IndoAgri

Integrating Strengths Cultivating Potential

INDOFOOD AGRI RESOURCES LTD. • ANNUAL REPORT 2012

Contents

Vision

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

Mission

1. To be a low-cost producer, through high yields and cost-effective and efficient operations
2. To continuously improve our people, processes and technology
3. Exceed our customers' expectations, whilst ensuring the highest standards of quality
4. Recognise our role as responsible and engaged corporate citizens in all our business operations, including sustainable environmental and social practices
5. To continuously increase stakeholders' value

Values

1. **CONSISTENT**
2. Our success rests on satisfying **CUSTOMERS'** needs
3. **INNOVATION** is our key to future growth
4. Reliable **STAFF** is our biggest asset
5. **EXCELLENCE** is our way of life
6. **TEAMWORK** makes a winning team

At a Glance

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

Revenue

+10%

to **Rp13.8** trillion

Net Profit

-31%

to **Rp1.8** Trillion

EBITDA

-15%

to **Rp3.2** trillion

Milestones Over The Years

2007

Completed a reverse takeover of CityAxis Holdings Limited and changed name to Indofood Agri Resources Ltd.

Listed on the main board of the SGX-ST on 14 February and raised about S$420 million proceeds from placement of 338 million new shares.

Acquired plantation land bank of 98,491 hectares in South Sumatra and Kalimantan.

Acquired a 58.8% effective interest in Lonsum, becoming one of the largest plantation companies in Indonesia with land bank doubling to over 400,000 hectares.

2008

Diversified into sugar business via the subscription of 60% stake in PT Laju Perdana Indah.

Acquired plantation land bank of 82,300 hectares in South Sumatra and Central Kalimantan, Indonesia.

Acquired a bulking facility at the Dumai port, Indonesia.

2009

Acquired plantation land bank of 10,000 hectares in South Sumatra, Indonesia.

Incorporated a new subsidiary to own barges, tugboats and operate a shipping logistics business.

Achieved the Roundtable on Sustainable Palm Oil (RSPO) certification for the Group's North Sumatra estates and factories.

Raised Rp730 billion from 5-year Indonesian Rupiah Bonds and Islamic Lease-based Bonds.

2010

Carried out an internal restructuring to consolidate all joint ventures with the Salim Group (a controlling shareholder of IndoAgri) under a Singapore-incorporated entity, IGER.

Divested 8% or 109,521,000 shares in Lonsum for a cash consideration of Rp1.3 trillion, of which, 3.1% was sold to PT SIMP and 4.9% was sold to the public.

2011

Listed PT SIMP on the main board of the Indonesia Stock Exchange and raised net proceeds of Rp3.35 trillion from an initial public offering ("IPO") of 3,163,260,000 new ordinary shares.

Amalgamated with IOFPL, a wholly owned subsidiary, to operate as one company.

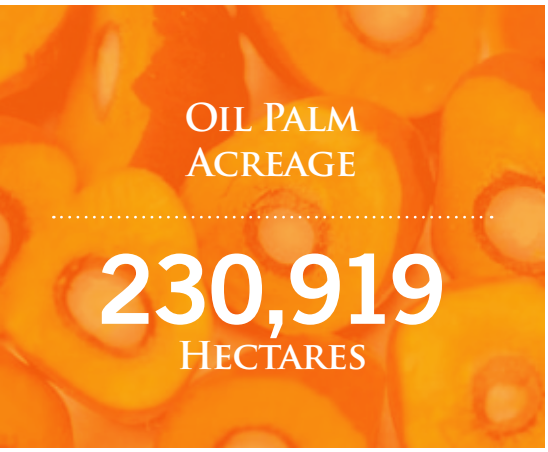
Awarded RSPO certification for an additional 25,000 tonnes of CPO.

2012

Acquired 26.4% interest in Heliae, a development stage algae technology solutions company for US$15 million.

Awarded RSPO certification for an additional 53,000 tonnes of CPO, bringing the Group's total certified CPO output to 248,000 tonnes.

Key Events in 2012



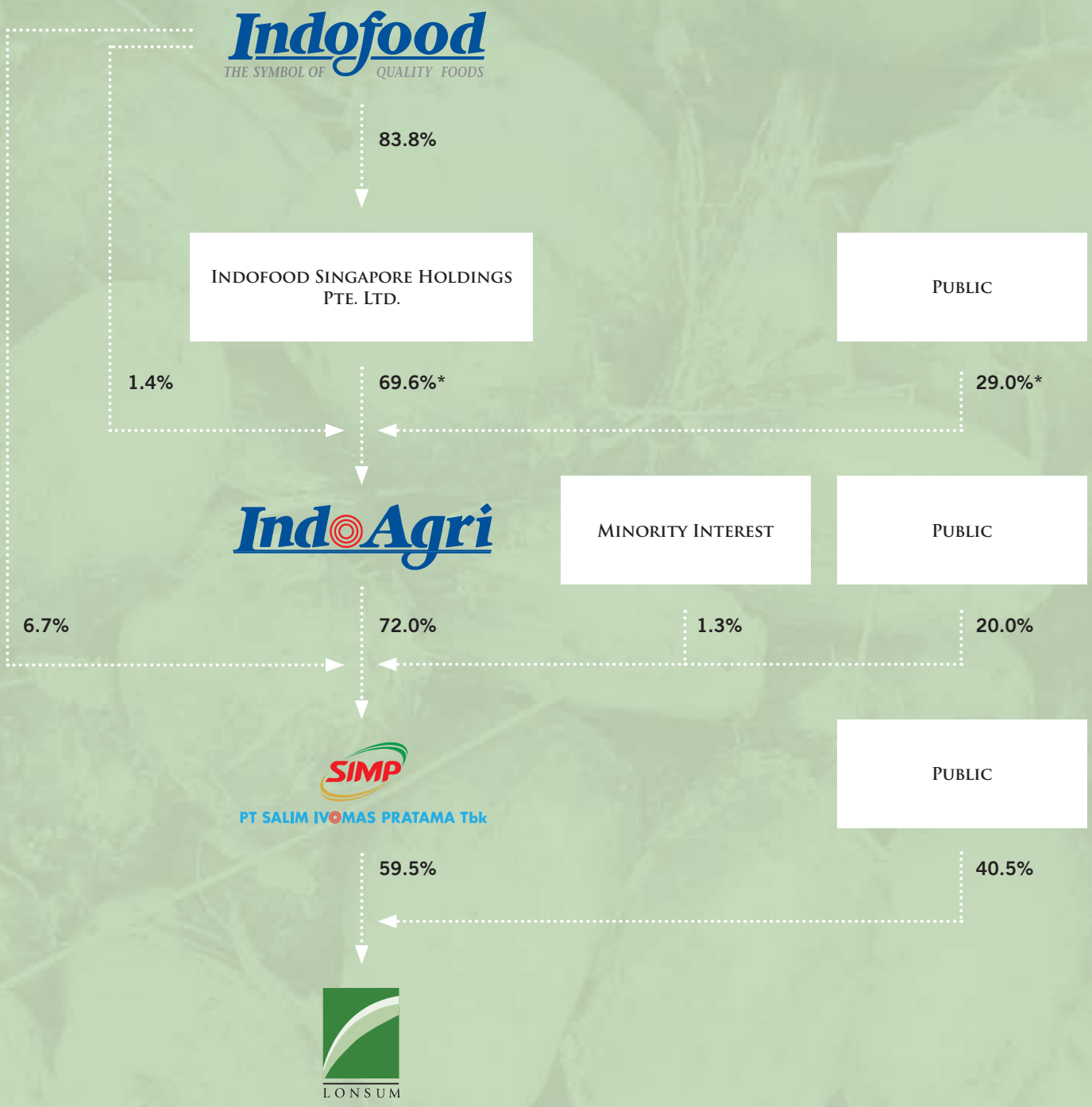
1 May 2012

Through Lonsum's wholly owned subsidiary, Agri Investments Pte Ltd, we acquired a 26.4% equity stake in Heliae Technology Holdings, Inc. (Heliae), at a consideration of US$15 million. Heliae specialises in the development of technology solutions for the commercial production of algae for food & feed, fertiliser, chemicals, pharmaceuticals, cosmetics and fuel.

22 November 2012

PT SIMP, IndoAgri's subsidiary, was awarded RSPO certification for two estates and one palm oil mill in Riau. This endorsement adds 53,000 tonnes to IndoAgri's sustainable CPO production, bringing the Group's total certified output to 248,000 tonnes and this represents around 28% of the Group's total production and total oil palm planted area in 2012.

Corporate Structure



* Based on total number of issued shares, excluding 13,500,000 shares held in treasury by the Company.

Location Map

Our Plantations and Refineries

IndoAgri owns strategically located plantations and production facilities across the Indonesia archipelago. Our land bank is largely located in Sumatra and Kalimantan, of which over 268,725 hectares are planted. Oil palm is our dominant crop, followed by rubber, sugar cane, cocoa and tea. On the downstream, our refineries are strategically located at major cities in Jakarta, Surabaya, Medan and Bitung.

LEGEND

- Oil Palm
- Sugar Cane
- Rubber
- Cocoa
- Tea
- Refinery
- Sugar Mill
- Copra Mill
- Town / City

21
Palm Oil Mills

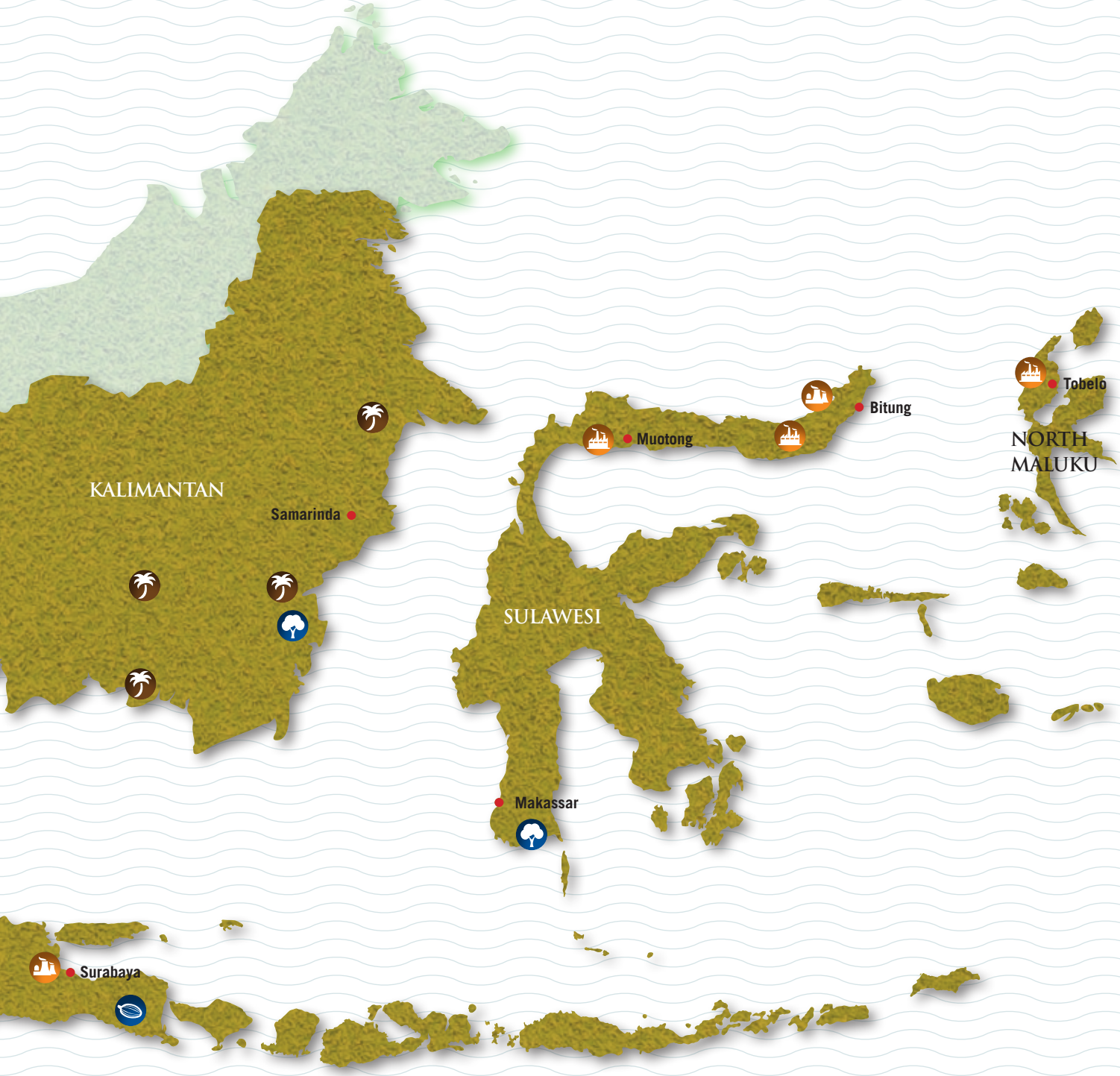
4.9M
Tonnes
FFB Processing Capacity

2
Sugar Mills & Refineries

2.2M
Tonnes
Sugar Cane Processing Capacity

5
CPO Refineries

1.4M
Tonnes
CPO Processing Capacity



Our Plantations

IndoAgri is one of Indonesia's largest plantation companies. Our planted acreage covers 268,725 hectares, including 230,919 hectares of oil palm, 21,802 hectares of rubber, 12,333 hectares of sugar cane and 3,671 hectares of other crops.

Chairman's Statement

Dear Shareholders,

Over the past decade or so, Indonesia has experienced the lowest volatility in economic growth compared to any advanced nations in the Organisation for Economic Cooperation and Development (OECD). As we put this annual report together, the domestic economy of Indonesia, Southeast Asia's largest, posted a 2012 GDP growth of 6.2%.

The GDP in 2012 fell short of the state's 6.5% growth target. Nonetheless, it is a reflection of how Indonesia's wealth of natural resources and substantial population bolsters its resilience as one of the fastest growing economies in the world.

Interestingly, McKinsey predicted Indonesia's economic growth is largely driven by domestic consumption, thanks to rapid urbanisation and rising per capita incomes. By 2030, when 90 million people are added to its consuming class, Indonesia is set to become the world's seventh-largest economy, supported by a doubling of its current 55 million skilled workers and accelerated workforce productivity. McKinsey estimated that the market for consumer services, agriculture and fisheries, resources, and education sectors to be valued at US$1.8 trillion.

As a large-scale Indonesian agribusiness with activities spanning from upstream production to downstream distribution, we are fortunate and extremely well positioned to leverage on our stake in the nation's inherent growth potential.

Driving Continued Expansion

Complementing the Group's expansion strategy in Indonesia, we took a decision on acquiring a 50% equity interest in Companhia Mineira de Açúcar e Álcool Participações (CMAA), a sugar and ethanol producer in Brazil. This acquisition is targeted to complete in the second quarter of 2013.

Brazil's position as the world's largest sugar producer and exporter and its competitiveness as the world's lowest cost sugar producer has much to do with modern agronomic practices. Government mandates on the mechanisation of sugar cane harvesting continue to drive Brazil's 25% share of the global production, while its export share is around 40% to 50%. It would be difficult anywhere else in the world to sustainably increase sugar production to meet the 2% annual growth in global sugar consumption.

Access to best sugar cane cultivation practices, coupled with knowledge and technology transfers, makes CMAA a compelling investment choice for IndoAgri. As we venture outside Indonesia, this will provide a strong basis for enhanced cost-competitiveness across the Group.

Increasing Sustainable Production and Growth

While a robust expansion strategy is integral to growth, Indonesian agribusinesses are constantly scrutinized for the effects of increasing their planted acreage on the environment. And despite the efficiencies of our vertically integrated operations for low-cost production, we are not shielded from commodity price fluctuations.

Hence, our strategies for sustainable growth and cost competitiveness are diligently accompanied by improved productivity, stronger agronomy practices, and better yields per hectare.

To achieve these objectives responsibly, our palm oil estates undergo rigorous audits as part of a Group commitment to sustainable farming and production. In 2012, we achieved RSPO certification for two estates and one palm oil mill in Riau. The endorsement adds 53,000 tonnes to IndoAgri's sustainable CPO production, bringing our total certified CPO output to 248,000 tonnes.

We see these efforts, together with our numerous community development initiatives, as ways of demonstrating corporate social responsibility while establishing sustainable win-win partnerships with our communities at large.

CEO's Statement

Bracing for Challenges

Indonesia, like other commodity exporters, felt the effects of a weaker global economy in 2012. While export volumes have risen, the Trade Ministry signals that their Rupiah value is likely to fall between 5-7% compared to 2011 as economic conditions push down commodity prices, to which 65% of Indonesia's exports are linked.

In November 2012, the Jakarta Remuneration Board announced a minimum wage of Rp2.2 million effective 2013, or a 44% jump from this year's Rp1.5 million. Intuitively, labour-intensive industries will be most heavily affected. We expect our mechanisation strategy to mitigate the full impact on our employment and production costs.

Notwithstanding, the Indonesian government has forecasted increases in 2013 foreign capital inflows in the range of 25% to 35%. All said, Indonesia will remain an attractive investment destination due to its solid pace of growth.

Proposed Dividends

For the year ended 31 December 2012, the Board has proposed a first and final (tax exempt) dividend of S$0.0085 per share.

Acknowledgements

It takes tremendous commitment to drive performance and surpass expectations in today's challenging business environment. For that, I would like to thank our staff, my fellow Directors and the Management team for a job well done. My gratitude also to our customers, partners and stakeholders for their continued confidence and support.

Mr Edward Lee
Chairman

Dear Shareholders,

The theme of this year's annual report, ***"Integrating Strengths, Cultivating Potential"***, encapsulates our key advantage as a vertically integrated agribusiness. With activities spanning the entire supply chain from "farm to fork", we enjoy critical economies of scale required to bolster competitiveness. Our strategy is supported by ongoing investments in R&D including our seed breeding programmes, and in particular, precision agriculture, now aided by technology improvements.

Historically, the trend for rising food prices is driven by global demands from growing nations. The UN Food and Agricultural Organisation global food price index climbed to a record in 2010 on account that global food outputs must increase by 70% by 2050 in order to feed a world population expected to grow from 7 billion to over 9 billion people – the equivalent of two Chinas. In fact, imminent growth trends require a 20% of that increase to be achieved by 2020. Together with growing affluence from developing economies, this underpins our expansion strategy for plantation and edible food operations, primarily concentrating on rain-fed agriculture.

A Challenging 2012 for Commodity Markets

Palm

In Europe, biodiesel off-take was significantly lower than forecasted. Higher seasonal production in the second half of the year and increasing palm oil stocks put significant pressure on palm oil prices since August 2012, creating unusually wide discounts relative to soya oil and other vegetable oils and fats. On a full year basis, CPO prices (CIF Rotterdam) averaged US$1,006 per tonne in 2012 compared to US$1,128 per tonne in 2011. This has impacted our 2012 financial results, given our sensitivity to CPO prices.

The long-term fundamentals for the palm oil industry are expected to remain positive with global demand supported by consumption growth from emerging Asian economies. Indonesia, for example, with its large population of 240 million people, is one of the largest palm oil consumers after China and India. We also expect Indonesia's thriving food and beverage industry to add to domestic demand for palm oil products.

Rubber

Global demand growth for rubber slowed down in 2012 due to the adverse global economy, aggravated by lower replacement tyre sales. After falling by over 15% since the beginning of 2012, rubber prices (RSS3 SICOM) stabilised in the second half of the year. On a full year basis, 2012 prices declined 30% to US$3,384 per tonne compared to US$4,824 per tonne in 2011, affecting especially our subsidiary Lonsum, which carries most of our rubber production.

The long-term outlook for rubber is supported by healthy demand from tyre-makers, automotive industries and rubber goods manufacturers in developing markets. China in particular, is expected to drive demand, given its large population and status as the world's largest natural rubber consumer, at approximately 35% of world natural rubber demand.

Sugar

Indonesia remains a net importer of sugar with over 50% of its domestic sugar demand fulfilled by imports. Sugar prices in Indonesia are relatively shielded from global fluctuations with government policies aimed at protecting the domestic industry and particularly, the smallholder farmers. Currently the domestic sugar price in Indonesia is above the international market as the government restricts imports when domestic prices fall below the mandated floor price of Rp8,100 per kilogram. In the near term, Indonesia will continue to rely heavily on sugar imports, despite the government's intentions for Indonesia to be self-sufficient.

Sugar prices on the London International Financial Futures and Options Exchange (LIFFE) fell to an average of US$588 per tonne compared to US$706 per tonne in 2011. Moving forward, the direction for the global sugar prices will be strongly influenced by production levels in Brazil, together with Brazilian government policies on ethanol.

2012 Financial Performance

Against these economic conditions, the Group reported consolidated revenue of Rp13.8 trillion, a 10% increase over last year's Rp12.6 trillion. The improved sales performance was achieved on the back of higher CPO sales volume and edible oils products to external parties as well as positive sales contribution from our sugar operation.

Profit from operations came in 28% lower at Rp2.7 trillion in 2012 mainly attributable to lower gross profit, higher operating expenses, lower foreign exchange gains and biological asset gains, as well as share of losses of an associated company of Rp36 billion.

2012 net profit after tax (NPAT) of Rp1.8 trillion fell 31% over 2011 mainly attributable to the reasons above, and higher finance expenses in 2012 relating to the non-capitalisation of interest expenses following the commencement of the Komering sugar mill/refinery operation in September 2011. Correspondingly, the Group's attributable profit of Rp1.1 trillion for 2012 represented a 30% decline over 2011.

Accelerating Expansion

Over the last 3 years we have invested Rp6.9 trillion (approximately S$880 million) in capital expenditure, over three times our depreciation charge of Rp2.1 trillion (S$260 million) for the period. The significant investment in organic growth is demonstrated by 54,000 hectares of immature oil palms as at 31 December 2012, which will deliver future volume growth.

The proposed acquisition of a 50% equity interest in Companhia Mineira de Açúcar e Álcool Participações (CMAA) targeted to complete in 2Q 2013 complements our strategic interests. CMAA produces raw sugar, as well as hydrous and anhydrous ethanol and also sells surplus electricity.

The Group's expansion into Brazil is an important step for business growth. From a benchmarking point of view, the acquisition will improve the cost and operational efficiencies of our sugar business as we apply knowledge and expertise acquired from the Brazilians as the lowest cost sugar producers in the world. From a technology perspective, the highly mechanised nature of the Brazilian sugar industry compels us to strengthen productivity in the domestic context, where cane harvesting remains a largely manual operation.

CMAA's state-of-the-art factory and advanced methodologies are ranked among the top 10% of 450 sugar factories in Brazil. Our partnership with CMAA gives us access to proven technologies and professional expertise required to operate more efficiently as a Group. Through knowledge and technology transfers, we aim to increase our mechanisation strategy as we drive operational improvements across our plantations in Indonesia.

Tapping into Technology Transfer

Our Brazilian sugar estate presents good prospects for growth. For one, its planted acreage of 34,000 hectares will be expanded to 45,000 hectares within 3 years. Approximately 50% of this acreage will come from third-party farmers, while 50% is planted by CMAA on lands leased from the original landowners.

The technology, knowledge and know-how that we bring back to Indonesia will enable us to consider further expansion in our Indonesian sugar operations in the medium term. Besides, our access to upstream processes at CMAA augurs well with our objectives for low cost production. Grasping the operations underlying the expansion of our Vale do Tijuco sugar mill from 3 million to 3.8 million tonnes will contribute positively to production efficiencies at the Group level.

Precision Agronomy for Sustainable Growth

With limited land for expansion coupled with increasing environmental concerns, yield improvements from current planted areas are a sustainable way to bridging widening food gaps, as well as keeping costs of production competitive. While our vertically integrated agribusiness model delivers on these long-term objectives, we aim to leverage precision agronomy as a means to greater efficiencies and better farming outcomes.

The pervasiveness of relatively inexpensive technology in the form of GPS systems and hand-held tracking devices will enable us to continue enhancing our block-by-block approach to monitoring and managing the health of our diverse plantations.

For IndoAgri, precision agronomy is in the imminent future, and we are looking at ways to narrow average yield variance for each 30-hectares block by engineering more specific strategies on fertiliser recommendations, pest control and disease management. Precision agronomy will enable us to secure the most profitable yield and keep a balanced nutrient input and output programme for sustainable growth.

Thriving on Rain-Fed Agriculture

Water is a critical resource for agriculture industries. Although 70% of the earth's surface is covered with water, drinking water constitutes less than 1% while agriculture and irrigation account for nearly 70% of the world's water demand. Compounding the scarcity of water resources are erratic weather conditions such as drought and excessive rainfalls, which can significantly reduce agricultural yields and impact annual supplies of agricultural products, in some cases materially so. Ample water supply, therefore, is a key consideration as we expand our agricultural footprint.

Across Indonesia, our plantations and estates thrive on rain-fed agriculture, thanks to their strategic locations around the equator, this will enable us to produce consistent yields for our agricultural crops.

Leveraging IT to Maximise Business Potential

Besides technology and improved mechanisation, we believe that IT platforms will empower us with tools for further advancement. I am pleased to report that the Group's migration onto the SAP platform will be completely rolled-out to all our plantations in 2013. With the implementation of an integrated software solution across our subsidiaries, refineries and diverse estates, we will be able to tap into real-time operational and agronomy data for better plantation management and results.

As the Group expands, our continued investments in integrated ERP platforms, as well as Management Operating Systems that can be accessed via the Internet, will equip us with professional tools for managing the business and the diverse facets of our supply chain operations.

Focussing on Sustainable Farming Practices

Our initiatives on precision agronomy and IT work in tandem with our commitment to sustainable agriculture, addressing the yield-improvement objective without relying on new land banks.

In 2012, PT SIMP was awarded RSPO certification for two estates and one palm oil mill in Riau. The endorsement adds 53,000 tonnes to IndoAgri's sustainable CPO production, bringing our total certified output to 248,000 tonnes or roughly 28% of the Group's total 2012 production and total planted palm area. We encourage all of our estates and palm oil mills to be RSPO certified, as this is the highest recognition for environmental compliance in the palm oil industry.

Investing in Skills Training

A qualified and productive workforce at IndoAgri is premised on strong engineering and agricultural skills. Building on our human capital development initiatives, we are adding two new training schools to complement our existing training facilities in Sumatra.

In 2013, we are also rolling out a new management development training programme, which aims to equip high-performing executives with management and leadership skills to perform more effectively in their roles. As part of succession planning, we are putting in place an initiative to identify specific individuals with the capability to take on greater responsibilities within the organisation.

In line with good corporate governance, we strengthened our Internal Audit, Enterprise Risk Management and Inspection frameworks so that these remain relevant in monitoring, reviewing and improving our control systems and outcomes.

Looking Ahead

Among other achievements, 2012 marks the first full season for our sugar factory in Komering (South Sumatra). With CMAA in our fold, we look forward to a stronger basis for sugar yield increases and expansion.

We continue to face cost pressures driven principally by rising wages and cost of inputs, of which fertiliser is the most significant. We are very conscientious of the resulting impact to our bottom line. Moving forward, an improved mechanisation strategy is one way to deal with inflationary pressures, combined with high standards of agricultural productivity and yields.

Appreciation

I take this opportunity to thank the Board of Directors for their leadership and guidance, and to pay a special tribute to our 37,201 employees who have rallied behind our strategies, turning them into tangible results. I am also grateful to our loyal suppliers, customers and business partners for their unfailing support.

Mr Mark Wakeford
Chief Executive Officer

Business Overview

IndoAgri is a diversified and vertically integrated agribusiness group poised to capture the value and benefits spanning the entire supply chain. Our robust business model is bolstered by a diversity of agricultural crops, competent R&D expertise and prudent business strategies, ensuring the latitude to seize growth opportunities in emerging markets.

IndoAgri is one of Indonesia's largest plantation companies. As at 31 December 2012, our planted acreage covers 268,725 hectares, including 230,919 hectares of oil palm, 21,802 hectares of rubber, 12,333 hectares of sugar cane and 3,671 hectares of other crops. To meet production capacities, the Group owns and operates twenty one palm oil mills, four crumb rubber processing facilities, three sheet rubber processing facilities, two sugar mills/refineries, one cocoa mill, one tea mill and five CPO refineries through its Plantation and Edible Oils & Fats Divisions.

Plantation Division is our dominant business unit, contributing over 85% to the Group's earnings.

Financial Highlights

Despite a challenging year with softer commodity prices for plantation crops, the Group posted positive sales growth with strong contribution from the sugar operation following the commencement of our first full season of sugar cane crushing in 2012. The Group reported consolidated revenue of Rp13.8 trillion, a 10% increase over last year's Rp12.6 trillion. The improved sales performance was achieved on the back of higher CPO sales volume and edible oils products to external parties as well as positive sales contribution from our sugar operation.

In line with lower average selling prices for plantation crops and higher cost of production, 2012 gross profit dipped by 10% from Rp4.6 trillion in 2011 to Rp4.2 trillion. The decline was partly negated by higher profit contribution from Edible Oils & Fats Division and sugar operations.

Profit from operations came in 28% lower at Rp2.7 trillion in 2012 mainly attributable to lower gross profit, higher operating expenses, lower foreign exchange gains and biological asset gains, as well as share of losses of an associated company of Rp36 billion. This gap was partly narrowed by certain one-off expenses incurred in 2011, including a Rp63 billion founder tax relating to the listing of SIMP, Rp19 billion in share transfer fees relating to a corporate restructuring and an impairment loss of Rp18 billion relating to a joint venture investment. Excluding biological asset gains, adjusted profit from operations would have been Rp2.7 trillion, down 21% against last year.

2012 net profit after tax (NPAT) of Rp1.8 trillion fell 31% over 2011 mainly attributable to the reasons above, and higher finance expenses in 2012 relating to the non-capitalisation of interest expenses following the commencement of the Komering sugar mill/refinery operation in September 2011.

The Group's attributable profit of Rp1.1 trillion for 2012 represented a 30% decline over 2011, reflecting principally the reasons above. Excluding biological asset gains, adjusted attributable profit would have declined 22% against last year.

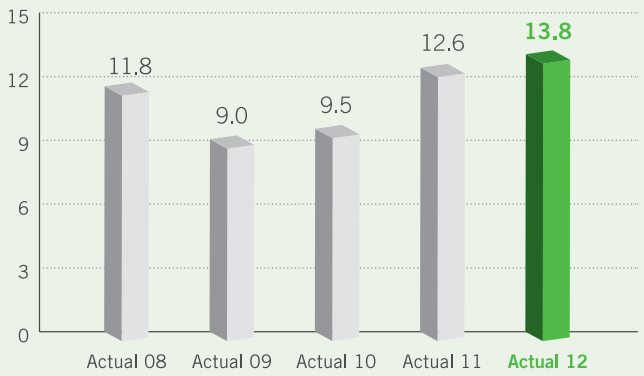
Operational Highlights

Plantation Division: Oil Palm

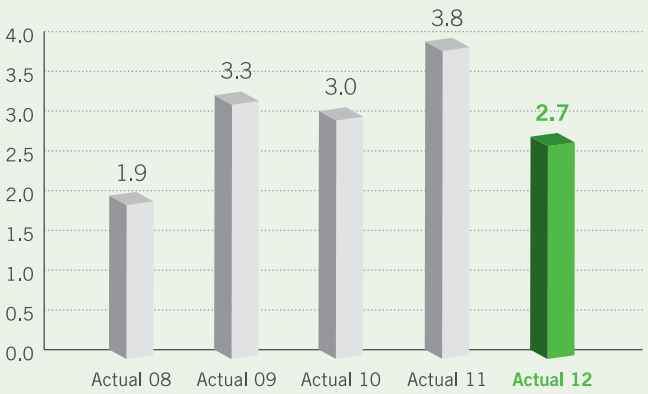
Oil palm remains our dominant crop, occupying 86% or 230,919 hectares of total planted area. In 2012, the Division achieved around 13,383 hectares of oil palm new planting, compared to 13,884 hectares in 2011.

With higher nucleus production and plasma purchases, we achieved 4,107,000 tonnes of FFB production in 2012, an 8% increase over last year's 3,797,000 tonnes. In line with this, CPO production grew by 5% from 838,000 tonnes to 880,000 tonnes in 2012.

Revenue
(Rp trillion)



Profit from Operations
(Rp trillion)



Two estates and one palm oil mill in Riau achieved RSPO certification for 53,000 tonnes of CPO in 2012. This brings the Group's total certified CPO production to approximately 248,000 tonnes (roughly 28% of 2012's total CPO output and total oil palm planted area).

Plantation Division: Sugar

In South Sumatra, we expanded our sugar cane estate from 12,255 to 12,333 hectares this year. This was the first full harvesting season for our sugar cane plantation in Komering, which started in May 2012. All harvested cane was processed internally at the new 8,000 TCD sugar mill and refinery with annual processing capacity of 1.44 million tonnes. In Central Java, our 3,000 TCD sugar mill and refinery was expanded to 4,000 TCD in 2Q2012. This has increased its annual sugar cane processing output from 540,000 tonnes to 720,000 tonnes.

Collectively, around 1.0 million tonnes of sugar cane was processed in-house in 2012.

Plantation Division: Rubber

As at 31 December 2012, our nucleus rubber estates occupy approximately 21,802 hectares. In 2012, our rubber production declined by 8% to 18,000 tonnes principally due to early wintering which affected the yield of our estates. The production decline was partly explained by lower purchases from plasma and third parties due to quality issues.

Edible Oils & Fats Division

This Division has a total annual CPO processing capacity of 1.4 million tonnes. In 2012, it processed approximately 836,000 tonnes of CPO (including 65% from our own plantations), a 2% increase over 2011.

Key Corporate Events

Acquisition of Equity Stake in Heliae

Through Lonsum's wholly owned subsidiary, Agri Investments Pte Ltd, we acquired a 26.4% equity stake in Heliae Technology Holdings, Inc. (Heliae), at a consideration of US$15 million on 1 May 2012.

Heliae specialises in the development of technology solutions for the commercial production of algae for food & feed, fertiliser, chemicals, pharmaceuticals, cosmetics and fuel.

Proposed Acquisition of CMAA

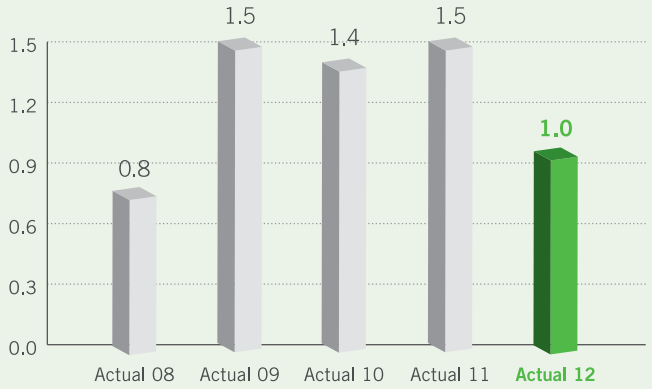
On 26 January 2013, the Company's wholly owned subsidiary IndoAgri Brazil entered into an agreement to acquire a 50% shareholding interest in Companhia Mineira de Açúcar e Álcool Participações (CMAA) in Brazil. This proposed acquisition is expected to be completed in 2Q 2013.

Brazil is a leader in the global sugar and ethanol industry due to its unique advantages, such as productivity, favourable climate and abundant land for future expansion. This acquisition will enable the Group to expand its geographical presence into the sugar and ethanol industry in Brazil, as well as strengthen the Group's diversified plantation business model.

CMAA was established in 2006 in Brazil and is principally engaged in the cultivation and processing of sugar cane for the production and marketing of ethanol and sugar, as well as co-generation of electric power from sugar cane bagasse. Currently, CMAA operates one mill in Vale do Tijuco with a total crushing capacity of 3 million tonnes per year, which was completed in 2011 and can be expanded to 3.8 million tonnes.

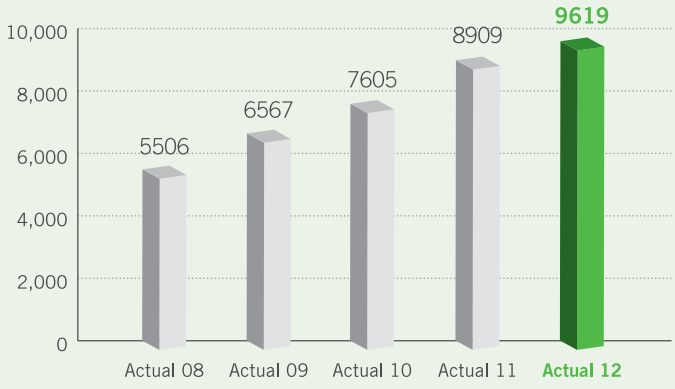
Net Profit to Equity Holders

(Rp trillion)



NAV per Share

(Rp)



Financial Highlights

In billion Rupiah (unless otherwise stated)	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual
Net Sales	11,840	9,040	9,484	12,605	**13,845**
Gross Profit	4,129	3,225	3,750	4,601	**4,164**
Gain/(Loss) Arising from Changes in Fair Values of Biological Assets	(947)	623	309	425	**56**
Operating Income	1,864	3,264	3,026	3,777	**2,708**
Net Profit	1,067	2,053	1,906	2,641	**1,819**
Net Profit to Equity Holders	795	1,527	1,402	1,490	**1,049**
EPS (in Rupiah)	550	1,061	974	1,031	**730**
Current Assets	4,294	3,837	6,118	9,437	**8,318**
Fixed Assets	12,529	15,183	17,244	18,860	**21,047**
Other Assets	4,040	4,628	4,827	4,910	**5,447**
Total Assets	20,863	23,648	28,189	33,207	**34,811**
Current Liabilities	3,826	2,925	4,125	4,792	**4,609**
Non-Current Liabilities	6,061	7,743	8,363	6,974	**7,374**
Total Liabilities	9,887	10,669	12,488	11,766	**11,983**
Shareholders' Equity	7,922	9,449	11,010	12,819	**13,796**
Total Equity	10,976	12,979	15,700	21,441	**22,829**
Net Working Capital	468	912	1,992	4,645	**3,709**
In Percentage (%)					
Sales Growth	82.0%	(23.6%)	4.9%	32.9%	**9.8%**
Gross Profit Margin	34.9%	35.7%	39.5%	36.5%	**30.1%**
Operating Profit Margin	15.7%	36.1%	31.6%	30.0%	**19.6%**
Net Profit Margin	9.0%	22.7%	20.1%	21.0%	**13.1%**
Net Profit to Equity Holders Margin	6.7%	16.9%	14.8%	11.8%	**7.6%**
Return on Assets[1]	8.9%	13.8%	10.6%	11.4%	**7.8%**
Return on Equity[2]	10.0%	16.2%	12.7%	11.6%	**7.6%**
Current Ratio (times)	1.1	1.3	1.5	2.0	**1.8**
Net Debt to Equity Ratio (times)[3]	0.35	0.40	0.30	0.03	**0.07**
Total Debt to Total Assets Ratio (times)	0.30	0.29	0.30	0.22	**0.19**

1 Profit from operations divided by total assets

2 Net profit to equity holders divided by shareholders' equity

3 Net debt divided by total equity

Operational Highlights

In Hectares (unless otherwise stated)	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual
Planted Area – Nucleus					
Oil Palm	183,113	193,613	205,064	216,837	**230,919**
Mature	124,169	132,560	155,400	158,163	**176,105**
Immature	58,944	61,053	49,664	58,674	**54,814**
Rubber	22,410	21,738	22,028	22,185	**21,802**
Mature	17,873	17,263	17,556	17,745	**17,507**
Immature	4,537	4,475	4,472	4,440	**4,295**
Sugar	4,174	8,672	11,302	12,255	**12,333**
Mature	2,567	4,024	8,785	11,302	**12,255**
Immature	1,607	4,648	2,517	953	**78**
Others	3,631	3,698	3,713	3,712	**3,671**
Mature	2,870	2,971	3,198	3,364	**3,227**
Immature	761	727	515	348	**444**
Plasma (Oil Palm and Rubber)	76,472	76,851	81,500	85,719	**87,009**
Age Maturity of Oil Palm Trees					
Immature	58,944	61,053	49,664	58,674	**54,814**
4–6 years	12,332	19,559	39,010	35,750	**42,803**
7–20 years	82,008	73,262	71,443	73,150	**80,412**
Above 20 years	29,829	39,739	44,947	49,263	**52,890**
Total	183,113	193,613	205,064	216,837	**230,919**
Distribution of Planted Areas-Nucleus					
Riau	57,003	56,782	57,025	56,379	**57,025**
North Sumatra	40,506	40,463	40,502	39,333	**39,360**
South Sumatra	61,254	71,385	77,380	82,720	**87,160**
West Kalimantan	21,758	21,878	24,900	27,250	**28,493**
East Kalimantan	24,478	28,120	32,880	36,744	**42,026**
Central Kalimantan	–	725	1,007	4,022	**6,128**
Java	2,795	2,860	2,861	2,870	**2,864**
Sulawesi	5,534	5,508	5,552	5,671	**5,669**
Total	213,328	227,721	242,107	254,989	**268,725**
Production Volume ('000 Metric Tons)					
Nucleus Fresh Fruit Bunch (FFB)	2,496	2,613	2,564	2,797	**2,973**
Processed Fresh Fruit Bunch	3,160	3,346	3,313	3,786	**4,054**
Crude Palm Oil (CPO)	714	763	740	838	**880**
Palm Kernel	166	181	175	195	**207**
Rubber	26	26	25	19	**18**
Sugar	–	9	10	20	**60**
Sales Volume ('000 Metric Tons)					
Crude Palm Oil (CPO)*	730	759	728	829	**829**
Palm Kernel	161	179	173	193	**202**
Rubber	26	25	22	17	**17**
Sugar	–	4	28	29	**62**
Oil Palm Seeds ('million)	18	5	17	23	**25**
Cooking oil, Margarine, Shortening & CNO	693	642	683	772	**808**

* Sales to external and internal parties

Research & Development

Plantations

Oil Palm Seed Breeding

Palm Oil Mills

Finished Products

Distribution

Our Integrated Business Model

IndoAgri is a diversified and vertically integrated agribusiness group poised to capture the value and benefits spanning the entire supply chain.

Refineries

Plantation Review
Palm & Rubber

Overview

The Plantation Division engages principally in the cultivation of oil palms and derives its revenue primarily from the sale of crude palm oil (CPO), palm kernel (PK) and related by-products. As a diversified business, we also cultivate sugar cane, rubber and other crops. As at 31 December 2012, our estates comprised approximately 268,725 hectares of planted crops. Oil palm, our dominant crop, occupies 230,919 hectares or 86% of total planted area, followed by 21,802 hectares of rubber and 12,333 hectares of sugar cane estate. We also manage approximately 83,000 hectares of oil palm estate under the government's plasma programme

The Division has an annual processing capacity of 4.9 million tonnes of FFB spread across its twenty one palm oil mills in Sumatra and Kalimantan. We also operate four crumb rubber processing facilities, three sheet rubber processing facilities, two sugar mills and refineries, a cocoa factory and a tea factory.

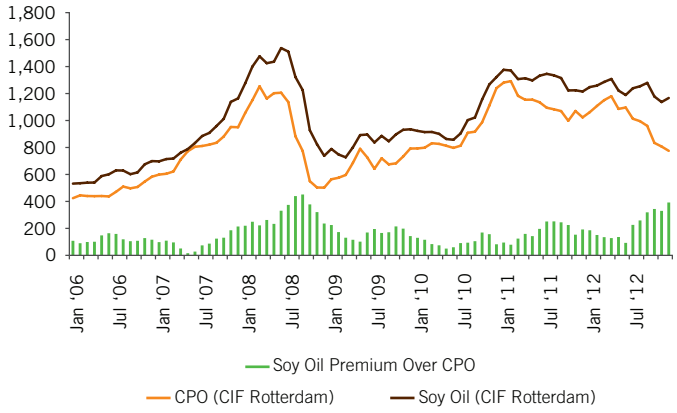
Our position as one of Indonesia's largest palm oil seed producers is supported by continued research. In 2012, the Division produced 28.6 million premium seeds through the advanced seed breeding programmes and cultivation techniques put in place to improve the quality and output of our oil palm estates. Our advanced research and development facilities are located in Bah Lias, North Sumatra (SumBio) and Pekanbaru, Riau (PT SAIN).

In alignment with the Group's objective of sustainable low-cost production, this Division's primary aim is to maximise yield per hectare and reduce costs through best agronomy and crop protection practices. This is achieved through the following initiatives:

- Conducting detailed block-by-block analyses to provide our estates with the best recommendations on crop management and planting densities, fertiliser and herbicide usage, as well as predictions on yields and oil extraction rates.
- Creating optimal crop management and harvesting practices to maximise production and collection of FFB.
- Optimising biological methods to improve pest and palm tree disease control.
- Pursuing mechanisation at our plantations to increase efficiency and reduce costs.
- Fully exploiting the use of organic fertilisers and all by-products while reducing reliance on inorganic fertilisers.

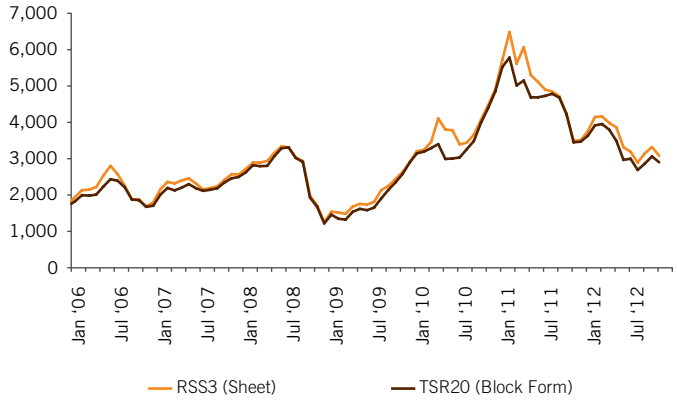
CPO vs Soy Oil Price

US$ / tonne

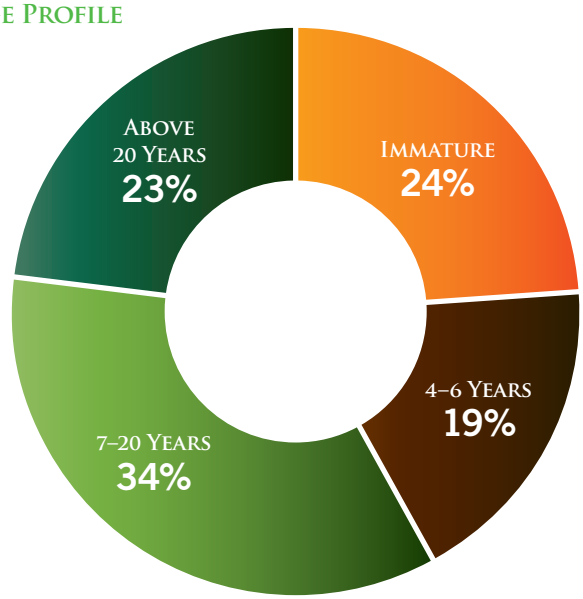


Rubber Price

US$ / tonne



Oil Palm Plantation Age Profile



2012 Review

A slowdown in the global economy, particularly in Europe and China, weighed down on commodity markets in 2012. In Europe, biodiesel off-take was significantly lower than forecasted. Coupled with higher seasonal production in the second half of the year, increased palm oil stocks have put significant pressure on palm prices since August 2012, creating unusually wide discounts relative to soya oil and other vegetable oils & fats. On a full year basis, CPO prices (CIF Rotterdam) averaged US$1,006 per tonne in 2012 compared to US$1,128 per tonne in 2011. The decline in market prices for PK and rubber were even sharper compared to palm.

Plantation Division's 2012 total revenue came in close to last year at Rp8.4 trillion, reflecting principally the combined effects of lower average selling prices of plantation crops and lower internal CPO sales to the Group's refineries at market price. This was offset by higher sales contribution from sugar products following the commencement of our first full year of sugar cane crushing operations.

Palm

In 2012, the Division achieved nucleus oil plam new planting of 13,383 hectares in its South Sumatra and Kalimantan estates, compared to 13,884 hectares in 2011. As at year-end, mature estates occupied 176,105 hectares, compared to 158,163 hectares in 2011, while immature estates occupied 54,814 hectares or 24% of total planted palm area. The average age of our oil palm trees is about 12 years. We expect our immature palms to boost CPO production and contribute to continuous volume growth as they approach their productive and peak production stages in the next few years.

With higher nucleus production and plasma purchases, we achieved 4,107,000 tonnes of FFB production in 2012, an 8% increase over last year's 3,797,000 tonnes. In line with higher FFB outputs, CPO production grew by 5% from 838,000 tonnes to 880,000 tonnes in 2012. Oil extraction rates declined slightly to 21.7% versus 22.1% in 2011. Internal CPO sales to the Edible Oils & Fats Division reduced by 15% to 548,000 tonnes from 646,000 tonnes in 2011 as the purchase of external CPO from Kalimantan estates lowered transportation costs.

A positive development for this Division in 2012 was the attainment of RSPO certification for 53,000 tonnes of CPO at two estates and one oil palm mill in Riau. This brings the Group's total certified CPO production to approximately 248,000 tonnes (roughly 28% of 2012's total CPO output and total planted palm area), demonstrating our continued commitment to sustainable agriculture.

Rubber

The Division's rubber estates are spread across North and South Sumatra, East Kalimantan and Sulawesi. Our nucleus rubber estates occupy 21,802 hectares, of which 20% are immature. The average age of our rubber trees is about 14 years old. About 865 hectares of our old rubber estates were replanted in 2012.

During the year, global demand growth for rubber was weakened due to the adverse global economy, aggravated by lower replacement tyre sales. After falling by over 15% since the beginning of 2012, rubber prices (RSS3 SICOM) stabilised in the second half of the year. On a full year basis, 2012 prices remained significantly lower at US$3,384 per tonne compared to US$4,824 per tonne in 2011. This directly affected our 2012 rubber sales and earnings, particularly for our main subsidiary, Lonsum, which owns the majority of our rubber estates.

The Division's rubber production declined 8% to 18,000 tonnes this year due to the combined effects of early wintering and lower purchases from third parties. Crumb rubber, rubber sheet and cup lump were among its key products.

In 2012, exports to Singapore and the United States accounted for 80% of the Group's rubber sales, while the balance was sold domestically in Indonesia.

2013 Outlook

Palm

The outlook for the palm oil industry is expected to remain positive as global demand is likely to be supported by consumption growth from emerging Asian economies like India and China, coupled with demand for biodiesel driven by government mandates from Europe, Brazil and Argentina. Bolstered by its large population of 240 million people, Indonesia has become one of the largest consumers of palm oil after China and India. We also expect Indonesia's thriving food and beverage industry to sustain domestic demand for palm oil products.

Looking ahead, our CPO production growth will be supported by younger estates, as nearly 43% of our total oil palm planted area has not reached peak maturity yields. We will continue to build scale by expanding our oil palm acreage through approximately 10,000 to 15,000 hectares of new plantings in 2013 in order to sustain production outputs.

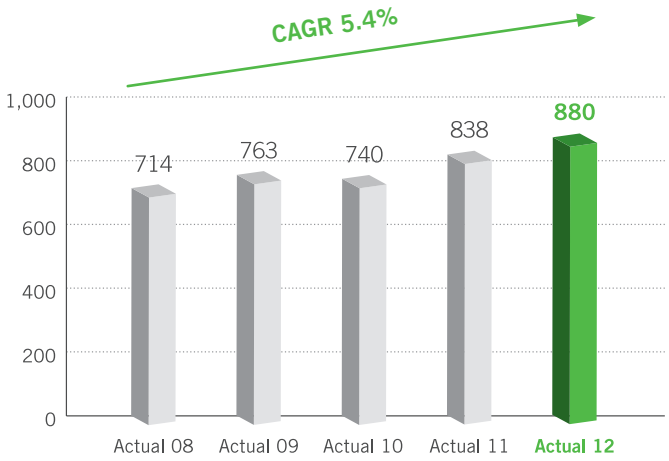
In line with expected growth in FFB production from newly matured areas, we are constructing two palm oil mills in 2013 with FFB processing capacities of 45 tonnes per hour in East Kalimantan and 80 tonnes per hour in South Sumatra respectively. We are also planning to construct two more palm oil mills with processing capacities ranging from 30 to 45 tonnes per hour in 2014. In addition, we will be expanding two existing mills in 2013 as well as building a new bulking station with a storage capacity of 5,000 tonnes in Kalimantan.

Rubber

The long-term outlook for rubber remains upbeat, supported by healthy demand from tyre-makers, automotive industries and rubber goods manufacturers in developing markets. China in particular, is expected to contribute strongly to this demand, given its large population and status as the world's largest natural rubber consumer.

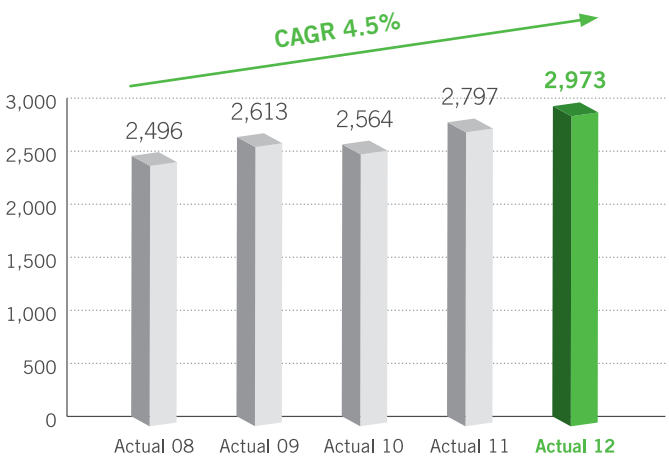
CPO Production

'000 mt



FFB production (nucleus)

'000 mt



Plantation Review
Sugar

During the year in review, the Division achieved revenue of Rp625 billion in sugar and molasses sales, a 125% increase compared to Rp277 billion in 2011.

Overview

The Division diversified into sugar cane cultivation and production in 2008 as a key strategy for business expansion, driven by significant shortfalls in domestic sugar production. In Indonesia, our investment prospects are strengthened by positive drivers such as population growth, the rapid development of processed food and beverage industries, and the expansion of sugar-based industries such as ethanol processing which utilises molasses as a basic raw material.

As at end-2012, Indonesia remains a net sugar importer, a situation expected to continue in the foreseeable future. Dry weather conditions during the growing season have led to lower cane yields and a slow down in new plantings. According to the Dewan Gula Indonesia, total domestic sugar production from home-grown sugar cane in 2012 was 2.59 million tonnes compared to 2.23 million tonnes in 2011. Nonetheless, the shortfall in domestic sugar production amounted to approximately 2.64 million tonnes, representing about 50% of Indonesia's total domestic sugar demand.

In 2012, international sugar prices sustained pressure from a sizeable global sugar production surplus in 2011/12 and the deteriorating outlook of the global economy. Sugar prices on the London International Financial Futures and Options Exchange (LIFFE) showed a downward trend in 2012 to an average of US$588 per tonne compared to US$706 per tonne in 2011. Moving forward, the direction for the global sugar prices will be strongly influenced by production levels in Brazil, together with the Brazilian government policies on ethanol.

Sugar prices in Indonesia are relatively shielded from global fluctuations, with government policies aimed at protecting the domestic industry and particularly the smallholder farmers. The government strictly regulates sugar production and trade. Raw sugar import quotas are permitted only to licensed refineries producing exclusively for the food and beverage industry. Sugar from local plantations caters primary to the retail consumer market. When necessary, the government permits sugar mills to import and process raw sugar provided outputs are used to address domestic production shortfalls. The government-mandated floor price per kilogram for sugar increased by 8% to Rp8,100 in 2012 from Rp7,500 in 2011.

2012 Review

During the year in review, the Division achieved revenue of Rp625 billion in sugar and molasses sales, a 125% increase compared to Rp277 billion in 2011. We expect the contribution to improve further when estate expansions and new plantings are ready to supplement output levels.

The Division owns and operates two sugar mills and refineries located in South Sumatra and Central Java, processing cane harvested from our own estates and cane supplies from third-party farmers, respectively.

- In South Sumatra, our 8,000 TCD sugar mill and refinery in Komering with an annual sugar cane processing capacity of 1.44 million tonnes was fully operational during the harvesting season in 2012. We harvested 588,000 tonnes of sugar cane in 2012 compared to 420,000 tonnes in 2011, producing 49,300 tonnes of sugar primarily in the form of 50-kilogram packs, which were sold to the domestic market. Although our sugar extraction rates were lower than normal due to the extended commissioning process of the new factory, we expect this to increase in 2013.

  The acreage for planted sugar cane in South Sumatra was expanded to 12,333 hectares in 2012 from 12,255 hectares in 2011.

- In Central Java, our 3,000 TCD sugar mill and refinery was expanded to 4,000 TCD in mid-2012 to meet increased cane supplies from around 7,000 hectares (versus 6,000 hectares in 2011) belonging to over 700 local farmers. As a result, annual sugar cane processing capacity was increased from 540,000 tonnes in 2011 to 720,000 tonnes in 2012.

We have a win-win strategy with our local smallholders by way of supply contracts – an arrangement where we offer credit for seed cane, planting costs and fertiliser purchases with repayment being deducted from their sales proceeds. In addition, we work in partnership with the smallholders to provide them agricultural advice to increase their yields and productivity.

The Java facility processed 419,000 tonnes of harvested sugar cane in 2012, a 26% increase over 332,000 tonnes in 2011. Total sugar production was 31,000 tonnes in 2012 compared to 23,000 tonnes in 2011. The Group's share of the sugar was 11,100 tonnes in 2012 compared to 8,800 tonnes in 2011.

2013 Outlook

The sugar industry in Indonesia is expected to grow in 2013 given the strong domestic demand. The government promotes the revitalisation of the industry through various intervention efforts targeted at increasing the production capacity of sugar factories, enhancing the productivity and yield of sugar cane and encouraging the expansion of sugar cane plantations to make Indonesia self sufficient in sugar production and processing. However, in the near term, Indonesia will continue to rely heavily on sugar imports.

Our sugar business is safeguarded by various government policies and price regulations. Currently, the domestic sugar price in Indonesia is above the international market, and our interests are protected by import quotas.

Our new 8,000 TCD sugar factory in South Sumatra will enable us to ramp-up production and achieve the vertical integration required for full-scale operations and growth. We will also step-up our sugar cane planting programme in order to reach an aggregate targeted planted area of 18,000 hectares in order to fully utilise our facility.

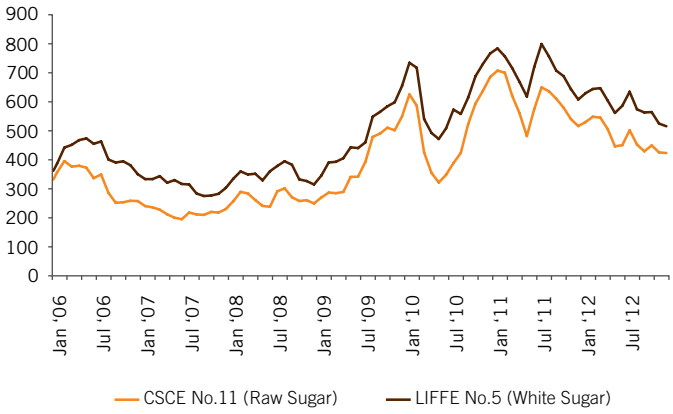
We are investing in the research of new generation seed cane varieties to improve yields, while fertiliser response trials have provided clear results on optimal fertiliser regimes. These initiatives, together with our large-scale plantation management experience, will enable us to progressively streamline operations and achieve better yields and profitability.

Overseas Expansion

On 26 January 2013, the Group announced a geographical expansion into the sugar and ethanol industry in Brazil with the proposed acquisition of a 50% equity stake in Companhia Mineira de Açúcar e Álcool Participações (CMAA). Established in Brazil since 2006, CMMA is principally engaged in the cultivation and processing of sugar cane for the production and marketing of ethanol and sugar, as well as co-generation of electric power from sugar cane bagasse. Currently CMAA operates one mill in Vale do Tijuco with a total crushing capacity of 3 million tonnes per year, which was completed in 2011 and can be expanded to 3.8 million tonnes, with minimal additional investment. This proposed acquisition is expected to be completed by the second quarter of 2013.

Sugar Prices

US$ / tonne



Manufacturing Process for Sugar

Cane Handling & Milling

Bagasse

Boiler

Juice Clarification & Evaporation

Filter Cake

Sugar Boiling & Curing

Final Molasses

Sugar Drying & Handling

Finished Sugar Product

End Customers

Plantation Review
R&D

Our R&D capabilities are also applied to product development – we have an extensive R&D facility for our range of cooking oils, margarine and shortening products.

Overview

Research and development (R&D) is a critical aspect of our operations. Supporting R&D means we consistently develop solutions that reduce production constraints, increase yield potentials and crop resilience, while improving management practices. The benefits are manifold. Aside from sharpening our competitiveness as a low-cost producer, R&D enhances environmental sustainability and maximises our profits in the long run.

The Group's R&D activities are centred on five key areas:

- **Plant breeding:** The development of top quality seed and planting materials through traditional and advanced breeding methods, a diverse germ-plasm base and biotechnology, supported by field trials that test progenies across a range of planting environments.

- **Soils:** Detailed soil survey maps that support site-specific, agronomic block management.

- **Agronomy:** Precision soil management and crop cultivation techniques that provide our estates with optimal recommendations on crop management and planting densities, providing insight for yield forecasts and block-by-block fertiliser and herbicide usage.

- **Crop protection:** The development of integrated pest management and biological pest control systems to minimise crop losses and to monitor, prevent and eradicate pests and diseases.

- **Data capture, management and analysis:** GPS surveys and remote sensing technology enable detailed 2D and 3D topographic maps, while Geographic Information System (GIS) tools provide analysis and troubleshooting to ensure optimum plantation management. An integrated, real-time software system provides visibility of data across subsidiaries, refineries and plantations.

Modern laboratories, comprehensive facilities and a strong R&D heritage have equipped the Group to perform extensive research in soil conservation, plant breeding, tissue culture, soil science, plant nutrition and biological crop protection / entomology / pathology. The aim is to continuously maximise the productivity of seed breeding and cultivation using methodological frameworks for farming operations, ensuring best practices in plantation management.

The Group operates its R&D activities out of two advanced agricultural research centres: Sumatra Bioscience (SumBio) in Bah Lias, North Sumatra, and PT SAIN in Pekanbaru, Riau.

Plantation Review
R&D (Cont'd)

SumBio has a long history and is well known as a premier oil palm seed producer in Indonesia, commanding the highest price for its seeds in the market. Each year, SumBio produces up to 25 million superior and high-yielding oil palm seeds, sold at a premium price of US$1.50 per seed in the market. PT SAIN produces up to 8 million seeds per year. Since the attainment of an official seed producer certification in 2011, PT SAIN has boosted the Group's sales capacity by up to 33 million high-quality seeds per annum.

Our R&D capabilities are also applied to product development – we have an extensive R&D facility for our range of cooking oils, margarine and shortening products. We are continually looking at ways to develop our range of merchandise by meeting the specific formulations and requirements of our industrial customers and retail consumers.

Our R&D activities for sustainability cover:

- **Fertilisers recommendations**: Specific formulations are prepared annually for each block on the basis of yield targets and yield statistics, annual foliar analysis, established yield response curves from relevant fertiliser trials and predicted nutrients release from soils and plant residues, to maintain optimum palm nutrition and plantation sustainability.

- **Organic fertilisers:** We are continually optimising the use of mill effluent and by-products as organic fertilisers. In Riau, we have been using empty fruit bunches (EFB) as soil mulch since the mid-nineties. This, along with the use of palm oil mill effluent (POME) in land application, has reduced our need for inorganic fertilisers by 14% annually. We are also moving towards the co-composting of EFB and POME, which has the potential to replace up to 30% of inorganic fertiliser use per year.

- **Integrated pest management:** Biological pest control agents have helped us achieve effective pest and disease control. Barn owls as a rat-control measure have been extremely effective in our Riau estates, where we have had a zero-rodenticide practice since 2001. Around 10,000 new birds are bred annually at 2,500 nest boxes distributed throughout the estates. We are expanding the use of barn owls to other estates, which in turn will reduce rodenticide use across all plantations.

2012 Review

Increased high-yield seed sales: The Group produced 32.3 million and 28.6 million high-yielding oil palm seeds in 2011 and 2012 respectively. Part of the high-yielding planting seed material were for the Group's new planting of 13,884 hectares and replanting of 941 hectares during the year, which required approximately 200 oil palm seeds for a hectare of land. Most of our high-quality seeds are sold to external parties, generating additional revenue and profitability for the Group. In 2012, sales of oil palm seeds grew 5% from 23.5 million seeds to 24.7 million seeds, as a result of successful breeding programmes and steady industrial demand.

Real-time responsiveness: With the aid of aerial photography, satellite technology and Geographic Information System (GIS) tools, we continued to monitor plantation blocks and draw real-time, accurate information concerning the health condition of our crops. This has improved our deployment of manpower, and allowed us to prevent rather than react to potential agronomic issues.

Improved processing: We leveraged R&D to enhance and develop new products catering to different customer needs. A speciality fats simulation laboratory has increased the Edible Oils & Fats Division's ability to:

- Improve the quality and consistency of its products;
- Develop specialty fat products for use in cakes, bread, confectioneries and other bakery products; and
- Develop new packaging materials and designs to reduce costs.

2013 Outlook

In 2013, we expect the demand for premium, high-yielding seeds to increase as a result of growing dependency on palm oil and palm oil products, as well as major Indonesian planters carrying out new plantings.

This spurs us to take holistic, best-practice plantation management several steps further. In the year ahead, we are focused on higher mechanisation in order to drive productivity levels, and the improved use of technology, including the deployment of hand-held tracking devices, which will enable effective data capture and management at every node of the value chain.

At our plantations, we expect to improve yields and yield forecasts with precision agronomy. At the same time, an integrated, real-time software system will help us gain visibility into data across subsidiaries, refineries and plantations; while continued investment into Enterprise Resource Planning (ERP) systems will better equip us with professional tools for managing our diverse operations.

We are starting the use of UAV (unmanned aerial vehicles) as a platform to take visual as well as near infrared (NIR) and IR photography of crop biomass and conditions. The objective is to make reliable estimates of leaf area for forecasting yields and to monitor plant health status.

Detailed soil fertility mapping will help characterise physicochemical properties across different breeding environments, enabling site-specific fertility management to produce the maximum economic crop response.

Further specific strategies include pest control and disease management, as well as precision agronomy through improved strategies for crop management, planting densities, fertiliser and herbicide usage, will enable us to secure the most profitable yield and keep a balanced nutrient input and output programme for sustainable growth.

We believe our investments will yield benefits through higher FFB and oil yields per hectare, while reducing production costs and maximising long-run profits. For our Edible Oils & Fats Division, continued investment in R&D will ensure that our products meet evolving customer requirements.

Edible Oils & Fats Review

Edible Oils & Fats Division reported total revenue of Rp9.6 trillion in 2012, representing a 5% growth over 2011 mainly attributable to higher sales of cooking oil and copra-based products.

Overview

The Edible Oils & Fats (EOF) Division manufactures and markets IndoAgri's downstream products locally and overseas. These include cooking oils, margarine, shortening, crude coconut oil (CNO) and other by-products derived from oil palm refining, fractionation and crushed copra. The Division operates five advantageously located refineries with a combined CPO processing capacity of 1.4 million tonnes per year.

Our *Bimoli, Bimoli Spesial, Delima,* and *Happy Salad Oil* range of cooking oils are leading brands in the Indonesian market, together with our margarine and shortening which are sold under the *Simas, Palmia, Simas Palmia, Amanda* and *Malinda* brands. According to market research, we are one of few major players dominating Indonesia's consumer market for branded cooking oils and margarine.

In 2012, our branded products accounted for over half of the Division's revenue, while the balance was derived from sales to industrial customers and third-party brands. Our industrial pack cooking oil is mainly sold to the Indofood Group and other industrial food manufacturers, while our industrial pack margarine and shortening are marketed under our own brands to confectioneries, bakeries and other food manufacturers.

Given the nature of our vertically integrated agribusiness, our CPO raw materials are mostly supplied internally. We also leverage the distribution channels of our parent company to supplement our market penetration efforts. Together, our products are sold through direct channels as well as local and national distributors serving approximately 326,000 retail outlets across Indonesia. This gives us both a deep penetration in the Indonesian market, and also a clear understanding of consumer buying patterns.

We have attained a Platinum level at the Indonesia Best Brand Award from 2002 to 2012, and Diamond level for the Indonesia Customer Satisfaction Award from 2000 to 2012.

2012 Review

The EOF Division reported total revenue of Rp9.6 trillion in 2012, representing a 5% growth over 2011 mainly attributable to higher sales of cooking oil and copra-based products. In 2012, the Division processed approximately 836,000 tonnes of CPO (including 65% from our own plantations), a 2% increase over 2011.

Supported by higher refining capacities and increased demand, the Division's 2012 sales volume for edible oil products (which comprises cooking oil, margarine and crude coconut oil) grew 5% over 2011 to 808,000 tonnes.

In terms of sales contribution, this Division accounted for 69% and 72% of the Group's total external sales in 2012 and 2011 respectively. In 2012, 87% of our EOF revenue was derived in Indonesia, while the balance was derived from exports to 35 countries, including the United States, China, Netherlands, Singapore, Italy, Nigeria, Spain, East Timor, Philippines and South Korea.

In 1Q2012, we successfully completed the construction of margarine, bottling, warehousing and research and development facilities at the Tanjung Priok refinery. The additional capacities, coupled with their logistically advantageous location, are in line with the growth strategy for our cooking oil and margarine business.

As part of our strategy to capture greater value across the entire supply chain and to lower operating costs, the Division invested in four new tugboats and barges to supplement its existing fleet of three tugboats and barges, which were acquired in 2011. With a capacity of 5,000 tonnes each, the new vessels will reduce our reliance on third-parties when transporting CPO to our refineries.

2013 Outlook

In 2013, we expect to further utilise our downstream production by enhancing the Division's output and specialty fats production capability to meet rising demands.

Our integrated agribusiness model has provided us with significant economies of scale and cost advantages, which will, in turn, increase our competitiveness. In particular, the EOF Division bolsters our ability to weather short-term downturns in CPO demands as CPO can be processed into refined form with a longer shelf life.

Growth trends are increasing influenced by changing consumer habits and aggressive suburban markets. As modern mini-marts replace traditional markets in the provision of daily necessities, consumers are confronted with increasingly wider selections of branded products.

Anticipating demands, Bimoli will launch 250 ml and 500 ml refill packs in 2013 targeted at novice users of branded cooking oil. These new products will be sold both in traditional and modern markets, including mini-marts and discount stores.

We expect the demand for palm oil products to be well supported by Indonesia's fast-expanding food and beverage industry and population growth. In return, we will sharpen our advertising and promotional strategies to improve brand awareness. We will also enhance after-sales services, heighten product visibility and focus on high-end distribution outlets to take advantage of their rapid growth in Indonesia.

Manufacturing Process for Edible Oils and Fats

Fresh palm Fruit Bunches

Milling → Empty Fruit Bunches and By Products

Crude Palm Oil → Refining → RBD Palm Oil → Fractionating & Filtration

Palm Kernel → Crushing → Palm Kernel Meal; Crude Palm Kernel Oil

Refining → Palm Fatty Acid Distillate

Fractionating & Filtration → RBD Palm Stearin; Lauric Oil; RBD Palm Olein → Packaging → Cooking Oil

Margarine Plant

Blending ← Flavouring & Vitamins → Blending

Mixing Tank ← Water & Salt → Mixing Tank

Nitrogen Gas → Chilling

Chilling → Packaging → Shortening

Packaging → Margarine

Bimoli Kesempurnaan Minyak Goreng

PALMIA Margarine & Shortening Specialist

Simas PALMIA Margarin Serbaguna

Environment & CSR

At IndoAgri, we consider it our business to integrate community and environmental priorities into our day-to-day operations.

In doing so, we create shared value for both our company and the communities in which we work, advancing socio-economic conditions while conscientiously embedding environmental stewardship into all facets of the organisation.

Our corporate sustainability practices can be summed up under three key thrusts:

- Engaging and Transforming Communities
- Responsible Employment
- Environmental Stewardship

These serve as a guide to our day-to-day operations, providing both short-term benefits while driving broader, lasting changes that strengthen, enable and empower.

Our Corporate Sustainability Policy

Our corporate sustainability policy outlines clear objectives that have successfully driven a symbiotic relationship between internal and external stakeholders, as well as the environment. The Group advocates transparency and ensures that this policy is documented, reviewed and communicated to all employees, and implemented via targeted action plans.

- To comply with all governmental laws and regulations relating to the company's operation.
- To provide equal chance and opportunity for all employees to participate and to join in a labour organisation / union and to develop their personal career in accordance with their ability.
- To protect the reproductive rights of employees, forbid the employment of underaged children, and to prevent incidents of sexual harassment in the work place.
- To prevent any occurrences of environmental pollution, accidents and any occupational diseases by ensuring that environmental, health and safety considerations are integral at any stage of company activities and to continuously seek improvements in performance.
- To enforce a zero-burning policy for land clearing during replanting and development of new plantations.
- To facilitate and to encourage energy conservation practices and to promote the recycling of all estate and mill by-products in all operational activities.
- To provide employment and new business opportunities for local communities in accordance with people and company capabilities and to develop adequate socio-economic plans through a Corporate Social Responsibility (CSR) programme.
- To maintain biodiversity in operational areas that have High Conservation Value (HCV).
- To increase employees' knowledge and competence in environmental and occupational health and safety issues.

ENGAGING AND TRANSFORMING COMMUNITIES

IndoAgri engages with local communities to enhance literacy rates, sharpen skills and competitiveness, while improving the health and well being of both young and old.

In the process of implementing community development initiatives, our leaders have acquired new skills and knowledge that offer an appreciation of societal needs, and an enhanced ability to collaborate across profit and non-profit boundaries.

Our focused efforts over the past year include the following:

Education

In 2012, education was a chief priority in our efforts to uplift local population. Notable programmes included the development of learning and literacy centres; building and rehabilitating local schools; and offering vocational internships. IndoAgri also regularly contributes learning aids and teaching tools such as textbooks, furniture, science labs and computers; children of employees also receive free education.

Across several plantation locations, we launched Rumah Pintar or "Smart House". Smart House consists of five learning centres, respectively dedicated to Books, Computers, Audio-Visual resources, Play and Crafts. The objective of Smart House is to spur creativity while enhancing literacy for both children and adults. The programme was jointly developed with the Solidarity of United Indonesia Cabinet Wives. To date, IndoAgri has launched five Smart Houses out of 20 planned. Smart Houses are currently in operation in Riau (two units), North Sumatra (one unit), West Kalimantan (one unit), and South Sulawesi (one unit).

In East Kalimantan, we drove a programme designed to improve literacy rates and provide facilities for reading. The Reading Centre BUNGA (Books for the Nations) programme provides books that support academic curricula for children, while creating spaces for them to browse and read.

Recognising the fundamental need for effective schooling, we built a total of 13 grade schools, four junior high schools and three high schools in Riau, providing free education for our employees' children. Taking our efforts further, we provided support to a government-managed junior high school in West Kalimantan, and encouraged local educators with teaching awards across seven schools in West and East Kalimantan.

Finally, we took education into the field by offering vocational internships in our Riau estates, where learners were exposed to automotive and other technical expertise that would prove useful for eventual employment after graduation.

Improving Smallholder Livelihoods

In 2012, we focused on supporting plasma farmers by providing agronomic advice along with production management, administration and financial assistance. As a result, 36 farmers in the Riau area benefited from fertilisation and pest management education for oil palm and rubber cultivation. We also embarked on a training and a cultivation programme for freshwater fish farms. All in all, we administer around 83,000 hectares of oil palm and 4,000 hectares of rubber under the plasma scheme, and support around 50,000 plasma farmers for oil palm, rubber and sugar cane plantations.

Community Health

We take the health of our employees and their families very seriously. Local health clinics and hospitals are often too far away from our plantations to provide effective medical care. Therefore, we provide public health infrastructure by building medical clinics and emergency care units that extend their services to surrounding communities. For staff, additional assistance is provided in the form of medical allowance, routine check-ups and health insurance.

Employees are also covered under a social security programme (Jamsostek), which provides death, accident and retirement benefits.

Supporting the UN's Millennium Development Goals (MDGs), the Group has a special programme for pregnant mothers, providing free immunisations, vitamins, diagnostic, medical and dental services in order to minimise infant mortality rates.

Infrastructure/Public Facilities

In 2012, we helped build and repair roads and bridges in Riau and Kalimantan, improving transportation networks and access for local communities. We also provided assistance in the development of public infrastructure, including the city park and local wet markets.

Religious Infrastructure

A key part of plantation infrastructure is the provision of places of worship such as mosques and churches for employees and families. This represents our efforts to remain culturally appropriate and sensitive to local faith practice in our surrounding communities. We also contribute to the building and repair of mosques and churches, and distribute Lebaran and Christmas packages to less advantaged families.

Sports & Youth, Arts & Culture

We contribute facilities for sports and recreation, and organise and/or sponsor local tournaments and musical and cultural performances to encourage community bonding and team spirit.

THE GROUP IS COMMITTED TO EMBEDDING ENVIRONMENTAL STEWARDSHIP INTO ALL FACETS OF OUR OPERATIONS.

Environment & CSR (Cont'd)

Responsible Employment

We seek to create a workplace in which our employees are engaged, empowered, and proud to be a part of the Group. To this end, we regularly provide opportunities for both personal and professional growth, while maintaining open lines of engagement and communication to resolve issues, enable better cooperation, and the exchange of ideas and expertise.

The Group has differentiated learning programmes designed to sharpen the competencies of its people. For example, technical training is provided to equip operational staff with knowledge and skills. For managers and supervisors, we conduct a variety of training courses to hone management skills.

Supporting our commitment to human capital development, we are adding new training facilities with classrooms and accommodation to complement our existing management training centre. We believe that such investments reinforce our position as an employer of choice, and our quest to become a centre of excellence for people development.

We are focused on leadership development as well as formal processes for succession planning in order to prepare and identify talented employees for higher roles and responsibilities. Together, these efforts strengthen our retention rates and lay down important frameworks to help us deliver our corporate sustainability and business expansion goals.

The Group enjoys a strong industrial relationship with the Indonesian Labour Union, which represents the interests of our employees. Our reward policies are competitive and we are committed to paying fair wages. Our success is demonstrated by the fact that there has never been any major work stoppage or labour disputes within the Group.

The Group provides direct and indirect employment opportunities for local residents and the plasma community through a wide range of jobs each year. As at 31 December 2012, the Group has a workforce of 37,201 deployed in administrative, operational and supervisory roles, as well as in middle and senior management positions.

IndoAgri's Employee Profile (including Contract Staff)

Position	Total
Senior management	347
Management	940
Supervisors	1,869
Administrative and operation staff	34,045
Total	**37,201**

Environmental Stewardship

The Group is committed to embedding environmental stewardship into all facets of our operations, with plantations and processing plants complying with stringent environmental management plans. This helps us regulate environmental impact, monitor the production and disposal of waste products, and conserve natural resources and biodiversity.

Sustainable Plantations

We are actively engaged in the production of sustainably-produced palm oil. In the past year alone, we increased output to 248,000 tonnes, from 195,000 tonnes of certified CPO produced in 2011. This represented 28% of the Group's total oil palm planted area and total CPO production in 2012. Our sustainable CPO is produced via estates and palm oil mills that are certified by the Roundtable of Sustainable Palm Oil (RSPO).

The RSPO is a joint initiative between oil palm producers, end users and NGOs, representing the highest environmental standards in the palm oil industry. Several principles and criteria determine the sustainability of palm oil production, and maintaining our certified status requires the satisfaction of 39 criteria and 139 indicators grouped under eight overarching principles covering transparency, compliance to laws and regulations, long-term economic and financial viability, best practices, environmental and community responsibility, responsible development of new plantings and continuous improvements. As a Group, we remain committed to certifying 100% of our plantation operations.

We also serve as a member of the RSPO, promoting the growth and use of sustainable palm oil products through credible global standards and dialogues with stakeholders in the supply chain.

Our farming practices are also governed by environmental and forestry regulations of the Local Environmental Impact Management Agency (or Badan Pengendalian Dampak Lingkungan Daerah) of Indonesia. The government imposes fines and/or revokes the licenses and concessions of companies who fail to comply with their standards.

Besides sustainable production, the Group also advocates a zero-burning policy. Only mechanical methods are used for the felling of trees in all our replanting and land-clearing operations. This preserves air quality and controls the impact on wildlife in the surrounding environment.

Sustainable Processing

We have in place an integrated waste management programme to ensure the proper recycling and handling of effluent and waste resulting from the cultivation of oil palms and milling of FFB.

The high potassium content found in empty fruit bunches and mill effluent make these by-products effective substitutes for inorganic fertilisers, preserving the biodiversity of our eco-system by reducing our reliance on chemical fertilisers.

Summary of RSPO Principles & Criteria

Principle	Number of Criteria	Indonesian National Interpretation Indicators	
		Major	Minor
1. Commitment to **transparency**	2	5	0
2. Compliance with applicable **laws and regulations**	3	8	4
3. Commitment to long-term **economic and financial viability**	1	1	1
4. Use of appropriate **best practices** by growers and millers	8	13	25
5. **Environmental responsibility** and conservation of natural resources and biodiversity	6	12	10
6. Responsible consideration of **employees** and of individuals and **communities** affected by growers and mills	11	13	23
7. Responsible **development** of new plantings	7	12	10
8. Commitment to **continuous improvement** in key areas of activity	1	1	1
Total	**39**	**65**	**74**

Our Management

The Board and Management are committed to continuously enhance the standard of corporate governance principles and processes in managing the business, so as to improve the performance, accountability and transparency of the Company.

Board of Directors

Mr Lee Kwong Foo Edward

Chairman and Lead Independent Director

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

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

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

Mr Lee holds a Masters of Arts from Cornell University.

Mr Lim Hock San

Vice Chairman and Independent Director

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

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

Mr Mark Wakeford

Chief Executive Officer and Executive Director

Mr Wakeford is currently the President Director of PT Salim Ivomas Pratama Tbk and PT Lajuperdana Indah, and a Director of PT Perusahaan Perkebunan London Sumatra Indonesia Tbk (Lonsum). He started his career with Kingston Smith & Co, a firm of Chartered Accountants in London, England.

Mr Wakeford has been in the plantation industry since 1993, working with plantation companies in Indonesia, Papua New Guinea, Soloman Islands and Thailand. He started his plantation career as the Finance Director of Lonsum in 1993, based in Indonesia, before moving to Pacific Rim Plantations Limited (PROPL) as the CFO from 1995 to 1999, based in Papua New Guinea. In 1999, Mr Wakeford became CEO and Executive Director of PROPL. PROPL was sold to Cargill in 2005, and Mr Wakeford spent one year with Cargill, prior to joining the Company in January 2007. Mr Wakeford became CEO of the Company in August 2007.

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

Mr Moleonoto Tjang

Executive Director and Head of Finance and Corporate Services

Mr Tjang is currently a Director of PT Indofood Sukses Makmur Tbk and PT Perusahaan Perkebunan London Sumatra Indonesia Tbk, Vice President Director of PT Salim Ivomas Pratama Tbk and PT Lajuperdana Indah, and a Commissioner of PT Indofood CBP Sukses Makmur Tbk. He started his career in 1984 with Drs. Hans Kartikahadi & Associates, a public accounting firm in Jakarta. Before joining the Plantation Division of the Indofood Group as CFO in 2001, he had held various management positions in the Salim Plantations Group since 1990.

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

MR SUAIMI SURIADY

Executive Director and Head of Edible Oils & Fats Division

Mr Suriady is currently a Director of PT Indofood CBP Sukses Makmur Tbk and PT Salim Ivomas Pratama Tbk. He has also served as President Director of PT Indofood Fritolay Makmur and Commissioner of PT Nestle Indofood Citarasa Indonesia. He began his career working for an automotive battery distributor, PT Menara Alam Teknik of Astra Group and moved on to join consumer goods manufacturer, Konica Film and Paper, in 1991. In 1994, he joined PT Indofood Fritolay Makmur as National Sales Manager and was promoted to Sales & Marketing Manager in 1997. In 2000-2002, he worked as Branch Manager for the Noodle Division of PT ISM and as Head of the Snack Foods Division of Indofood from 2003.

He was awarded a Master of Business Administration from De Montfort University in Jakarta (affiliate United Kingdom) in 2000.

MR SONNY LIANTO

Executive Director

Mr Sonny Lianto started his career in 1994 at Prasetio Utomo & Co, a member firm of the then Arthur Andersen & Co and left in 1997. He joined PT Mulia Industrindo Tbk as Chief of System & Procedures in 1997 and PT Admadjaja Korpora, the holding company of Danamon Group as Junior Assistant Vice President – Finance & Accounting from 1997 to 1999.

He joined PT Indofood Sukses Makmur Tbk as Management Accounting Manager at the Corporate Controller Division from 1999 to 2006 and was promoted to General Manager – Corporate Controller Division in 2006. He was appointed a Director of PT London Sumatra Indonesia Tbk ("Lonsum") in 2009 prior to his current appointment as the Vice President Director of Lonsum from May 2012.

MR TJHIE TJE FIE

Non-Executive Director

Mr Tjhie is currently the President Commissioner of PT Salim Ivomas Pratama Tbk and Director of PT Perusahaan Perkebunan London Sumatra Tbk. He is also a Director of PT Indofood CBP Sukses Makmur Tbk and PT Indofood Sukses Makmur Tbk, President Commissioner of PT Indofood Fritolay Makmur, Vice President Commissioner of PT Indolakto, President Director of PT Indofood Asahi Sukses Beverage and Vice President Director of PT Asahi Indofood Beverage Makmur. He previously served as a Director of PT Indomiwon Citra Inti and as Senior Executive of PT Kitadin Coal Mining.

Mr Tjhie was awarded a Bachelor's degree in Accounting from the Perbanas Banking Institute in Jakarta in 1991.

Mr Axton Salim
Non-Executive Director

Mr Axton Salim is currently a Director of PT Indofood Sukses Makmur Tbk, PT Indolakto and Pacsari Pte Ltd and PT Indofood Asahi Sukses Beverage. He is also a Director of PT Indofood CBP Sukses Makmur Tbk and heads the Dairy Division. In addition, he is a Commissioner of PT Salim Ivomas Pratama Tbk, PT Perusahaan Perkebunan London Sumatra Indonesia Tbk and PT Nestlé Indofood Citarasa Indonesia. He joined Indofood in 2004 as the Brand Manager of PT Indofood Fritolay Makmur and was subsequently promoted to an executive position as the Assistant to the CEO.

He was awarded a Bachelor of Science in Business Administration from the University of Colorado in 2002.

Mr Goh Kian Chee
Independent Director

Mr Goh is presently a Consultant in National University of Singapore, Centre For The Arts (NUS). He is also an Independent Director of AsiaMedic Limited. Mr Goh started his career in 1979 as an audit trainee with Goldblatt & Co (UK). He joined American International Assurance Pte Ltd in 1981 as an Accounting Supervisor. In 1982, he became a Regional Internal Auditor in Mobil Oil Singapore Pte Ltd and rose to the position of Regional Credit and Insurance Manager in 1987. In 1990, he was transferred to Mobil Petrochemicals International Ltd where he served as Regional Accounting Manager and later, as the Controller of the Asia Pacific region. Before his present role in NUS, Mr Goh was the Regional Vice President & Controller as well as an Executive Director of John Hancock International Pte Ltd.

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

Mr Hendra Susanto
Independent Director

Mr Susanto is an Independent Commissioner in PT Salim Ivomas Pratama Tbk and began his career with the Standard Chartered Bank as an Account Relationship Manager of the Corporate Banking division in 1990. He joined PT BNP Lippo Leasing in 1993 as the Head of the Corporate Marketing division. In 1996, he joined PT ING Indonesia Bank as Vice President in the Project and Structured Finance division and was subsequently promoted to Director in the Wholesale Banking division of the bank. Mr Susanto also acted as the Chief Representative of ING Bank N.V. in Indonesia until 2005.

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

Corporate Information

Directors

Chairman and Lead Independent Director
Lee Kwong Foo Edward

Vice Chairman and Independent Director
Lim Hock San

Chief Executive Officer and Executive Director
Mark Wakeford

Executive Director and Head of Finance
and Corporate Services
Moleonoto Tjang

Executive Director and Head of Refinery
and Commodity
Suaimi Suriady

Executive Director
Sonny Lianto

Non-Executive Director
Tjhie Tje Fie

Non-Executive Director
Axton Salim

Independent Director
Goh Kian Chee

Independent Director
Hendra Susanto

Executive Committee

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

Audit Committee

Goh Kian Chee (Chairman)
Lim Hock San
Hendra Susanto

Nominating Committee

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

Remuneration Committee

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

Registrar

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

Registered Office

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

Company Secretaries

Lee Siew Jee, Jennifer
Mak Mei Yook

Auditors

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

Audit Partner

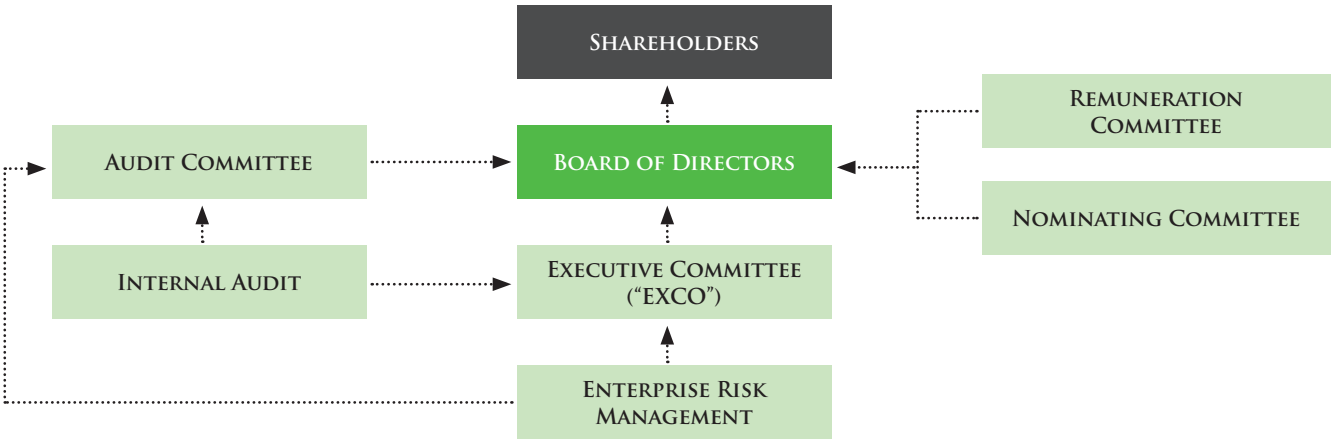
Gajendran Vyapuri
(Appointed 27 April 2012)

Corporate Governance

The Board and Management of Indofood Agri Resources Ltd. (the **"Company"**) are committed to continuously enhance the standard of corporate governance principles and processes in managing the business and its affairs, so as to improve the performance, accountability and transparency of the Company.

This Corporate Governance Report sets out the Company's key aspects of the corporate governance framework and practices, with specific reference to the principles and guidelines of the Code of Corporate Governance (**"Code"**). The Board also considered the Code of Corporate Governance 2012 (**"Revised Code"**) issued on 2 May 2012.

Our Corporate Governance Structure is as follows:



Board Matters

The Board's Conduct of its Affairs

The Board of Directors (the **"Board"**) comprises of Directors with a wide range of skills and experience in the fields of operations management, banking, finance, accounting, industry knowledge and knowledge of risk management. The Board considers that its Directors posses the necessary competencies to lead and govern the Company effectively. A brief biography of each Director is given on pages 40 to 43 of this annual report. Each member of the Board will hold office pursuant to the provisions of the Articles and thereafter, shall be eligible for re-election unless disqualified from holding office.

The Board has overall responsibility for the corporate governance of the Company. Apart from its statutory responsibilities, the Board is responsible for:

1. reviewing the financial performance and condition of the Group;
2. approving the Group's strategic plans, key operational initiatives, major investment and funding decisions;
3. identifying principal risks of the Group's business and implementing systems to manage the risks; and set the Company's values and standards, continually to make them exemplary and the highest, and ensure that obligations to shareholders and other stakeholder are understood and met.

All Directors exercise independent judgement and make decisions objectively in the best interest of the Company.

The Board is assisted by various Board Committees in discharging their responsibilities, including Executive Committee (**"Exco"**), Audit Committee (**"AC"**), Nominating Committee (**"NC"**) and the Remuneration Committee (**"RC"**). Each of these Board Committees has clearly defined terms of reference which set out the duties, authority and accountabilities of each committee. Each Board Committee reviews its terms of reference annually. The Board Committees play a key role in enhancing good corporate governance, improving internal controls and the performance of the Group.

The dates of Board, Board Committees and Annual General meetings are scheduled at the beginning of the year. At each Board Meeting, the Board will receive the presentations from the senior management team and the executive team from the business units. The Board holds regular meetings to deliberate the strategic policies of the Group including significant acquisitions and disposals, review and approve annual budgets, review the performance of the business and approve the release to the public of periodic financial results. The Company's Articles of Association provides for Board meetings to be conducted via telephone or any other forms of communication facilities as well as decision making by way of written resolutions.

The directors' attendance at Board and Board Committee meetings held during the financial year ended 31 December 2012 is set out in the table below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held during the financial year ended 31 December 2012	**4**	**8**	**2**	**1**
Lee Kwong Foo, Edward	**4/4**	N/A	**2/2**	N/A
Lim Hock San	3/4	5/8	1/2	**1/1**
Mark Wakeford	4/4	N/A	N/A	N/A
Moleonoto Tjang	4/4	N/A	N/A	N/A
Gunadi (resigned on 27 Sep 2012)	3/4	N/A	N/A	N/A
Suaimi Suriady	4/4	N/A	N/A	N/A
Sonny Lianto (appointed on 27 Sep 2012)	1/4	N/A	N/A	N/A
Tjhie Tje Fie	4/4	N/A	2/2	1/1
Axton Salim	3/4	N/A	N/A	N/A
Goh Kian Chee	4/4	**8/8**	N/A	1/1
Hendra Susanto	4/4	8/8	2/2	N/A

Chairman

N/A "not applicable"

In order to keep the Directors abreast of developments in the industry and the Group's operations, site visits to plantations, mills and factories are arranged periodically to provide exposure to the Directors as part of their ongoing education and training. Besides this, Directors are updated through detailed presentations on the development and progress of the Group's key operations as well as the industry-specific trends and developments.

Briefings and updates on Directors' duties and responsibilities and changes to the relevant laws and regulations such as the Singapore Exchange Listing Rules, Code of Corporate Governance and Companies Act are also provided to the Board. Directors are also invited to attend seminars and trainings organised by the Singapore Institute of Directors to stay abreast of relevant developments and issues in financial, legal, corporate governance and regulatory requirements.

Board Composition and Guidance

The NC conducts a yearly review of the Board size to ensure that it is appropriate considering the nature and Group's business and operations; and the Board and Board Committees comprise of Directors with a balance and diversity of skills, experience and knowledge to discharge its duties and responsibilities effectively as well as to make objective decisions.

On a yearly basis, Directors are required to assess and to confirm their independence based on the guidelines provided in the Revised Code. Based on this assessment, 4 out of the 10 Directors, who are Non-Executive, are considered to be independent.

As of 31 March 2013, the Board comprises of ten Directors, of whom four are Executive Directors, two are Non-Executives and four are Independent Directors.

	Board of Directors		Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee
Name	Status	Position				
Lee Kwong Foo, Edward	Lead Independent	Chairman			Chairman	
Lim Hock San	Independent	Vice Chairman		Member	Member	Chairman
Mark Wakeford	Executive	Member	Chairman			
Moleonoto Tjang	Executive	Member	Member			
Suaimi Suriady	Executive	Member	Member			
Sonny Lianto	Executive	Member	Member			
Tjhie Tje Fie	Non-Executive	Member	Member		Member	Member
Axton Salim	Non-Executive	Member				
Goh Kian Chee	Independent	Member		Chairman		Member
Hendra Susanto	Independent	Member		Member	Member	

The Executive Committee (**"Exco"**) comprises Mr Mark Wakeford, Mr Tjhie Tje Fie, Mr Moleonoto Tjang, Mr Suaimi Suriady and Mr Sonny Lianto. Mr Wakeford is the Chairman of the Exco. The Board delegates the Exco certain discretionary limits and authority for business development, investment/divestment activities, capital expenditure, finance/treasury, budgeting and human resource management, drawing up the Group's annual budget and business plan for the Board's approval, supervising the implementation of business strategies as approved in the annual budget and business plan, implementing appropriate systems of internal accounting and other controls, instituting a risk management framework and monitoring for compliance, adopting suitably competitive human resource practices and compensation policies, and ensuring that the Group operates within budget.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer (**"CEO"**) are separate persons with their own areas of responsibilities and accountabilities to ensure an appropriate balance of power and independency. The office of the Chairman of the Company is assumed by Mr Edward Lee, who is the Lead Independent Director. He is also a Non-Executive Director and is not related to the CEO or other members of the senior management team. As the Chairman, Mr Edward Lee bears responsibility for the working of the Board and reviewing the effectiveness of the governance process of the Board. The Chairman works closely with the CEO on matters to be tabled at meetings as well as in ensuring that Board members receive accurate and timely information. The Chairman plays an important role in fostering constructive dialogue between shareholders, the Board and management at the AGM and other shareholder meetings.

The office of CEO is assumed by Mr Mark Wakeford. As the CEO, Mr Wakeford's responsibilities include the charting and reviewing of corporate directions and strategies, which cover areas of marketing and strategic alliances. He is responsible for providing the Company with strong leadership and vision. The CEO and the Exco are responsible for day-to-day operation and management of the business, and will be accountable to the Board for the decisions and actions taken as well as for the performance of the Group.

Board Membership

The NC is chaired by Mr Edward Lee, the Chairman of the Board and the Lead Independent Director, with Mr Lim Hock San, Mr Tjhie Tje Fie and Mr Hendra Susanto as members. The NC will meet at least once a year or when necessary.

The NC terms and reference were adopted from the Code and include the following duties and functions:

1. make recommendations to the Board on all board appointments and re-nomination having regard to the Director's contribution and performance;
2. ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;
3. determine annually whether a Director is independent, guided by guidelines in the Revised Code;
4. decide if a Director is able and has adequately carried out his duties as a Director of the Company where he has multiple board representations; and
5. decide how the Board's performance may be evaluated and propose objective performance criteria.

Board Performance

Each year, the Directors are requested to complete appraisal forms to access the overall effectiveness of the Board. The assessment criteria for the Board evaluation covers key areas such as Board composition and size, Board processes, Board and Board Committee effectiveness, managing the Company's performance, etc. The NC will assess and discuss the performance of the Board as a whole and will ascertain key areas for improvement and requires follow-up actions. The results of the evaluation, including comments and recommendations from the Board members, will be presented by the NC Chairman to the Board with a view to enhance the effectiveness of the Board as a whole.

Access to Information

The Company Secretaries will circulate a calendar of scheduled Board and Board Committees meetings to the Directors at the beginning of the calendar year. In addition, board papers and agenda are circulated to the Board in advance prior to each Board and Board Committee meetings. This is to provide sufficient time for the Directors to review and consider the matters being tabled and/or considered so that the meetings can be more productive and effective.

Senior members of the management are available to provide additional insights into matters being considered at the Board Meetings, or by external consultants engaged on specific projects. The Directors have separate and independent access to the Company's senior management and Company Secretaries.

The Company Secretaries attend the Board and Board Committee meetings to ensure that Board procedures are followed and applicable rules and regulations are complied with.

Remuneration Matters

Procedures in Developing Remuneration Policies

The Remuneration Committee (**"RC"**) of the Company is chaired by Mr Lim Hock San with Mr Tjhie Tje Fie and Mr Goh Kian Chee as members. All the RC members are Non-Executive with Mr Lim Hock San and Mr Goh Kian Chee being Independent Directors.

The role of the RC is to review and approve the remuneration package and terms of employment of the Company's Directors and key executives. The RC will meet at least once a year or when necessary to deliberate on remuneration matters.

In its review and approval of the recommendations on remuneration policies and packages for the Company Directors, the RC will cover all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind. The RC's recommendations will be submitted for endorsement by the entire Board. Payments of Directors' fees are subject to shareholders' approval at the AGM.

RC members will abstain from deliberations in respect of their own remuneration and the RC is also empowered to review human resource management policies of the Group.

Level and Mix of Remuneration

The remuneration policy of the Group will seek, inter alia, to align the interests of employees with the Group, to reward and encourage performance based on its core values and to ensure that remuneration is commercially competitive to attract and retain talent.

The remuneration framework for independent directors adopted by the RC comprises of a base fee for membership on the Board, chairing the Board and Board Committees and fees as member of Board committees. Directors' fees will be submitted as a lump sum for shareholders' approval in general meeting.

The remunerations of the Executive Director and the Key Executive comprise of two components: (i) an annual fixed cash component which comprise of annual basic salary and other fixed allowances; and (ii) an annual performance incentive which links to the Group's and individual executive's performance.

DISCLOSURE ON REMUNERATIONS

The remunerations of the Directors, in the bands of S$250,000, for the financial year ended 31 December 2012 are set out in the table below:

Name of Directors/Key Executives and Remuneration Bands Directors of the Company	Base/Fixed Salary %	Bonus/ Benefits %	Directors Fee %	Share Options %
S$1,250,000 to S$1,500,000				
Mark Wakeford	75	25	–	–
Moleonoto Tjang	26	74	–	–
S$500,000 to S$750,000				
Gunadi (resigned 27 September 2012)	32	68	–	–
Below S$250,000				
Lee Kwong Foo, Edward	–	–	100	–
Lim Hock San	–	–	100	–
Goh Kian Chee	–	–	100	–
Hendra Susanto	–	–	100	–
Tjhie Tje Fie[1]	–	–	–	–
Axton Salim[1]	–	–	–	–
Suaimi Suriady[1]	–	–	–	–
Sonny Lianto[2]	–	–	–	–

[1] Remuneration was paid by the parent company, PT Indofood Sukses Makmur Tbk or other group of companies.

[2] Remuneration was paid by PT PP London Sumatra Indonesia Tbk

The Remunerations of Key Executives for the Financial Year Ended 31 December 2012

Given the competitive environment and the nature of industry of the Group, the Company considers that the disclosure of remuneration of its top 5 executives as recommended by the Code may affect its ability to retain talent, hence the disclosure of the remuneration of its top five executives (who are not also directors of the Company) is as follows:

Remuneration Band	Number of Executives
Below S$250,000	2
S$250,000 – S$500,000	3

Remuneration of employees who are immediate family members of a Director or the CEO

There was no employee of the Company and its subsidiaries who was an immediate family member of a Director or the CEO whose remuneration exceeded S$50,000 during financial year ended 31 December 2012.

Other Remuneration Matters

The Company's Share Option Scheme 2002 was approved by the former Board and shareholders of the Company at an Extraordinary General Meeting held on 19 June 2002, the Share Option Scheme had expired on 18 June 2012. No option was granted during the financial year ended 31 December 2012.

Accountability and Audit

Accountability

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

Risk Management and Internal Controls

The AC, through internal and external auditors as well as the Enterprise Risk Management (**"ERM"**) team, reviews and reports regularly to the Board on the effectiveness and adequacy of internal control system, covering operational, financial and compliance controls, risk management policies and systems. The AC meets with internal and external auditors at least 4 times a year including once without the presence of management. In addition, the AC also meets the ERM team 4 times a year.

The ERM unit continuously communicates and coordinates with the Internal Audit (**"IA"**) Department to focus on high level risks, ensure accuracy of risk assessment reports and proper implementation of the reported risk mitigation strategies and controls. Taking it a step further, IA will also perform independent reviews of the risks and controls identified by the ERM to provide reasonable assurance that the key risks and controls have been adequately monitored and addressed.

At each quarterly AC Meeting with the IA and ERM teams, key findings together with management's recommended remedial actions are highlighted to the AC for discussion and follow-up actions. With the IA and ERM framework being put in place, which provides an effective tool in identifying, monitoring, managing and reporting material risks affecting the Group, the AC is satisfied that the Group's internal controls are in order.

The Board reviews the effectiveness and adequacy of the Group's system of internal controls, so as to discharge its oversight responsibilities. The Board, with the concurrence of the AC, considers the Group's current internal controls system to be adequate in addressing financial, operational and compliance risks and to provide reasonable assurance of the effectiveness in safeguarding its assets and shareholders' value.

Audit Committee ("AC")

The AC of the Company comprises three Independent Directors, including the Chairman. The AC is chaired by Mr Goh Kian Chee with Mr Lim Hock San and Mr Hendra Susanto as members. A majority of the AC members, including the AC Chairman, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities.

The AC has the following functions:

1. review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their audit report, their management letter and the management's response;
2. review the quarterly, half-yearly and annual financial statements before submission to the Board for approval, focusing on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with applicable accounting standards and stock exchange and statutory/regulatory requirements;
3. review the effectiveness and adequacy of the Group's internal controls, including financial, operational, compliance controls and procedures, risk management policies and systems and co-ordination between the external auditors and the management, review the assistance given by management to the auditors and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of management where necessary);
4. review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;
5. consider the appointment or re-appointment of the external auditors, the audit fee, and matters relating to the resignation or dismissal of the auditors;
6. review Interested Person Transactions;
7. review the whistle-blower arrangements instituted by the group through which staff may in confidence, raise concerns and possible improprieties in matters of financial or other matters;
8. review the Group's Enterprise Risk Management reports;
9. undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
10. generally undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

External Audit

The AC reviews the scope and results of audit work carried out by external auditors and independence of the external auditors annually. The AC, having reviewed the range and value of the non-audit services performed during the financial year by the external auditors, Ernst & Young LLP, was satisfied that the independence of the external auditors has not been impaired by the provision of those services. Further, it was noted that the appointment of the external auditors for the Company, its subsidiaries and associated companies are in compliance with Rules 712 and 716 of the SGX-ST Listing Manual. The AC recommended that Ernst & Young LLP be nominated for re-appointment as the external auditors at the forthcoming AGM.

Internal Audit

The Group has an Internal Audit Department (IAD) that is independent of the activities it audits. The IAD plans its internal audit schedules in consultation with Management and submits its plan to the AC for approval. The Head of IA reports directly to the Chairman of the AC on the internal audit matters. The IA's key findings and recommendations are presented and discussed at the quarterly meetings with the AC.

The duties and responsibilities of the IAD with regard to risk management and internal controls are summarised below:

1. review the risk profile of the Company;
2. identify and make recommendations to eliminate or control risks to improve the risk profile;
3. recommend risk parameters within which the Company should operate;
4. review risk mitigation efforts and its cost;
5. monitor the implementation of the mitigation efforts and risk parameters;
6. establish and maintain a risk reporting and risk monitoring framework.

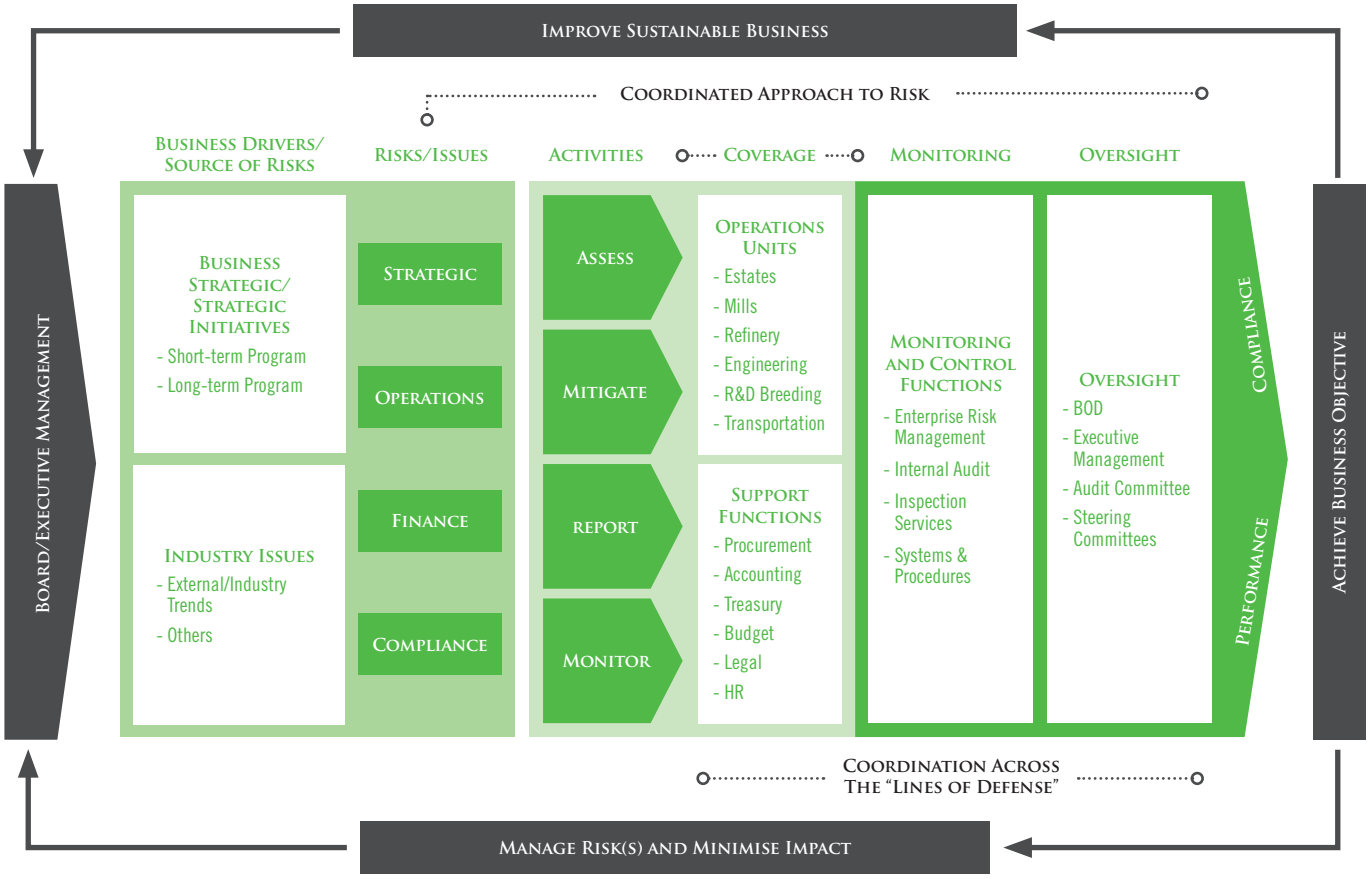
The IAD operates within the framework set out in the IA Charter and Code of Ethics which is approved by the Management and the AC. It implements a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes. As part of the IA plan, IA will also perform independent reviews of the risks and controls identified by the ERM to provide reasonable assurance to management and the AC that the key risks and controls have been adequately monitored and addressed.

The AC, with the assistance of internal audit, reviews the adequacy and effectiveness of the system of internal controls of the Group on an on-going basis. The Group also engages a reputable audit firm, from time to time, on an assignment basis to perform the internal controls system review and the said audit firm has a direct reporting line to the AC.

Enterprise Risk Management ("ERM")

Since May 2009, the Group has committed and continuously implements a comprehensive approach of managing risks across the Group. This is made possible through a systematic, integrated and well-coordinated risk management strategy, establishment of a well structured ERM unit, putting in place a carefully defined risk management framework, strong support from the Board and an Independent AC and, by constantly promoting awareness that managing risk is everybody's business, i.e., from the risk owners, middle management and up to the senior executive management and the Board.

Our integrated framework of managing risks includes coordination across the "Lines of Defense" involving all operating and functional units, and oversight functions for the timely and proper identification, assessment, mitigation, reporting and monitoring of risks which may impact the business drivers and adversely affect the Group's ability to achieve its business objectives.



Group's Significant Risks

On a quarterly basis, the ERM Team in coordination with the respective risk owners and Heads of Operating Units and Supporting Departments, conducts a review and assessment on identified risks based on controls in place, monitors implementation of agreed action plans to further mitigate identified risks and reports significant risks to the Board and the AC. The following are some of the significant risks that are closely monitored:

1. Strategic Risks:

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

2. Operational Risks:

- Plant diseases and infestation of pests – Infestation of pests and diseases could result in lowering crops' productivity and potential death of trees.
- Health and Safety – Failure to implement a system of occupational safety and health to protect the employees/workers from accidents and improve their health conditions may expose the Group to excess cost associated with compensation liabilities, financial loss, negative business reputation, and/or possible loss of life.
- Resource Availability – Inadequate sources of raw materials, fertilizers, equipment, tools, component parts, etc. threaten the Group's ability to produce quality products on time at competitive prices.
- Social Conflict – Existing conflict with the local communities which may affect the operations, limited/controlled access to areas, higher operational costs due to plantation activities/operations could not be implemented efficiently and threat to the safety of workers.
- Natural Disasters – Disasters such as flooding, drought, earthquake, fire, etc. which may result in property damage, stop/delays in operations, lower productivity, higher operating costs and inability of the Group to provide products to its customers.

3. Compliance Risks:

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

4. Financial Risks

- Credit – The Group is exposed to potential financial loss that may occur as a result of the possible credit default by smallholders.
- Liquidity – Insufficient access to available capital threatens the Group's capacity to grow, execute its business model and generate future returns.

The Management has implemented risk mitigation strategies and controls to address the above list of significant risks. This list is not intended to be comprehensive, but to outline some of the significant risk faced by the Group.

Whistle Blowing Policy

The Group has put in place a whistle blowing policy and procedures (**"Policy"**). This Policy provides employees with clearly defined processes through which they may raise their concerns in good faith and in strict confidence with respect to suspected fraud, corruption, dishonest practices or other similar matters which do not comply with the Groups standard operating procedures to the Head of IA, Exco and AC.

The Policy aims to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and, to the extent possible, protected from reprisal.

The AC reviewed and approved the Policy and was satisfied that arrangements are in place for independent investigation of such matters and for appropriate follow-up actions.

Shareholder Rights And Responsibilities

Shareholder Rights

The Company is committed to the regular and timely disclosure of information pertinent to shareholders. Announcements are made on a timely basis, and within the prescribed periods, through the SGXNET as well as through press releases to the relevant media, if necessary. The same are also uploaded onto the Company's website and disseminated by email to subscribers to news alerts.

Communication with Shareholders

The Company holds analysts briefings for quarterly and full year results with the presence of the CEO, CFO and senior management to answer relevant questions that the analysts may have. In addition, we also hold analysts conferences and teleconference calls to communicate important corporate developments such as mergers and acquisition announcements.

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

As part of the engagement with the investing community in 2012, we took several key shareholders and analysts on site visits to our sugar operation in South Sumatra as well as the new Tanjung Priok refinery in Jakarta.

Conduct of Shareholder Meetings

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

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

Dealings in the Company's Securities

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Group has adopted an Internal Code with regard to dealings in the securities of the Company by its officers. The Company restricts its officers to deal in any of the Company's securities on short-term considerations and are prohibited to deal in any of the securities of the Company at any time when in possession of any unpublished price-sensitive information in relation to those securities and during the period two weeks before the announcement of Group's quarterly and half yearly financial results and one month before the announcement of Group's full year financial results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

Indofood Agri Resources Ltd. & Its Subsidiaries Financial Statements

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Indofood Agri Resources Ltd. (the "Company") and its subsidiaries (collectively the "Group") and the balance sheet of the Company for the financial year ended 31 December 2012.

Directors

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

Lee Kwong Foo Edward	Chairman
Lim Hock San	Vice Chairman
Mark Julian Wakeford	Chief Executive Officer
Moleonoto Tjang	
Suaimi Suriady	
Sonny Lianto	(appointed on 27 September 2012)
Tjhie Tje Fie	
Axton Salim	
Goh Kian Chee	
Hendra Susanto	

In accordance with Articles 117 and 121 of the Company's Articles of Association, Axton Salim, Suaimi Suriady, Tjhie Tje Fie and Sonny Lianto retire and, being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2013.

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

Directors' Contractual Benefits

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

Options

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

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

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

Audit Committee

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

Auditor

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

On behalf of the Board of Directors,

MARK JULIAN WAKEFORD
Director

MOLEONOTO TJANG
Director

Singapore
8 March 2013

Statement by Directors

We, Mark Julian Wakeford and Moleonoto Tjang, being two of the directors of Indofood Agri Resources Ltd., do hereby state that, in the opinion of the directors:

(i) the accompanying balance sheets, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with 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 2012 and the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date; and

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

On behalf of the Board of Directors,

MARK JULIAN WAKEFORD
Director

MOLEONOTO TJANG
Director

Singapore
8 March 2013

Independent Auditors' Report

For the financial year ended 31 December 2012

To the Members of Indofood Agri Resources Ltd.

Report on the financial statements

We have audited the accompanying financial statements of Indofood Agri Resources Ltd. (the "Company") and its subsidiaries (collectively the "Group"), set out on pages 62 to 141, which comprise the balance sheets of the Group and the Company as at 31 December 2012, the consolidated statement of changes in equity, the consolidated statement of comprehensive income, and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditors' Report

For the financial year ended 31 December 2012

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

ERNST & YOUNG LLP
Public Accountants and
Certified Public Accountants

Singapore
8 March 2013

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2012

	Note	2012 Rp million	2011 Rp million
Revenue	5	13,844,891	12,605,311
Cost of sales	6	(9,680,677)	(8,004,336)
Gross profit		4,164,214	4,600,975
Selling and distribution costs		(402,322)	(330,650)
General and administrative expenses		(926,699)	(798,136)
Foreign exchange gains		19,288	46,464
Other operating income	7	104,421	69,767
Share of results of an associated company		(36,673)	(1,548)
Other operating expenses	8	(269,429)	(234,111)
Gain arising from changes in fair value of biological assets	14	55,576	424,556
Profit from operations	9	2,708,376	3,777,317
Finance income	10	249,169	221,394
Finance expense	11	(515,858)	(445,322)
Profit before tax		2,441,687	3,553,389
Income tax expense	12	(623,004)	(912,533)
Net profit for the year		1,818,683	2,640,856
Profit for the year attributable to:			
Owners of the Company		1,049,322	1,489,946
Non-controlling interests		769,361	1,150,910
		1,818,683	2,640,856
Other comprehensive income:			
Changes in ownership interests in subsidiary that do not result in a loss of control	31	–	399,612
Foreign currency translation		7,036	–
Other comprehensive income for the year, net of tax		7,036	399,612
Total comprehensive income for the year		1,825,719	3,040,468
Total comprehensive income attributable to:			
Owners of the Company		1,052,335	1,889,558
Non-controlling interests		773,384	1,150,910
Total comprehensive income for the year		1,825,719	3,040,468
Earnings per share (in Rupiah)	13		
- basic		730	1,031
- diluted		730	1,031

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

Balance Sheets

As at 31 December 2012

	Note	Group 2012 Rp million	Group 2011 Rp million	Company 2012 Rp million	Company 2011 Rp million
Non-current assets					
Biological assets	14	12,585,842	11,615,002	–	–
Property, plant and equipment	15	8,460,857	7,245,443	58,059	61,694
Goodwill	16	3,155,786	3,155,786	–	–
Claims for tax refund	17	322,908	262,593	–	–
Deferred tax assets	18	691,660	526,667	–	–
Investment in subsidiary companies	19	–	–	9,660,599	9,660,599
Investment in an associated company	20	141,823	–	–	–
Advances and prepayments	21	566,944	388,104	86,700	–
Other non-current receivables	21	567,625	576,028	21	20
Total non-current assets		26,493,445	23,769,623	9,805,379	9,722,313
Current assets					
Inventories	22	1,889,006	1,677,576	–	–
Trade and other receivables	23	1,042,394	960,238	9,159	3,253
Advances and prepayments	23	180,925	180,332	242	206
Prepaid taxes		123,271	83,673	–	–
Cash and cash equivalents	24	5,082,296	6,535,204	1,633,171	1,488,759
Total current assets		8,317,892	9,437,023	1,642,572	1,492,218
Total assets		34,811,337	33,206,646	11,447,951	11,214,531
Current liabilities					
Trade and other payables and accruals	25	1,605,682	1,237,955	11,311	7,524
Advances and taxes payable	25	247,861	142,147	–	–
Interest-bearing loans and borrowings	26	2,664,213	3,334,397	–	–
Income tax payable		91,544	77,506	130	130
Total current liabilities		4,609,300	4,792,005	11,441	7,654
Non-current liabilities					
Interest-bearing loans and borrowings	26	3,389,772	3,201,348	–	–
Bonds and Sukuk Ijarah payables	26	726,232	724,579	–	–
Amounts due to related parties and other payables	27	348,674	304,560	–	–
Provision and other liabilities	27	31,908	30,550	–	–
Employee benefits liabilities	28	840,495	687,969	–	–
Deferred tax liabilities	18	2,036,447	2,025,078	–	–
Total non-current liabilities		7,373,528	6,974,084	–	–
Total liabilities		11,982,828	11,766,089	11,441	7,654
Net assets		22,828,509	21,440,557	11,436,510	11,206,877
Equity attributable to owners of the Company					
Share capital	29	3,584,279	3,584,279	10,912,411	10,912,411
Treasury shares	29	(124,208)	(81,413)	(124,208)	(81,413)
Revenue reserves	30	9,794,752	8,777,210	504,155	231,727
Other reserves	31	541,444	538,431	144,152	144,152
		13,796,267	12,818,507	11,436,510	11,206,877
Non-controlling interests		9,032,242	8,622,050	–	–
Total equity		22,828,509	21,440,557	11,436,510	11,206,877

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2012

	Note	Attributable to owners of the Company						
		Share capital Rp million	Treasury shares Rp million	Other reserves Rp million	Revenue reserves Rp million	Total reserves Rp million	Non-controlling interests Rp million	Total equity Rp million
At 1 January 2011		3,584,279	–	138,819	7,287,264	7,426,083	4,689,934	15,700,296
Profit for the year		**–**	**–**	**–**	**1,489,946**	**1,489,946**	**1,150,910**	**2,640,856**
Other comprehensive income:								
Changes in ownership interests in subsidiary that do not result in a loss of control	31	–	–	399,612	–	399,612	–	399,612
Other comprehensive income for the year, net of tax		**–**	**–**	**399,612**	**–**	**399,612**	**–**	**399,612**
Total comprehensive income for the year		**–**	**–**	**399,612**	**1,489,946**	**1,889,558**	**1,150,910**	**3,040,468**
Contributions by and distribution to owners:								
Changes in ownership interests in subsidiary that do not result in a loss of control	31	–	–	–	–	–	2,949,837	2,949,837
Purchase of treasury shares	29(b)	–	(81,413)	–	–	–	–	(81,413)
Dividend payments by subsidiary companies		–	–	–	–	–	(168,631)	(168,631)
Total transactions with owners in their capacity as owners		**–**	**(81,413)**	**–**	**–**	**–**	**2,781,206**	**2,699,793**
Balance at 31 December 2011		**3,584,279**	**(81,413)**	**538,431**	**8,777,210**	**9,315,641**	**8,622,050**	**21,440,557**

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2012

	Note	Attributable to owners of the Company						
		Share capital Rp million	Treasury shares Rp million	Other reserves Rp million	Revenue reserves Rp million	Total reserves Rp million	Non-controlling interests Rp million	Total equity Rp million
At 1 January 2012		3,584,279	(81,413)	538,431	8,777,210	9,315,641	8,622,050	21,440,557
Profit for the year		**–**	**–**	**–**	**1,049,322**	**1,049,322**	**769,361**	**1,818,683**
Other comprehensive income:								
Foreign currency translation		–	–	3,013	–	3,013	4,023	7,036
Other comprehensive income for the year, net of tax		**–**	**–**	**3,013**	**–**	**3,013**	**4,023**	**7,036**
Total comprehensive income for the year		**–**	**–**	**3,013**	**1,049,322**	**1,052,335**	**773,384**	**1,825,719**
Contributions by and distribution to owners:								
Purchase of treasury shares	29(b)	–	(42,795)	–	–	–	–	(42,795)
Dividend payments by subsidiary companies		–	–	–	–	–	(386,359)	(386,359)
Dividend payment to Company's shareholders	30	–	–	–	(31,780)	(31,780)	–	(31,780)
Capital contribution from non-controlling interests		–	–	–	–	–	23,167	23,167
Total transactions with owners in their capacity as owners		**–**	**(42,795)**	**–**	**(31,780)**	**(31,780)**	**(363,192)**	**(437,767)**
Balance at 31 December 2012		**3,584,279**	**(124,208)**	**541,444**	**9,794,752**	**10,336,196**	**9,032,242**	**22,828,509**

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

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2012

	Note	2012 Rp million	2011 Rp million
Cash flows from operating activities			
Profit before tax		2,441,687	3,553,389
Adjustments for:			
Depreciation and amortisation	9	589,593	487,597
Realisation of deferred costs	14	178,065	170,525
Unrealised foreign exchange gains		(11,093)	(41,063)
Loss on disposal of biological assets	8	2,096	74
Allowance for uncollectible and loss arising from changes in fair value of plasma receivables	8,32(a)	110,495	70,405
Impairment loss on an associated company	8,20	–	17,792
Write-off of property and equipment	8	3,584	1,894
Loss/(gain) on disposal of property and equipment	7,8	1,451	(5,664)
Net changes in provision for decline in market value and obsolescence of inventories	7,8,22	69,066	11,564
Provision/(write-back) allowance of doubtful debts	9,23	357	(522)
Bad debt expense	9	244	99
Gain arising from changes in fair value of biological assets	14	(55,576)	(424,556)
Changes in provision for asset dismantling costs	27	2,194	(197)
Reversal of provision of estimated liabilities for asset dismantling costs	7,27	(11,518)	–
Provision for employee benefits	28	192,224	171,457
Changes in fair value of long-term receivables		(1,050)	(1,045)
Share of results of an associated company		(36,673)	(1,548)
Finance income	10	(249,169)	(221,394)
Finance expense	11	515,858	445,322
Operating cash flows before changes in working capital		3,741,835	4,234,129
Changes in working capital:			
Decrease in other non-current assets		24,577	68,596
Increase in inventories		(280,496)	(367,892)
Decrease/(increase) in trade and other receivables		3,255	(81,718)
Increase in advances to suppliers		(51,437)	(65,062)
Increase in prepaid taxes		(35,308)	(23,092)
Increase in trade and other payables and accruals		304,596	133,451
Increase in advances from customers		119,385	333
Cash flows from operations		3,826,407	3,898,745
Interest received		249,169	221,394
Interest paid		(504,399)	(452,732)
Income tax paid		(762,589)	(899,256)
Net cash flows from operating activities		2,808,588	2,768,151

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2012

	Note	2012 Rp million	2011 Rp million
Cash flows from investing activities			
Additions to property, plant and equipment		(1,703,008)	(879,612)
Additions to biological assets	14	(1,101,215)	(890,274)
Increase in plasma receivables	32(a)	(164,874)	(21,324)
Proceeds from disposal of property and equipment		3,078	7,418
Proceeds from disposal of biological assets		148	1,856
Advances for projects and purchase of fixed assets		(339,312)	(184,053)
Investment in an associated company	20	(171,460)	(6,210)
Net cash flows used in investing activities		(3,476,643)	(1,972,199)
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		1,559,519	4,015,475
Repayment of interest-bearing loans and borrowings		(2,039,559)	(5,213,125)
Net payments from amounts due to related parties		33,727	37,325
Dividend payments by subsidiaries to non-controlling interests		(386,359)	(168,631)
Proceeds from PT SIMP's IPO net of listing expenses		–	3,349,449
Purchase of treasury shares	29(b)	(42,795)	(81,413)
Proceeds from additional capital contribution from non-controlling interests		23,167	–
Dividend payment to Company's shareholders	30	(31,780)	–
Net cash flows (used in)/from financing activities		(884,080)	1,939,080
Net (decrease)/increase in cash and cash equivalents		(1,552,135)	2,735,032
Effect of changes in exchange rates on cash and cash equivalents		99,227	4,179
Cash and cash equivalents at the beginning of the financial year		6,535,204	3,795,993
Cash and cash equivalents at the end of the financial year	24	5,082,296	6,535,204

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

1. CORPORATE INFORMATION

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

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

These activities are carried out through the Company's subsidiaries and associated company in which the Company is an investment holding company.

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

On 1 August 2011, a subsidiary of the Company, Indofood Oil & Fats Pte. Ltd. ("IOFPL") had been amalgamated with the Company with a view towards streamlining the corporate structure of the Group and in order to facilitate the up streaming of dividends to the Company. Following the amalgamation, all the assets and liabilities of IOFPL (including investment in a subsidiary) had been transferred and assumed by the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

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

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 that are effective for annual periods beginning on or after 1 January 2012. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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

3.3 Standards issued but not yet effective

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

FRS	Description	Effective for annual periods beginning on or after
FRS 1	Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 19	Employee Benefits	1 January 2013
FRS 113	Fair Value Measurement	1 January 2013
FRS 107	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
–	Improvements to FRSs 2012	1 January 2013
FRS 101	Amendments to FRS 101 – Government Loans	1 January 2013
FRS 27	Separate Financial Statements	1 January 2014
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 Interest in Other Entities	1 January 2014
FRS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 110, FRS 111 and FRS 112	Amendments to the transition guidance of FRS 110 Consolidated Financial Statements, FRS 111 Joint Arrangements and FRS 112 Disclosure of Interests in Other Entities	1 January 2014
FRS 110, FRS 111 and FRS 27	Amendments to FRS 110, FRS 111 and FRS 27: Investment Entities	1 January 2014

Except for the Amendments to FRS 1 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 Amendments to FRS 1 and FRS 112 are described below.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

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

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

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

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

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

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

(b) Business combinations

Business combinations 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.

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

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

(b) Business combinations (cont'd)

Business combinations from 1 January 2010 (cont'd)

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 remeasured until it is finally settled within equity.

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) 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.

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 3.10(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

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

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

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

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

3.5 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 consolidated balance sheet, separately from equity attributable to owners of the Company.

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

3.5 Transactions with non-controlling interests (cont'd)

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

3.6 Foreign currency

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

(a) Transactions and balances

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

(b) Consolidated financial statements

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

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

3.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. 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. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Such cost also includes the initial estimation of costs of dismantling and removing the item and restoring the sites of plants on which they are located, and the cost of replacing part of such property, plant and equipment when that cost is incurred.

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

3.7 Property, plant and equipment (cont'd)

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

• Land use rights	–	8 to 48 years
• Buildings and improvements	–	5 to 25 years
• Plant and machinery	–	4 to 20 years
• Heavy equipment, transportation equipment and vessel	–	3 to 20 years
• Furniture, fixtures and office equipment	–	4 to 10 years

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

The carrying amount of 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 from the derecognition of the asset is included in the consolidated statement of comprehensive income in the year the asset is derecognised.

The assets residual values, useful lives and depreciation method are reviewed at each year end and adjusted prospectively if necessary.

The cost of construction-in-progress represents all costs incurred on the construction of the assets. The accumulated costs will be reclassified to the appropriate property, plant and equipment account when the construction is completed. No depreciation is provided on construction-in-progress.

Interest on borrowings to finance the construction of property, plant and equipment is capitalised during the period of time that is required to complete and prepare each asset for its intended use.

Repair and maintenance costs are taken to the consolidated statement of comprehensive income during the period in which they are incurred. The cost of major renovation and restoration is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and is depreciated over the remaining useful life of the asset.

Assets under finance lease are recognised at the lower of the present value of the minimum lease payments and the fair value of the asset.

3.8 Biological assets

Biological assets, which primarily comprise oil palm, rubber and sugar cane plantations, are stated at fair value less estimated point-of-sale costs. Gain or loss arising on initial recognition of plantations at fair value less estimated point-of-sale costs and from the change in fair value less estimated point-of-sale costs of plantations at each reporting date are included in the consolidated statement of comprehensive income of the period in which they arise.

The fair value of the plantations is estimated by reference to independent professional valuations using the discounted cash flows of the underlying biological assets, mainly oil palm, rubber and sugar cane. The expected cash flows from the whole life cycle of the oil palm, rubber and sugar cane plantations are determined using the market prices of the estimated yields of the fresh fruit bunches ("FFB"), cup lump and sugar cane, respectively, net of maintenance and harvesting costs, and any costs required to bring the oil palm, rubber and sugar cane plantations to maturity. The estimated yields of the oil palm, rubber and sugar cane plantations are dependent on the age of the oil palm, rubber and sugar cane trees, the location of the plantations, soil type and infrastructure. The market prices of the FFB, rubber and sugar cane are largely dependent on the prevailing market prices of the crude palm oil and palm kernel oil, RSS1 and other rubber products of the Group, and sugar respectively.

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

3.8 Biological assets (cont'd)

Oil palm trees have an average life that ranges from 20 to 25 years; with the first 3 to 4 years as immature and the remaining years as mature.

Rubber trees have an average life that ranges from 20 to 25 years with first 5 to 6 years as immature and the remaining years as mature.

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

3.9 Plasma receivables

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

Gain or loss resulting from the difference between the carrying value of the plasma receivables and the corresponding investment credit transferred to the plasma farmers is reflected in the consolidated statement of comprehensive income for the year.

An allowance for uncollectible plasma receivables is also provided based on the excess of accumulated development costs over the bank or Group's funding or amounts agreed by the KUD.

3.10 Intangible assets

(a) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to 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 acquire 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 consolidated statement of comprehensive income. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

Goodwill and fair value adjustments arising on the acquisition of foreign operation 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.

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

3.10 Intangible assets (cont'd)

(a) Goodwill (cont'd)

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

(b) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic 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. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

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

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

(i) Research and development costs

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

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

3.11 Impairment of non-financial assets

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

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

3.11 Impairment of non-financial assets (cont'd)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGUs") fair value less costs to sell 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, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

3.12 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.

3.13 Associates

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

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 the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, 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 the investment is acquired.

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

3.13 Associates (cont'd)

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 recognizes 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 associate.

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 interest in the subsidiaries of associates.

When the Group's share of losses of 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 associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in investment in profit or loss.

The financial statements of the associate are prepared for the same reporting period 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.

3.14 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

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

3.14 Financial assets (cont'd)

Subsequent measurement (cont'd)

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

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

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

(b) Loans and receivables

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

De-recognition

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

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or 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.

3.15 Derivative financial instruments

Future commodity contracts

The Group applies the provisions of FRS 39, "Financial Instruments: Recognition and Measurement". FRS 39 requires that all of the following conditions to be met for a hedging relationship to qualify as hedge accounting: (a) at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge; (b) the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk; (c) for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss; (d) the effectiveness of the hedge can be reliably measured; and (e) the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The related receivables and payables arising from the above transaction are presented in the consolidated balance sheet as regular financial instruments and are carried at fair values based on the quoted market prices of the related commodity.

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

3.16 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

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

When the asset becomes uncollectible, the carrying amount of impaired financial 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.

(b) Financial assets carried at cost

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

3.17 Cash and cash equivalents

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

Cash and cash equivalents carried in the consolidated balance sheet are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 3.14.

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

3.18 Inventories

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

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

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

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

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

3.19 Provisions

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

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

3.20 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

3.20 Financial liabilities (cont'd)

Subsequent measurement (cont'd)

(a) Financial liabilities at fair value through profit or loss (cont'd)
Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

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

(b) Other financial liabilities
After initial recognition, other financial liabilities 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.

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

3.21 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 the consolidated statement of comprehensive income 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 the consolidated statement of comprehensive income.

3.22 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.

3.23 Employee benefits

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

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

3.23 Employee benefits (cont'd)

(a) Defined contribution plans (cont'd)

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

(b) Defined benefit plans

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

Actuarial gains or losses are recognised in the consolidated statement of comprehensive income when the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting year exceed 10.0% of the defined benefit obligation at that date. Such gains or losses in excess of the 10.0% corridor are amortised on a straight-line method over the expected average remaining service years of the covered employees.

Past service cost is recognised as an expense on a straight-line basis over the average period until the benefit becomes vested. To the extent that the benefit is already vested immediately following the introduction of, or changes to, the employee benefit program, the Group recognises past service cost immediately.

The related estimated liability for employee benefits is the aggregate of the present value of the defined benefit obligations at each reporting period and unrecognised actuarial gains and losses, less unrecognised past service cost.

3.24 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.

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated statement of comprehensive income. 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 the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

3.24 Leases (cont'd)

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 3.25(c).

(c) Prepaid land premiums and land use rights

From 1 January 2010

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

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

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term ranging from 8 to 48 years.

3.25 Revenue

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

(a) Sale of goods

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

(b) Interest income

Interest income is recognised using the effective interest method, unless collectability is in doubt.

(c) Rental and storage income

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

(d) Dividend income

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

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

3.26 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

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 end of each reporting report and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

3.26 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

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

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

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

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

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

3.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.28 Share capital and share issue expenses

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

3.29 Treasury shares

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

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

3.30 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.

3.31 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).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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 consolidated financial statements:

(a) Classification of financial assets and financial liabilities

The Group determines the classification of certain of assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set out in FRS 32. Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Group's accounting policies set out in Note 3.14 and Note 3.20 respectively.

(b) Purchase price allocation and goodwill impairment

Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities purchased, including intangible assets and contingent liabilities. Certain business acquisitions of the Group have resulted in goodwill. Under FRS 103, such goodwill is not amortised and is subject to a periodic impairment testing. The carrying amount of the Group's goodwill as at 31 December 2012 is Rp3,155.8 billion (2011: Rp3,155.8 billion). Further details are disclosed in Note 16.

Determining the fair values of biological assets at the date of business combination, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial information. Future events could cause the Group to conclude that biological assets are impaired. The preparation of estimated future cash flows involves significant estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in its assumptions may materially affect its assessment of recoverable values and may lead to impairment charge in the future.

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

(c) Allowance for doubtful debts

Individual assessment

The Group evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Group uses judgement, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific allowance against amount due from such customers to reduce its receivable to the amount the Group expects to collect. These specific allowances are re-evaluated and adjusted as additional information received affects the amounts of allowance for doubtful debts. The carrying amount of the Group's trade receivables before allowance for doubtful debts as at 31 December 2012 is Rp784.5 billion (2011: Rp751.2 billion). Further details are disclosed in Note 23.

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

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

(c) Allowance for doubtful debts (cont'd)

Collective assessment

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

(d) Allowance for uncollectible plasma receivables

The Group evaluates the excess of accumulated development costs over the banks' and Group's funding on the amount agreed by the plasma farmers. In such cases, the Group uses judgement, based on available facts and circumstances, to record allowance for uncollectible plasma receivables. These provisions are re-evaluated and adjusted as additional information received. The net carrying amount of the Group's plasma receivables as of 31 December 2012 and 2011 is Rp558.3 billion and Rp569.7 billion, respectively. Further details are disclosed in Note 21, 23 and 32(a).

(e) Allowance for unrecoverable advances for purchase of land

The Group evaluates the sufficiency of allowance for advances for purchase of land based on its assessment over the plot of land rights that the related titles of ownership cannot be transferred to the Group. The net carrying amount of the Group's advance for purchase of land as of 31 December 2012 is Rp47.2 billion (2011: Rp60.9 billion).

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

(i) VAT relating to FFB

Indonesian Law No. 7/2007 specifies that input VAT on certain products is not claimable. Among the affected sector is the plantation sector. This rule disallows the claim or recovery of input VAT incurred in respect of plantation activities, such as purchase of machineries and fertilisers. Interpretation and application of this law within the plantation sector has evolved from time to time due to the inconsistent interpretation and application by the industry players and tax authorities. Starting from 2010 fiscal year, the Indonesian Tax Office has taken the view that the input VAT pertaining to plantation activities cannot be claimed. Certain companies trying to claim for the refund of VAT were penalised.

Further, the Directorate General of Tax circulated letter No. SE-90/PJ/2011 in December 2011 regarding the allowable input VAT claims of the integrated oil palm plantation entities. This letter indicated that input VAT may not be claimed by the entities if the related goods were used to produce fresh fruit bunches ("FFB"). Management is of the view that uncertainties exist with respect to the interpretation of tax regulation, changes in tax laws and recoverability of input VAT claims from plantation activities. Consequently, the Group ceased to claim these input VATs altogether.

(ii) Claims for VAT refund

Based on the tax assessment letter issued by the Tax Office on 4 February 2009, a subsidiary of the Group, PT SIMP has paid for an underpayment of VAT amounting to Rp183.5 billion (inclusive of interests and penalties of Rp26.4 billion) in respect of the fiscal year 2006 and has recorded this as tax recoverable. PT SIMP filed an objection for the said tax assessment letter on 30 April 2009, which was rejected by the Tax Office on 26 April 2010. Subsequently PT SIMP filed an appeal to the Tax Court on 22 June 2010. As of end February 2013, the Tax Court has not issued a verdict on PT SIMP's appeal.

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

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. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Pension and employee benefits

The determination of the Group's obligations and cost for pension and employee benefits liabilities is dependent on its selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turnover rate, disability rate, retirement age and mortality rate. Actual results that differ from the Group's assumptions are recognised immediately in the consolidated statement of comprehensive income as and when they occur. While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Group's actual experiences or significant changes in the Group's assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense. The carrying amount of the Group's employee benefits liabilities as at 31 December 2012 is Rp840.5 billion (2011: Rp688.0 billion). Further details are given in Note 28.

An increase/decrease of 1% in the annual discount rate will cause decrease/increase in the net employee benefits expense or net employee benefits liability amounting to Rp12.7 billion and Rp14.6 billion, respectively, for the year ended 31 December 2012 (2011: Rp9.1 billion and Rp10.5 billion, respectively).

(b) Depreciation of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 25 years. These are common life expectancies applied in the industries where the Group conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Group's property, plant and equipment as at 31 December 2012 is Rp8,460.9 billion (2011: Rp7,245.4 billion). Further details are disclosed in Note 15.

(c) Biological assets

The Group carries its oil palm, rubber and sugar cane plantations and other smaller plantations 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 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 Group's consolidated statement of comprehensive income and equity. The carrying amount of the Group's biological assets as at 31 December 2012 is Rp12,585.8 billion (2011: Rp11,615.0 billion). Further details are disclosed in Note 14.

(d) Financial instruments

The Group carries certain financial assets and liabilities at fair values, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidences, the amount of changes in fair values would differ if the Group utilised a different valuation methodology. Any change in fair values of these financial assets and liabilities would directly affect the Group's consolidated statement of comprehensive income. As of 31 December 2012, the fair values of related payables arising from the outstanding/open contracts (all at "sell" position), which were determined based on the related quoted market prices at the said date were the same with the notional amount of the said outstanding/open contracts amounting to Rp24.4 billion (2011: Rp39.7 billion). Further details are disclosed in Note 32(b).

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

4.2 Key sources of estimation uncertainty (cont'd)

(e) Income tax

Significant judgement is involved in determining provision for income tax. Uncertainties exist with respect to the interpretation of tax regulations, changes in tax laws, and the amount and timing of future taxable income which requires future adjustments to tax income and expense already recorded. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected income tax issues based on estimates of whether additional income taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax in the year in which such decision is made by the taxation authority. The carrying amount of the Group's tax payables as at 31 December 2012 is Rp91.5 billion (2011: Rp77.5 billion).

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

Allowance for decline in market value of inventories and obsolescence of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to be incurred for their sales. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Group's inventories as at 31 December 2012 is Rp1,889.0 billion (2011: Rp1,677.6 billion). Further details are disclosed in Note 22.

(g) 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 estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying amount of the Group's deferred tax assets as at 31 December 2012 is Rp691.7 billion (2011: Rp526.7 billion). Further details are disclosed in Note 18.

5. REVENUE

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

During the years ended 31 December 2012 and 2011, the Group reported revenue from a customer with individual cumulative amount each exceeding 10% as follows:

Sales of edible oils and fats products to PT Indofood CBP Sukses Makmur Tbk amounting to Rp1,553.3 billion, representing 11.22% of total consolidated revenue (2011: Rp1,418.6 billion; 11.25%).

6. COST OF SALES

	Group	
	2012	2011
	Rp million	Rp million
Raw materials used	5,008,297	4,113,246
Harvesting, upkeep and cultivation cost	2,071,310	1,582,920
Manufacturing and other overhead expenses	3,014,740	2,515,999
Changes in work in-process and finished goods inventories	(413,670)	(207,829)
Total	9,680,677	8,004,336

During the years ended 31 December 2012 and 2011, there were no purchases made from any single supplier with cumulative amount exceeding 10% of the consolidated revenue.

7. OTHER OPERATING INCOME

		Group	
	Note	2012	2011
		Rp million	Rp million
Sundry sales of oil palm seedlings		10,524	7,510
Management fee income		3,163	7,465
Rental income		13,836	6,251
Sale of green palm certificates		6,106	5,831
Gain on disposal of property and equipment		–	5,664
Sale of scraps		3,292	4,152
Sale of empty bunches		3,428	3,821
Reversal of provision for decline in market value and obsolescence of inventories	22	11,755	191
Reversal of provision of estimated liabilities for asset dismantling cost	27	11,518	–
Others		40,799	28,882
Total		104,421	69,767

8. OTHER OPERATING EXPENSES

	Note	Group 2012 Rp million	2011 Rp million
Allowance for uncollectible and loss arising from changes in fair value of plasma receivables	32(a)	110,495	70,405
Provision for decline in market value and obsolescence of inventories	22	80,821	11,755
Impairment loss on an associate company	20	–	17,792
Write-off of property and equipment		3,584	1,894
Loss on future commodity contract transactions		5,169	5,777
Amortisation of deferred charges		33,383	20,968
Loss on disposal of biological assets		2,096	74
Founder tax and share transfer fees		–	81,778
Loss on disposal of property and equipment		1,451	–
Others		32,430	23,668
Total		269,429	234,111

9. PROFIT FROM OPERATIONS

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

	Note	Group 2012 Rp million	2011 Rp million
Depreciation of property, plant and equipment	15	551,127	461,472
Amortisation of other non-current assets		38,466	26,125
Employee benefits expense	28	1,274,022	1,169,429
Research and development costs		41,152	37,512
Operating lease rentals	32(c)	10,062	8,292
Provision/(write-back) allowance of doubtful debts	23	357	(522)
Bad debt expense		244	99
Audit fees:			
Auditors of the Company		965	851
Other auditors		11,182	9,942
Non-audit fees:			
Auditors of the Company		23	42
Other auditors		–	7,295

10. FINANCE INCOME

	Group	
	2012	2011
	Rp million	Rp million
Interest income:		
- Current accounts and short term deposits	242,963	214,303
- Plasma receivables	6,204	7,033
- Others	2	58
Total	249,169	221,394

11. FINANCE EXPENSE

	Group	
	2012	2011
	Rp million	Rp million
Interest expense on:		
- Bank loans	403,274	332,474
- Bonds	53,668	53,557
- Sukuk Ijarah	33,030	32,958
- Finance leases	2	63
- Others	7,316	8,028
Bank charges	18,568	18,242
Total	515,858	445,322

12. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	Group	
	2012	**2011**
	Rp million	**Rp million**
Consolidated statement of comprehensive income:		
Current income tax		
- Current year income tax	769,968	865,891
- Under provision in respect of previous years	6,659	8,453
	776,627	874,344
Deferred income tax		
- Current year deferred income tax	(123,883)	23,053
- (Over)/under provision in respect of previous years	(29,740)	15,136
	(153,623)	38,189
Total	623,004	912,533

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 2012 and 2011 is as follows:

	Group	
	2012	**2011**
	Rp million	**Rp million**
Profit before tax as per consolidated statement of comprehensive income	2,441,687	3,553,389
Tax at the domestic rates applicable to profits in the countries where the Group operates	597,642	852,557
Income not subject to taxation	(10,566)	(22,022)
Non-deductible expenses	128,648	161,406
Under provision in respect of corporate income tax of previous years	6,659	8,453
(Over)/under provision in respect of deferred income tax of previous years	(29,740)	15,136
Effect of reduction in tax rate	(69,639)	(102,997)
Income tax expense recognised in the consolidated statement of comprehensive income	623,004	912,533

For the financial year ended 31 December 2012, the corporate tax rate for companies in Singapore and Indonesia was 17% and 25% (2011: 17% and 25%) respectively.

The effect of reduction in tax rate is due to an application of 20% (2011: 20%) tax rate instead of the normal tax rate of 25% (2011: 25%) by a foreign subsidiary in computing its income tax expense for the reporting period due to its fulfilment to reduce corporate income tax rate in accordance with Indonesian Government Regulation No. 81/2007.

13. EARNINGS PER SHARE

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

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

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

	Group	
	2012	**2011**
	Rp million	**Rp million**
Profit attributable to owners of the Company	1,049,322	1,489,946
	No. of shares	**No. of shares**
Weighted average number of ordinary shares for basic earnings per share computation*	1,437,217,256	1,444,862,282

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

There were no dilutive potential ordinary shares as at 31 December 2012 and 2011.

14. BIOLOGICAL ASSETS

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

	Group	
	2012	**2011**
	Rp million	**Rp million**
At fair value		
At 1 January	11,615,002	10,453,082
Additions	1,101,215	890,274
Disposal of biological assets	(2,244)	(1,930)
Realisation of deferred costs	(178,065)	(170,525)
Reclassification (to)/from property, plant and equipment and other non-current assets	(5,642)	19,545
	12,530,266	11,190,446
Gain arising from changes in fair value of biological assets	55,576	424,556
At 31 December	12,585,842	11,615,002

14. BIOLOGICAL ASSETS (CONT'D)

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

Oil Palm Plantations

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

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

(a) oil palm trees have an average life that ranges from 20 to 25 years, with the first 3 to 4 years as immature and the remaining years at mature stage;

(b) yield per hectare of oil palm trees determined in reference to guidelines issued by the Indonesian Oil Palm Research Institute ("*Pusat Penelitian Kelapa Sawit*") in Indonesia, which varies with the average age of oil palm trees, as well as internal standards and results of internal assessments of other relevant factors;

(c) the discount rate used in 2012 is 12.35% (2011: 14.15%). Such a discount rate represents the asset specific rate for the Group's oil palm plantation operations which is applied in the discounted future cash flows calculation; and

(d) the projected price of CPO is based on consensus of the World Bank and reputable independent forecasting service firms for the short-term period and World Bank forecasts for the remainder of the projection period.

Rubber Plantations

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

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

(a) rubber trees have an average life that ranges from 20 to 25 years, with the first 5 to 6 years as immature and the remaining years at mature stage;

(b) discount rate used in 2012 is 12.10% (2011: 14.55%). Such a discount rate represents the asset specific rate for the Group's rubber plantations operations which are applied in the discounted future cash flows calculation; and

(c) the projected selling prices of RSS1 and other rubber products of the Group over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank.

14. BIOLOGICAL ASSETS (CONT'D)

Sugar Cane Plantations

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

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

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

(b) discount rate used in 2012 is 9.23% (2011: 9.72%). Such discount rate represent the asset specific rate for the Group's sugar cane plantations operation which are applied in the discounted future cash flows calculation; and

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

Sensitivity analysis

Changes in the assumed selling prices of CPO and rubber would have the following effects:

	Effects on fair value on biological assets	
	2012	**2011**
	Rp million	**Rp million**
Increase		
10% in the assumed selling prices	3,243,393	2,003,248
Decrease		
10% in the assumed selling prices	(3,595,122)	(2,880,077)

14. BIOLOGICAL ASSETS (CONT'D)

Fair value of Agriculture Products

An analysis for the Group's plantation production and selling prices of each group of biological as follows:

	2012		2011	
	Agriculture production ('000 tonnes)	Selling price per tonne (Rp million)	Agriculture production ('000 tonnes)	Selling price per tonne (Rp million)
Oil palm	2,973	1.13–1.74	2,797	1.27–1.92
Rubber	18	13.80–18.50	19	19.80–24.50
Sugar cane	588	N.M.	420	0.22–0.33

N.M. denotes not meaningful as the Group has ceased to sell sugar cane during the current financial year following the first full year of cane crushing season. All sugar cane were refined and sold as sugar.

Areas of the Group's Plantations

An analysis for the areas of mature and immature plantations of each group of biological assets is as follows:

	2012		2011	
	Mature (Ha)	Immature (Ha)	Mature (Ha)	Immature (Ha)
Oil palm	176,105	54,814	158,163	58,674
Rubber	17,507	4,295	17,745	4,440
Sugar cane	12,255	78	11,302	953
Others	3,227	444	3,364	348

Capitalisation of borrowing costs

During the year ended 31 December 2012, borrowing costs capitalised to biological assets of the Group in the course of development amounted to Rp54.0 billion (2011: Rp59.0 billion) based on the specific identification of the related borrowings and using capitalisation rates ranging from 7.27% to 9.91% (2011: from 7.77% to 10.16%) in 2012.

Assets pledged as security

Biological assets with a carrying value of Rp702.7 billion (2011: Rp533.7 billion) as at 31 December 2012 were used as collateral for bank facilities granted to a subsidiary company (Note 26).

15. PROPERTY, PLANT AND EQUIPMENT

	Land use rights Rp million	Buildings and improve-ments Rp million	Plant and machinery Rp million	Heavy equipment and trans-portation equipment Rp million	Furniture, fixtures and office equipment Rp million	Total Rp million
Group						
Cost						
At 31 December 2010 and 1 January 2011:	1,785,607	2,376,892	3,538,259	834,452	180,780	8,715,990
Additions	98,512	302,676	371,025	134,323	29,426	935,962
Reclassification	–	(135,007)	134,883	1,238	(2,606)	(1,492)
Disposals and write-off	–	(770)	(14,239)	(14,751)	(3,493)	(33,253)
At 31 December 2011 and 1 January 2012	1,884,119	2,543,791	4,029,928	955,262	204,107	9,617,207
Additions	181,260	656,183	576,716	397,766	43,178	1,855,103
Reclassification	2,706	454,043	(506,682)	418	1,219	(48,296)
Disposals and write-off	–	(7,078)	(24,332)	(5,355)	(2,472)	(39,237)
At 31 December 2012	2,068,085	3,646,939	4,075,630	1,348,091	246,032	11,384,777
Accumulated depreciation						
At 31 December 2010 and 1 January 2011	313,786	334,407	831,434	338,393	106,535	1,924,555
Depreciation charge for the year	55,706	104,166	168,882	107,956	24,762	461,472
Reclassification	1,837	3,830	2,470	7,540	(335)	15,342
Disposals and write-off	–	(289)	(12,467)	(13,850)	(2,999)	(29,605)
At 31 December 2011 and 1 January 2012:	371,329	442,114	990,319	440,039	127,963	2,371,764
Depreciation charge for the year	60,991	127,302	210,950	124,889	26,995	551,127
Reclassification	–	6,665	15,352	9,341	795	32,153
Disposals and write-off	–	(3,523)	(20,263)	(5,026)	(2,312)	(31,124)
At 31 December 2012	432,320	572,558	1,196,358	569,243	153,441	2,923,920
Net carrying amount						
At 31 December 2011	1,512,790	2,101,677	3,039,609	515,223	76,144	7,245,443
At 31 December 2012	1,635,765	3,074,381	2,879,272	778,848	92,591	8,460,857

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

	Buildings and improvements Rp million	Furniture, fixtures and office equipment Rp million	Total Rp million
Company			
Cost			
At 1 January 2011, 31 December 2011, 1 January 2012	74,049	324	74,373
Additions	–	–	–
At 31 December 2012	74,049	324	74,373
Accumulated depreciation			
At 1 January 2011	8,240	289	8,529
Additions	4,124	26	4,150
At 31 December 2011 and 1 January 2012	12,364	315	12,679
Additions	3,629	6	3,635
At 31 December 2012	15,993	321	16,314
Net carrying amount			
At 31 December 2011	61,685	9	61,694
At 31 December 2012	58,056	3	58,059

Assets under construction

The Group's property, plant and equipment included Rp758.5 billion (2011: Rp1,913.0 billion) which relate to expenditure for building and machinery in the course of construction.

Additions of property, plant and equipment

During the financial year, additions of the Group's property, plant and equipment included reclassifications from advances to contractors and provision per asset dismantling cost amounting to Rp151.2 billion and Rp886.0 million (2011: Rp56.4 billion and RpNil) respectively.

Capitalisation of borrowing costs

During the year ended 31 December 2012, borrowing costs capitalised by certain subsidiary companies to their building and machineries under construction amounted to Rp6.2 billion (2011: Rp102.1 billion) based on the specific identification of the related borrowings and using capitalisation rates ranging from 7.27% to 9.91% (2011: 7.77% to 10.16%) in 2012.

Assets pledged as security

Property, plant and equipment with a net book value of Rp143.4 billion (2011: Rp148.3 billion) are pledged to secure the borrowings of a subsidiary company as at 31 December 2012 (Note 26).

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

Land Use Rights

The Group has land use rights with terms ranging from 8 to 48 years which will expire between 2014 to 2053. The cost incurred in obtaining the land use rights are depreciated in a manner that reflects the benefits to be derived from them. The management also believes that these land use rights can be renewed/extended upon expiration.

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

	Group	
	2012	**2011**
	Rp million	**Rp million**
Amount to be amortised		
- Not later than one year	63,062	57,177
- Later than one year but not later than five years	251,870	223,405
- Later than five years	1,320,833	1,232,208

Transportation Equipment

The carrying amounts of transportation equipment held under finance lease at the end of the reporting period were Rp0.6 billion (2011: Rp0.6 billion).

16. GOODWILL

	Group	
	2012	**2011**
	Rp million	**Rp million**
At 1 January and 31 December	3,155,786	3,155,786

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

Intergrated plantation estates of Lonsum	2,909,757	2,909,757
Plantation estates of PT GS	8,055	8,055
Plantation estates of PT MPI	2,395	2,395
Plantation estates of PT SBN	234	234
Plantation estates of PT KGP	29,140	29,140
Intergrated plantation estates of PT CNIS	7,712	7,712
Plantation estates of PT LPI	37,230	37,230
Plantation estates and research facility of PT SAIN	113,936	113,936
Plantation estates of PT RAP	3,388	3,388
Plantation estates of PT JS	1,533	1,533
Intergrated plantation estates of PT MISP	34,087	34,087
Plantation estates of PT IBP	8,319	8,319
Total	3,155,786	3,155,786

16. GOODWILL (CONT'D)

No other impairment loss was recognised for the year ended 31 December 2012 and 2011 as the recoverable amounts of the goodwill stated above were in excess of their respective carrying values. The summary of impairment testing on the above-mentioned goodwill is as follows:

Except for goodwill allocated to the plantation estates of Lonsum, the recoverable value of the goodwill allocated to all other plantation estates as at 31 December 2012 was determined based on fair value less costs to sell ("FVLCTS"), using discounted cash flow method. The recoverable value of the goodwill allocated to the plantation estates of Lonsum had been determined based on value-in-use calculations. The following key assumptions had been used:

Cash generating units	Goodwill as at 31 December 2012 Rp million	Discount rate (pre-tax)	Terminal growth rate
Intergrated plantation estates of Lonsum	2,909,757	15.73%	6.50%
Plantation estates of PT GS	8,055	16.46%	6.50%
Plantation estates of PT MPI	2,395	16.46%	6.50%
Plantation estates of PT SBN	234	16.46%	6.50%
Plantation estates of PT KGP	29,140	16.46%	6.50%
Intergrated plantation estates of PT CNIS	7,712	16.46%	6.50%
Plantation estates of PT LPI	37,230	14.82%	6.50%
Plantation estates and research facility of PT SAIN	113,936	16.46%	6.50%
Plantation estates of PT RAP	3,388	16.46%	6.50%
Plantation estates of PT JS	1,533	16.46%	6.50%
Intergrated plantation estates of PT MISP	34,087	16.46%	6.50%
Plantation estates of PT IBP	8,319	16.46%	6.50%
Total	3,155,786		

The recoverable value calculation of the above CGU applied a discounted cash flow model based on cash flow projections covering a period of 10 years for plantation estates. The projected price of the CPO is based on the consensus of the World Bank and reputable independent forecasting service firms for the short-term period and the World Bank forecasts for the remainder projection period. The projected selling prices of RSS1 and other rubber products of the Group over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank. While the sugar prices used in the projection are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank or the minimum sugar price imposed by the Ministry of Trade of Indonesia, whichever is higher.

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

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

17. CLAIMS FOR TAX REFUND

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

18. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Consolidated balance sheet	
	2012	**2011**
	Rp million	**Rp million**
Deferred tax assets		
Property, plant and equipment	(33,836)	(27,658)
Biological assets	35,580	71,384
Allowance for impairment and fair value adjustments of plasma receivables	73,209	44,798
Allowance for employees benefit expenses	15,298	11,573
Allowance for decline in market value and obsolescence of inventories	22,218	5,131
Employee benefits liabilities	88,868	66,700
Deferred inter-company profits	38,535	58,113
Tax losses carry forward	451,947	297,804
Others	(159)	(1,178)
Total	691,660	526,667
Deferred tax liabilities		
Property, plant and equipment	(330,077)	(346,689)
Biological assets	(1,839,223)	(1,787,247)
Allowance for impairment and fair value adjustments of plasma receivables	6,900	7,545
Allowance for employees benefit expenses	32,950	40,148
Allowance for decline in market value and obsolescence of inventories	483	677
Allowance for unrecoverable advances for purchases of land	–	11,000
Employee benefits liabilities	118,433	103,202
Deferred inter-company profits	–	6,157
Tax losses carry forward	7,161	7,777
Withholding tax on distributable profits of foreign subsidiaries	(33,320)	(66,662)
Others	246	(986)
Total	(2,036,447)	(2,025,078)

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

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

18. DEFERRED TAX (CONT'D)

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

	Group	
	2012	**2011**
	Rp million	**Rp million**
Deferred income tax movements:		
Property, plant and equipment	(10,435)	(33,807)
Biological assets	87,780	169,614
Allowance for impairment and fair value adjustments of plasma receivables	(27,765)	(17,601)
Provision for allowance of decline in market value and obsolescence of inventories	(16,892)	(2,424)
Employee benefits liability	(37,399)	(27,802)
Deferred inter-company profits	25,736	5,314
Provision for employee benefits expense	3,473	(4,517)
Tax losses carry forward	(153,528)	(115,375)
Withholding tax on distributable profit of foreign subsidiaries	33,320	66,662
Overprovision in respect of prior year withholding tax on distributable profit of foreign subsidiaries	(42,666)	–
Others	(15,247)	(1,875)
Net deferred tax (benefit)/expense reported in the consolidated statement of comprehensive income	(153,623)	38,189

Unrecognised tax losses

At the end of reporting period, the Group has tax losses amounting to Rp2,215.6 billion (2011: Rp1,577.8 billion) that are available for offset against future taxable profits. The related deferred tax benefits of Rp94.8 billion (2011: Rp88.9 billion) attributable to such tax losses was not recognised as the recoverability was considered not probable.

Unrecognised temporary differences relating to investments in subsidiaries

A deferred tax liability of Rp485.4 billion (2011: Rp411.4 billion) that could arise upon the distribution of profit at certain subsidiaries has not been provided for as at 31 December 2012 as the profits is controlled and there is currently no intention for the profits to be remitted to Singapore.

19. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2012 Rp million	2011 Rp million
Shares, at cost	9,660,599	9,660,599

The subsidiary companies as at 31 December are:

Name of subsidiaries	Country of incorporation	Percentage of equity held %		Principal activities
		2012	2011	
Name (Abbreviated name) Denotes				
Held by the Company				
PT Salim Ivomas Pratama Tbk (PT SIMP) ②	Indonesia	72.00	72.00	Ownership of oil palm plantations, mills and production of cooking oil, margarine, shortening, and other related products
Held by PT Salim Ivomas Pratama Tbk				
IndoInternational Green Energy Resources Pte. Ltd. (IGER) ①	Singapore	43.20	43.20	Investment holding
PT Indoagri Inti Plantation (PT IIP) ②	Indonesia	71.28	71.28	Investment holding, management services and transportation
Silveron Investments Limited (SIL) ③	Mauritius	72.00	72.00	Investment holding
PT Kebun Mandiri Sejahtera (PT KMS) ③	Indonesia	67.28	67.28	Ownership of rubber and oil palm plantations
PT Manggala Batama Perdana (PT MBP) *	Indonesia	72.00	72.00	Non-operating
PT Sarana Inti Pratama (PT SAIN) ③	Indonesia	72.00	72.00	Investment, research, management and technical services, oil palm seed breeding, and ownership of oil palm plantations
PT Mentari Subur Abadi (PT MSA) ③	Indonesia	21.44	21.44	Investment and ownership of oil palm plantations
PT Mega Citra Perdana (PT MCP) ④	Indonesia	21.39	21.39	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN) ③	Indonesia	21.47	21.47	Ownership of oil palm plantations

19. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Name of subsidiaries	Country of incorporation	Percentage of equity held % 2012	2011	Principal activities
Name (Abbreviated name) Denotes (cont'd)				
Held by PT Salim Ivomas Pratama Tbk (cont'd)				
PT Lajuperdana Indah (PT LPI) ②	Indonesia	21.32	21.32	Ownership of sugar cane plantations and sugar mills/refineries
PT Mitra Inti Sejati Plantation (PT MISP) ③	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT PP London Sumatra Indonesia Tbk (Lonsum) ②	Indonesia	42.83	42.83	Business of breeding, planting, milling and selling of oil palm products, rubber and other crops
PT Cakra Alam Makmur (PT CAM) ③	Indonesia	72.00	72.00	Ownership of bulking facilities
PT Hijaupertiwi Indah Plantations (PT HPIP) ③	Indonesia	72.00	72.00	Ownership of oil palm plantations
PT Cangkul Bumisubur (PT CBS) ③	Indonesia	72.00	72.00	Ownership of oil palm plantations
PT Samudera Sejahtera Pratama (PT SSP) ③	Indonesia	72.00	72.00	Transportation service
Held by IndoInternational Green Energy Resources Pte. Ltd.				
PT Mentari Subur Abadi (PT MSA) ③	Indonesia	21.76	21.76	Investment and ownership of oil palm plantations
PT Mega Citra Perdana (PT MCP) ④	Indonesia	21.81	21.81	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN) ③	Indonesia	21.73	21.73	Ownership of oil palm plantations
PT Lajuperdana Indah (PT LPI) ②	Indonesia	21.88	21.88	Ownership of sugar cane plantations and sugar mills/refineries
Held by PT Indoagri Inti Plantation				
PT Gunung Mas Raya (PT GMR) ②	Indonesia	70.57	70.57	Ownership of oil palm plantations and mill
PT Indriplant (PT IP) ②	Indonesia	70.57	70.57	Ownership of oil palm plantations and mill

19. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Name of subsidiaries	Country of incorporation	Percentage of equity held % 2012	2011	Principal activities
Name (Abbreviated name) Denotes (cont'd)				
Held by PT Indoagri Inti Plantation (cont'd)				
PT Serikat Putra (PT SP) ②	Indonesia	70.57	70.57	Ownership of oil palm plantations and mill
PT Cibaliung Tunggal Plantations (PT CTP) ②	Indonesia	70.57	70.57	Ownership of oil palm plantations
Held by PT Serikat Putra				
PT Intimegah Bestari Pertiwi (PT IBP) ③	Indonesia	70.57	70.57	Ownership of oil palm plantations
Held by Silveron Investments Limited				
Asian Synergies Limited (ASL) ③	British Virgin Islands	72.00	72.00	Investment holding
PT Kebun Ganda Prima (PT KGP) ③	Indonesia	71.99	71.99	Ownership of oil palm plantations
Held by Asian Synergies Limited				
PT Citranusa Intisawit (PT CNIS) ③	Indonesia	71.99	71.99	Ownership of oil palm plantations and mill
Held by PT Sarana Inti Pratama				
PT Riau Agrotama Plantation (PT RAP) ③	Indonesia	71.99	71.99	Ownership of oil palm plantations
PT Citra Kalbar Sarana (PT CKS) ③	Indonesia	71.99	71.99	Ownership of oil palm plantations
PT Jake Sarana (PT JS) ③	Indonesia	71.93	71.93	Ownership of oil palm plantations
Held by PT Mentari Subur Abadi				
PT Agro Subur Permai (PT ASP) ③	Indonesia	42.98	42.98	Ownership of oil palm plantations
Held by PT Mega Citra Perdana				
PT Gunta Samba (PT GS) ④	Indonesia	43.19	43.19	Ownership of oil palm plantations

19. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Name of subsidiaries	Country of incorporation	Percentage of equity held % 2012	2011	Principal activities
Name (Abbreviated name) Denotes (cont'd)				
Held by PT Mega Citra Perdana (cont'd)				
PT Multi Pacific International (PT MPI) ④	Indonesia	43.19	43.19	Ownership of oil palm plantations
Held by PT Cangkul Bumisubur				
PT Pelangi Inti Pertiwi (PT PIP) ③	Indonesia	72.00	72.00	Ownership of oil palm plantations
Held by PT PP London Sumatra Indonesia Tbk				
PT Multi Agro Kencana Prima (PT MAKP) ⑤	Indonesia	34.26	34.26	Rubber mill and trading
Lonsum Singapore Pte. Ltd. (LSP) ⑥	Singapore	42.83	42.83	Trading and marketing
PT Tani Musi Persada (PT TMP)⑤	Indonesia	42.80	42.80	Ownership of oil palm plantations
PT Sumatra Agri Sejahtera (PT SAS) ⑤	Indonesia	42.80	42.80	Ownership of oil palm plantations
PT Tani Andalas Sejahtera (PT TAS) ⑤	Indonesia	38.54	38.54	Ownership of oil palm plantations
Agri Investment Pte. Ltd. (AIPL) ⑥	Singapore	42.83	–	Investment holding
Held by Lonsum Singapore Pte. Ltd.				
Sumatra Bioscience Pte. Ltd. (SBPL) *	Singapore	42.83	42.83	Dormant

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

Audited by:

① Ernst & Young LLP, Singapore

② Purwantono, Suherman & Surja, Indonesia (member firm of Ernst & Young Global)

③ Hendrawinata Eddy & Siddharta, Indonesia

④ Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia (member firm of Grant Thornton International)

⑤ Gideon, Ikhwan & Sofwan, Indonesia (member firm of Parker Randall)

⑥ Saw Meng Tee & Partners PAC, Singapore

19. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Establishment of a new subsidiary

On 5 April 2012, the Group's subsidiary, Lonsum incoporated a wholly-owned subsidiary company in Singapore, known as Agri Investment Pte Ltd ("AIPL") with an initial issued share capital of US$100. Subsequently on 25 May 2012, the issued share capital of AIPL was increased to US$15.1 million (equivalent to Rp138.9 billion) through the capitalisation of a shareholder loan from Lonsum. The principal activities of AIPL is investment in agricultural technology and cultivation businesses.

20. INVESTMENT IN AN ASSOCIATED COMPANY

Heliae Technology Holdings, Inc.

On 1 May 2012, a subsidiary company, AIPL (Note 19) acquired a 26.4% equity interest in Heliae Technology Holdings, Inc. ("Heliae") for US$15 million (or equivalent to Rp137.9 billion).

In October 2012, the shareholders of Heliae increased their capital contribution, including AIPL which made additional capital contribution of US$3.5 million (or equivalent to Rp33.6 billion). As a result, the effective equity ownership of AIPL in Heliae was diluted to 26.3%.

As at 31 December 2012, the effective equity percentage held by the Group is 11.24%.

Details of the associate company as at 31 December 2012 as follows:

	Group 2012 Rp million
Unquoted shares, at cost	171,460
Share of results	(36,673)
Exchange differences	7,036
	141,823

Name of associate	Country of incorporation	Percentage of equity held % 2012	2011	Principal activities
Held by Agri Investment Pte Ltd				
Heliae Techonology Holdings, Inc (Heliae) [(i)]	USA	11.24	–	Agricultural technology and cultivation business

[(i)] Audited by PricewaterhouseCoopers LLP, Arizona

20. INVESTMENT IN AN ASSOCIATED COMPANY (CONT'D)

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

	2012 Rp million
Assets and liabilities	
Total assets	133,778
Total liabilities	(24,168)
Total	109,610
Results	
Revenue	200
Loss for the year	(138,473)

Ghana Sumatra Ltd

Lonsum together with the Council for Scientific and Industrial Research ("CSIR"), a scientific research organization in the Republic of Ghana, established Ghana Sumatra Ltd. ("GSL"), a joint venture company which engages in producing and marketing of oil palm seeds.

The total investment of Lonsum in GSL amounted to US$2.5 million (in aggregate, equivalent to Rp23.1 billion). On 9 August 2011, the Group has transferred all of its equity interest in GSL to Council for Scientific and Industrial Research ("CSIR"). An impairment loss equivalent to the carrying value of the investment amounting to Rp17.8 billion was recognised in the statement of comprehensive income for the year ended 31 December 2011.

21. OTHER NON-CURRENT ASSETS

		Group		Company	
	Note	2012 Rp million	2011 Rp million	2012 Rp million	2011 Rp million
Non-current:					
Financial assets					
Loans to employees		24,961	29,529	–	–
Plasma receivables	32(a)	542,643	546,479	–	–
Deposits		21	20	21	20
Total other non-current receivables	34	567,625	576,028	21	20
Non-financial assets					
Advances		423,381	327,366	86,700	–
Prepayments		36,606	43,958	–	–
Others		106,957	16,780	–	–
Total advances and prepayments		566,944	388,104	86,700	–
Total other non-current assets		1,134,569	964,132	86,721	20

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

Advances and deposits

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

Loans to employees

The Group provides non-interest bearing loans to officers and employees subject to certain terms and criteria. Such loans, which are being collected through monthly salary deductions over five years, from the date of the loan, are carried at amortised cost using effective interest method, with discount rate of 4.85% in 2012 (2011: 5.46%) per annum.

22. INVENTORIES

		Group	
	Note	**2012**	**2011**
		Rp million	**Rp million**
Balance sheet:			
Raw materials		376,497	544,523
Finished goods		1,010,548	631,290
Spare parts and factory supplies		501,961	501,763
Total inventories at the lower of cost or net realisable value		1,889,006	1,677,576
Consolidated Statement of Comprehensive Income:			
Inventories recognised as an expense in cost of sales		413,670	207,829
Inclusive of the following charge/(credit):			
- Reversal of provision for decline in market value and obsolescence of inventories	7	(11,755)	(191)
- Provision for decline in market value and obsolescence of inventories	8	80,821	11,755
Net changes		69,066	(11,564)

The reversal of provision for decline in market value and obsolescence of inventories was made when the related inventories were sold during the financial year.

Inventories of a subsidiary company amounting to approximately Rp35.1 billion as at 31 December 2012 (2011: Rp51.8 billion) have been pledged as security against the bank borrowings of the said subsidiary (Note 26).

23. RECEIVABLES

	Note	Group 2012 Rp million	Group 2011 Rp million	Company 2012 Rp million	Company 2011 Rp million
Financial assets					
Trade receivables					
Third parties		500,951	509,360	–	–
Related parties		283,531	241,841	–	–
Less: Allowance for doubtful third party trade receivables		(393)	(36)	–	–
Other receivables					
Future commodity contracts	32(b)	66,400	142,668	–	–
Plasma receivables		15,639	23,173	–	–
Loans to employees		15,192	12,342	–	–
Subsidiary companies		–	–	298	672
Related parties		138	155	–	–
Claims from contractors		115,477	–	–	–
Others		45,459	30,735	8,861	2,581
Total trade and other receivables	34	1,042,394	960,238	9,159	3,253
Non-financial assets					
Advances and prepayments					
Advances to suppliers		158,832	107,395	–	–
Prepayments		21,440	24,536	242	206
Claims for tax refund		653	48,401	–	–
Total advances and prepayments		180,925	180,332	242	206
Total receivables		1,223,319	1,140,570	9,401	3,459

Trade receivables are non-interest bearing and are generally on 7 to 42 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group's trade receivables relate to a large number of diversified customers, there is no concentration of credit risk. Receivables from future commodity contracts are carried at their respective quoted market prices. Future commodity contract transactions are further discussed in Note 32(b).

Trade and non-trade receivables from related parties and receivables from subsidiary companies are unsecured, interest-free and are generally on 7 to 42 days' terms. All receivables will be settled in cash.

23. RECEIVABLES (CONT'D)

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

	Group		Company	
	2012 Rp million	2011 Rp million	2012 Rp million	2011 Rp million
Indonesian Rupiah	8,784	2,424	8,812	3,164
US Dollars	334,131	332,444	2	–
	342,915	334,868	8,814	3,164

Receivables that are past due but not impaired

The Group has trade receivables amounting to Rp151.3 billion (2011: Rp87.7 billion) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2012 Rp million	2011 Rp million
Overdue but not impaired:		
1–30 days	139,843	86,552
31–60 days	5,339	660
61–90 days	3,410	230
More than 90 days	2,740	296
	151,332	87,738

Receivables that are impaired

As at 31 December 2012, trade receivables amounting to Rp393.0 million (2011: Rp36.0 million) were individually impaired and fully provided for. Trade receivables that are determined to be impaired at the end of the reporting period relate to debtors that are in financial difficulties and have defaulted on payments.

Movement in allowance for doubtful debts account:

		Group	
	Note	2012 Rp million	2011 Rp million
At 1 January		36	561
Charge/(write-back) for the year	9	357	(522)
Write-offs		–	(3)
At 31 December		393	36

23. RECEIVABLES (CONT'D)

Advances to suppliers

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

	Group	
	2012	**2011**
	Rp million	**Rp million**
Raw materials	91,066	58,167
Factory supplies, spare parts and others	67,766	49,228
	158,832	107,395

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

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	**2011**	**2012**	**2011**
	Rp million	**Rp million**	**Rp million**	**Rp million**
Cash at bank and in hand	1,094,924	2,038,490	246,590	56,185
Short term deposits	3,987,372	4,496,714	1,386,581	1,432,574
Cash and cash equivalents	5,082,296	6,535,204	1,633,171	1,488,759

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	Rp million	**Rp million**	**Rp million**	**Rp million**
Indonesian Rupiah	1,129,467	912,173	1,129,467	912,173
US Dollars	690,773	550,046	28,058	31,574
Singapore Dollars	971	706	–	–
	1,821,211	1,462,925	1,157,525	943,747

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods ranging from one day to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

25. PAYABLES

	Note	Group 2012 Rp million	Group 2011 Rp million	Company 2012 Rp million	Company 2011 Rp million
Current					
Financial liabilities					
Trade payables					
Third parties		645,156	420,252	–	–
Related parties		15,658	12,254	–	–
Other payables and accruals				–	–
Third parties		367,446	207,476	6	205
Future commodity contracts	32(b)	70,004	141,658	–	–
Due to a parent company		10,460	2,791	–	–
Related parties		4,656	1,959	–	–
Accrued operating expenses		492,302	451,565	11,305	7,319
Total trade and other payables and accruals	34	1,605,682	1,237,955	11,311	7,524
Non-financial liabilities					
Advances from customers		217,961	98,577	–	–
Taxes payable		29,900	43,570	–	–
Total advances and taxes payable		247,861	142,147	–	–
Total payables		1,853,543	1,380,102	11,311	7,524

Trade payables are normally settled on 7 to 60 days credit payment terms. These amounts are unsecured and will be settled in cash. The carrying amounts of the Group's trade payables, other payables and accruals approximate their fair values. Payables incurred on future commodity contract transactions are carried at their respective quoted market prices.

Payables to a parent company and other payables to related parties are unsecured, repayable on demand and non-interest bearing. These amounts will be settled in cash.

Advances from customers represent advance payments relating to future sales of finished goods. These advances are trade in nature, unsecured, interest-free, and the obligations to the customers are expected to be fulfilled within the next twelve months.

25. PAYABLES (CONT'D)

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

	Group		Company	
	2012 Rp million	2011 Rp million	2012 Rp million	2011 Rp million
US Dollars	267,081	161,752	–	179
Euro	6,281	756	–	–
Singapore Dollars	5,657	27,737	–	–
Others	2,879	3,667	–	–
	281,898	193,912	–	179

26. INTEREST-BEARING LOANS AND BORROWINGS

Current

	Maximum Credit Limit #)	Maturities	Collateral	Group 2012 Rp million	Group 2011 Rp million
Rupiah denominated loans					
Citibank N.A., Jakarta branch	US$35,000,000*)	March 2013	Unsecured	315,000	–
PT Bank Mandiri (Persero) Tbk	1,250,000 (2011: 1,000,000)	June 2013	Unsecured	100,000	1,000,000
PT Bank Central Asia Tbk	300,000	November 2013	Unsecured	–***)	300,000
PT Bank Central Asia Tbk	663,000 (2011: 513,000)	March and December 2013	Corporate guarantee from PT SIMP in proportion to its equity ownership in the Subsidiary	663,000	498,000
PT Bank DBS Indonesia	500,000 (2011: 300,000)	January 2013	same as above	385,000	239,522
PT Bank Rabobank International Indonesia	US$16,000,000*)	June 2013	same as above	157,600	157,600
The Hongkong and Shanghai Banking Corporation Limited, Jakarta branch	100,000	July 2013	same as above	100,000	100,000
Sub-total				1,720,600	2,295,122
US Dollar denominated loans					
Sumitomo Mitsui Banking Corporation, Singapore branch	US$50,000,000**)	October 2013	Unsecured	483,500	–
Add: current portion of non-current loans				460,113	1,039,275
Total current portion				2,664,213	3,334,397

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

Current (cont'd)

Effective Interest Rates

The above short-term loans denominated in Rupiah bear effective interest rates that are ranging from 7.2% to 9.3% (2011: 8.33% to 9.71%) per annum for the year ended 31 December 2012 while the credit facility denominated in US Dollar bear interest at annual rates ranging from 2.24% to 2.34% per annum for the same year.

The above-mentioned credit agreements obtained by the subsidiaries is subject to several negative covenants, such as, among others, to merge or consolidate with other entity; to change the article of association; to reduce their share capital; making new investments and capital expenditures in excess of certain threshold; to sell or dispose off significant portion of their assets used in the operations; as well as granting/obtaining credit facilities to/from other parties which would affect their ability to perform their obligation under the related credit agreements. The subsidiaries are also required to maintain certain financial ratios.

Compliance with Loan Covenants

As of 31 December 2012 and 2011, the Group has complied with all of the covenants of the short-term loans as disclosed in this Note or obtained the necessary waivers as required.

Non-current

	Maximum Credit Limit #)	Maturities and Repayment Terms	Collateral	Group 2012 Rp million	Group 2011 Rp million
Rupiah denominated loans					
Loans for Investment and Working Capital					
PT Bank Central Asia Tbk	106,000	March 2013 - June 2019 (quarterly)	Unsecured	102,025	–
PT Bank CIMB Niaga Tbk	300,000	–	Unsecured	–	197,879
PT Bank DBS Indonesia	250,000	–	Unsecured	–	100,000
Loans for Refinancing and Investment					
PT Bank Central Asia Tbk	2,296,870 (2011: 1,926,870)	January 2013 - November 2019 (quarterly)	Corporate guarantee from PT SIMP in proportion to its equity ownership in the Subsidiary	2,059,839	1,627,372
PT Bank OCBC NISP Tbk	450,000	February 2013 - July 2017 (quarterly)	same as above	335,500	243,500

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

Non-current (cont'd)

	Maximum Credit Limit #)	Maturities and Repayment Terms	Collateral	Group 2012 Rp million	Group 2011 Rp million
Rupiah denominated loans (cont'd)					
Loans for Refinancing and Investment (cont'd)					
PT Bank DBS Indonesia	288,997 (2011: 335,494)	January 2013 - June 2015 (quarterly)	Corporate guarantee from PT SIMP in proportion to its equity ownership in the Subsidiary	230,499	292,496
PT Bank Rakyat Indonesia (Persero) Tbk	428,347	February 2013 - December 2019 (quarterly)	Inventories, plantations, land rights, buildings and improvements, and machinery of a Subsidiary; land rights under name of the plasma farmers as the members of rural cooperative units (*Koperasi Unit Desa* or the "KUD"), plasma plantations and infrastructures, and corporate guarantee from a Subsidiary	219,205	341,455
The Hongkong and Shanghai Banking Corporation Limited, Jakarta branch	200,000	March 2013 - December 2015 (quarterly)	Corporate guarantee from PT SIMP in proportion to its equity ownership in the Subsidiary	192,000	200,000
PT Bank Permata Tbk	37,500	March 2013 - December 2018 (quarterly)	Unsecured	31,726	35,426
Sub-total for Rupiah				3,170,794	3,038,128
Obligation under Finance Leases					
Obligation under Finance Leases	–	–	–	–	50
US Dollar denominated loans					
Loans for Working Capital					
DBS Bank Ltd., Singapore (2012: US$33,000,000; 2011: US$:38,000,000)	US$48,000,000	August 2013 - August 2018 (annually)	Unsecured	319,110	344,584

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

Non-current (cont'd)

	Maximum Credit Limit #)	Maturities and Repayment Terms	Collateral	Group 2012 Rp million	Group 2011 Rp million
US Dollar denominated loans (cont'd)					
Loans for Working Capital (cont'd)					
Sumitomo Mitsui Banking Corporation, Singapore branch (US$50,000,000)	US$50,000,000 ****)	–	–	–	453,400
Loans for Refinancing, Investment and Working Capital					
DBS Bank Ltd., Singapore (2012: US$15,750,000; 2011: US$18,700,000)	US$20,000,000	February 2013 - August 2015 (quarterly)	Corporate guarantee from PT SIMP in proportion to its equity ownership in the Subsidiary	152,303	169,572
PT Bank ANZ Indonesia (formerly PT ANZ Panin Bank) (2012: US$15,750,000; 2011: US$18,670,000)	US$20,000,000	same as above	same as above	152,303	169,300
The Hongkong and Shanghai Banking Corporation Limited, Jakarta branch (2012: US$8,250,000; 2011: US$9,500,000)	US$10,000,000	same as above	same as above	79,777	86,146
Sub-total for USD Dollar				703,493	1,223,002
Less deferred charges on bank loans				24,402	20,557
Total long-term loans (current & long term portions)				3,849,885	4,240,623
Less current portion				460,113	1,039,275
Total long-term portion				3,389,772	3,201,348

*) These credit facilities are denominated in US Dollar currency but can be drawdown in Rupiah currency.

**) On 15 October 2012, this credit facility was amended. Based on the latest amendment, this credit facility will fully mature in October 2013.

***) This loan was fully repaid in May 2012, earlier than the scheduled repayment.

****) The maturity of this credit facility was amended to October 2013.

#) Expressed in Millions of Rupiah, unless otherwise stated

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

Non-current (cont'd)

Effective Interest Rates

The above long-term loans denominated in US Dollar and Rupiah bear effective interest rates that are ranging from 2.47% to 3.68% per annum and from 6.00% to 18.00% per annum, respectively, for the year ended 31 December 2012 (2011: 1.44% to 4.04% per annum and from 5.50% to 18.00% per annum).

Covenants

The above-mentioned credit agreements obtained by the Group provides for several negative covenants for the subsidiaries, such as, among others, to pledge their assets to other parties (except for the existing assets already pledged as at the credit agreement date); to lend money to unaffiliated parties; to merge or consolidate with other entity unless the subsidiaries will be the surviving legal entity; to change the current course of their businesses; to reduce their share capital; making new investments and capital expenditures in excess of certain threshold; to sell or dispose off significant portion of their assets used in the operations in excess of certain threshold; to change their legal status; to pay dividends exceeding 50% of the current year net profit; as well as to obtain credit facilities from other parties which would affect their ability to perform their obligation under the related credit agreements. The subsidiaries are also required to maintain certain financial ratios.

Compliance with Loan Covenants

As of 31 December 2012 and 2011, the Group has complied with all of the covenants of the long-term loans as disclosed in this Note or obtained the necessary waivers as required.

Bonds and* Sukuk Ijarah *Payables

	Notional Amount[#)]	Maturities and Repayment Terms	Collateral	Group 2012 Rp million	Group 2011 Rp million
Salim Ivomas Pratama Bonds I Year 2009 ("Bonds I")	452,000	December 1, 2014	Not secured by any specific assets of PT SIMP, however, all of the PT SIMP's assets, except for those already used to secure liabilities to other creditors, are used to secure, on a pari-passu basis, the other liabilities, including Bonds I and *Sukuk Ijarah* I	449,697	448,687
Salim Ivomas Pratama *Sukuk Ijarah* I Year 2009 ("*Sukuk Ijarah* I")	278,000	same as above	same as above	276,535	275,892
Total				726,232	724,579

[#)] *Expressed in Millions of Rupiah, unless otherwise stated*

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

In December 2009, PT SIMP, a subsidiary of the Company issued the public Bonds I, which bear fixed annual interest of 11.65% payable quarterly commencing on 1 March 2010, and *Sukuk Ijarah* I, which bear annual fixed *Sukuk Ijarah* return (or the "*cicilan imbalan Sukuk Ijarah*") of Rp32.4 billion payable quarterly commencing on 1 March 2010.

PT SIMP may at anytime buy or sell back all or portion of Bonds I and *Sukuk Ijarah* I at the open market. Buy back of Bonds I and *Sukuk Ijarah* I will be undertaken in accordance with the prevailing laws and regulation.

For accounting and financial reporting purposes, the above Bonds I and Sukuk Ijarah I are carried and presented in the consolidated balance sheets at amortized cost using effective interest at annual rates of 11.95% and 11.96% for the year ended 31 December 2012 and 2011 respectively.

Covenants

The Bonds I and *Sukuk Ijarah* I Trustee Agreements with PT Bank Mega Tbk, a third party acting as the Trustee, do not allow PT SIMP to undertake the following without obtaining prior written consent from the Trustee, with respect to, among others, distribution of dividends exceeding 50% of the net income of the previous financial year; sale or transfer of the main assets with fair market values of or above US$60.0 million; pledging its assets to other parties (except for the existing assets already pledged as at the Trustee Agreement date); consolidation or merger between subsidiaries and other entity; change of the current course of its business; sale or disposal of significant portion of its assets used in the operations; and obtain certain amounts of credit facilities from other parties except for those fulfilling certain requirements; maintenance of certain financial ratios; and specifically for *Sukuk Ijarah* I, involvement in business activities that are in violation of Syariah principles.

As of 31 December 2012 and 2011, PT SIMP has complied with the above-mentioned covenants as set forth in the Trustee Agreement.

27. OTHER NON-CURRENT PAYABLES

	Group	
	2012	**2011**
	Rp million	**Rp million**
Non-current:		
Financial liabilities		
Due to related parties	342,720	298,605
Others	5,954	5,955
Total amount due to related parties and other payables	348,674	304,560
Non-financial liabilities		
Provision for asset dismantling costs	21,963	30,401
Others	9,945	149
Total provision and other liabilities	31,908	30,550
Total other non-current payables	380,582	335,110

The amounts due to related parties represents loans provided to the subsidiaries by their non-controlling shareholders, which are not expected to be repaid within 3 years, unsecured and subject to effective interest rate of 8.0%–8.5% (2011: 8.5%–9.0%).

27. OTHER NON-CURRENT PAYABLES (CONT'D)

Provision for asset dismantling costs

Provision for asset dismantling costs represents estimated liabilities for the costs to dismantle, remove and restore the sites of refinery, fractionation and margarine plants located in Jakarta and Surabaya, Indonesia. Gain/(loss) arising from changes in estimates of provision for asset dismantling cases are as part of "Other Operating Income" and "Other Operating Expenses" accounts in the consolidated statements of comprehensive income, as shown in Note 7. The resulting outflows of economic benefits of this provision are expected to take place in 2016 and 2021.

The movement in provision for asset dismantling costs is:

		Group	
	Note	2012 Rp million	2011 Rp million
Balance at 1 January		30,401	18,482
Addition during the year		886	12,116
Changes in present value due to the passage of time and change in discount rate		2,194	(197)
Reversal due to unused provision arising from changes in estimates	7	(11,518)	–
Balance at 31 December		21,963	30,401

28. EMPLOYEE BENEFITS

		Group	
	Note	2012 Rp million	2011 Rp million
Employee benefits expenses (including directors):			
Wages and salaries		1,034,915	968,149
Provision for employee benefits		192,224	171,457
Contribution to defined contribution pension plan		15,568	12,191
Training and education		31,315	17,632
	9	1,274,022	1,169,429

The Plantations division and certain subsidiaries of the Group have defined contribution retirement plans covering substantially all of their qualified permanent employees.

The Group's contributions to the funds are computed at 10.0% and 7.0% of the basic pensionable income for staff and non-staff employees, respectively. Total pension cost charged to operations in 2012 is Rp15.6 billion (2011: Rp12.2 billion).

On top of the benefits provided under the above-mentioned defined contribution retirement plans, the Group has also recorded additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to the qualified employees, as required under the Labour Law. The amounts of such additional provisions were determined based on actuarial computations prepared by an independent firm of actuaries using the "Projected Unit Credit" method. As at 31 December 2012, the balance of the related actuarial liability for employee benefits is presented as "Employee benefits liabilities" in the consolidated balance sheet.

28. EMPLOYEE BENEFITS (CONT'D)

The estimated liabilities for employee benefits at the end of the reporting period are as follows:

	Group	
	2012 Rp million	2011 Rp million
Present value of employee benefits obligation in addition to the defined contribution scheme	1,244,411	983,449
Unrecognised net actuarial losses	(341,283)	(231,473)
Unrecognised past service cost	(62,633)	(64,007)
Benefit liability	840,495	687,969

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

	2012 Rp million	2011 Rp million
Benefit obligation at 1 January	687,969	574,034
Current service cost	97,726	75,329
Interest cost on benefit obligations	68,841	83,426
Amortisation of past service cost	5,377	5,818
Net actuarial losses recognised during the year	20,280	17,701
Benefits paid	(39,698)	(57,522)
Gains on curtailments and settlements	–	(10,817)
Benefit obligation at 31 December	840,495	687,969

The following table summarise the component of net employee benefits expense recognised in the consolidated statement of comprehensive income:

	Group	
	2012 Rp million	2011 Rp million
Current service cost	97,726	75,329
Interest cost on benefit obligations	68,841	83,426
Net actuarial losses recognised during the year	20,280	17,701
Amortisation of past service cost	5,377	5,818
Gains on curtailments and settlements	–	(10,817)
Net employee benefit expense	192,224	171,457

28. EMPLOYEE BENEFITS (CONT'D)

Breakdown of net employee benefit expenses is as follows:

	Group	
	2012	2011
	Rp million	Rp million
Cost of sales	129,014	105,255
Selling and distribution costs	10,594	8,784
General and administrative expenses	49,573	43,044
Capitalised to biological assets	3,043	14,374
	192,224	171,457

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

Annual discount rate	:	6.0% (2011: 7.0%)
Future annual salary increase	:	7.0% (2011: 7.0%)
Annual employee turnover rate	:	6.0% for employees under 30 years old and linearly decrease until 0% at the age of 52 years
Disability rate	:	10% from mortality rate
Mortality rate reference	:	Indonesian Mortality Table ("IMT") 2011 (2011: IMT 1999)
Retirement age	:	55 years (2011: 55 years)
Expected annual return on plan assets	:	7.0% (2011: 8.0%)

29. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group			
	2012		2011	
	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/31 December	1,447,782,830	3,584,279	1,447,782,830	3,584,279

The movement in the share capital of the Company is as follows:

	Company			
	2012		2011	
	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/31 December	1,447,782,830	10,912,411	1,447,782,830	10,912,411

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote per share without restriction. The ordinary share has no par value.

29. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

(b) Treasury shares

	Group and Company			
	2012		2011	
	No. of shares	Rp million	No. of shares	Rp million
Balance at 1 January	9,000,000	81,413	–	–
Acquired during the year	4,500,000	42,795	9,000,000	81,413
Balance at 31 December	13,500,000	124,208	9,000,000	81,413

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

During the financial year, the Company acquired 4,500,000 (2011: 9,000,000) treasury shares in the share capital of the Company through purchases on the Singapore Exchange. The shares were purchased for Rp42.8 billion (2011: Rp81.4 billion) and is presented as a component within shareholders' equity.

30. REVENUE RESERVES

	Company	
	2012	2011
	Rp million	Rp million
Retained earnings :		
Balance at 1 January	231,727	285,790
Reserve transfer from IOFPL	–	1,888
Dividend	(31,780)	–
Profit/(loss) for the year	304,208	(55,951)
Balance at 31 December	504,155	231,727

Movement in the reserves of the Group are shown in the Consolidated Statement of Changes in Equity.

	Group and Company	
	2012	2011
	Rp million	Rp million
Declared and paid during the year:		
Dividends on ordinary shares:		
- Final tax exempt (one-tier) dividend for 2011: 0.30 Singapore cents (2010: nil) per share	31,780	–
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the forthcoming AGM:		
- Final tax exempt (one-tier) dividend for 2012: 0.85 Singapore cents (2011: 0.30 Singapore cents) per share	96,397	30,102

31. OTHER RESERVES

	Group		Company	
	2012 Rp million	2011 Rp million	2012 Rp million	2011 Rp million
Balance at 1 January	538,431	138,819	144,512	144,512
Changes in ownership interest in a subsidiary that do not result in a loss of control	–	399,612	–	–
Foreign currency translation	3,013	–	–	–
Balance at 31 December	541,444	538,431	144,512	144,512

Changes in ownership interests in a subsidiary that do not result in a loss of control

On 9 June 2011, the Company's 90% subsidiary, PT SIMP completed an Initial Public Offering ("IPO") of 3,163,260,000 shares to the public at Rp1,100 per share, representing 20% of the enlarged share capital PT SIMP. Total net proceeds (after net of relevant listing expenses) amounted to Rp3,349.4 billion.

As a result, the Company's ownership interest in PT SIMP has been diluted to 72% post the PT SIMP's IPO. The Group had accounted for the above dilution in PT SIMP as an equity transaction with appropriate adjustments to non-controlling interests to reflect the Company's equity interest in PT SIMP. The difference amounting to Rp399.6 billion between the carrying value of the net assets of PT SIMP relating to the 20% dilution and the IPO net proceeds was recognised directly to other reserves.

	Group 2011 Rp million
Net proceeds from PT SIMP's IPO	3,349,449
Increase in equity attributable to non-controlling interests	(2,949,837)
Changes in ownership interests in a subsidiary that do not result in a loss of control	399,612

32. COMMITMENTS AND CONTINGENCIES

(a) Plasma receivables

The Indonesian government requires oil palm plantation companies to develop new plantations together with the local small landholders. This form of assistance to local small landholders is generally known as the "Plasma Scheme". Once developed, the plasma plantations are transferred to the small landholders who then operate the plasma plantations under the supervision of the developer. In line with this requirement, certain subsidiary companies of the Group have commitments to develop plantations under the Plasma Scheme. The funding for the development of the plantations under the Plasma Scheme is provided by the designated banks and/or by the subsidiary companies. This includes the subsidiary companies providing corporate guarantees for the loans advanced by the banks.

When the plasma plantations start to mature, the plasma farmers are obliged to sell all their harvests to the subsidiary companies and a portion of the resulting proceeds will be used to repay the loans from the banks or the subsidiary companies. In situations where the sales proceeds are insufficient to meet the repayment obligations to the banks, the subsidiary companies also provide temporary funding to the plasma farmers to develop the plasma plantations and to repay the instalment and interest payments to the banks. The plasma farmers will repay the temporary funding to the subsidiary companies once the plantations have positive cash flows.

32. COMMITMENTS AND CONTINGENCIES (CONT'D)

(a) *Plasma receivables (cont'd)*

The loans advanced by the banks under the Plasma Scheme are secured by the sales proceeds of FFB of the respective plasma plantations and corporate guarantees from certain subsidiary companies for a maximum amount of Rp965.0 billion (2011: Rp815.0 billion) as at 31 December 2012.

The Group recorded an allowance for uncollectible plasma receivables in its consolidated balance sheet amounting to Rp189.2 billion (2011: Rp131.1 billion). Based on a review of the plasma receivables of each project as at 31 December 2012, management believes that the above-mentioned allowance for uncollectible plasma receivables is sufficient to cover possible losses arising from the uncollectible plasma receivables.

An analysis of the movement in allowance for uncollectible plasma receivables is as follows:

	Group	
	2012	**2011**
	Rp million	**Rp million**
At 1 January	131,104	91,819
Charge for the year	80,883	39,285
Write-off	(22,742)	–
At 31 December	189,245	131,104

The accumulated development costs net of funds received are presented as Plasma receivables in the consolidated balance sheet and in the Plantations segment. An analysis of the movement in the plasma receivables is as follows:

	Note	**2012**	**2011**
		Rp million	**Rp million**
Balance at 1 January		546,479	600,656
Allowance for uncollectible and loss arising from changes in fair value of plasma receivables	8	(110,495)	(70,405)
Additional net investment		164,874	21,324
Reclassifications		(58,215)	(5,096)
Balance at 31 December	21	542,643	546,479

32. COMMITMENTS AND CONTINGENCIES (CONT'D)

(b) *Future commodity contracts transactions*

The Group entered into future commodity contracts with several foreign entities, which are primarily intended to hedge the exposures on risks of losses arising from the fluctuations in prices of the commodities sold by a subsidiary company. These contracts do not qualify and therefore are not designated as hedges for accounting purposes.

The aggregate balances of the related outstanding net receivables and payables at the balance sheet dates are as follows:

	Note	2012 Rp million	2011 Rp million
Financial assets			
Net receivables	23	66,400	142,668
Financial liabilities			
Net payables	25	70,004	141,658

The aggregate balances of the receivables and payables arising from the future commodity contracts as of 31 December 2012 and 2011 will mature in one to two months after each reporting date.

(c) *Operating lease commitments*

As Lessee

The Group has entered into commercial leases to lease land and buildings, equipment and transportation equipment. These non-cancellable operating leases have remaining lease terms from 1 to 3 years. Operating lease payments recognized in the statement of comprehensive income in 2012 amounted to Rp10.0 billion (2011: Rp8.3 billion).

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

	2012 Rp million	2011 Rp million
Within one year	5,753	10,858
After one year but not more than five years	9,692	9,410
	15,445	20,268

As Lessor

The Group has entered into a short-term commercial lease on its storage tanks. Operating lease income recognised in the consolidated statement of comprehensive income for the financial year ended 31 December 2012 amounted to Rp13.2 billion (2011: Rp4.4 billion).

32. COMMITMENTS AND CONTINGENCIES (CONT'D)

(d) Contingent liabilities

(i) Decision from the Business Competition Supervisory Commission

In May 2010, the Business Competition Supervisory Commission (Komisi Pengawas Persaingan Usaha or "KPPU") has issued a decision on case No. 24/KPPU-I/2009, whereby PT SIMP and several other edible oil producers (together, the "Edible Oil Producers"), were judged for violation of Articles 4, 5 and 11 of Law No. 5, Year 1999 regarding prohibition of monopolistic practices and unfair business competition, and ordered penalties to each of the Edible Oil Producers. The penalty which was ordered to PT SIMP amounting to Rp25.0 billion. In June 2010, the Edible Oil Producers, including PT SIMP, filed objections against the said KPPU decision to the each domicile District Court (Pengadilan Negeri). On 13 August 2010, the Supreme Court issued a decree that appointed the Central Jakarta District Court to examine and decide on the objections filed by the Edible Oil Producers against the above-mentioned KPPU decision.

On 23 February 2011, the Central Jakarta District Court issued a decision in favor of the Cooking Oil Producers. On 31 March 2011, the Central Jakarta District Court issued the copy of its decision to PT SIMP. Pursuant to the notes in said copy of decision, on 8 March 2011, KPPU has filed an application for cassation to the Supreme Court against the decision from the Central Jakarta District Court. On 12 May 2011, PT SIMP filed a counter memorandum of cassation against such KPPU's memorandum of cassation. As stated on the official website of the Supreme Court, the Panel of Judges of the Supreme Court has rejected KPPU's cassation application on 25 November 2011. On 3 July 2012, the Company received the official copy of the Supreme Court decision dated 25 November 2011. The case is now considered to be final and binding.

(ii) Dispute of PT LPI's HGU certificate

(a) On 5 May 2011, Mr. Ketut Suwece, a resident of Harapan Jaya village, Ogan Komering Ulu Timur District ("OKUT"), filed a lawsuit against PT LPI to the District Court of Baturaja (Pengadilan Negeri Baturaja), South Sumatra, to claim for the losses of Rp17.4 billion for two parcels of land with a total area of approximately 143 hectares located at Campang Tiga Ulu village, OKUT, including trees planted thereon, as well as request for a sequestration. On 3 November 2011, the District Court of Baturaja, South Sumatra has issued a verdict to reject all of the lawsuit filed by Mr. Ketut Suwece against PT LPI. Subsequently on 4 November 2011, Mr. Ketut Suwece filed an appeal to the High Court of Palembang against the decision from the District Court of Baturaja, South Sumatra.

On 5 July 2012, the Panel of Judges of the High Court of Palembang upheld the District Court of Baturaja's decision. On 30 July 2012, PT LPI received an official copy of the decision from the High Court of Palembang. On 9 January 2013, PT LPI received an official notification from the South Jakarta District Court that Mr. Ketut Suwece has filed an application for cassation to the Supreme Court against the decision of the High Court of Palembang. On 22 January 2013, PT LPI filed a counter memorandum of cassation against Mr. Ketut Suwece memorandum of cassation. Until end of February 2013, the Supreme Court has not issued a verdict yet.

The Group has been advised by its legal council that it is not probable, that the legal action will succeed, and accordingly, no provision for any liability has been made in the consolidated financial statements as at 31 December 2012.

(b) On 5 December 2011, Mr. Putra Marhan and the other plantiffs filed a lawsuit against PT LPI to the District Court of Baturaja (Pengadilan Negeri Baturaja), South Sumatra, to claim for indemnity amounting to Rp16.4 billion for land with a total land area of 88.9 hectares located at Mungin Jaya Village, OKUT, including trees planted thereon. On 13 August 2012, PT LPI has received the official copy of the District Court of Baturaja decision which was final and binding, which rejected all the lawsuit filed by Mr. Putra Marhan and other plaintiffs to the PT LPI.

The Group has been advised by its legal council that it is not probable, that the legal action will succeed, and accordingly, no provision for any liability has been made in the consolidated financial statements as at 31 December 2012.

32. COMMITMENTS AND CONTINGENCIES (CONT'D)

(e) Sales commitments

As at 31 December 2012, the Group has sales commitments to deliver the following products to local and overseas customers within the next three months:

	2012 (Tonnes)	2011 (Tonnes)
Crude palm oil	26,336	10,147
Palm kernel	22,056	15,148
Rubber	1,064	1,391
Total	49,456	26,686

(f) Commitments for capital expenditures

As of December 31, 2012, capital expenditure contracted for but not recognised in the financial statements relating to purchase of property, plant and equipment as well as development of plantations amounting to Rp1,246.8 billion, US$6.8 million and JP¥ 52.2 million (2011: Rp683.2 billion, US$34.8 million and JP¥50.7 million).

33. RELATED PARTY TRANSACTIONS

In addition to those related party information disclosed elsewhere in the relevant notes to the consolidated financial information, the following transactions between the Group and related parties took place during the financial year at terms agreed between the parties during the financial year:

Nature of transactions	Year	A Shareholder of the Group Rp million	Related companies Rp million	Other related parties Rp million
Sales of goods	2012	–	2,964,943	149,263
	2011	–	2,882,994	130,943
Purchases of packaging materials	2012	–	17,162	–
	2011	–	24,232	–
Purchases of services, transportation equipment and spare parts	2012	4,475	1,723	59,796
	2011	4,220	894	25,433
Royalty fee	2012	5,885	–	–
	2011	1,772	–	–
Pump services	2012	–	–	4,818
	2011	–	–	4,927
Rental expenses	2012	–	–	11,534
	2011	563	–	7,885
Freight services	2012	–	1,350	–
	2011	–	14,662	–
Insurance expenses	2012	–	–	20,891
	2011	–	–	12,210
Other operating income	2012	–	2,338	–
	2011	–	2,669	–

33. RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel of the Group

	Group	
	2012	**2011**
	Rp million	**Rp million**
Salaries and short-term employee benefits	148,079	123,729
Termination benefits	4,059	17,900
Post-employment benefits	15,700	5,061
Total compensation paid to the key management personnel	167,838	146,690
Comprise amounts paid to :		
- Directors of the Company	67,302	33,361
- Other key management personnel	100,536	113,329
	167,838	146,690

34. FAIR VALUE OF FINANCIAL INSTRUMENTS AND THEIR CLASSIFICATION

(a) Financial instruments carried at fair value or amortised cost

Net receivables and payables arising from future commodity contracts are stated based on their quoted market prices.

Plasma receivables and long-term loans to employees are carried at amortised cost using the effective interest method and the discount rates used are the current market incremental lending rate for similar types of lending.

Interest bearing Bonds and Sukuk Ijarah payables are carried at amortised cost using the effective interest method.

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

Cash and cash equivalent, trade and other receivables, current trade and other payables, amounts due to related parties, current bank loans and accrued expenses

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

34. FAIR VALUE OF FINANCIAL INSTRUMENTS AND THEIR CLASSIFICATION (CONT'D)

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group		Company	
	2012 Rp million	2011 Rp million	2012 Rp million	2011 Rp million
Classification of financial instruments				
Financial assets:				
Other non-current receivables	567,625	576,028	21	20
Trade and other receivables	1,042,394	960,238	9,159	3,253
Cash and cash equivalents	5,082,296	6,535,204	1,633,171	1,488,759
	6,692,315	8,071,470	1,642,351	1,492,032
Financial liabilities:				
Trade and other payables and accruals	1,605,682	1,237,955	11,311	7,524
Interest-bearing loans and borrowings	6,780,217	7,260,324	–	–
Amounts due to related parties and other payables	348,674	304,560	–	–
	8,734,573	8,802,839	11,311	7,524

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, market risk (including currency risk and commodity price risk), credit risk and liquidity risk. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in financial instruments shall be undertaken.

The following sections provide details regarding the Group and Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk mainly arises from loans and borrowings for working capital and investment purposes. There are no loans and borrowings of the Group at fixed interest rates.

For working capital loans and borrowings, the Group may seek to mitigate its interest rate risk by passing it on to its customers.

Sensitivity analysis for interest rate risk

As at 31 December 2012, had the interest rates of the loans and borrowings been 50 basis points higher/lower (2011: 50 basis points) with all other variables held constant, profit before tax for the year ended 31 December 2012 would have been Rp2.5 billion (2011: Rp1.5 billion) lower/higher accordingly, mainly as a result of higher/lower interest charge on the loans and borrowings with floating interest rates.

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

(b) *Foreign currency risk*

The Group's reporting currency is the Indonesian Rupiah. The Group faces foreign exchange risk as its borrowings, export sales and the costs of certain key purchases which are either denominated in the United States dollars or whose price is significantly influenced by their benchmark price movements in foreign currencies (mainly US Dollar) as quoted on international markets. To the extent that the revenue and purchases of the Group are denominated in currencies other than Indonesian Rupiah, and are not evenly matched in terms of quantum and/or timing, the Group has exposure to foreign currency risk.

The Group does not have any formal hedging policy for foreign exchange exposure. However, in relation to the matters discussed in the preceding paragraph, the fluctuations in the exchange rates between Indonesian Rupiah and United States Dollar provide some degree of natural hedge for the Group's foreign exchange exposure.

As at 31 December 2012, had the exchange rate of Rupiah against US Dollar depreciated/appreciated by 10% (2011: 10%) with all other variables held constant, profit before tax for the year ended 31 December 2012 would have been Rp60.0 billion (2011: Rp64.5 billion) lower/higher, mainly as a result of foreign exchanges gains/losses on the translation of cash and cash equivalents, trade receivables, interest-bearing loans and borrowings and trade payables denominated in US Dollar.

(c) *Commodity price risk*

Commodity price risk is the risk that the fair value or future cash flows of the Group's financial instrument will fluctuate because of changes in market prices. The Group is exposed to commodity price risk due to certain factors, such as weather, government policy, level of demand and supply in the market and the global economic environment. Such exposure mainly arises from its purchase of CPO where the profit margin on sale of its finished products may be affected if the cost of CPO (which is the main raw material used in the refinery plants to manufacture cooking oils and fats products) increases and the Group is unable to pass such cost increases to its customers. In addition, the Group is also subject to fluctuations in the selling price of its manufactured CNO and the purchase price of copra (being the raw material used in the manufacture of CNO).

The Group has future commodity contracts with several foreign entities, the purpose of which are primarily to hedge its exposures on risks of losses arising from the fluctuations in the prices of the commodities that are produced and traded by the Group.

During 2012 and 2011, it is, and has been, the Group's policy that no hedging in financial instruments shall be undertaken.

The Group's policy is to minimise the risks of its raw material costs arising from the fluctuations in the commodity prices by increasing self-sufficiency in CPO for the refinery operations (through the purchase of CPO from the Group's own plantations). To the extent it is unable to do so, the Group may minimise such risks through forward contracts. As such, it may also be exposed to commodity price risk as changes in fair value of future commodity contracts are recognised directly in the consolidated statement of comprehensive income.

At 31 December 2012 and 2011, had the commodity prices been 10% higher/lower with all other variables held constant, profit before tax in 2012 would have been Rp2.4 billion (2011: Rp4.0 billion) lower/higher, mainly as a result of higher/lower quoted market prices of the open position future commodity contracts.

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

(d) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group has credit risk arising from the credit granted to its customers and plasma farmers and placement of current accounts and deposits in the banks.

Other than as disclosed below, the Group has no concentration of credit risk.

Cash and cash equivalents

Credit risk arising from placements of current accounts and deposits is managed in accordance with the Group's policy. Investments of surplus funds are limited for each bank and reviewed annually by the board of directors. Such limits are set to minimize the concentration of credit risk and therefore mitigate financial loss through potential failure of the banks.

Trade receivables

The Group has policies in place to ensure that sales of products are made only to creditworthy customers with proven track record or good credit history. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. For export sales, the Group requires cash against the presentation of documents of title. For domestic sales, the Group may grant its customers credit terms from 7 to 42 days from the issuance of invoice. The Group has policies that the limit amount of credit exposure to any particular customer, such as, requiring sub-distributors to provide bank guarantees. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts.

When a customer fails to make payment within the credit terms granted, the Group will contact the customer to act on the overdue receivables. If the customer does not settle the overdue receivable within a reasonable time, the Group will proceed to commence legal proceedings. Depending on the Group's assessment, specific provisions may be made if the debt is deemed uncollectible. To mitigate credit risk, the Group will cease the supply of all products to customers in the event of late payment and/or default.

Plasma Receivables

As disclosed in Notes 3.9 and 32(a), plasma receivables represent costs incurred for plasma plantation development which include costs for plasma plantations funded by the banks and temporarily self funded by the subsidiaries awaiting banks' funding.

Plasma receivables also include advances to plasma farmers for topping up loan instalments to the banks, advances for fertilisers and other agriculture supplies. These advances shall be reimbursed by the plasma farmers and the collateral in form of titles of ownership of the plasma plantations will be handed over to the plasma farmers once the plasma receivables have been fully repaid.

The Group through partnership scheme also provides technical assistance to the plasma farmers to maintain the productivity of plasma plantations as part of the Group's strategy to strengthen relationship with plasma farmers which is expected to improve the repayments of plasma receivables.

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

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

(e) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of maturities in its financial assets and liabilities. The Group manages its liquidity profile to be able to finance its capital expenditure and service its maturing debts by maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and borrowings and equity market issues.

The table below summarises the maturity profile of the Group's financial assets and liabilities at the end of reporting period based on contractual undiscounted repayment obligations:

	One year or less Rp million	One to five years Rp million	More than 5 years Rp million	Total Rp million
Group				
As at 31 December 2012				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	86,905	4,275,144	536,630	4,898,679
Other payables (non-current)	14,156	391,181	–	405,337
Trade and other payables and accruals	1,605,682	–	–	1,605,682
Current interest-bearing loans and borrowings	3,005,874	–	–	3,005,874
Total undiscounted financial liabilities	4,712,617	4,666,325	536,630	9,915,572
As at 31 December 2011				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	86,699	4,161,024	548,463	4,796,186
Other payables (non-current)	14,538	319,059	–	333,597
Trade and other payables and accruals	1,237,955	–	–	1,237,955
Current interest-bearing loans and borrowings	3,738,330	–	–	3,738,330
Total undiscounted financial liabilities	5,077,522	4,480,083	548,463	10,106,068

Undiscounted loans and borrowings with floating rates had been determined with reference to the applicable rates as at balance sheet dates.

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

(e) Liquidity risk (cont'd)

	One year or less Rp million	One to five years Rp million	More than 5 years Rp million	Total Rp million
Company				
As at 31 December 2012				
Financial liabilities:				
Trade and other payables and accruals	11,311	–	–	11,311
As at 31 December 2011				
Financial liabilities:				
Trade and other payables and accruals	7,524	–	–	7,524

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

Certain subsidiary companies are required to comply with loan covenants imposed by their lenders, such as maintaining the level of existing share capital. This externally imposed requirement has been complied with by the relevant subsidiary companies for the financial year ended 31 December 2012 and 2011. Additionally, certain subsidiary companies in Indonesia are required by the new Corporate Law, effective from August 2007, to maintain a non-distributable reserve until it reaches 20% of the issued and paid share capital. This externally imposed capital requirement will be complied by the relevant subsidiary companies by their next annual general meeting.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 2011.

36. CAPITAL MANAGEMENT (CONT'D)

The Group monitors capital using gearing ratios, by dividing net debt with total equity. The Group's policy is to keep the gearing ratio within the range of gearing ratios of leading companies in similar industry in Indonesia in order to secure access to finance at a reasonable cost.

	2012 Rp million	2011 Rp million
Non-current interest-bearing loans and borrowings and bonds and Sukuk Ijarah payables	4,116,004	3,925,927
Current interest-bearing loans and borrowings	2,664,213	3,334,397
	6,780,217	7,260,324
Less: Cash and cash equivalents	(5,082,296)	(6,535,204)
Net debts	1,697,921	725,120
Total equity	22,828,509	21,440,557
Gearing ratio	7%	3%

37. SEGMENT INFORMATION

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

Plantations segment

Plantations segment is mainly involved in the development and maintenance of oil palm, rubber and sugar cane plantations and other business activities relating to palm oil, rubber and sugar cane processing, marketing and selling. This segment is also involved in the cultivation of cocoa, coconut and tea.

Edible oils and fats segment

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenues, segment expenses and segment results include transfers between business segments. Those transfers are eliminated for purposes of consolidation.

Other/elimination for segment assets and liabilities relates primarily to eliminations between inter-segment receivables and payables, and the company's assets and liabilities.

37. SEGMENT INFORMATION (CONT'D)

The following table presents revenue and profit and certain asset and liability information regarding the Group's business segments:

Business segments

	Plantations Rp million	Edible Oils and Fats Rp million	Others/ eliminations Rp million	Total Rp million
Year ended 31 December 2012				
Revenue				
Sales to external customers	4,283,552	9,561,339	–	13,844,891
Inter-segment sales	4,104,742	–	(4,104,742)	–
Total sales	8,388,294	9,561,339	(4,104,742)	13,844,891
Segment results	2,162,454	421,593	105,041	2,689,088
Net finance costs				(266,689)
Foreign exchange gain				19,288
Profit before tax				2,441,687
Income tax expense				(623,004)
Net profit for the year				1,818,683
Assets and liabilities				
Segment assets	27,300,972	3,512,600	(172,589)	30,640,983
Goodwill	3,155,786	–	–	3,155,786
Deferred tax assets				691,660
Claims for tax refund				322,908
Total assets				34,811,337
Segment liabilities	2,314,394	2,297,363	(1,879,857)	2,731,900
Unallocated liabilities				7,122,937
Deferred tax liabilities				2,036,447
Income tax payable				91,544
Total liabilities				11,982,828
Other segment information				
Capital expenditure	2,605,348	278,060	–	2,883,408
Depreciation and amortisation	492,958	93,000	3,635	589,593
Gain from changes in fair value of biological assets	55,576	–	–	55,576
Provision for employee benefits	157,211	35,013	–	192,224

37. SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

	Plantations Rp million	Edible Oils and Fats Rp million	Others/ eliminations Rp million	Total Rp million
Year ended 31 December 2011				
Revenue				
Sales to external customers	3,535,526	9,069,785	–	12,605,311
Inter-segment sales	4,946,126	–	(4,946,126)	–
Total sales	8,481,652	9,069,785	(4,946,126)	12,605,311
Segment results	3,601,070	179,625	(49,842)	3,730,853
Net finance costs				(223,928)
Foreign exchange gain				46,464
Profit before tax				3,553,389
Income tax expense				(912,533)
Net profit for the year				2,640,856
Assets and liabilities				
Segment assets	26,525,610	3,532,360	(796,370)	29,261,600
Goodwill	3,155,786	–	–	3,155,786
Deferred tax assets				526,667
Claims for tax refund				262,593
Total assets				33,206,646
Segment liabilities	1,588,520	2,647,263	(2,131,206)	2,104,577
Unallocated liabilities				7,558,928
Deferred tax liabilities				2,025,078
Income tax payable				77,506
Total liabilities				11,766,089
Other segment information				
Capital expenditure	1,723,630	106,800	–	1,830,430
Depreciation and amortisation	404,502	78,945	4,150	487,597
Gain from changes in fair value of biological assets	424,556	–	–	424,556
Provision for employee benefits	139,837	31,620	–	171,457

37. SEGMENT INFORMATION (CONT'D)

Geographical segments

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

Region	2012 Rp million	2011 Rp million
Year ended 31 December 2012		
Indonesia	11,385,527	10,212,430
Netherlands	572,115	393,415
China	388,141	438,776
Singapore	194,747	182,891
Malaysia	188,159	–
United Kingdom	152,495	15,038
United States of America	127,364	592,064
Nigeria	97,727	110,028
South Korea	71,951	53,959
Italy	69,791	118,310
Philippines	68,641	65,963
Timor Leste	61,561	69,174
Spain	56,403	72,836
Tanzania	52,420	–
Others (each below Rp50.0 billion)	357,849	280,427
Segment revenue	13,844,891	12,605,311

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

38. EVENTS AFTER THE REPORTING PERIOD

(a) Proposed Acquisition of CMAA

On 26 January 2013, the Company's wholly-owned subsidiary, IndoAgri Brazil Participações Ltda, entered into certain definitive agreements to acquire a 50% shareholding interest in Companhia Mineira de Açúcar e Álcool Participações (CMAA) in Brazil for aggregate purchase price of approximately 143.4 million Brazilian Real (US$71.7 million). The completion of this proposed acquisition is conditional upon certain conditions set forth in the definitive agreements, and the closing is expected to occur during the second quarter of 2013.

CMAA was established in 2006 in Brazil and is principally engaged in the cultivation and processing of sugar cane for the production and marketing of ethanol and sugar, as well as co-generation of electric power from sugar cane bagasse. Currently, CMAA operates one mill in Vale do Tijuco with a total crushing capacity of 3 million tonnes per year, which was completed in 2011 and can be expanded to 3.8 million tonnes.

This acquisition will enable the Group to expand its geographical presence into the sugar and ethanol industry in Brazil, as well as strengthen the Group's diversified plantation business model.

38. EVENTS AFTER THE REPORTING PERIOD (CONT'D)

(b) Amendments to LPI's bank facilities

Based on the latest amendment to the credit agreements between a subsidiary of the Group, PT Laju Perdana Indah ("LPI") and DBSI dated 4 January 2013, the total maximum limit of term loan 1 and 2 facilities was reduced from Rp289.0 billion to Rp230.5 billion. On the same date, LPI also fully repaid term loan 1 facility amounting to Rp5.5 billion. In addition, the uncommitted revolving credit facilities of LPI have been extended until 9 September 2013.

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 8 March 2013.

Interested Person Transactions

Interested person transactions ("IPT') carried out during the financial year ended 31 December 2012 pursuant to the Shareholders' Mandate obtained under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") by the Group are as follows:

Name of Interested Person	Aggregate value of all IPT conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	
	Rp 'billion	USD 'million
PT ISM Group		
• Sales of cooking oil, margarine and others	2,967.3	–
• Purchase of goods and services	26.1	–
Salim Group		
• Sales of cooking oil	149.3	–
• Sales of seeds	0.4	–
• Purchase of FFB	62.1	–
• Management Fee	1.5	–
• Purchases of services	36.7	–
• Rental of office space	0.03	–
• Interest bearing loans from Salim Group	174.1	–
• Non-interest bearing loan from Salim Group	–	17.4
• Interest bearing loans to subsidiaries which Salim Group has a 40% shareholding interest		
– Principal amount outstanding in respect of the interest bearing loans at end of year	231.9	26.1
– Maximum loan outstanding (inclusive of principal and interest) during the year	244.7	26.3
• Corporate guarantees extended in favour of banks in respect of loan facilities extended to certain subsidiaries, which Salim Group has a 40% shareholding interest		
– Principal amount outstanding in respect of the bank loan facilities at end of year	3,913.0	39.8
– Maximum loan outstanding (inclusive of principal and interest) during the year	4,006.9	47.1
• Rental of land	0.6	–

Save as disclosed above, there were no additional Interested Person Transactions (excluding transactions of less than S$100,000 each) entered into during the financial year under review pursuant to Rule 907 of the Listing Manual of the SGX-ST.

Estate Locations

No.	Company	Estate Name	District	Province	Description
1	Salim Ivomas Pratama Tbk	Kayangan	Rokan Hilir	Riau	Oil Palm Estate
		Kencana	Rokan Hilir	Riau	Oil Palm Estate
		Sungai Dua	Rokan Hilir	Riau	Oil Palm Estate
		Balam	Rokan Hilir	Riau	Oil Palm Estate
2	Cibaliung Tunggal Plantations	Cibaliung	Rokan Hilir	Riau	Oil Palm Estate
3	Gunung Mas Raya	Sungai Rumbia 1	Rokan Hilir	Riau	Oil Palm Estate
		Sungai Rumbia 2	Rokan Hilir	Riau	Oil Palm Estate
		Sungai Bangko 1	Rokan Hilir	Riau	Oil Palm Estate
		Sungai Bangko 2	Rokan Hilir	Riau	Oil Palm Estate
4	Indriplant	Napal	Indragiri Hulu	Riau	Oil Palm Estate
5	Serikat Putra	Lubuk Raja	Pelalawan	Riau	Oil Palm Estate
		Bukit Raja	Pelalawan	Riau	Oil Palm Estate
6	Mentari Subur Abadi	Muara Merang	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Mangsang	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Karang Agung	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Hulu Merang	Musi Banyuasin	South Sumatra	Oil Palm Estate
7	Swadaya Bhakti Negaramas	Pulai Gading	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Muara Medak	Musi Banyuasin	South Sumatra	Oil Palm Estate
8	Sarana Inti Pratama	Lindai	Kampar	Riau	Oil Palm Estate (Breeding)
9	Citranusa Intisawit	Kedukul	Sanggau	West Kalimantan	Oil Palm Estate
10	Kebun Ganda Prima	Kembayan	Sanggau	West Kalimantan	Oil Palm Estate
11	Riau Agrotama Plantation	Nanga Silat	Kapuas Hulu	West Kalimantan	Oil Palm Estate
		Kapuas	Kapuas Hulu	West Kalimantan	Oil Palm Estate
12	Citra Kalbar Sarana	Sepauk	Sintang	West Kalimantan	Oil Palm Estate
13	Jake Sarana	Sekubang	Sintang	West Kalimantan	Oil Palm Estate
14	Agro Subur Permai	Manis	Kapuas	Central Kalimantan	Oil Palm Estate
15	Kebun Mandiri Sejahtera	Mariangau	Pasir Utara	East Kalimantan	Oil Palm Estate
		Penajam	Pasir Utara	East Kalimantan	Rubber Estate
16	Gunta Samba	Ampanas	Kutai Timur	East Kalimantan	Oil Palm Estate
		Pengadan	Kutai Timur	East Kalimantan	Oil Palm Estate
		Elang	Kutai Timur	East Kalimantan	Oil Palm Estate
17	Multi Pacific International	Peridan	Kutai Timur	East Kalimantan	Oil Palm Estate
		Kerayaan	Kutai Timur	East Kalimantan	Oil Palm Estate
		Cipta Graha	Kutai Timur	East Kalimantan	Oil Palm Estate
		Muara Bulan	Kutai Timur	East Kalimantan	Oil Palm Estate
		Baay	Kutai Timur	East Kalimantan	Oil Palm Estate
18	Mitra Inti Sejati Plantation	Bengkayang	Sambas	West Kalimantan	Oil Palm Estate
19	Hijaupertiwi Indah Plantations	Lupak Dalam	Kapuas	Central Kalimantan	Oil Palm Estate
		Bunga Tanjung	Kapuas	Central Kalimantan	Oil Palm Estate
		Kuala Kapaus	Kapaus	Central Kalimantan	Oil Palm Estate
20	Cangkul Bumisubur	Bumi Subur	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Bukit Indah	Musi Banyuasin	South Sumatra	Oil Palm Estate
21	Pelangi Inti Pertiwi	Mancang	Musi Banyuasin	South Sumatra	Oil Palm Estate
22	Intimegah Bestari Pertiwi	Sungai Ampalau	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Megah Abadi	Musi Banyuasin	South Sumatra	Oil Palm Estate

Estate Locations (Cont'd)

No.	Company	Estate Name	District	Province	Description
23	PP London Sumatra Indonesia Tbk	Begerpang	Deli Serdang	North Sumatra	Oil Palm Estate
		Sei Merah	Deli Serdang	North Sumatra	Oil Palm Estate
		Rambong Sialang	Serdang Bedagai	North Sumatra	Oil Palm Estate
		Bungara	Langkat	North Sumatra	Oil Palm Estate
		Turangie	Langkat	North Sumatra	Oil Palm Estate
		Pulo Rambong	Langkat	North Sumatra	Oil Palm Estate
		Bah Lias	Simalungun	North Sumatra	Oil Palm & Cocoa Estate
		Bah Bulian	Simalungun	North Sumatra	Oil Palm Estate
		Dolok	Batubara	North Sumatra	Oil Palm Estate
		Gunung Malayu	Asahan	North Sumatra	Oil Palm Estate
		Sibulan	Serdang Bedagai	North Sumatra	Oil Palm & Rubber Estate
		Sei Rumbiya	Labuhan Batu Selatan	North Sumatra	Oil Palm & Rubber Estate
		Tirta Agung	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Budi Tirta	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Suka Damai	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Sei Punjung	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Suka Bangun	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Bangun Harjo	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Riam Indah	Musi Rawas	South Sumatra	Oil Palm Estate
		Sei Lakitan	Musi Rawas	South Sumatra	Oil Palm Estate
		Sei Gemang	Musi Rawas	South Sumatra	Oil Palm Estate
		Gunung Bais	Musi Rawas	South Sumatra	Oil Palm Estate
		Sei Kepayang	Musi Rawas	South Sumatra	Oil Palm Estate
		Ketapat Bening	Musi Rawas	South Sumatra	Oil Palm Estate
		Belani Elok	Musi Rawas	South Sumatra	Oil Palm Estate
		Batu Cemerlang	Musi Rawas	South Sumatra	Oil Palm Estate
		Bukit Hijau	Musi Rawas	South Sumatra	Oil Palm Estate
		Terawas Indah	Musi Rawas	South Sumatra	Oil Palm Estate
		Arta Kencana	Lahat	South Sumatra	Oil Palm Estate
		Kencana Sari	Lahat	South Sumatra	Oil Palm Estate
		Isuy Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Pahu Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Kedang Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Tulung Gelam	Ogan Komering Ilir	South Sumatra	Rubber Estate
		Kubu Pakaran	Ogan Komering Ilir	South Sumatra	Rubber Estate
		Bebah Permata	Ogan Komering Ilir	South Sumatra	Rubber Estate
		Balombissie	Bulukumba	South Sulawesi	Rubber Estate
		Palang Isang	Bulukumba	South Sulawesi	Rubber Estate
		Pungkol	Minahasa	North Sulawesi	Cocoa Estate
		Kertasarie	Bandung	West Java	Tea Estate
		Treblasala	Banyuwangi	East Java	Cocoa Estate
24	Lajuperdana Indah	Komering Sugar	Ogan Komering Ulu Timur	South Sumatra	Sugar Cane

Statistics of Shareholdings

As at 15 March 2013

Number of Issued Shares:	1,447,782,830
Number of Issued Shares (excluding Treasury Shares):	1,434,282,830 ordinary shares
Number/Percentage of Treasury Shares:	13,500,000 (0.93%)
Class of Shares:	Ordinary Shares
Voting Rights (excluding Treasury Shares):	1 vote per share

Distribution of Shareholdings

Size of Shareholdings	Number of Shareholders	%	Number. of Shares*	%
1–999	365	4.23	103,941	0.01
1,000–10,000	5,883	68.19	32,023,535	2.23
10,001–1,000,000	2,360	27.35	95,716,222	6.67
1,000,001 and above	20	0.23	1,306,439,132	91.09
Total	**8,628**	**100.00**	**1,434,282,830**	**100.00**

* Based on total number of issued shares, excluding 13,500,000 shares held in treasury.

Twenty Largest Shareholders

No.	Name	Number of Shares	%**
1	MAYBANK KIM ENG SECURITIES PTE LTD	1,002,375,452	69.89
2	HSBC (SINGAPORE) NOMINEES PTE LTD	67,692,297	4.72
3	DBS NOMINEES PTE LTD	65,737,187	4.58
4	CITIBANK NOMINEES SINGAPORE PTE LTD	52,949,511	3.69
5	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	31,199,839	2.18
6	RAFFLES NOMINEES (PTE) LTD	23,217,507	1.62
7	DBSN SERVICES PTE LTD	10,389,788	0.73
8	UOB KAY HIAN PTE LTD	10,375,400	0.72
9	OCBC SECURITIES PRIVATE LTD	7,855,315	0.55
10	PHILLIP SECURITIES PTE LTD	5,467,860	0.38
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,043,750	0.35
12	DB NOMINEES (SINGAPORE) PTE LTD	4,306,660	0.30
13	CIMB SECURITIES (SINGAPORE) PTE LTD	4,063,449	0.28
14	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	3,389,512	0.24
15	HOO HUAT ENGINEERING PTE LTD	3,000,000	0.21
16	BANK OF SINGAPORE NOMINEES PTE LTD	2,627,605	0.18
17	CITIBANK CONSUMER NOMINEES PTE LTD	2,158,700	0.15
18	HONG LEONG FINANCE NOMINEES PTE LTD	1,985,000	0.14
19	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,353,100	0.09
20	MERRILL LYNCH (SINGAPORE) PTE LTD	1,251,200	0.09
Total		**1,306,439,132**	**91.09**

** Percentage is calculated based on total number of issued shares, excluding 13,500,000 shares held in treasury of the Company.

Statistics of Shareholdings

As at 15 March 2013

List of Substantial Shareholders' Interests

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	Number of shares held	Shareholding %**	Number of shares held	Shareholding %**
Indofood Singapore Holdings Pte. Ltd. (**"ISHPL"**)	998,200,000	69.60%	–	–
PT Indofood Sukses Makmur Tbk (**"PT ISM"**) [1]	20,000,000	1.39%	998,200,000	69.60%
CAB Holdings Limited (**"CAB"**) [2]	–	–	1,018,200,000	70.99%
First Pacific Company Limited (**"First Pacific"**) [3]	–	–	1,018,200,000	70.99%
First Pacific Investments Limited (**"FPIL"**) [4]	1,125,344	0.08%	1,018,200,000	70.99%
First Pacific Investments (B.V.I.) Limited (**"FPIL BVI"**) [4]	882,444	0.06%	1,018,200,000	70.99%
Salerni International Limited (**"Salerni"**) [5]	–	–	1,020,207,788	71.13%
Anthoni Salim [6]	–	–	1,020,207,788	71.13%

Notes:

** Percentage is calculated based on total number of issued shares, excluding 13,500,000 shares held in treasury of the Company.

1 PT ISM is a holding company of ISHPL with an interest of approximately 83.84% of the total number of issued shares in ISHPL. Accordingly, PT ISM is deemed to be interested in the Shares held by ISHPL.

2 CAB owns more than 50% of the issued share capital of PT ISM. Accordingly, CAB is deemed to be interested in the Shares held by ISHPL and PT ISM.

3 First Pacific owns 100% of the issued share capital of CAB. Accordingly, First Pacific is deemed to be interested in the Shares held by ISHPL and PT ISM.

4 FPIL, together with FPIL BVI, collectively own not less than 20% of the issued share capital of First Pacific. Accordingly, FPIL and FPIL BVI are deemed to be interested in the Shares held by ISHPL and PT ISM.

5 Salerni owns more than 50% of the issued share capital of FPIL BVI. Accordingly, Salerni is deemed to be interested in the Shares held by ISHPL, FPIL, FPIL BVI and PT ISM.

6 Mr Anthoni Salim owns 100% of the issued share capital of Salerni. Accordingly, Mr Anthoni Salim is deemed interested in the Shares held by ISHPL, FPIL, FPIL BVI and PT ISM.

Public Float

Based on the information available to the Company as at 15 March 2013, approximately 28.83% of the issued ordinary shares of the Company is held by the public. Therefore, the public float requirement under Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Pickering Ballroom (Level 2), Parkroyal on Pickering, 3 Upper Pickering Street Singapore 058289 on Friday, 26 April 2013 at 4.00 p.m., to transact the following business:

As Ordinary Business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 December 2012 and the Auditors' Report thereon. [Resolution 1]

2. To declare a first and final tax-exempt (one-tier) dividend of S$0.0085 per share for the year ended 31 December 2012 (2011: S$0.003 per share). [Resolution 2]

3. To approve the Directors' Fees of S$345,000 (2011: S$325,000) for the year ended 31 December 2012. [Resolution 3]

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

   b. To re-elect Mr Tjhie Tje Fie, the Director who retires under Article 117 of the Company's Articles of Association. [Resolution 4b]

   c. To re-elect Mr Suaimi Suriady, the Director who retires under Article 117 of the Company's Articles of Association. [Resolution 4c]

5. To re-elect Mr Sonny Lianto, who retire under Article 121 of the Company's Articles of Association. [Resolution 5]

6. To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. [Resolution 6]

As Special Business

To consider and, if thought fit, pass the following Resolutions Nos. 7 to 10 as Ordinary Resolutions:

7. That authority be and is hereby given to the directors of the Company to:

   (i) (aa) issue shares in the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

   (bb) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the directors may, in their absolute discretion, deem fit; and

   (ii) issue Shares in pursuance of any Instrument made or granted by the directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution),

   Provided that:

   (iii) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 50% of the total number of issued Shares (as calculated in accordance with paragraph (iv) below), and provided further that where shareholders of the Company ("Shareholders") are not given the opportunity to participate in the same on a pro-rata basis ("non pro-rata basis"), then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20% of the total number of issued Shares (as calculated in accordance with paragraph (iv) below);

   (iv) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "SGX-ST")) for the purpose of determining the aggregate number of the Shares that may be issued under paragraph (iii) above, the total number of issued Shares shall be based on the total number of issued Shares of the Company (excluding treasury shares) at the time such authority was conferred, after adjusting for:

   (aa) new Shares arising from the conversion or exercise of any convertible securities;

   (bb) new Shares arising from exercising share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and

   (cc) any subsequent bonus issue, consolidation or subdivision of the Shares;

and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument; and

(V) (unless revoked or varied by the Company in general meeting), the authority so conferred shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier. [Resolution 7]

8. The proposed renewal of the shareholders' mandate on Interested Person Transactions

That approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies (if any) that are entities at risk (as the term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions set out in the Company's Addendum to Shareholders dated 8 April 2013 (being an addendum to the Annual Report of the Company for the financial year ended 31 December 2012) (the "Addendum") with any party who is of the class of Interested Persons described in the Addendum provided that such transactions are made at arm's length, on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders and are in accordance with the review procedures for such Interested Person Transactions as set out in the Addendum (the "Shareholders' Mandate");

That the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier;

That the Audit Committee of the Company be and is hereby authorized to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time; and

That the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution. [Resolution 8]

9. The proposed renewal of the Share Purchase Mandate

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the Companies Act"), the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares in the Company (the "Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a **"Market Purchase"**) on the Singapore Exchange Securities Trading Limited (**"SGX-ST"**); and/or

(ii) off-market purchases (each an **"Off-Market Purchase"**) effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the **"Share Purchase Mandate"**);

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors of the Company pursuant to the Share Purchase Mandate in paragraph (a) of this Resolution may be exercised by the directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next annual general meeting of the Company is held; or

(ii) the date by which the next annual general meeting of the Company is required by law to be held; or

(iii) the date on which purchases or acquisitions of Shares are carried out to the full extent mandated;

(c) in this Resolution:

"Prescribed Limit" means, subject to the Companies Act, 10% of the total number of issued Shares of the Company (excluding any Shares which are held as treasury shares) as at the date of the passing of this Resolution; and

"Maximum Price", in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase, 110% of the Average Closing Price (as defined hereinafter),

where:

"Average Closing Price" means the average of the Closing Market Prices of the Shares over the last five Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-Market Day period;

"Closing Market Price" means the last dealt price for a Share transacted through the trading system of the SGX-ST as shown in any publication of the SGX-ST or other sources;

"date of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"Market Day" means a day on which the SGX-ST is open for trading in securities; and

(d) the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution. [Resolution 9]

10. To transact any other business.

By Order of the Board

MAK MEI YOOK
LEE SIEW JEE, JENNIFER
Company Secretaries

Singapore
Date: 8 April 2013

Note:

A member is entitled to appoint not more than two proxies to attend and vote in his place. A proxy need not be a Member of the Company. Members wishing to vote by proxy at the Meeting may use the proxy form enclosed. To be valid, the completed proxy form must be lodged at the registered office of the Company at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818 not less than 48 hours before the time appointed for holding the Meeting.

Explanatory Note to Resolution 4a:
Mr Axton Salim is a Non-Executive Director. He will, upon re-election, continue to serve as a member of the Board.

Explanatory Note to Resolution 4b:
Mr Tjhie Tje Fie is a Non-Executive Director of the Company. He is a member of the Remuneration Committee and Nominating Committee. He will, upon re-election, continue to serve as a member of each of the Remuneration and Nominating Committees.

Explanatory Note to Resolution 4c:
Mr Suaimi Suriady is an Executive Director of the Company. He will, upon re-election, continue to serve as a member of the Board.

Explanatory Note to Resolution 5:
Mr Sonny Lianto is an Executive Director of the Company. He will, upon re-election, continue to serve as a member of the Board.

Explanatory Notes on Special Business to be Transacted:
The ordinary resolution proposed in item (7) above if passed will empower the directors of the Company from the date of the above Meeting until the next Annual General Meeting, to issue shares and convertible securities in the Company up to an amount not exceeding in total 50 per centum of the total number of issued shares in the capital of the Company calculated on the basis set out in the said resolution. For issues of shares and convertible securities other than on a pro rata basis to all Shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 20 per centum of the total number of issued shares in the capital of the Company calculated on the basis set out in the said resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Shareholders should note that presently, the controlling shareholders of the Company include First Pacific Company Limited and PT Indofood Sukses Makmur Tbk, which are listed on the Hong Kong Stock Exchange Limited and the Indonesia Stock Exchange (Bursa Efek Indonesia), respectively. Prior to any exercise of the authority conferred upon them by the ordinary resolution in item (6) above, the directors of the Company intend to take into account, inter alia, any approval that may be required from any such controlling shareholders and/or their respective shareholders and/or from such stock exchanges.

For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the offering documents for the issue of shares and Instruments pursuant to such authority may NOT be despatched to Shareholders with registered addresses outside Singapore as at the applicable books closure date and who have not, by the stipulated period prior to the books closure date, provided to The Central Depository (Pte) Limited or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents.

The ordinary resolution proposed in item (8) above if passed will empower the directors of the Company to enter into Interested Person Transactions approved by the Shareholders' Mandate. Such authority will, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company and Shareholders' approval will be sought for its renewal at every Annual General Meeting of the Company.

The ordinary resolution proposed in item (9) above if passed will empower the directors of the Company to make purchases (whether by way of market purchases or off-market purchases on an equal access scheme) from time to time of up to 10 per centum of the total number of issued Shares as at the date of the above Meeting at the price up to but not exceeding the Maximum Price (as defined in the Resolution). The rationale for the Share Purchase Mandate, the source of funds to be used for the Share Purchase Mandate, the impact of the Share Purchase Mandate on the Company's financial position, the implications arising as a result of the Share Purchase Mandate under The Singapore Code on Take-overs and Mergers and on the listing of the Company's Shares on the SGX-ST, as well as the number of Shares purchased by the Company in the previous twelve months are set out in the Addendum.

Notice of Book Closure
NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Indofood Agri Resources Ltd will be closed at 5.00 p.m. on 8 May 2013 for the preparation of Final Dividend entitlement and shall reopen on the following working day.

Duly completed and stamped registrable transfers received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 8 May 2013 will be registered to determine shareholders' entitlements to the said dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 8 May 2013 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the AGM to be held on 26 April 2013, will be made on 17 May 2013.

PROXY FORM

INDOFOOD AGRI RESOURCES LTD.
(Company Registration No. 200106551G)
(Incorporated in the Republic of Singapore)

IMPORTANT

1. For investors who have used their CPF moneys to buy shares of Indofood Agri Resources Ltd., this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
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 Indofood Agri Resources Ltd., hereby appoint

Name	Address	NRIC/Passport Number	Proportion of shareholdings (%)

and/or (delete as appropriate)

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 26 April 2013 at 4.00 p.m., and at any adjournment thereof.

The proxy is required to vote as indicated with an "X" on the resolutions set out in the Notice of Meeting and summarised below. If no specific direction as to voting is given, the proxy/proxies may vote or abstain at his discretion.

No.	Resolution	For	Against
1.	To receive and adopt the Directors' Report and Accounts for the year ended 31 December 2012.		
2.	To declare a final tax-exempt (one-tier) dividend of S$0.0085 per share for the year ended 31 December 2012 (2011: S$0.003 per share).		
3.	To approve the Directors' Fees of S$345,000/- (2011: S$325,000/-) for the year ended 31 December 2012.		
4a.	To re-elect Mr Axton Salim as Director, who retires under Article 117 of the Company's Articles of Association.		
4b.	To re-elect Mr Tjhie Tje Fie as Director, who retires under Article 117 of the Company's Articles of Association.		
4c.	To re-elect Mr Suaimi Suriady as Director, who retires under Article 117 of the Company's Articles of Association.		
5.	To re-elect Mr Sonny Lianto as Director, who retires under Article 121 of the Company's Articles of Association.		
6.	To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.		
7.	To approve the general mandate for issues of shares.		
8.	To renew the Shareholders' Mandate on Interested Person Transactions.		
9.	To renew the Share Purchase Mandate.		

Signed this _____ day of _____ 2013

_____

Signature(s) of Member(s)/Common Seal

Notes:

a. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy.

b. A member appointing the Chairman of the Meeting as his/her proxy, must indicate how he/she wishes the Chairman to vote on his/her behalf for Resolution No. 8. Otherwise, the Chairman shall abstain from voting on this resolution.

c. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, under its common seal or under the hand of its attorney.

d. An instrument appointing a proxy must be deposited at the registered office of the Company at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818 not less than 48 hours before the time appointed for holding the meeting.

e. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

This annual report is printed on Enviro Wove, an environmentally friendly paper made up of 100% recycled post-consumer waste. The paper's production and quality management system has also been accredited with ISO9001 and ISO14001 certifications.

IND◎FOOD AGRI RESOURCES Ltd.

8 Eu Tong Sen Street,
#16-96/97 The Central, Singapore 059818
Company Reg. No. 200106551G

a subsidiary of:

Indofood
THE SYMBOL OF QUALITY FOODS