2,119
	Tonnes	**Tonnes**
FFB harvested	1,105,358	948,603
	Hectares	**Hectares**
Mature biological assets (planted nucleus)	63,677	51,532
Immature biological assets (planted nucleus)	51,275	49,650

The plantations of the Group have been insured against the risk of fire, covering an aggregate area of approximately 1,491 hectares (2012: 21,405 hectares) for up to approximately IDR 44.7 billion (2012: IDR 499 billion) as at 31 December 2013. Total planted area for the year ended 31 December 2013 accounted for approximately 114,952 hectares (2012: 101,182 hectares).

Depreciation of property, plant and equipment capitalised to immature plantations for the financial year ended 31 December 2013 and 2012 amounted to IDR 11,425 million and IDR 7,715 million, respectively (Note 13).

Borrowing costs capitalised to immature plantations for the financial year ended 31 December 2013 and 2012 amounted to IDR 97,395 million and IDR 31,692 million, respectively (Note 7).

As at 31 December 2013 and 2012, biological assets pledged as collateral for the bank loans was IDR 1,041 billion.

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12. Plasma receivables

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

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

As the guarantors for the loan installment, the Subsidiaries deduct 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 2013 and 2012, the Company has developed plasma plantations through bank partnerships covering a total area of 34,731 hectares and 32,185 hectares, and plasma farmers of 17,000 and 14,789, respectively.

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 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 13)	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**
At 1 January 2012	889,216	(782,671)	106,545
Development costs net of plasma FFB purchased by the Group	109,226	–	109,226
Additional credits	–	(130,894)	(130,894)
Depreciation expense capitalised (Note 13)	10,831	–	10,831
Interest capitalised	25,630	–	25,630
Payment of self financing of receivables from plasma plantation	–	80,735	80,735
At 31 December 2012	**1,034,903**	**(832,830)**	**202,073**

NOTES TO THE FINANCIAL STATEMENTS

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13. 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 2012	552,008	–	101,175	435,319	244,339	47,657	109,164	1,489,662
Additions	37,142	2,024	37,671	13,435	54,844	10,689	279,732	435,537
Disposals	–	–	–	–	(1,229)	–	–	(1,229)
Reclassification	27,280	–	28,526	4,591	–	–	(60,397)	–
At 31 December 2012 and 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	826,982	2,551	314,565	627,948	366,070	82,707	436,893	2,657,716
Accumulated depreciation								
At 1 January 2012	87,563	–	16,854	83,341	106,047	25,570	–	319,375
Charge for the year	29,455	674	7,209	26,222	32,190	9,247	–	104,997
Disposals	–	–	–	–	(575)	–	–	(575)
At 31 December 2012 and 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	154,944	2,126	35,843	140,990	184,894	46,411	–	565,208
Net carrying amount								
At 31 December 2012	**499,412**	**1,350**	**143,309**	**343,782**	**160,292**	**23,529**	**328,499**	**1,500,173**
At 31 December 2013	**672,038**	**425**	**278,722**	**486,958**	**181,176**	**36,296**	**436,893**	**2,092,508**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

13. Property, plant and equipment (continued)

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 2013 amounted to IDR 2,044 million (2012: IDR Nil million).

Company	Renovations IDR'million	Furniture and fixtures IDR'million	Total IDR'million
Cost			
At 1 January 2012	–	–	–
Additions	2,024	121	2,145
At 31 December 2012 and 1 January 2013	2,024	121	2,145
Additions	527	42	569
At 31 December 2013	2,551	163	2,714
Accumulated depreciation			
At 1 January 2012	–	–	–
Charge for the year	675	12	687
At 31 December 2012 and 1 January 2013	675	12	687
Charge for the year	1,451	35	1,486
At 31 December 2013	2,126	47	2,173
Net carrying amount			
At 31 December 2012	**1,349**	**109**	**1,458**
At 31 December 2013	**425**	**116**	**541**

Assets pledged as security

The Group's property, plant and equipment as at 31 December 2013 and 2012 with a net carrying amount of IDR 111,063 million, are pledged to secure the Group's bank loans.

Depreciation

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

	Group	
	2013 IDR'million	2012 IDR'million
Cost of sales (Note 6)	104,925	79,658
General and administrative expenses (Note 7)	9,049	6,793
Immature plantations (Note 11)	11,425	7,715
Plasma receivables (Note 12)	16,220	10,831
Total depreciation	**141,619**	**104,997**

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14. Land use rights

	Group	
	2013	**2012**
	IDR'million	**IDR'million**
Cost		
At 1 January	284,367	148,028
Additions	72,314	133,664
Acquisition of subsidiaries (Note 9)	51,827	2,675
At 31 December	408,508	284,367
Accumulated amortisation		
At 1 January	3,762	3,114
Amortisation for the year	1,062	648
At 31 December	4,824	3,762
Net carrying amount	**403,684**	**280,605**
Amount to be amortised:		
– Not later than one year	1,073	648
– Later than one year but not more than five years	4,291	2,592
– Later than five years	398,320	277,365
	403,684	**280,605**

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.

As at 31 December 2013, the land use rights have remaining tenure ranging from 23 years to 30 years (2012: 24 years to 31 years).

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

	2013	**2012**
	IDR'million	**IDR'million**
Cost of sales (Note 6)	972	558
General and administrative expenses (Note 7)	90	90
	1,062	**648**

As at 31 December 2013 and 2012, land use rights pledged as collateral for the bank loans facilities amounted to IDR 67,024 million.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

15. Intangible assets

	Goodwill IDR'million	Software IDR'million	Total IDR'million
Cost			
At 1 January 2012	71,694	10,949	82,643
Acquisition of subsidiaries (Note 9)	6,563	–	6,563
Additions	–	2,734	2,734
At 31 December 2012 and 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	174,464	16,398	190,862
Accumulated amortisation			
At 1 January 2012	–	5,055	5,055
Amortisation for the year (Note 7)	–	2,688	2,688
At 31 December 2012 and 1 January 2013	–	7,743	7,743
Amortisation for the year (Note 7)	–	3,046	3,046
At 31 December 2013	–	10,789	10,789
Net carrying amount			
At 31 December 2012	**78,257**	**5,940**	**84,197**
At 31 December 2013	**174,464**	**5,609**	**180,073**

Goodwill

In 2007, the Group acquired 28.2% of the non-controlling interests in a subsidiary, KMB from a related company. Goodwill of IDR 22,885 million representing the excess of cost of the additional investment (28.2%) over the carrying amount of the interest in the net asset acquired at the date of transaction was recognised.

On 21 October 2010, the Group acquired 90.0% interest in LGI and its subsidiaries from a third party, for a cash consideration of IDR 172,388 million.

On 25 April 2012, the Group acquired 95.0% interest in LSM from a third party, for a cash consideration of IDR 8,938 million.

On 29 April 2013, the Group acquired 80.0% interest in NKU from a third party for a cash consideration of 175,662 million.

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15. Intangible assets (continued)

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:

	2013 IDR'million	2012 IDR'million
Carrying values:		
– KMB	22,885	22,885
– LGI	48,809	48,809
– LSM	6,563	6,563
– NKU	96,207	–
	174,464	**78,257**

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:

	2013 IDR'million	2012 IDR'million
Discount rate (pre-tax)	13.4%	11.8%
Inflation rate	5% – 6%	4% – 5%
Projected CPO price (IDR/Kg)	7,303 – 7,864	6,297 – 6,696

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 7,303 – IDR 7,864 per kg. The cash flows calculated is based on the Appraiser'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 projections 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.

Software

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

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16. Due from subsidiaries

	Company	
	2013	**2012**
	IDR'million	**IDR'million**
Non-current:		
Loan to subsidiaries	3,529,563	2,058,478
Current:		
Loan to subsidiaries	1,938,051	670,080
Due from subsidiaries	–	260,869
	1,938,051	930,949
Total due from subsidiaries	**5,467,614**	**2,989,427**

Loan to subsidiaries

Included in loan to subsidiaries is an amount of IDR 5,467,614 million (2012: IDR 1,522,503 million) which is non-trade, bears interest at 3.75% per annum above the six months London Interbank Offered Rate ("LIBOR"), unsecured and will mature in five years. The amount is denominated in USD.

As at 31 December 2012, included in loan to subsdiaries is an amount of IDR 1,206,055 million which is non-trade, bears interest at 3.5% per annum above the three months SGD SIBOR, unsecured and are to be settled in cash. The loan had been fully settled as at 31 December 2013.

Due from subsidiaries

Due from subsidiaries are non-trade in nature, non-interest bearing, unsecured, repayable on demand, and are to be settled in cash. The amount is denominated in USD.

17. 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.

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18. Inventories

	Group	
	2013	**2012**
	IDR'million	**IDR'million**
At lower of cost and net realisable value		
Finished goods:		
CPO	147,686	150,393
PK	15,834	10,905
	163,520	161,298
Fertilisers and chemicals	94,465	97,085
Spare parts and other consumables	120,574	65,119
	215,039	162,204
Total inventories	**378,559**	**323,502**
Inventories recognised as an expense in cost of sales (Note 6)	**2,462,875**	**2,102,802**

19. Trade and other receivables

	Group		Company	
	2013	**2012**	**2013**	**2012**
	IDR'million	**IDR'million**	**IDR'million**	**IDR'million**
Trade and other receivables:				
Trade receivables	47,473	24,771	–	–
Other receivables	54,337	22,818	–	–
Total trade and other receivables	101,810	47,589	–	–
Due from subsidiaries (Note 16)	–	–	5,467,614	2,989,427
Loan to an associate company (Note 17)	228,562	87,209	228,562	87,209
Due from related companies (Note 20)	141,183	69,293	–	–
Cash and short-term deposits (Note 21(a))	482,118	886,763	19,318	56,069
Total loans and receivables	**953,673**	**1,090,854**	**5,715,494**	**3,132,705**

Trade receivables

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

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19. Trade and other receivables (continued)

Receivables that are past due but not impaired

The Group has trade receivables as at 31 December 2013 amounting to IDR 10,171 million (2012: IDR 24,771 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	
	2013	2012
	IDR'million	IDR'million
Trade receivables past due:		
Less than 30 days	864	24,771
30 to 60 days	75	–
More than 61 days	9,232	–
	10,171	**24,771**

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.

20. 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.

21. Cash and short-term deposits

(a) Cash and short-term deposits

	Group		Company	
	2013	2012	2013	2012
	IDR'million	IDR'million	IDR'million	IDR'million
Cash at bank and on hand	167,436	188,243	19,318	56,069
Time deposit	314,682	698,520	–	–
Total cash and short-term deposits	**482,118**	**886,763**	**19,318**	**56,069**

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21. Cash and short-term deposits (continued)

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

Cash at bank earns interest at floating rates based on daily bank deposit rate. Time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the annual interest rates of 3.25% to 10.25% (2012: 2.8% to 7.8%).

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

	Group		Company	
	2013	2012	2013	2012
	IDR'million	IDR'million	IDR'million	IDR'million
USD	57,048	512,506	16,945	21,484
SGD	3,563	72,262	2,372	33,475

(b) *Cash flows from operating activities*

	Group	
	2013	2012
	IDR'million	IDR'million
Profit before tax	1,268,129	1,163,611
Adjustments:		
Depreciation and amortisation	133,659	89,787
Finance cost	56,734	112,471
Interest income	(22,303)	(14,524)
Post employment benefits	8,298	11,984
Unrealised foreign exchange loss	34,054	57,742
Share of loss of associate companies	15,833	7,934
Gain arising from fair value changes in biological assets	(28,825)	(57,648)
Operating cash flows before working capital changes	1,465,579	1,371,357
Increase in trade and other receivables	(54,221)	(111,438)
Increase in inventories	(55,057)	(60,169)
(Increase)/decrease in prepaid taxes	(28,492)	13,115
Decrease/(increase) in prepayment and advances	28,157	(15,519)
(Increase)/decrease in deferred charges	(6,653)	19,009
Decrease/(increase) in tax refundable	2	(8,739)
Increase in trade and other payables	39,833	103,121
Increase in accrued operating expenses	21,923	17,286
Taxes payable	8,712	–
Increase/(decrease) in sales advances	187,792	(120,668)
Decrease in post employment benefits	(12,542)	(11,433)
Cash flows from operations	1,595,033	1,195,922
Corporate income tax paid	(321,996)	(318,632)
Net cash resulting from operating activities	**1,273,037**	**877,290**

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22. Loans and borrowings

	Group		Company	
	2013 IDR'million	2012 IDR'million	2013 IDR'million	2012 IDR'million
Current:				
Term loan	558,758	310,638	353,481	110,980
Non-current:				
Revolving loan facility	1,584,570	483,500	1,584,570	392,488
Term loan	2,000,333	1,788,252	1,724,089	826,377
	3,584,903	2,271,752	3,308,659	1,218,865
Loans and borrowings	**4,143,661**	**2,582,390**	**3,662,140**	**1,329,845**

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

	Group		Company	
	2013 IDR'million	2012 IDR'million	2013 IDR'million	2012 IDR'million
USD	**3,610,093**	**1,634,700**	**3,662,140**	**1,329,845**

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 has commenced on 12 November 2012 and the interest rate was computed based on the USD Singapore Inter Bank Offered Rate ("SIBOR") plus a 2.00% per annum. Whilst, the facility for USD 80 million has commenced on 08 May 2013 and the interest rate was computed based on the USD London interbank offered rate ("LIBOR") plus a 2.00% per annum. Both facilities mature on 12 November 2015 and 09 May 2016 (extendable to another 2 years, i.e. 09 May 2018, subject to lenders' approval) respectively. As at 31 December 2013, the Group and the Company have total amounts outstanding of IDR 1,584,570 million. The loan includes financial covenant which require the Group to maintain a net debt to EBITDA not exceeding 3 times, debt service cover ratio not less than 1.25 times and total debt to equity shall not exceed 1.5 times.

Term loans:

(a) loans from an Indonesian bank obtained by certain subsidiaries during 2010 and 2012 for palm oil plantations purposes. The loan is obtained in 2 stages and bore interest payable of 10.00% to 10.75% per annum and matures on 23 May 2015 and 23 October 2016, respectively. The loan is secured over certain of the subsidiary's assets and repayable in quarterly installments, with a total amount of IDR 410,900 million outstanding as at 31 December 2013. This loan includes 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%.

NOTES TO THE FINANCIAL STATEMENTS

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22. Loans and borrowings (continued)

Term loans (continued):

(b) loan from an Indonesian bank obtained by certain subsidiary during 2010 for palm oil plantations purposes. The loan bore interest payable of 10.00% to 10.75% per annum and matures 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 125,600 million outstanding as at 31 December 2013. This loan includes the 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 certain subsidiary during 2010 for palm oil plantations purposes. The loan bore interest payable of 10.25% per annum and secured over certain of the subsidiary's assets. The loan is repayable on a monthly basis and it was fully repaid in the current year.

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

(e) loan 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 has commenced from 19 November 2012 and the interest rate was computed based on the USD Singapore Inter Bank Offered Rate ("SIBOR") plus a 2.15% per annum. Whilst, the loan for USD 70 million has commenced on 11 June 2013 and the interest rate was computed based on the USD London interbank offered rate ("LIBOR") plus a 2.15% per annum. The tenure for each of the loan is 5 (five) years and repayable in quarterly installments. As at 31 December 2013, total amount of loan for the Group and the Company amounted to IDR 3,610,093 million. This loan includes financial covenant which require the Group to maintain a net debt to EBITDA not exceeding 3 times, debt service cover ratio not less than 1.25 times and total debt to equity shall not exceed 1.5 times.

23. 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 2013, the interest rates of the consumer financing lease range from 12.49% to 15.50% per annum.

	Group	
	2013	**2012**
	IDR'million	**IDR'million**
Current portion	**193**	**–**

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24. Trade and other payables

	Group		Company	
	2013 IDR'million	2012 IDR'million	2013 IDR'million	2012 IDR'million
Trade and other payables:				
Trade payables	414,075	294,311	–	–
Other payables	94,042	173,973	–	–
Amounts due to related companies	–	–	–	1,677
Total trade and other payables	508,117	468,284	–	1,677
Loans and borrowings (Note 22)	4,143,661	2,582,390	3,662,140	1,329,845
Obligations under finance leases (Note 23)	193	–	–	–
Due to a subsidiary (Note 25)	–	–	188,779	335,052
Accrued liabilities (Note 26)	25,165	22,163	12,478	8,054
Total financial liabilities carried at amortised cost	**4,677,136**	**3,072,837**	**3,863,397**	**1,674,628**

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.

Amounts due to related companies

Amounts due to related companies are non-trade, non-interest bearing, unsecured, repayable on demand, and are to be settled in cash.

Amounts due to related companies denominated in foreign currency as at 31 December are as follows:

	Group		Company	
	2013 IDR'million	2012 IDR'million	2013 IDR'million	2012 IDR'million
USD	–	–	–	1,677

25. Due to a subsidiary

As at 31 December 2013, due to a subsidiary is non-trade, bears interest at a 6-months LIBOR + 3.75% per annum, unsecured and repayable on 1 July 2018. The amount is denominated in USD.

As at 31 December 2012, due to a subsidiary was non-trade, bore interest at a 3-months SIBOR + 4.5 % per annum and unsecured. The amount was denominated in USD and was settled as at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

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26. Accrued operating expenses

	Group		Company	
	2013 IDR'million	2012 IDR'million	2013 IDR'million	2012 IDR'million
Accrued interests	15,249	12,638	6,661	3,138
Professional fees	5,456	3,828	1,539	482
Others	4,460	5,697	4,278	4,434
Total accrued liabilities	25,165	22,163	12,478	8,054
Add: Salaries and wages	70,352	51,431	1,152	95
Total accrued operating expenses	**95,517**	**73,594**	**13,630**	**8,149**

27. Post employment benefits

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 2013, number of employees of 3,034 (2012: 2,594), were included in the computation.

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

	2013 IDR'million	2012 IDR'million
Normal Pension Age	55 years	55 years
Salary Increment Rate per annum	5.0 %	5.0%
Discount Rate per annum	9.0 %	6.0%
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	
	2013 IDR'million	2012 IDR'million
Present value of defined benefit obligation	36,723	41,275
Assets at fair value	(28,242)	(15,442)
Unrecognised past service cost	146	(174)
Unrecognised actuarial losses	(4,672)	(9,540)
Actuarial gains arising from changes in financial assumptions	4,526	–
Total post employment benefits	**8,481**	**16,119**

NOTES TO THE FINANCIAL STATEMENTS

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27. Post employment benefits (continued)

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

	Group	
	2013	2012
	IDR'million	IDR'million
Actuarial gains arising from changes in financial assumptions	(4,526)	–
Deferred tax liability from actuarial gain arising (Note 29)	1,132	–
	(3,394)	–

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

Balance at 1 January	16,119	15,568
Post employment benefits expense	8,298	11,984
Payments during the year	(12,542)	(11,433)
Actuarial gains arising from changes in financial assumptions	(4,526)	–
Deferred tax liability arising from actuarial gain	1,132	–
Balance at 31 December	**8,481**	**16,119**

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

Current service cost	8,397	10,376
Interest cost on defined benefit obligation	2,674	1,523
Expected return on asset	(1,390)	(184)
Amortisation of past service cost	27	15
Amortisation of actuarial losses	442	254
Curtailment	(1,852)	–
Post employment benefits expense	**8,298**	**11,984**

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

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

	Sensitivity analysis	
	Increase/ (decrease)	Changes in actuarial gain
Discount rates	+1%	(3,711)
	-1%	3,963
Salary increment rate per annum	+1%	4,067
	-1%	(3,845)

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28. 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 the current financial year, WNL had paid up the additional VAT assessed amounting to IDR 12,864 million. The total amounts paid of IDR 19,296 million (2012: 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. As of 31 December 2013, tax assessment execution letter (SKP) has not been received.

(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 (2012: IDR 6,036 million) was presented as "Tax refundable" for the year ended 31 December 2013.

On 6 September 2010, BG Abadi was issued additional VAT assessments for period of January to December 2007 amounting to IDR 11,457 million. BG Abadi had filed an objection to these additional assessments. On 27 October 2011, the objection was partially accepted with the amount reduced to IDR 11,350 million. BG Abadi had submitted an appeal to the decision and has made payments of IDR 4,125 million in 2011 and the remaining in 2012. In 2012, the appeal was accepted and on 14 December 2012, BG Abadi had received the refund of IDR 11,350 million.

(b) Prepaid taxes

Prepaid taxes represent Value Added Taxes ("VAT") as at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

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28. Taxation (continued)

(c) *Income tax payable*

	Group	
	2013	2012
	IDR'million	IDR'million
Income tax – Article 15	5,945	–
Income tax – Article 23	23,154	6,983
Income tax – Article 25	20,462	18,012
Income tax – Article 26	1,152	3,505
Income tax – Article 29	6,563	55,663
	57,276	**84,163**

29. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group	
	2013	2012
	IDR'million	IDR'million
Deferred tax assets:		
Property, plant and equipment	6,395	2,376
Tax loss carried forward	8,716	10,036
Biological assets	106,846	21,105
Deferred tax assets, net	**121,957**	**33,517**
Deferred tax liabilities:		
Property, plant and equipment	(31,718)	(25,228)
Biological assets	(568,849)	(476,610)
Acquisition of subsidiary (Note 9)	(24,758)	–
Remeasurement on defined benefit plan (Note 27)	(1,132)	–
Deferred tax liabilities, net	**(626,457)**	**(501,838)**

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30. Share capital

	Group and Company			
	2013		2012	
	No. of shares	IDR'million	No. of shares	IDR'million
Issued and fully paid ordinary shares				
At 1 January	1,757,531,844	1,807,045	6,400,000	45,000
Allotment and issuance of new share	–	–	32,657,838	323,217
Sub-division into new ordinary shares	–	–	1,445,140,006	–
Issuance of ordinary shares [1]	–	–	273,334,000	1,491,364
Share issuance expense	–	–	–	(52,536)
At 31 December	**1,757,531,844**	**1,807,045**	**1,757,531,844**	**1,807,045**

(1) On 12 April 2012, the Company issued 273,334,000 new ordinary shares arising from initial public offering.

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.

31. Other reserves

Other reserves comprise:

	Group	
	2013	2012
	IDR'million	IDR'million
Premium paid on acquisition of non-controlling interests	**(184,938)**	**(184,938)**

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).

32. Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of companies in the Group whose functional currencies are different from that of the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

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33. Gain on hedging transactions

Gain on hedging transactions for the year ended 31 December 2012, arose primarily from forward commodity transactions entered into by the Group to manage its exposure to CPO price movements.

As at 31 December 2012, the Group entered into and completed the following forward commodity transactions:

	Price (USD)	Trade quantity MT	Realised gain recognised in consolidated income statement IDR'million
(i)	1,075 – 1,109	14,000	23,019
(ii)	1,028 – 1,085	20,600	22,868
		34,600	**45,887**

The Group did not enter into any hedging transactions during the financial year ended 31 December 2013.

34. 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 2013 and 2012.

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

	2013 IDR'million	2012 IDR'million
Profit for the year attributable to owners of the Company	855,460	787,896

	No. of shares	No. of shares
Weighted average number of ordinary shares for earnings per share computation	1,757,531,844	1,322,019,068

The weighted average number of ordinary shares takes into account of sub-division and issuance of new ordinary shares.

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31 DECEMBER 2013

35. 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	
	2013	2012	2013	2012
	IDR'million	IDR'million	IDR'million	IDR'million
Trade:				
Purchase of FFB from a related company	46,531	29,230	–	–
Non-trade:				
Management fee from related companies	6,810	5,946	–	–
Rental fee to related parties	7,563	3,518	1,413	1,118

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 3,813 million and IDR 3,518 million for the years ended 31 December 2013 and 2012, respectively. No balance was outstanding at the end of the reporting periods ended 31 December 2013 and 2012.

In 2012, the Group sold used motor vehicles to Directors of the Group for total consideration of IDR 530 million which was settled at the end of the year. There was no such sale in the current year.

(b) Compensation of key management personnel

	Group		Company	
	2013	2012	2013	2012
	IDR'million	IDR'million	IDR'million	IDR'million
Short-term employee benefits	20,898	11,860	–	–

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.

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36. 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 2013 and 2012, these credits are secured by land certificates held by the plasma farmers who participate in the plasma programme and Subsidiaries' corporate guarantees of IDR 905,479 million and IDR 832,830 million, respectively. Repayment of the credit facilities are through 40% deduction of plasma farmers' sales of FFB to the Group. The harvested FFB will be sold to the Group (Note 11).

(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:

	2013		2012	
	Minimum lease payments IDR'million	Present value of minimum lease payments IDR'million	Minimum lease payments IDR'million	Present value of minimum lease payments IDR'million
Not later than one year	200	193	–	–
Total minimum lease payments	200	193	–	–
Less: Amount representing finance charges	(7)	–	–	–
Present value of minimum lease payments	**193**	**193**	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

36. Commitments (continued)

(c) *Rental commitments*

As lessee

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

	Group		Company	
	2013 IDR'million	2012 IDR'million	2013 IDR'million	2012 IDR'million
Not later than one year	13,261	3,718	1,861	1,318
Later than one year but not more than five years	5,224	220	2,224	220
	18,485	**3,938**	**4,085**	**1,538**

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 our Group for the rental of our office. The rental commitments were due to office rental from related parties for a lease term of less than five years.

The rental payments are recognised as an expense in the consolidated income statement for the financial years ended 31 December 2013 and 2012 amounted to approximately IDR 7,563 million and IDR 2,400 million, respectively.

(d) *Purchase commitments*

	Group	
	2013 IDR'million	2012 IDR'million
Non-cancellable purchases:		
Not later than one year	**789**	**13,311**

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 2013, the Group has entered into non-cancellable sales commitments to deliver 473,000 and 61,475 metric tonnes (2012: 347,000 and 66,500 metric tonnes) of CPO and PK based at their prevailing market prices on date of delivery.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

36. Commitments (continued)

(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	
	2013	2012
	IDR'million	IDR'million
Capital commitment in respect of property, plant and equipment	530,363	364,232

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

37. Fair value of assets and liabilities

(a) *Fair value hierarchy*

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(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:

	Significant unobservable inputs (Level 3) IDR'million
Financial assets as at 31 December 2013	
Non-financial assets:	
Biological assets	6,758,331

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

37. Fair value of assets and liabilities (continued)

(b) *Assets and liabilities measured at fair value* (continued)

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 2013 IDR'million	Valuation techniques	Unobservable inputs	Rate
Recurring fair value measurements	6,758,331	Discounted cash flow	Discount rate	13.4%

For biological assets, a significant increase/(decrease) in the discount rate would result in a significantly lower/(higher) fair value measurement.

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

	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 movement in biological assets and valuation policies and procedures are disclosed and described in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

37. Fair value of assets and liabilities (continued)

(c) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

Due from subsidiaries (Note 16), Loan to an associate company (Note 17), Trade and other receivables (Note 19), Due from related companies (Note 20), Cash and short-term deposits (Note 21(a)), Trade and other payables (Note 24), Due to a subsidiary (Note 25), Accrued liabilities (Note 26), Loans and borrowings (Note 22) and Obligation under finance lease (Note 23)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

Plasma receivables (Note 12)

The Plasma receivables (non-current) have no fixed terms of repayment and the Group is unable to reliably estimate the expected timing of repayment and consequently, unable to determine the fair value of these amounts.

38. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

38. Financial risk management objectives and policies (continued)

(a) *Interest rate risk* (continued)

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).

	2013 Effect on profit before tax IDR'million	2012 Effect on profit before tax IDR'million
Increase by 200 basis points	(76,580)	(37,677)
Decrease by 200 basis points	76,580	37,677

(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.

As at 31 December 2013 and 2012, the Group's costs denominated in foreign currencies amounted to approximately 7.8% and 5.8%, 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. It is the Group's policy 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

38. Financial risk management objectives and policies (continued)

(b) *Foreign currency risk* (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's increase/(decrease) to 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.

	2013 Profit before tax IDR'million	2012 Profit before tax IDR'million
IDR/USD		
– Strengthened by 5.0%	164,397	50,596
– Weakened by 5.0%	(164,397)	(50,596)

(c) *Commodity price risk*

The Company is exposed to fluctuations in commodity prices, with the commodity mix spread between those that are priced by reference to prevailing market prices on terminal markets and those that are set on a contract basis with the customers, generally on an annual basis.

As at 31 December 2013 and 2012, the Group does not have any exposure to commodity price risk arising from financial instruments.

(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 with the result that the Group's exposure to bad debts is not significant.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

38. Financial risk management objectives and policies (continued)

(d) Credit risk (continued)

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 36).

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 2013, approximately 88.1% (2012: 90.4%) of the Group's trade receivables were due from 3 major customers in 2013 (2012: 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 91.3% (2012: 87.1%) of the Group's total revenues for the year ended 31 December 2013.

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 19.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

38. Financial risk management objectives and policies (continued)

(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 2013 and 2012, approximately 13.5 % and 12.0% of the Group's total loans and borrowings (Note 22) and obligations under finance leases (Note 23) will mature in less than one year based on the carrying amount reflected in the financial statements.

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 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 17)	–	268,155	268,155
Trade and other receivables (Note 19)	101,810	–	101,810
Due from related companies (Note 20)	141,183	–	141,183
Cash and short-term deposits (Note 21(a))	482,118	–	482,118
Total undiscounted financial assets	725,111	268,155	993,266
Financial liabilities:			
Loans and borrowings (Note 22)	558,758	3,734,976	4,293,734
Trade and other payables (Note 24)	508,117	–	508,117
Obligations under finance leases (Note 23)	193	–	193
Accrued liabilities (Note 26)	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)**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

38. Financial risk management objectives and policies (continued)

(e) Liquidity risk (continued)

	1 year or less IDR'million	More than 1 year to 5 years IDR'million	Over 5 years IDR'million	Total IDR'million
Group				
31 December 2012				
Financial assets:				
Loan to an associate company (Note 17)	–	102,118	–	102,118
Trade and other receivables (Note 19)	47,589	–	–	47,589
Due from related companies (Note 20)	69,293	–	–	69,293
Cash and short-term deposits (Note 21(a))	886,763	–	–	886,763
Total undiscounted financial assets	1,003,645	102,118	–	1,105,763
Financial liabilities:				
Loans and borrowings (Note 22)	310,638	2,448,299	30,893	2,789,830
Trade and other payables (Note 24)	468,284	–	–	468,284
Accrued liabilities (Note 26)	22,163	–	–	22,163
Total undiscounted financial liabilities	801,085	2,448,299	30,893	3,280,277
Total net undiscounted financial assets/(liabilities)	**202,560**	**(2,346,181)**	**(30,893)**	**(2,174,514)**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

38. Financial risk management objectives and policies (continued)

(e) *Liquidity risk* (continued)

	1 year or less IDR'million	More than 1 year to 5 years IDR'million	Total IDR'million
Company			
31 December 2013			
Financial assets:			
Loan to an associate company (Note 17)	–	268,155	268,155
Due from subsidiaries (Note 16)	1,938,051	4,435,768	6,373,819
Cash and short-term deposits (Note 21(a))	19,318	–	19,318
Total undiscounted financial assets	1,957,369	4,703,923	6,661,292
Financial liabilities:			
Loans and borrowings (Note 22)	353,481	3,438,178	3,791,659
Due to a subsidiary (Note 25)	–	225,589	225,589
Accrued liabilities (Note 26)	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**
31 December 2012			
Financial assets:			
Loan to an associate company (Note 17)	–	102,118	102,118
Due from subsidiaries (Note 16)	930,949	1,014,061	1,945,010
Cash and short-term deposits (Note 21(a))	56,069	–	56,069
Total undiscounted financial assets	987,018	1,116,179	2,103,197
Financial liabilities:			
Loans and borrowings (Note 22)	110,980	1,265,128	1,376,108
Trade and other payables (Note 24)	1,677	–	1,677
Due to a subsidiary (Note 25)	–	398,585	398,585
Accrued liabilities (Note 26)	8,054	–	8,054
Total undiscounted financial liabilities	120,711	1,663,713	1,784,424
Total net undiscounted financial assets/(liabilities)	**866,307**	**(547,534)**	**318,773**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

39. 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 2013 and 2012.

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

	Group	
	2013	**2012**
	IDR'million	**IDR'million**
Loans and borrowings (Note 22)	4,143,661	2,582,390
Obligations under finance leases (Note 23)	193	–
Less:		
Cash and short-term deposits (Note 21(a))	(482,118)	(886,763)
Net debt	3,661,736	1,695,627
Equity attributable to owners of the Company	5,629,763	4,888,402
Capital and net debt	**9,291,499**	**6,584,029**
Gearing ratio	**39.4%**	**25.8%**

The Group includes within net debt, loans and borrowings, obligations under finance leases, less restricted cash and cash and short-term deposits.

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

40. Dividends

	Group and Company	
	2013	**2012**
	IDR'million	**IDR'million**
Declared and paid during the financial year:		
Dividend on ordinary shares:		
– Interim exempt (one-tier) dividend for 2013: SGD 0.012 per share	**166,211**	**–**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

41. Prior year reclassifications

The following balance sheets comparative figures have been reclassified to conform with current year's presentation:

	As previously classified 2012 IDR'million	As reclassified 2012 IDR'million
The Group		
Balance sheet		
Loans and borrowings (current)	790,598	310,638
Loans and borrowings (non-current)	1,791,792	2,271,752
The Company		
Balance sheet		
Loans and borrowings (current)	503,468	110,980
Loans and borrowings (non-current)	826,377	1,218,865

42. Subsequent events

On 10 January 2014, the Group 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.

43. Authorisation of financial statements for issue

The financial statements for the years ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 21 March 2014.

SHAREHOLDERS' INFORMATION

AS AT 13 MARCH 2014
(AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

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

Distribution of Shareholdings

Size of Shareholding	No. of Shareholders	%	No. of Shares	%
1 – 999	7	0.59	1,683	0.00
1,000 – 10,000	792	66.50	3,905,053	0.22
10,001 – 1,000,000	373	31.32	25,185,176	1.43
1,000,001 and above	19	1.59	1,728,439,932	98.35
	1,191	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.	HSBC (Singapore) Nominees Pte Ltd	149,694,145	8.52
4.	DBS Nominees Pte Ltd	149,578,560	8.51
5.	Citibank Nominees Singapore Pte Ltd	50,469,961	2.87
6.	Raffles Nominees (Pte) Ltd	22,532,163	1.28
7.	DB Nominees (S) Pte Ltd	17,221,600	0.98
8.	Lynwood Capital Resources Pte Ltd	16,006,000	0.91
9.	DBS Vickers Securities (S) Pte Ltd	6,633,000	0.38
10.	DBSN Services Pte Ltd	6,436,565	0.37
11.	Maybank Kim Eng Securities Pte Ltd	4,959,000	0.28
12.	Bank of Singapore Nominees Pte Ltd	4,265,374	0.24
13.	BNP Paribas Securities Services	3,229,000	0.18
14.	United Overseas Bank Nominees Pte Ltd	2,943,000	0.17
15.	UOB Kay Hian Pte Ltd	2,744,000	0.16
16.	OCBC Securities Private Ltd	2,555,000	0.15
17.	Merrill Lynch (Singapore) Pte Ltd	2,114,720	0.12
18.	CIMB Securities (Singapore) Pte Ltd	1,832,000	0.10
19.	DMG & Partners Securities Pte Ltd	1,018,000	0.06
20.	Phillip Securities Pte Ltd	976,000	0.05
	Total	1,729,415,932	98.40

SHAREHOLDERS' INFORMATION

AS AT 13 MARCH 2014
(AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Substantial Shareholders

	Direct Interest	%	Deemed Interest	%
Wellpoint Pacific Holdings Ltd[1]	895,157,774[3]	50.93	–	–
Lim Hariyanto Wijaya Sarwono[1]	–	–	895,157,774	50.93
Lim Gunawan Hariyanto[1]	–	–	895,157,774	50.93
Fortune Corp Limited[1]	–	–	895,157,774	50.93
Fortune Holdings Limited[1]	–	–	895,157,774	50.93
Oakridge Investments Pte. Ltd.[2]	535,050,070	30.44	–	–
IOI Corporation Berhad[2]	–	–	551,056,070	31.35
Vertical Capacity Sdn Bhd[2]	–	–	551,056,070	31.35
Progressive Holdings Sdn Bhd[2]	–	–	551,056,070	31.35
Puan Sri Datin Hoong May Kuan[2]	–	–	551,056,070	31.35
Lee Yeow Seng[2]	–	–	551,056,070	31.35
Tan Sri Dato' Lee Shin Cheng[2]	–	–	551,056,070	31.35
Dato' Lee Yeow Chor[2]			551,056,070	31.35

Notes:

(1) 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.

(2) 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 and Lynwood Capital Resources Pte Ltd (16,006,000 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.

(3) 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 2014, approximately 17.69% 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 Friday, 25 April 2014 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 2013 together with the Auditors' Report thereon.

   (Resolution 1)

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

   Mr Tan Boon Hoo **(Resolution 2)**
   Mr Ong Chan Hwa **(Resolution 3)**

   Mr Tan Boon Hoo will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee, the Conflicts Resolution Committee and the Remuneration Committee, and as a member of the Nominating Committee. Mr Tan will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Mr Ong Chan Hwa will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee, and as a member of the Audit Committee, the Remuneration Committee and the Conflicts Resolution Committee. Mr Ong will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve the payment of Directors' fees of S$279,000 for the year ending 31 December 2014, to be paid quarterly in arrears. (2013: S$264,000)

   (Resolution 4)

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

   (Resolution 5)

5. 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:

6. 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 9 April 2014 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 6)

NOTICE OF ANNUAL GENERAL MEETING

7. 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 7)

NOTICE OF ANNUAL GENERAL MEETING

8. MODIFICATION AND RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH KMS, WESTBROOK AND SMS

That for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited:

(a) approval be given for the modification and 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 III to the Appendix with any party who is of the class of Interested Persons described in Annexure III 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 III to the Appendix (the "Shareholders' Mandate for KMS Transactions");

(b) the Shareholders' Mandate for KMS 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 KMS Transactions as they may think fit.

[See Explanatory Note (i)]

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

9. SHARE ISSUE MANDATE

That pursuant to Section 161 of the Companies Act (Cap. 50) of Singapore and in accordance with Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), approval be and is hereby given to the Directors to issue:

(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. 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 Purchase**"), 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 Purchase**") (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;

NOTICE OF ANNUAL GENERAL MEETING

"**Relevant Period**" means the period commencing from the date on which the Annual General Meeting at which this Resolution is passed is held and expiring on the date the next Annual General Meeting is held or is required by law or the 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

Busarakham Kohsikaporn
Toh Lei Mui
Company Secretaries

Singapore, 9 April 2014

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Resolutions to be passed:

(i) Each of the Ordinary Resolutions 6 to 8 proposed in items 6 to 8 above, respectively, if passed, will authorise the relevant Interested Person Transactions described in the Appendix dated 9 April 2014 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, the Shareholders' Mandate for SNA Transactions and the Shareholders' Mandate for KMS 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 9 April 2014 (in relation to the adoption of a 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.

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BUMITAMA AGRI LTD.

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

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. 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.

* 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 Friday, 25 April 2014 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 2013		
2	Re-election of Mr. Tan Boon Hoo as Director		
3	Re-election of Mr. Ong Chan Hwa as Director		
4	Approval of Directors' fees amounting to S$279,000 for the year ending 31 December 2014		
5	Re-appointment of Ernst & Young LLP as Auditors		
6	Renewal of Shareholders' Mandate for Interested Person Transactions with IOI Corporation and its Associates		
7	Renewal of Shareholders' Mandate for Interested Person Transactions with the SNA Group		
8	Modification and Renewal of Shareholders' Mandate for Interested Person Transactions with KMS, Westbrook and SMS		
9	Share Issue Mandate		
10	Share Buyback Mandate		

* *Delete where inapplicable*

Dated this _____ day of _____ 2014

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.

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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
Busarakham Kohsikaporn, FCIS
Toh Lei Mui, ACIS

REGISTERED OFFICE
10 Anson Road #11-19 International Plaza, Singapore 079903
Tel: (65) 6222 1332
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)

JOINT ISSUE MANAGERS FOR THE COMPANY'S IPO
DBS Bank Ltd.
12 Marina Boulevard, Marina Bay Financial Centre Tower 3, Singapore 018982

The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch
21 Collyer Quay, #09-02 HSBC Building, Singapore 049320

INVESTOR RELATIONS
Christina Lim
clim@bumitama-agri.com

Glenn Ho
glenn.ho@bumitama-agri.com

Bumitama Agri Ltd.

Principal Office
Jl. Melawai Raya | No. 10, Kebayoran Baru | Jakarta 12160 | Indonesia

Registered Office
10 Anson Road | #11-19, International Plaza | Singapore 079903

www.bumitama-agri.com