IndoAgri

ANNUAL REPORT 2014

Cultivating Value

Growing a Sustainable Future

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.

CONTENTS

OUR VISION

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

OUR MISSION

To be a low-cost producer, through high yields and cost-effective and efficient operations

To continuously improve our people, processes and technology.

Exceed our customers' expectations, whilst ensuring the highest standards of quality.

Recognise our role as responsible and engaged corporate citizens in all our business operations, including sustainable environmental and social practices.

To continuously increase stakeholders' value.

OUR VALUES

With **DISCIPLINE** as the basis of our way of life; We conduct our business with **INTEGRITY**; We treat our stakeholders with **RESPECT**; and together we **UNITE** to strive for **EXCELLENCE** and continuous **INNOVATION**

MILESTONES

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.

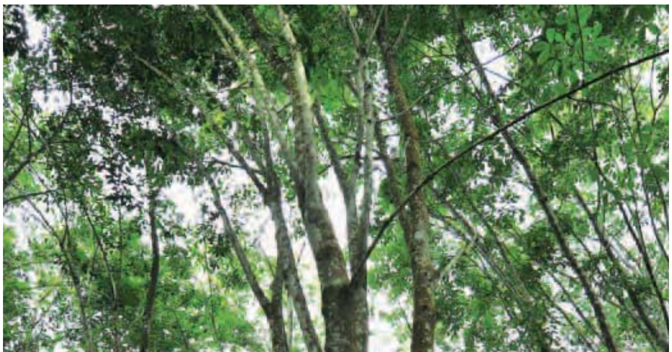
Acquired a 58.8% effective interest in Lonsum, becoming one of the largest plantation companies in Indonesia with land bank doubling to over 400,000 hectares.

2008

Diversified into sugar business via 60% stake in PT Laju Perdana Indah (PT LPI).

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

Acquired a bulking facility at the Dumai port, Indonesia.



2009

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

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, bringing total certified CPO output to 170,000 tonnes.

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 Salim Ivomas Pratama Tbk (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.

2013

Acquired a 79.7% interest in PT Mentari Pertiwi Makmur (PT MPM).

Acquired a 50% stake in Companhia Mineira de Açúcar e Álcool Participações (CMAA), the Group's first overseas investment into the sugar, ethanol and co-generation industry in Brazil.

Established a S$500 million Euro Medium Term Note Programme.

Formed FP Natural Resources Limited (FPNRL), a joint venture between First Pacific Company Limited (70% stake) and IndoAgri (30% stake), to invest 34% in Roxas Holdings Inc. (RHI), the largest integrated sugar business in the Philippines.

2014

Formed PT Prima Sarana Mustika (PT PSM), a 40:60 joint venture between PT SIMP and PT Wahana Inti Selaras (PT WIS) specialising in road construction and the leasing of heavy equipment.

Acquired a 100% stake in PT Madusari Lampung Indah (PT MLI), a sugar cane cultivation company.

Repaid Rp730 billion of PT SIMP's Rupiah Bonds.

Awarded RSPO certification for an additional 84,000 tonnes of CPO, bringing the Group's total certified CPO output to 332,000 tonnes.

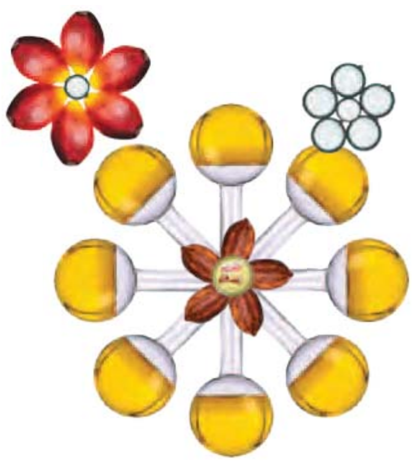
KEY EVENTS IN 2014

30 JAN

IndoAgri's subsidiary, PT SIMP established a 40:60 joint venture company with PT WIS. The joint venture PT PSM is primarily engaged in the construction of roads, embankments, trenches, land clearing, plantation estate development, rental of heavy equipment, transportation and trading of agricultural tools.

10 JUN

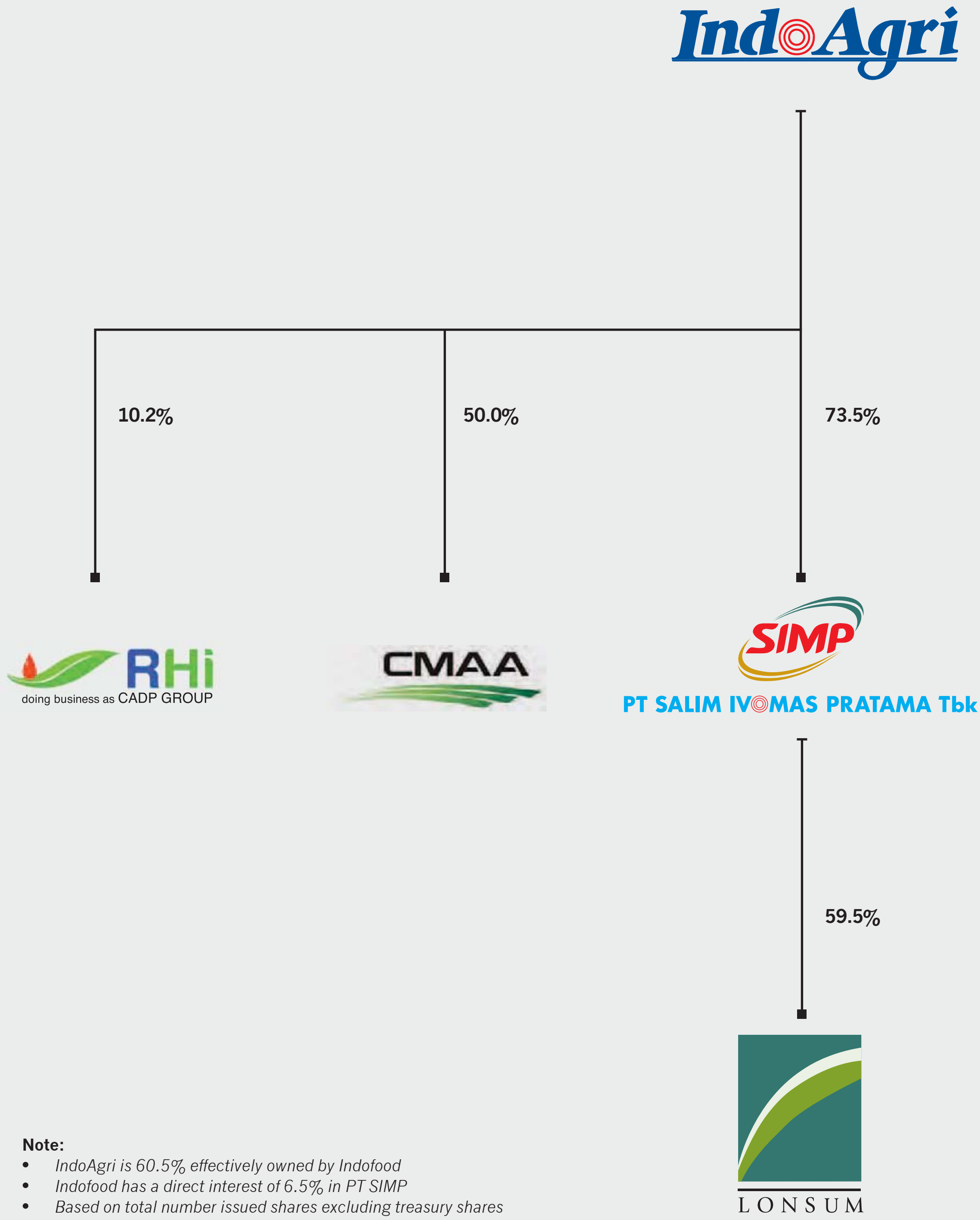
PT SIMP, through its subsidiary, PT LPI, acquired a 100% stake in PT MLI a sugar cane cultivation company with principal assets comprising Hak Guna Usaha (HGU) certification for 3,800 hectares in Ogan Komering Ulu Timur Regency, South Sumatra.



01 DEC

PT SIMP repaid Rp730 billion of its Rupiah Bonds.

CORPORATE STRUCTURE
(as of 31 December 2014)



Note:
- *IndoAgri is 60.5% effectively owned by Indofood*
- *Indofood has a direct interest of 6.5% in PT SIMP*
- *Based on total number issued shares excluding treasury shares*

GEOGRAPHICAL PRESENCE

INDONESIA

246,055
HECTARES OF OIL PALM

21,697
HECTARES OF RUBBER

13,062
HECTARES OF SUGAR CANE

19,236
HECTARES OF OTHER CROPS

BRAZIL

47,554
HECTARES OF SUGAR CANE

OUR PLANTATIONS AND REFINERIES

Indonesia

IndoAgri owns and operates plantations and production facilities across the Indonesian archipelago. Our estates are largely located in Sumatra and Kalimantan, of which 300,050 hectares are planted. Oil palm is our dominant crop, followed by rubber, sugar cane and other crops. Downstream, our refineries are strategically located in the major cities of Jakarta, Surabaya, Medan and Bitung.

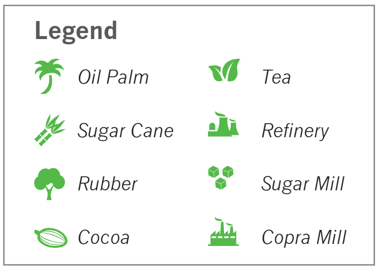
Brazil

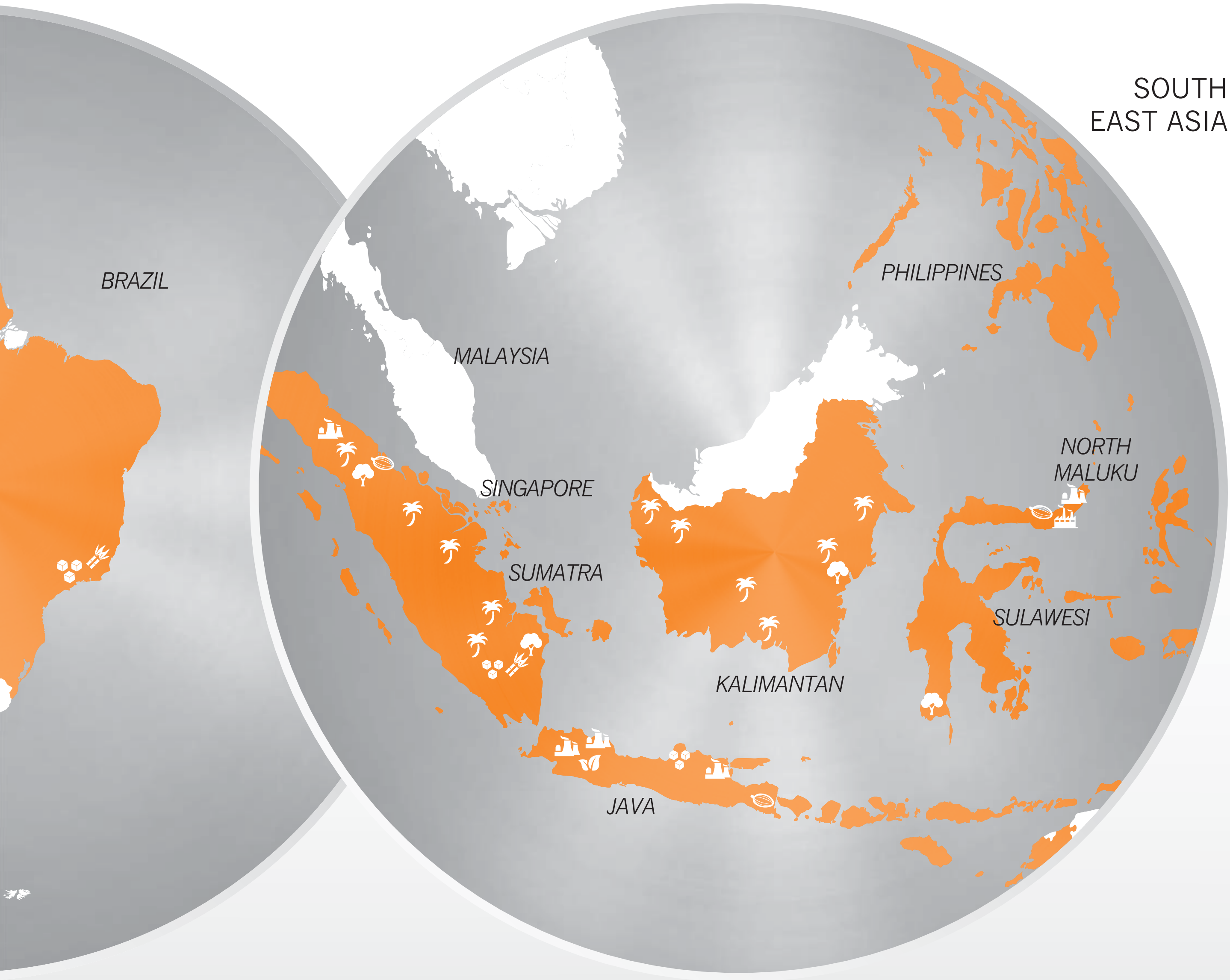
IndoAgri has a 50% interest in CMAA, which gives the Group access to 47,554 hectares of planted sugar cane in Brazil.

Philippines

IndoAgri has a 30% interest in FPNRL, a joint venture between First Pacific Company Limited (FP) and IndoAgri, which holds a 34% shareholding in RHI, the largest integrated sugar business in the Philippines.

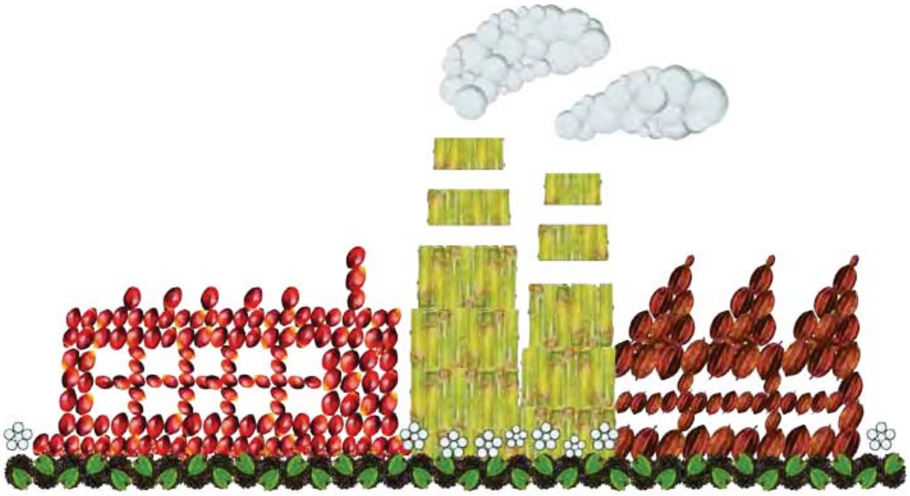

NORTH AMERICA
EUROPE
ASIA
AFRICA
SOUTH AMERICA
SOUTH EAST ASIA
AUSTRALIA


Legend
Oil Palm
Tea
Sugar Cane
Refinery
Rubber
Sugar Mill
Cocoa
Copra Mill


BRAZIL
SOUTH EAST ASIA
PHILIPPINES
MALAYSIA
SINGAPORE
SUMATRA
NORTH MALUKU
KALIMANTAN
SULAWESI
JAVA

GROWING OUR REACH

EXPANDING OUR NETWORK



CHAIRMAN'S STATEMENT

We monitor our strategy and its implementation for optimal outcomes. We continue to improve on the management of our estates, enhancing productivity and infrastructural development.

DEAR SHAREHOLDERS,

Global economic conditions presented us with a challenging year in 2014. The Eurozone failed to perform to expectations. China went into a managed economic slowdown. Japan was still trapped in recession. Fossil fuel fell by some 60% since mid-2014 to below USD50 per barrel by year-end. Only the US market was upbeat with significant rise in GDP and employment.

As a diversified agribusiness, we are a price taker in the highly competitive commodity market. We feel the effects of the global demand contraction as declining soy bean oil prices, on the back of a record US harvest, exerted downward pressure on palm oil prices.

The falling crude oil prices had reduced the demand for discretionary biodiesel, and further dampened the overall demand for vegetable oils. Although price volatility is expected in the vegetable oil markets as a result of a number of price influencing factors, demand for palm oil for food, which is our primary market, should nevertheless remain robust.

Despite the decline in US$ international CPO prices, our average selling price in Rupiah increased 14% year-on-year due to the declining Rupiah exchange rate. The fuel price shock has insulated some of our margins from inflationary pressures caused by imports and government policies. Indonesia's policy of zero export tariff on palm oil when prices fall below US$750 per tonne, has also helped to make exports more competitive and draw down the inventory.

Profitability for downstream edible oils and fats products has fallen due to the narrowing of domestic palm olein and CPO prices, and the increased refining capacity in Indonesia.

Price pressure was felt also by our other crops, mainly sugar and rubber. However, despite lower sugar prices, we are pleased with the performance of our sugar business in Brazil. Our 50% share of profit in CMAA was Rp29 billion in 2014.

In Indonesia, a new President was elected with a fresh agenda. President Joko Widodo removed fuel subsidies and freed up much-needed budget for infrastructural development and social programmes, particularly for health and education. Our goals are consistent with the direction of the new government with a focus on priorities such as food security. Indonesia's economy is forecast to grow at a healthy rate between 5.2% and 5.5% over the next two years.

Like all large-scale agricultural businesses, we are at the mercy of the weather. Global warming has made the climate more unpredictable. Prolonged spells of drought or flooding can weaken the constitution of the crops, lowering the yield.

The Transboundary Haze Pollution Act in Singapore, and similar laws in Indonesia are important legislation for our industry. We care deeply about the environment, the health of our workers, our plantations and the local community. We have a no-burning policy but we are watchful of and concerned about wildfires and man-made fires outside our estates.

Our plantations are our primary assets. They are vulnerable to fires during the dry spells. We have put in place an effective fire prevention and safety system in all our plantations. Fully equipped and manned by professionally trained fire response teams, this system has been extended to cover the immediate areas beyond the perimeters of our estates.

Our aim is to cope with encroaching fires from nearby hot spots and other fire-prone areas. A dual-ringed fire monitoring mechanism was established in all our estates to alert the estate teams and local authorities immediately of any external fire incidents in the locality of our operations. We will continue to work closely with local officials to combat the haze problem. More details are found in the Sustainability Report.

Even as we faced the occasional head-winds in our industry, it is imperative to emphasize efficiency, sustainability and resilience. We monitor our strategy and its implementation for optimal outcomes. We continue to improve on the management of our estates, enhancing productivity and infrastructural development.

This is our third year of reporting on our sustainability efforts. We are proud of the remarkable progress of our Sustainability programmes. Notable are the extension of the RSPO standards to the smallholders and out-growers in our supply chain. The development of a generic sustainability standard, the improvements in food safety and accountability, and local community development are part of our sustainability drive.

There are reasons to be optimistic. The global demand for basic commodities like vegetable oils will stay strong given the rise in global population and urbanisation. In the long run, the prices of essential commodities, particularly CPO and sugar, should hold up well in tandem with the robust core demand worldwide.

For our performance in 2014, the Board is pleased to propose a first and final tax-exempt dividend of 0.52 Singapore cents per share.

I will like to express my deep appreciation to my colleagues on the Board and our dedicated management and staff. They continue to lead the company towards higher performance and sustainable growth. My special thanks and gratitude to our customers, shareholders and partners. Your continued confidence in our company in these challenging times have spurred us on to attain our goals together.

Edward Lee
Chairman

CEO'S STATEMENT

DEAR SHAREHOLDERS,

The Indonesian palm oil market this year faces a weakened Rupiah and soft commodity prices. IndoAgri's vertically integrated agribusiness model, coupled with intensive cost management, innovation and diversification strategies, have provided us with an enduring resilience to counter prevailing market pressures with a positive set of results.

For the financial year 2014, the Group's consolidated revenue grew by 13% to Rp15.0 trillion. The improved sales were principally attributable to a strong contribution from the Plantation Division on higher commodity prices for palm products. In line with this, 2014 net profit after tax rose by 44% to Rp1.3 trillion.

In response to the challenging operating environment, we focused our efforts on strategic expansion, productivity improvements and enhancing sustainability to strengthen our profitability and foothold in Indonesia.

INORGANIC GROWTH AND STRATEGIC OPPORTUNITIES

In 2014, the Group expanded its sugar operations through the acquisition PT MLI. PT MLI brings with it 3,800 hectares of HGU-certified agroforestry land in South Sumatra's Ogan Komering Ulu Timur Regency, with a plantable area of approximately 2,800 hectares. With this addition, the Group's total planted cane area in Indonesia has expanded to 13,062 hectares, compared to 11,645 hectares in 2013.

Through a joint venture investment in PT PSM, we now have access to in-house equipment and resources for a range of road construction, land clearing and other estate improvement works, which are an essential part of continuous plantation development. The investment will cutback our dependence on external contractors, lower third-party costs, and enable us to build better quality road infrastructure for our operations and surrounding communities.

Downstream, we are leveraging strategic opportunities to develop higher value edible oil products to strengthen our margins in this market. We will continue to focus on expanding into higher margin edible oils and specialty products, as well as economical consumer products to increase market segmentation and taking advantage of rapidly growing domestic demand for these products.

PRODUCTIVITY AND PRECISION AGRONOMY

To deliver continued growth and productivity gains, we need to constantly manage our business costs, improve plantation yields and optimise agronomic practices.

Riding on the rapid pace of surveillance technologies, we are now able to capture accurate topographical data and real time images of our plantations.

To support our strategy for precision agronomy, the data collected are monitored at the Head Office in Jakarta, enabling the management to closely track operational progress and fine-tune agronomic strategies to improve yield and productivity.

Adopting best practices from CMAA, our Brazilian operation, we embarked on mechanisation efforts to increase our cane harvesting efficiency in Indonesia. In 2014, four specialty sugar cane harvesters were commissioned in Sumatra for this purpose, achieving a mechanisation rate of 25% for our domestic sugar operations. It is our goal to fully-mechanise this labour-intensive operation over time.

SUSTAINABLE AGRICULTURE

As at end-2014, 332,000 tonnes of CPO or 35% of the Group's total CPO production is certified to Roundtable on Sustainable Palm Oil (RSPO) standards, the highest sustainability benchmark for the palm oil industry.

Our plantations are audited against the Indonesian Sustainable Palm Oil (ISPO) system, and currently, 45,000 tonnes, or 5% of our total CPO production, are certified under ISPO.

As an active member of the Cocoa Sustainability Partnership (CSP), the Group refocused in revitalizing and replanting its cocoa plantation in East Java and North Sulawesi, which has resulted in productivity improvement.

Also complying with national regulatory standards are 16 of our oil palm mills and refineries, which have been rated blue and above by Indonesia's Programme for Pollution Control, Evaluation and Rating (PROPER). More details on our sustainability programmes and achievements for 2014 will be released in our third Sustainability Report.

As a food producer and plantation owner, it is our duty and responsibility to supply high quality food. The refineries comply with ISO 9001 standard. In addition, all our consumer food products are halal-certified by the Indonesian Council of Ulama (MUI), and SNI-certified for quality management.

Establishing full traceability across the entire supply chain by getting all our smallholders and third-party CPO suppliers to be RSPO-certified is another important step towards our objective. In 2014, we implemented the Palm Oil Sourcing Policy and Responsible Supplier Guidelines, and initiated strategic partnerships with international organisations like

Sustainable Trade Initiative (IDH) to help our smallholders achieve the required standards. Our target is to certify all our oil palm estates, including those managed by smallholders, to RSPO standards by 2019.

This year, I am pleased to announce the attainment of Bonsucro certification by CMAA for 111,000 tonnes of sustainable sugar cane production, amounting to 3% of its total cane production in 2014. Like RSPO for sustainable palm oil, Bonsucro is a globally recognised certification scheme for the sugar cane sector. We are now working with the Partnership for Indonesia Sustainable Agriculture (PISAgro) to migrate best practices from other international standards, such as RSPO and Bonsucro, in order to develop general guidelines for sustainable cocoa, rubber and tea farming in Indonesia.

LOCAL COMMUNITY DEVELOPMENT

We continue to champion community development programmes, which remain a key part of our sustainability agenda. Our efforts are focused on enhancing literacy rates, improving health and living conditions, and providing various essential services and basic amenities for our employees, their families and the many who live on our estates.

In 2014, we launched a new initiative to tackle disfigurement caused by cleft lip. As many families are unable to afford the simple operation to treat this condition, we have, in 2014, established a programme to fund the treatment cleft lip amongst children from our estates and surrounding communities. We will be expanding the programme progressively across Indonesia to benefit more children and their families.

Cataracts are another common ailment in Indonesia, and to relieve this visual impairment we are working with military doctors to conduct on-site cataract operations in our communities. In 2014, 263 cataract patients were treated under this programme in Kalimantan and 201 in South Sumatra.

NURTURING TALENT AND LEADERSHIP

Employees are our most-valued assets and we invest in competency building and talent grooming through initiatives such as the Leadership Development Programme (LDP). In 2014, 25 managers and 23 supervisors attended the LDP, which is a long-term capacity building programme to identify and equip high performers with leadership attributes to take on greater responsibilities.

The LDP underlies our future growth strategy, as it ensures that we hire and train individuals with the right competencies to support our strategies and grow the company.

OUTLOOK 2015

We expect demand for basic commodities like palm oil to remain strong, underpinned by growing consumer markets and a rising middleclass. Competition from other CPO producers as well as competing products like soybean will be intense, given the added impetus of high inventory caused by lower demand for biodiesel with the fossil fuel price drop. Being a low cost producer remains the key strategic focus for the Group, given the volatility and uncertainty of future price movements.

Therefore, IndoAgri will continue to manage its costs, and explore areas such as data analytics to fine-tune our agronomic practices to maximise yields. In anticipation of higher FFB output, we will be increasing our milling capacities by building two new mills in South Sumatra and three in Kalimantan, of which three will be completed by 2016.

We are also looking to expand our downstream EOF activities with an emphasis on high-end value added products that target premium F&B outlets, and as a Group, continue to seize opportunities to diversify, mitigate cyclical risk, and achieve our growth potential.

APPRECIATION

To conclude, I would like to thank our Board of Directors for their valued leadership and commitment. Most of all, I thank our customers, business partners and employees, whose continued confidence and support have been the driving force for all of IndoAgri's endeavours.

Mark Wakeford
Chief Executive Officer

BUSINESS OVERVIEW

IndoAgri is a leading diversified and vertically integrated agribusiness that spans the entire supply chain, from plantation management and crop production, through to refining, branding and marketing of edible oil products. As at 31 December 2014, our planted area covered 300,050 hectares, which included 246,055 hectares of oil palm, 21,697 hectares of rubber, 13,062 hectares of sugar cane, 16,169 hectares of industrial timber and 3,067 hectares of other crops.

In Indonesia, the Group's Plantation Division owns and operates 22 palm oil mills, four crumb rubber processing facilities, three sheet rubber processing facilities, two sugar mills/ refineries, one cocoa mill and one tea mill. The Group also has sugar operations in Brazil through a 50-50 joint venture with CMAA, and in the Philippines through an indirect interest in RHI. The Plantation Division remains IndoAgri's dominant business unit, contributing over 90% to the Group's EBITDA.

The Group's Edible Oils & Fats Division owns and operates five Crude Palm Oil (CPO) refineries across Indonesia, with a total annual CPO processing capacity of 1.4 million tonnes.

FINANCIAL HIGHLIGHTS

Despite the general decline in food commodity prices during 2014, the Group maintained positive results with consolidated revenue up 13% to Rp15.0 trillion. The improved sales result was principally attributable to a strong contribution from the Plantation Division, driven by higher sales volumes and commodity prices for palm products i.e. CPO and Palm Kernel (PK).

Resultingly, IndoAgri's 2014 gross profit has increased by 36% to Rp4.4 trillion. Gross profit margin for 2014 was 29.2% compared to 24.1% in 2013.

The Group made a higher profit from operations of Rp2.5 trillion in 2014, a 52% increase over the preceding year, due mainly to improved gross profit and lower foreign exchange losses. This was partly offset by higher operating expenses and share of losses of associate companies.

Net profit after tax (NPAT) was Rp1.3 trillion, up 44% from 2013. This was primarily due to higher profit from operations, partly offset by higher financial expenses and higher effective tax arising from irrecoverable tax losses and non-tax deductible expenses. The Group's attributable profit grew 45% to Rp0.8 trillion in 2014.

OPERATIONAL HIGHLIGHTS

Plantation Division: Oil Palm

The Group's oil palms occupied 82% or 246,055 hectares of total planted area by the end of 2014. Of this, new plantings accounted for 6,350 hectares, compared to 9,791 hectares in 2013. Total Fresh Fruit Bunches (FFB) production of 4,372,000 tonnes in 2014 represented a 16% increase over the previous year's 3,761,000 tonnes, while CPO production grew 18% to 956,000 tonnes in 2014. This was supported particularly by higher palm production in South Sumatra and Kalimantan, as well as increased purchasing of external FFB.

Certified CPO production of 332,000 tonnes represented approximately 35% of the Division's total CPO output in 2014, demonstrating the Group's continued commitment to sustainable agriculture.

As an active member of the Cocoa Sustainability Partnership (CSP), the Group refocused in revitalizing and replanting its cocoa plantation in East Java and North Sulawesi, which has resulted in productivity improvement.

Plantation Division: Rubber

As at 31 December 2014, our nucleus rubber estates occupied some 21,697 hectares. The Division's rubber production was flat at 18,400 tonnes during the year due to stagnant land expansion and some replanting activities.

Plantation Division: Sugar

The Group's sugar cane estate in South Sumatra expanded to 13,062 hectares in 2014. We are working towards a targeted planted area of 18,000 hectares of sugar cane. Harvested sugar cane amounted to approximately 701,000 tonnes.

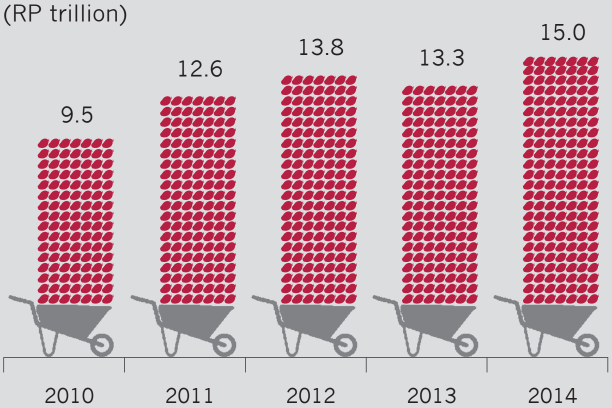
In Central Java, the Group has tolling arrangements with local farmers who supply the sugar cane for our 4,000 tonnes of cane per day (TCD) sugar mill. The Group retains a portion of the sugar and molasses produced as a milling fee, while the balance of the sales proceeds are returned to the farmer. In 2014, we processed 452,000 tonnes of sugar cane.

Through a 50% stake in CMAA, the Group has a cane planted area of 47,554 hectares, processed 3,511,000 tonnes of sugar cane, producing 224,000 tonnes of sugar and 145,000 M^3 of ethanol. Via a 30% investment in FPNRL, which holds a 34% stake in RHI in the Philippines, the Group processed approximately 3,247,000 tonnes of sugar cane, producing 312,000 tonnes of raw sugar and 103,000 tonnes of refined sugar in 2014. RHI also produced 32,000 M^3 of ethanol from molasses and raw sugar.

Edible Oils & Fats Division

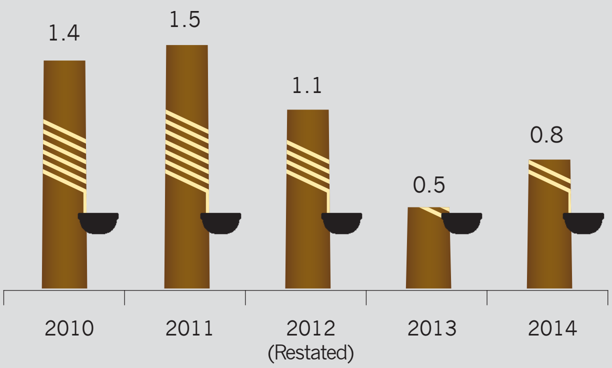
In 2014, the Edible Oils & Fats Division processed approximately 877,000 tonnes of CPO (including 70% from our own plantations). It manages five refineries with a total annual CPO processing capacity of 1.4 million tonnes. Additionally, the Division produced and sold small amounts of palm-based products derived from oil palm refining, such as refined, bleached and deodorised palm oil (RBDPO), palm stearin and palm fatty acid distillate.

Revenue
(RP trillion)

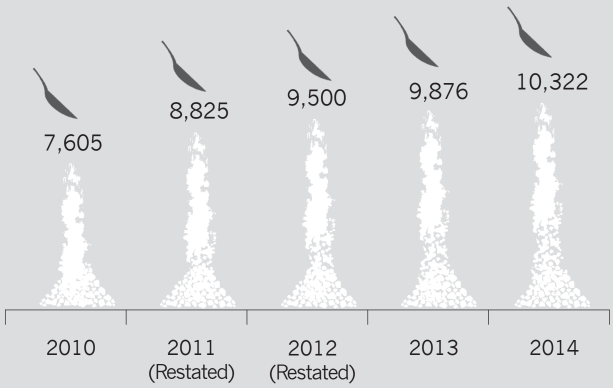


Profit from Operations
(RP trillion)

Attributable Profit to Equity Holders
(RP trillion)



NAV per share
(RP)



FINANCIAL HIGHLIGHTS

	In Rupiah billion			In SGD million *		
	2012 Actual (Restated)	2013 Actual	2014 Actual	2012 Actual (Restated)	2013 Actual	2014 Actual
Net Sales	13,845	13,280	14,963	1,478	1,417	1,597
Gross Profit	4,187	3,204	4,368	447	342	466
Gain/(Loss) Arising from Changes in Fair Values of Biological Assets	56	62	60	6	7	6
Operating Income	2,731	1,692	2,536	291	181	271
Net Profit	1,835	921	1,328	196	98	142
Attributable Profit to Equity Holders	1,058	523	759	113	56	81
EPS (in Rupiah)/(in SGD 'cents)	736	366	535	7.9	3.9	5.7
Current Assets	8,318	6,938	6,812	883	736	723
Fixed Assets	21,047	23,674	26,087	2,234	2,513	2,769
Other Assets	5,446	7,093	7,255	578	753	770
Total Assets	34,811	37,705	40,155	3,695	4,002	4,262
Current Liabilities	4,609	6,504	6,951	489	690	738
Non-Current Liabilities	7,684	8,367	9,486	816	888	1,007
Total Liabilities	12,293	14,872	16,437	1,305	1,578	1,745
Shareholders' Equity	13,626	13,996	14,629	1,446	1,486	1,553
Total Equity	22,518	22,833	23,717	2,390	2,423	2,517
In Percentage (%)						
Sales Growth	9.8%	(4.1%)	12.7%			
Gross Profit Margin	30.2%	24.1%	29.2%			
Operating Profit Margin	19.7%	12.7%	17.0%			
Net Profit Margin	13.3%	6.9%	8.9%			
Attributable Profit to Equity Holders Margin	7.6%	3.9%	5.1%			
Return on Assets [1]	7.8%	4.5%	6.3%			
Return on Equity [2]	7.8%	3.7%	5.2%			
Current Ratio (times)	1.8	1.1	1.0			
Net Debt to Equity Ratio (times) [3]	0.08	0.22	0.26			
Total Debt to Total Assets Ratio (times)	0.19	0.23	0.24			

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

* *For ease of reference, 2012 to 2014 Income Statement and Balance Sheet items are converted at exchange rates of Rp9,370/S$1 and Rp9,422/S$1, respectively.*

OPERATIONAL HIGHLIGHTS

The below information is related to business operations in Indonesia. For sugar outside Indonesia, please refer to page 28 of this annual report.

In Hectares (unless otherwise stated)	2012	2013	2014
Planted Area-Nucleus			
Oil Palm	230,919	239,921	246,055
Mature	176,105	177,099	185,181
Immature	54,814	62,822	60,874
Rubber	21,802	21,759	21,697
Mature	17,507	16,996	17,711
Immature	4,295	4,763	3,986
Sugar Cane	12,333	11,645	13,062
Mature	12,255	11,396	8,932
Immature	78	249	4,130
Others	3,671	3,384	19,236
Mature	3,227	2,868	17,160
Immature	444	516	2,076
Plasma	87,009	90,214	90,149
Age Maturity of Oil Palm Trees			
Immature	54,814	62,822	60,874
4 – 6 years	42,803	22,005	14,768
7 – 20 years	80,412	99,710	112,187
Above 20 years	52,890	55,384	58,227
Total	230,919	239,921	246,055
Distribution of Planted Areas – Nucleus			
Riau	57,025	57,025	57,025
North Sumatra	39,360	39,326	39,321
South Sumatra	87,160	89,819	93,562
West Kalimantan	28,493	28,478	28,997
East Kalimantan	42,026	46,433	64,458
Central Kalimantan	6,128	7,410	8,756
Java	2,864	2,864	2,865
Sulawesi	5,669	5,354	5,066
Total	268,725	276,709	300,050
Production Volume ('000 Tonnes)			
Nucleus Fresh Fruit Bunch (FFB)	2,973	2,895	3,259
Processed FFB	4,054	3,670	4,268
Crude Palm Oil (CPO)	880	810	956
Palm Kernel (PK)	207	187	218
Rubber	18	18	18
Sugar [1]	70	78	66
Sales Volume ('000 Tonnes)			
CPO [2]	829	864	957
PK	202	190	193
Rubber	17	16	16
Sugar – Indonesia	62	76	73
Oil Palm Seeds ('million)	25	18	9
Cooking oil, Margarine and CNO	808	790	755

[1] *Comprised of sugar production in South Sumatra factory, share of sugar produced in Central Java and refined of raw sugar*
[2] *Sales to external and internal parties*

GROWING OUR STRENGTHS

IMPROVING OUR PROCESSES

PLANTATION REVIEW
PALM & RUBBER

The Plantation Division manages and cultivates IndoAgri's estates and derives its income mostly from the sale of CPO, PK and related products.

The Division's oil palm estates in South Sumatra and Kalimantan achieved 6,350 hectares of nucleus new plantings in 2014 as compared with 9,791 hectares in 2013.

Mature estates covered 185,181 hectares, while immature estates, that will boost CPO production and volume growth when they become productive within the next few years, occupied 60,874 hectares or 25% of total planted palm area. The average age of the oil palms cultivated is 13 years. The Division's 22 palm oil mills across Sumatra and Kalimantan have a combined FFB processing capacity of 5.7 million tonnes per annum.

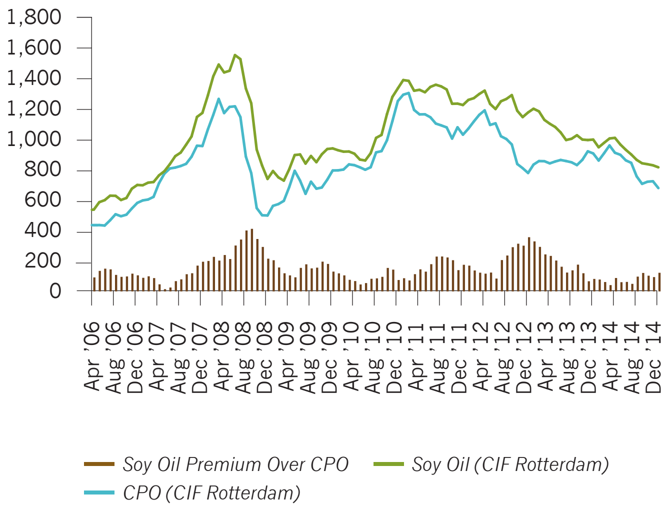
The Division's rubber estates are spread across North and South Sumatra, East Kalimantan and Sulawesi. As at end 2014, nucleus rubber estates occupied 21,697 hectares, of which 18% were immature. The average age of our rubber trees is 14.6 years. We also operate four crumb rubber and three sheet rubber processing facilities.

The Plantation Division has two advanced research and development centres, SumBio and PT SAIN, based in Bah Lias, North Sumatra and Pekanbaru, Riau respectively. Underpinned by their sophisticated in-house seed breeding programmes and cultivation techniques, these centres produced a combined output of 17.4 million premium seeds in 2014.

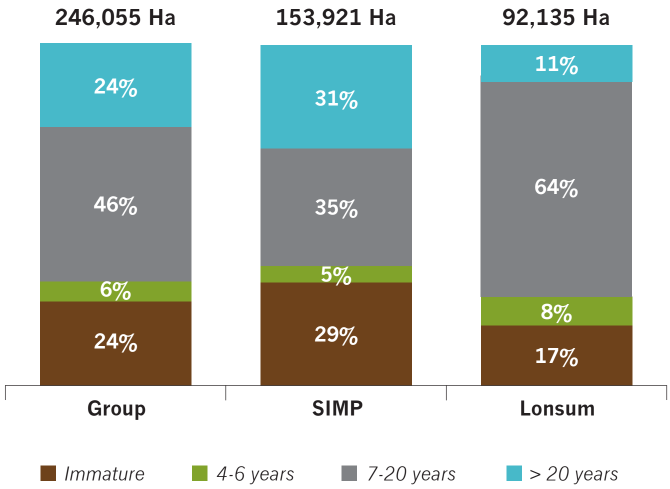
2014 REVIEW

The global economic slowdown in major markets such as China and Europe, coupled with weak crude oil prices and higher soybean supplies from the US and South America, have put sustained pressure on commodity prices. CPO prices (CIF Rotterdam) ended the year at US$679 per tonne, against an average of US$816 per tonne in 2014. This represented a 5% decline over 2013's average of US$857. However, domestic CPO prices in Indonesian Rupiah remained higher than the previous year due to the weakening of the currency against the US dollar.

CPO vs Soy Oil Price
US$/tonne



Oil Palm Plantation Age Profile



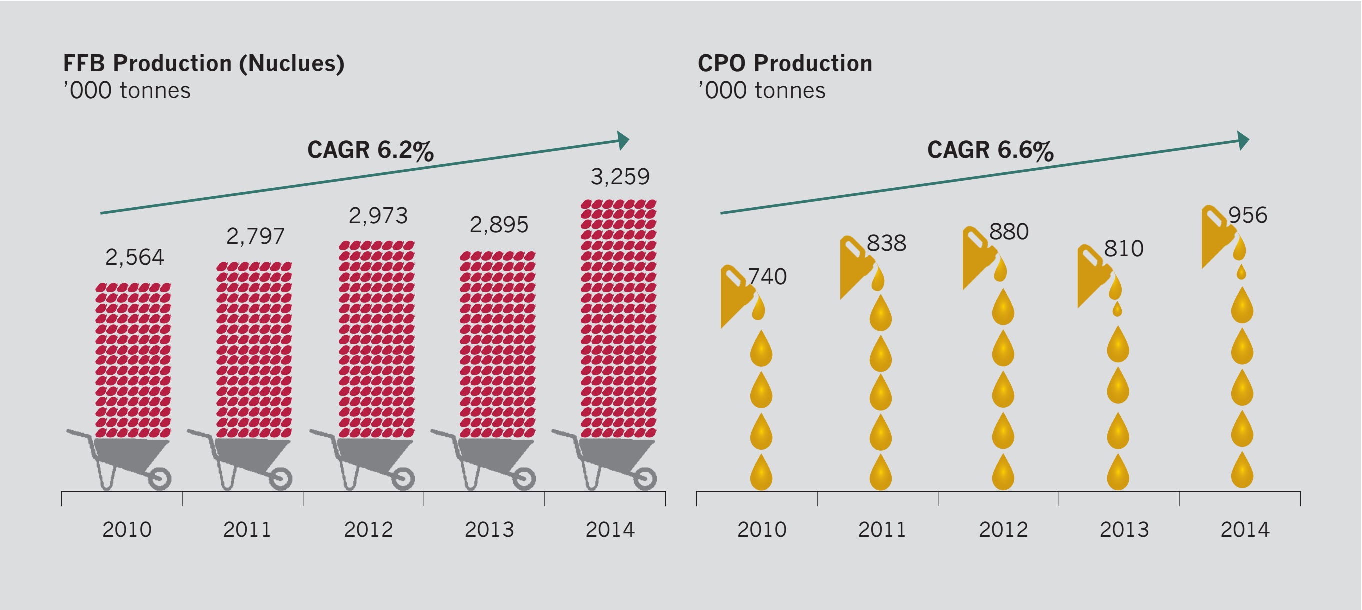
Rubber prices (RSS3 SICOM) fell 30% in 2014 to average at US$1,957 per tonne, in contrast to an average US$2,795 per tonne in 2013. This was due to higher rubber production in Thailand and Indonesia, as well as weaker demand from major rubber consuming markets, particularly China, the US and Europe. Lower rubber prices have also affected rubber sales and earnings at Lonsum, the subsidiary owning most of our rubber estates.

The Plantation Division's total revenue for 2014 grew 22% to Rp10.3 trillion year-on-year, reflecting higher sales volume and average selling price of palm products. Internal CPO sales to the Edible Oils & Fats Division increased 35% to Rp5.1 trillion, all at market prices, resulting in inter-segment sales growth. In line with this, the Division reported stronger EBITDA earnings in 2014.

2014 FFB production has increased by 16% to 4,372,000 tonnes on higher nucleus output and external purchases. As a result, CPO production grew 18% to 956,000 tonnes during the year. Oil extraction rates increased slightly to 22.4% versus 22.1% in 2013.

Sheet rubber, crumb rubber and cup lump remain the Division's key rubber products. Growth in rubber production during the year was relatively flat at 18,400 tonnes due to holdbacks on land expansion and some replanting activities. The Group exported 57% of its rubber, while the balance was sold domestically.

PLANTATION REVIEW
PALM & RUBBER

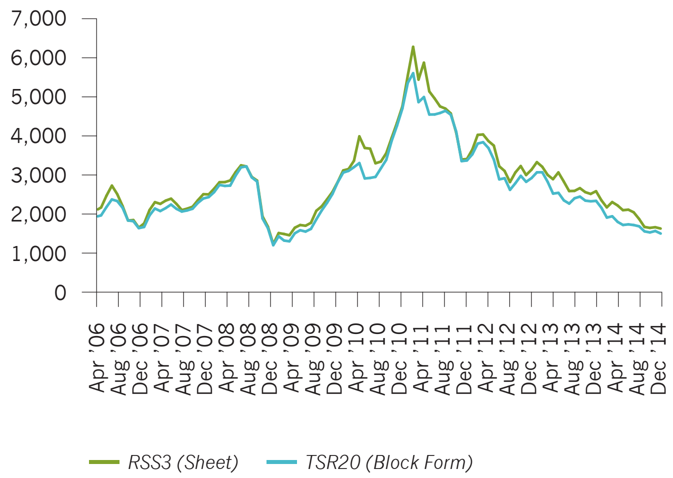


2015 OUTLOOK
The outlook for the palm oil industry is expected to remain positive. Demand for palm oil has been resilient, supported by competitive CPO prices against other vegetable oils. Emerging economies such as Indonesia, India and China will bolster consumption growth. The Indonesian government's biodiesel blending mandate is also likely to sustain domestic demand growth for palm oil products.

The Division's CPO production growth is well supported by its younger estates. We will continue to expand our oil palm acreage by achieving 5,000 to 10,000 hectares of new plantings annually. To cope with higher FFB production, we are progressively expanding our milling capacities by constructing two new mills in South Sumatra and three in Kalimantan, of which three will be completed by 2016.

The long-term outlook remains optimistic with healthy demand coming from tyre makers, automotive industries and rubber goods manufacturers in developing markets, especially China.

Rubber Prices
US$/tonne



Looking ahead, the Plantation Division aims to improve yield and reduce operational costs through the following initiatives:

- Conduct 30-hectare block-by-block analyses to fine-tune crop management, planting densities, fertiliser and herbicide usage, and yield and oil extraction rate projections.
- Optimise crop management and harvesting practices to maximise FFB collection and production.
- Leverage biological methods to improve pest and palm tree disease control.
- Improve mechanisation to increase efficiency and reduce costs.
- Utilise organic fertilisers and all by-products, while reducing reliance on inorganic fertilisers.
- Monitor the supply chain to improve efficiencies.

PLANTATION REVIEW
SUGAR: INDONESIA

The Plantation Division's domestic sugar operations are located in South Sumatra and Central Java. Our sugar investments are strengthened by domestic shortfalls, coupled with positive drivers such as population growth and an expanding food and beverage sector.

To protect the local sugar producers, especially the smallholders, the Indonesian government has put in place policies to shield sugar prices from global fluctuations. Currently, the domestic sugar price in Indonesia lies above the international market, as there are restrictions on import quotas when domestic prices fall below Rp8,500 per kilogramme – a government-mandated floor price introduced in August 2014.

2014 REVIEW

In South Sumatra, the Division has an 8,000 TCD sugar mill and refinery with an annual processing capacity of 1.44 million tonnes. In 2014, we harvested 701,000 tonnes of sugar cane from our own estates and produced 53,500 tonnes of sugar, compared to 758,000 tonnes and 53,200 tonnes in 2013 respectively.

In July 2014, the Division acquired a 100% stake in PT MLI, a company principally engaged in the cultivation of sugar cane in South Sumatra. Including the additional 3,800 hectares of land from this acquisition. The Group's total planted sugar cane area in South Sumatra expanded to 13,062 hectares in 2014, compared to 11,645 hectares in 2013.

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

In 2014, we processed 452,000 tonnes of sugar cane, versus 438,000 tonnes in 2013. The sugar cane came from 7,260 hectares of sugar estates belonging to 700-over local farmers and a small area owned by the Division. Total sugar production was 34,000 tonnes in 2014, compared to 28,000 tonnes in 2013. The Group's share of this production was 13,000 tonnes in 2014, compared to 9,400 tonnes in 2013.

For the year in review, revenue contributions from the sale of sugar and molasses declined 14% to Rp604 billion, contributing to 6% of the Plantation Division's revenue.

2015 OUTLOOK

On the domestic front, strong demand has kept Indonesia's sugar industry relatively robust. While the country remains a net importer of sugar, intervention efforts from the government will continue to increase the production capacity of local sugar factories, enhance the productivity and yield of sugar cane, and encourage the expansion of sugar cane plantations.

On our part, we are researching on new-generation high yielding seed cane varieties. We will continue to expand our sugar estates in Indonesia, and optimise our sugar factories in South Sumatra and Central Java, to achieve the vertical integration required for full-scale operations and growth.

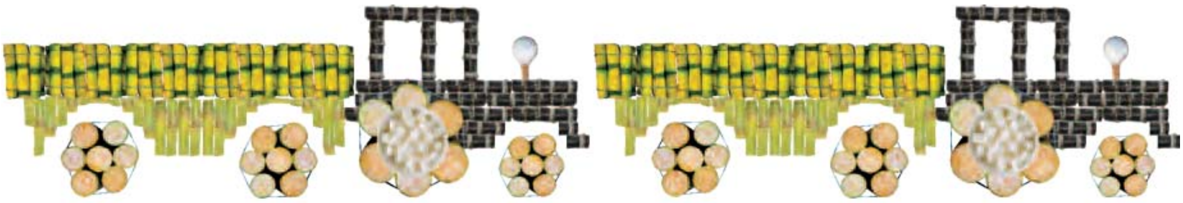
Operational Highlights

	Unit	2012	2013	2014
Planted Area	Ha	12,333	11,645	13,062
Sugar Cane Harvested	'000 tonnes	588	758	701
Production Volume:				
From sugar cane				
– South Sumatra	'000 tonnes	49	53	54
– Java (PT LPI's share)	'000 tonnes	12	9	13
From raw sugar	'000 tonnes	9	16	0
Total Production	'000 tonnes	70	78	66

MANUFACTURING PROCESS FOR SUGAR

GROWING OUR STRATEGIES

SHARPENING OUR ADVANTAGE



PLANTATION REVIEW
SUGAR: OUTSIDE INDONESIA

In Brazil, IndoAgri has a 50% stake in CMAA, which is principally engaged in the cultivation and processing of sugar cane for the production and marketing of sugar and ethanol as well as co-generation of electric power from sugar cane bagasse. CMAA operates a modern sugar mill in Vale do Tijuco, Brazil, with a total crushing capacity of 3.8 million tonnes per year.

Brazil is a strong contributor to the global sugar and ethanol industry, given its favourable climate, optimal use of technology, high productivity level, and availability of suitable land for expansion.

Its advantage as the lowest-cost sugar producer in the world has led to a steady increase in production and export volumes over the past 10 to 15 years, making it the world's largest sugar producer and exporter with close to 21% of worldwide production. Brazil has 40% to 50% share of the global sugar export market.

In the Philippines, IndoAgri has a 30% investment in FPNRL, which in turn, has a 34% interest in RHI, the nation's largest integrated sugar business. RHI's processing capacity of 6.2 million tonnes per annum or 38,500 TCD makes it the biggest sugar miller, supplying nearly 20% of the country's total sugar production. It is also the third largest sugar refiner in the Philippines, with a capacity of 18,000 Lkg/day at its Batangas refinery (one Lkg is equivalent to a 50kg bag of sugar).

Additionally, RHI has three sugar mills, one in Batangas and two in Negros Occidental. It also has an ethanol plant in Negros Occidental with a production capacity of 43,500 M^3 per annum.

The Filipino sugar industry is Southeast Asia's third largest with 25 million tonnes of sugar cane production in 2014, after Thailand's 108 million tonnes and Indonesia's 35 million tonnes. Around 80-85% of this production is used domestically, while the balance is exported primarily to the US, which allocates a sugar quota to the Philippines, and to Japan.

2014 REVIEW

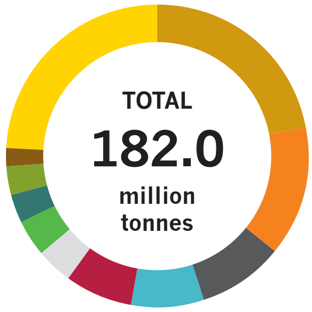
In 2014, international sugar prices came under pressure due to the global economic slowdown and the sizeable global sugar production surplus built up over the last two years. Sugar prices on the Coffee, Sugar and Cocoa Exchange (CSCE No. 11) averaged USD 16.3 cents per pound in 2014, down from USD 17.5 cents per pound in 2013.

As at 31 December 2014, CMAA has a cane planted area of 47,554 hectares, of which 51% is company owned and 49% belonging to third parties. In 2014, CMAA processed 3.5 million tonnes of harvested sugar cane, producing 224,000 tonnes of sugar, 145,000 M³ of ethanol and 375,000 Mwh of electricity. The Group's 50% share of profits from CMAA for 2014 amounted to Rp29 billion (approximately USD 2 million), whereas last year we included only six months results.

CMAA achieved Bonsucro Certification for 111,000 tonnes of sustainable sugar cane production, representing 3% of its total cane production in 2014. Bonsucro is a globally recognised standard, and a multi-stakeholder non-profit organisation that promotes measureable standards in sustainable sugar cane production.

In 2014, RHI processed 3.2 million tonnes of sugar cane from third party suppliers, producing 312,000 tonnes of sugar and 32,000 M³ of ethanol. It also refined 103,000 tonnes of raw sugar.

World Sugar Production 2013/14



22%	Brazil
14%	India
9%	EU
8%	China
7%	Thailand
4%	US
4%	Mexico
3%	Russia
3%	Pakistan
2%	Australia
24%	Others

Source: LMC International

Operational Highlights – CMAA

Harvest Season: April to March	Unit	2012/ 2013	2013/ 2014	2014/ 2015
		12 Mths	12 Mths	9 Mths
Planted Area*	Ha	37,909	42,517	47,554
Harvested Area	Ha	22,546	31,627	42,378
Cane Crushing	'000 tonnes	2,218	3,026	3,511

** 51% of planted area is leased & planted by CMAA. The balance 49% belongs to third parties.*

Production Volume:				
VHP	'000 tonnes	152	187	224
Ethanol	'000 M³	96	137	145
Energy	'000 Mwh	123	206	375

Operational Highlights – RHI

Harvest Season: October to September	Unit	2012/ 2013	2013/ 2014
		12 Mths	12 Mths
Production Volume:			
Sugar			
Cane Crushing	'000 tonnes	3,339	3,247
Raw sugar	'000 tonnes	341	312
Refined sugar	'000 tonnes	120	103
Ethanol	'000 M³	8	32

PLANTATION REVIEW
SUGAR: OUTSIDE INDONESIA

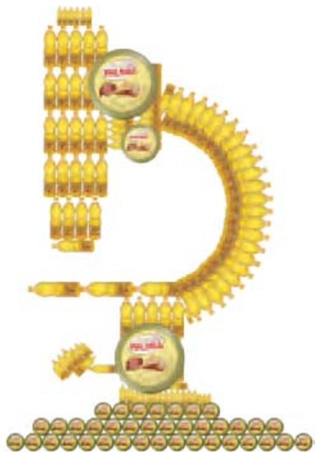
2015 OUTLOOK

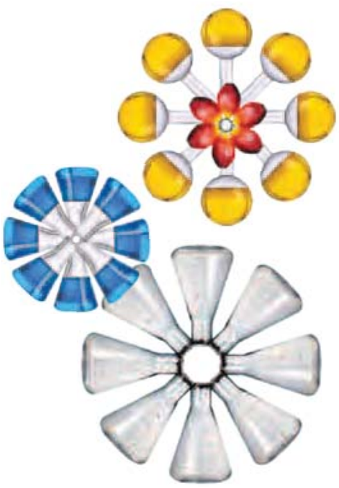
The decision to expand our sugar operations in Brazil has enabled the Division to gain valuable insights on cane cultivation technologies and know-how. In particular, we are learning from CMAA's mechanisation strategies, and progressively applying advanced methodologies and deploying mechanised sugar-cane harvestors across our estates in Indonesia. We will be working closely with CMAA to migrate relevant best practices from the Bonsucro standard into our domestic operations.

We will expect global sugar prices to be strongly influenced by production levels in Brazil and India, together with Brazilian policies on ethanol. The Group will continue to evaluate potential acquisitions or joint ventures for operational and international growth.

PLANTATION REVIEW
R&D

IndoAgri's success as a competitive producer of palm oil is the a result of extensive investment in research and development (R&D). Our innovative R&D programmes are focused on increasing yield potentials, boosting crop resilience and improving estate management practices and productivity. R&D is a key factor in sustainable production and long-term profitability.





The Group's R&D efforts are focused on:

- **Plant breeding**
  Using advanced breeding methods, a diverse germplasm base and biotechnology, and field trials that test progenies in a range of planting environments, to deliver top quality seed and planting materials to our plantations.

- **Soils and hydrology**
  Conducting soil surveys, hydrology studies and fertility analyses to improve agronomic practices on a block-by-block basis.

- **Agronomy**
  Ensuring optimal crop management and planting densities, and fertiliser and herbicide usage via site-specific soil management and crop cultivation techniques.

- **Crop protection**
  Optimising the use of biological pest controls to prevent and eradicate pests and diseases that cause crop losses.

- **Data capture and Information management**
  Providing accurate data analysis to support plantation management decision-making using 2D and 3D maps derived from GPS and ground surveys. An integrated software system provides visibility of data across all subsidiaries, refineries and plantations.

A strong R&D heritage, coupled with modern laboratories, enables the Group to carry out leading-edge research in all of these areas. We use methodological frameworks to track and improve the productivity of our seed breeding and cultivation programmes, and to ensure best practices in plantation management.

PLANTATION REVIEW
R&D

The Group operates two advanced agricultural R&D centres:

- Sumatra Bioscience (SumBio) in Bah Lias, North Sumatra: A sought-after producer of premium oil palm seeds in Indonesia with an annual production capacity of 25 million superior and high-yielding oil palm seeds.

- PT SAIN in Pekanbaru, Riau: A certified seed producer with comprehensive breeding programmes and a production capacity of eight million seeds per year.

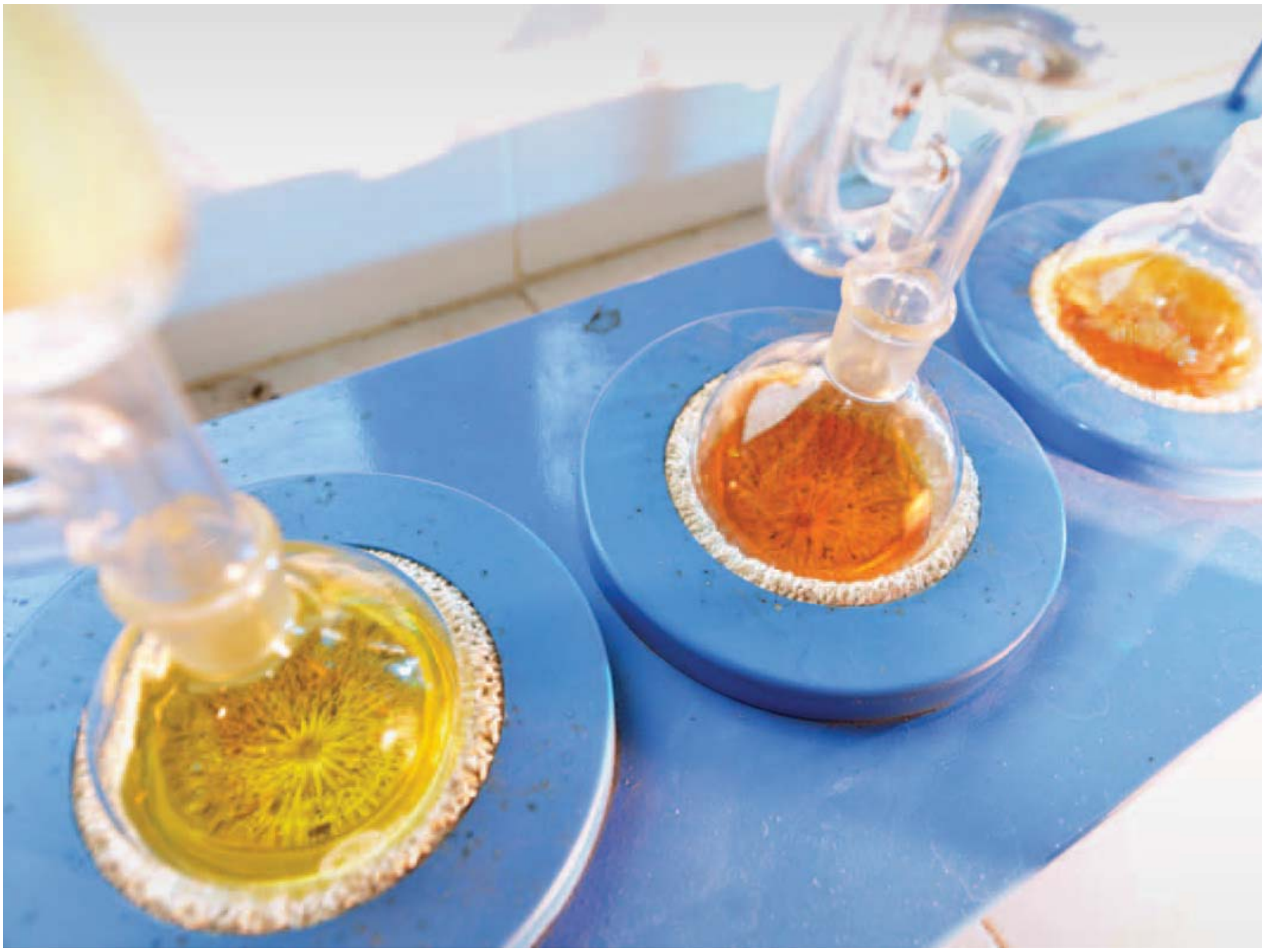
SumBio and PT SAIN are two of 10 oil palm seed breeding centres in Indonesia with the facilities and expertise to conduct extensive breeding trials for the production of high-yielding seed material suited to our local climates.

In the area of sustainable production, our R&D activities comprise:

- **Soil and water conservation**
  The control of soil erosion is a top priority. Legume Cover Crops (LCC), in particular *Mucuna bracteata*, which improves soil fertility, are used to cover the soil prior to new plantings. A Vetiver System is established on steep slopes and canal banks to ensure soil stabilisation.

- **Fertiliser use**
  Organic and inorganic fertilisers are used to maintain optimum palm nutrition. An integrated fertiliser management programme provides site-specific formulations for each plantation block based on yield target and statistics, annual foliar analysis, soil profile, established yield response curves from related fertiliser trials, and predicted nutrient release from soil and plant residue.

- **Organic fertilisers**
  In Riau, empty fruit bunches (EFB) are utilised as soil mulch, while palm oil mill effluent (POME) is used in land application. These effort have cut our annual requirement for inorganic fertilisers by 14%. Our co-composting of EFB and POME has the potential to replace up to 30% of inorganic fertiliser use per year.



- **Pest management**
  Pest and disease control is aided by the use of biological control agents such as barn owls. In the Riau estates, our barn owl programme has been so successful that the use of rodenticide has been completely abolished since 2011. Each year, we breed about 10,000 new birds via some 2,600 next boxes scattered throughout the Riau estates. In South Sumatra, around 2,100 new birds were bred in 2014.

- **Training and collaboration**
  Research methodologies are applied to derive operational solutions. As such, the R&D team makes frequent plantation visits to understand and manage current agronomy issues in collaboration with the operations team, impart valuable skills, knowledge and inputs to estate personnel, and conduct training on the latest intervention methodologies.

The R&D teams are also involved in product development. For instance, we develop specific formulations of edible oils and fats to meet the diverse requirements of our industrial and retail consumers.

2014 REVIEW

The Group's seed production was partly allocated to our own planting activities, which require about 200 seeds per hectare, while the majority is sold to external parties. During the year in review, the Group replanted 600 hectares and completed new plantings for 6,350 hectares. As a result of a slowdown in new plantings in Indonesia, sales volume of oil palm seeds fell from 17.9 million to 9.2 million seeds in 2014.

The planting of trees along our estates' main roads was stepped up in 2014 to promote the population of natural predators such as barn owls to reduce pesticide use. We cultivated entomopathogenic agents of viral origin, which were sprayed across all estates to control major leaf-eating caterpillars. We also used ultraviolet (UV) light traps as an environmental-friendly complement to our biological-control methods against these caterpillars. The integration of monthly census data into our SAP has significantly improved the spatio-temporal visibility of all kinds of pest attacks throughout our estates on a per-hectare basis.

Responsiveness to agronomic issues has improved with the introduction of unmanned aerial vehicles such as fixed-wing and drone quad-copters, coupled with existing satellite photography. Together with our GIS, these devices provide timely and reliable information on crop conditions such as nutrient status, pest and disease attack prevalence, and the drainage characteristics of the soil in our estates. This has allowed us to proactively prevent potential agronomic issues and improve overall deployment of resource and manpower.

New products catering to the evolving needs of our customers were developed through R&D. These included high-quality cooking oils and specialty fats required by premium bakeries and confectioneries. We also invested in technology to design cost-efficient packaging materials that are eco-friendly.

In a move to manage the risks posed by counterfeit seed distributors, SumBio now authenticates and tags its seed products using UV printing rather than inkjet-printed labels.

2015 OUTLOOK

The Group will pursue ongoing trials to develop new genotypes of premium, high-yielding seeds, in anticipation of demand growth driven by factors such as affluence, rising populations, as well as new planting activities planned for 2015.

To preserve biodiversity in our estates, the use of bio-control methods against major pests will be intensified. Using the newly developed topographic maps, we expect to achieve better agronomic practices through effective soil and water management programmes in our South Sumatra estates. To drive productivity, we will further streamline existing work processes and move towards greater mechanisation.

Leveraging our integrated SAP enterprise resource planning system, we will achieve better visibility of the field data across all subsidiaries, refineries and plantations on a real-time basis. We plan to explore the use of data analytics alongside statistical and census methods to improve yields and achieve more accurate yield forecasts.

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

Other R&D-driven improvements will include disease management and precision agronomy, via improved crop management strategies, planting densities, fertiliser and herbicide usage. Such initiatives will deliver higher and more profitable yields per hectare, reduce production costs and maintain a balanced nutrient programme for sustainable growth.

EDIBLE OILS & FATS REVIEW

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

In Indonesia, our consumer cooking oils are marketed under the leading brands of Bimoli, Bimoli Spesial, Delima and Happy, while our consumer margarine and shortening are packed and sold under the Palmia and Amanda brands.

The Division also produces industrial pack cooking oils, which is mainly sold on an unbranded basis to Indofood and other manufacturers in the F&B industry. Our industrial pack margarine and shortening are promoted to confectioners, bakeries and other food manufacturers under our Palmia, Simas, Amanda, Malinda and Delima brands.

In line with IndoAgri's vertically integrated agribusiness model, the CPO raw materials used in the production of cooking oil, margarine and shortening is mainly supplied by the Plantation Division.

The distribution channels of our parent company are leveraged to supplement our market penetration efforts. These include direct sales channels, as well as local and national distributors serving approximately 370,000 retail outlets across Indonesia.

The Bimoli brand has achieved Platinum Level for the Indonesia Best Brand Award (IBBA) from 2002 to 2014 and Diamond Level for the Indonesia Customer Satisfaction Award (ICSA) from 2000 to 2014.

2014 REVIEW

The Division processed approximately 877,000 tonnes of CPO, including 70% from our own plantations in 2014, compared to 59% in 2013. We also took delivery of new CPO storage tanks and a new 200 tonne per day margarine plant at Tanjung Priok refinery during the year.

Total revenue for the Division grew 14% to Rp9.8 trillion in 2014 on higher sales volume and average selling prices for edible oil and fat products. Branded consumer products contributed over half of this revenue, while sales to industrial customers and third-party brands accounted for the balance. Profitability of this Division has fallen due to the narrowing of domestic palm olein and CPO prices arising from increased refining capacity in Indonesia. We will continue to differentiate the market with new product offerings and further develop the distribution network for deeper market penetration.

Sales volumes for our cooking oil, margarine and CNO fell 4% year-on-year due to lower coconut oil and bulk oil sales. Nonetheless, the market leadership of our branded consumer products continues to underpin positive volume growth. As a consequence of higher raw material costs, primarily CPO, the Division reported lower EBITDA earnings in 2014.

In terms of sales contribution, the Division accounted for 66% and 65% of the Group's external sales in 2014 and 2013 respectively. The revenue derived from Indonesia was 87%, while the balance came from exports to 29 countries, including Singapore, China, Nigeria, Malaysia, the Philippines and East Timor.

In mid-2014, PT SIMP launched its new product, Royal Palmia Butter Margarine, the fist combined butter and vegetable margarine in Indonesia. The products are available in two different sizes: 200-gram sachets and 250-gram cups. The products are distributed nationwide through the general and modern trade channels.

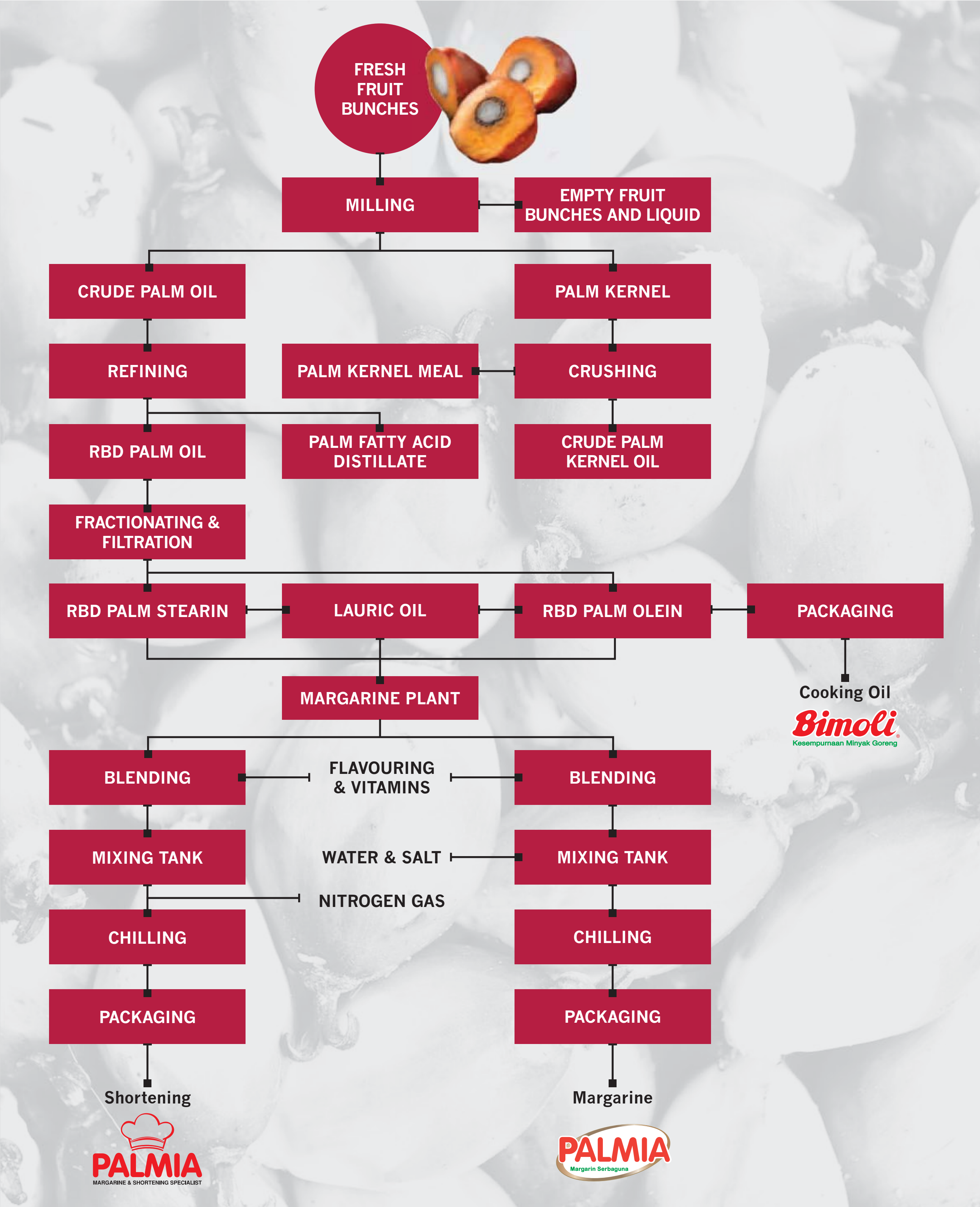
2015 OUTLOOK

We expect to further utilise our downstream production in 2015 by enhancing the Division's specialty fat output and production capability to meet rising demand.

To capture stronger margins in a highly commoditised market, the Division is looking at strategic opportunities to develop higher value palm oil products.

The Division will also continue to use focused advertising and promotional activities to raise awareness and enhance its brand image. Such activities will reinforce our market penetration, product distribution and aftersales service nationwide.

EDIBLE OILS & FATS REVIEW
MANUFACTURING PROCESS FOR EDIBLE OILS AND FATS



MANAGING SUSTAINABILITY

As a plantation company and producer of edible oil based ingredients and food products, IndoAgri is committed to meeting the world's food needs in a responsible manner. Improving the security and resilience of our supply chain is a priority embedded into our vertically integrated operations.

At the same time, we recognise that growth and expansion brings changes in exposure to a variety of risks and new challenges. By synergising and integrating work processes and practices across our plantations, including those of our smallholders and suppliers, we aim to achieve efficiencies, cost-effectiveness and more accountable ways of doing business.

IndoAgri's sustainability practices are focused on (i) Governance and integrity; (ii) Sustainable palm oil sourcing; (iii) Environmental performance; (iv) Sustainable products; and (v) People and communities. Our strategic approach to sustainability and responsible farming is to establish the material issues, set effective targets and manage the crops according to recognised sustainability standards.

We have identified 10 key issues that matter most from an internal risk perspective and to our external stakeholders, and put in place six core sustainability programmes to drive our initiatives. These efforts are guided by the Group's sustainability principles and policies.

MANAGING SUSTAINABILITY

Details on these activities, including our key performance indicators, are published annually in our Sustainability Report. The report covers IndoAgri's oil palm plantations and milling operations in Indonesia, and is prepared in accordance with the Global Reporting Initiative (GRI) G4 Guidelines (Core level) and the AA1000 Accountability Principles (2008) of inclusivity, materiality and responsiveness. It is our aim to progressively include all plantation crops into the scope of the report.

To download the Group's latest Sustainability Report, please visit www.indofoodagri.com.

MANAGING OUR KEY MATERIAL ISSUES

Governance & Integrity

Material Issue:
Transparency, business integrity, anti-corruption, risk management

We adhere closely to the SGX's Code of Corporate Governance 2012, IndoAgri's Code of Conduct along with other applicable laws, rules and regulations. Clear reporting lines for our executives and sustainability teams, a whistle-blowing mechanism, and policies on timely and accurate public disclosures are amongst our governance and integrity practices. Our corporate governance structure and information on the Board and committees are detailed on page 49.

Our *Growing Responsibly* Programme sets the framework for ethical business conduct, and promotes sustainable farming across our operations. To standardise sustainability efforts across the Group, we have installed a Sustainability Management Information System (SMIS) to track performance outcomes and monitor progress in real time. We have disclosed our sustainability performance annually since 2013.

Sustainable Palm Oil Sourcing

Material Issues:
Product traceability/Sustainable sourcing including RSPO/ISPO
Smallholders

To produce sustainable products, it is important to trace whether the raw materials originate from sustainable sources. For this purpose, we have extended our sustainability efforts beyond our operations to include our supply chain. We adhere to the principles and criteria of the RSPO, which represents the highest sustainability benchmark for the palm oil industry. Our aim is to achieve RSPO certification for our nucleus plantations, including our smallholders', by 2019.

Our *Safe and Traceable Products* Programme ensures that products from our refineries and mills are traceable. It also ensures that CPO, the main ingredient used in our products, is sustainably sourced. Currently, our plantations supply approximately 70% of the CPO used in our refineries. In 2014, we initiated a partnership with the Sustainable Trade Initiative (IDH) to train and guide these smallholders on RSPO compliance. We also developed the Palm Oil Sourcing Policy and Responsible Supplier Guidelines to assist our CPO suppliers to follow our sustainability efforts. The majority of them have acknowledged our policy and the audits on our CPO suppliers to ensure compliance with our policy and guidelines will start in 2015. Other activities included the implementation of a barcode system to track the shipments of FFB from our smallholders, as well as authenticate the oil palm seeds produced at our research and development centres, SumBio and PT SAIN, based in Bah Lias, North Sumatra and Pekanbaru, Riau.

Our *Smallholders* Programme focuses on supporting the nucleus-plasma scheme through the development of inclusive supply chains. During the year, we embarked on a programme to RSPO-certify our plasma and ex-plasma holders, and aim to welcome the first batch of RSPO smallholders in 2015.

Environmental Performance

Material Issues:
Carbon management & deforestation
Environmental footprint
Yield maximisation including innovation

GHG emissions are a major contributor to climate change. They can adversely impact our ecosystems, air quality, agriculture, and human and animal health. Our industry relies heavily on certain climatic conditions, such as rainfall, for healthy growth of the plantation crops.

The operations in our estates, refineries and mills are guided by sound environmental management practices. As an agribusiness, however, issues such as habitat loss, deforestation, irrigation, soil management, chemical leachate, and preservation of genetic plant quality are constant challenges. We recognise that we must adapt the way we do business, and be innovative with how we conserve our natural resources.

Our *Sustainable Agriculture and Production* Programme drives the adoption of sustainable practices in crop cultivation as well as refinery and milling operations. We benchmark our efforts to the best industry sustainability practices and standards. As of end December 2014, 332,000 tonnes or 35% of IndoAgri's total CPO production were certified to RSPO standards. The Group also achieved ISPO certification for 45,000 tonnes or 5% of the total CPO production. CMAA, our sugar operation in Brazil, attained Bonsucro certification for 2,687 hectares or 111,000 tonnes of sustainable sugarcane, which represents 3% of its total cane production.

We are drawing from our experience with international standards such as RSPO and Bonsucro, and working with the Partnership for Indonesia Sustainable Agriculture (PISAgro), to develop sustainable farming guidelines for our other crops. Sixteen of our oil palm mills and refineries were assessed and rated at least 'blue' against the government's Programme for Pollution Control, Evaluation and Rating (PROPER) criteria, representing compliance with Indonesia's environmental regulation.

We appointed RSPO-accredited assessors to evaluate the High Conservation Value (HCV) areas in our oil palm estates, and implemented guidelines on managing and conserving the HCV areas. We prohibit any new planting on peatlands and HCV areas.

In 2014, a pilot project with the RSPO GHG Working Group was initiated to measure GHG emissions at two of our RSPO-certified mills and the seven estates that supply them. Through the pilot GHG project, we are developing strategies to reduce GHG emission.

The Group strictly prohibits open burning for land clearance. To support a new Transboundary Haze Act introduced by Singapore in 2014, we established a dual-ringed fire-monitoring regime to facilitate swifter response to fire incidents occurring within 100 and 500 metres from our plantation borders. We also identified hotspots around our plantations based on daily satellite feeds published by the Singapore government.

Natural predators like barn owls are effective substitutes for rodenticides. We are phasing out the use of paraquat by exploring alternative herbicides, and taking advantage of the high potassium content found in by-products to replace the use of chemical fertilisers.

To optimise land resources and to improve crop yields, we continue to support innovation in our seed breeding centres.

Our *Growing Responsibly* Programme adds to this effort by nurturing the capacity and competencies of our employees and plasma smallholders and encouraging stakeholder engagement. It provides a policy framework for decision-making and good practices, and outlines key processes for improving corporate risk management, leadership and governance. Key achievements included the conduct of sustainability training programmes for employees and external stakeholders, as well as regular think tank meetings with the Board and senior management from our subsidiaries.

Sustainable Products

Material Issue:
Product quality and safety

The Group rigorously safeguards the quality and safety standards of its food products. We ensure that product labels accurately describe the food quality, properties and brand claims. We trace the origins of our raw materials, and extend our sustainability efforts beyond our operations to include our supply chain.

MANAGING SUSTAINABILITY

Our products are fortified with minerals and vitamins as required by legislation. They are also halal-certified. Nutritional value is enhanced for certain products as an added health benefit to customers, and for product differentiation. Our cooking oils are bottled using recyclable packaging materials, in compliance with Indonesia's policy on Extended Producer Responsibility (EPR). Our refineries are certified to ISO 9001 standards.

Our *Safe and Traceable Products* Programme aims to ensure that all our products are safe for human consumption. During the year, we implemented a food safety management system at the Tanjung Priok refinery that complied with FSSC 22000:2010 requirements. We also appointed a Quality Assurance team to enforce food safety standards and assess the Group's quality control systems, including those of our suppliers.

People and Communities

Material Issue:
Occupational Health and Safety

Agriculture, refining and milling operations are potentially dangerous vocations with risk of injury or accidents relating to the plantation environment, machineries and equipment, chemicals, confined spaces and even operator errors. Providing a safe and healthy working environment is our primary commitment to the employees.

Material Issue:
Human rights

As an agribusiness, there is constant pressure to demonstrate how human rights are respected and upheld. IndoAgri is committed to dealing fairly and transparently with all employees and business partners. The management of risks relating to diversity, employee retention, labour conditions, freedom of association, child labour and forced labour is core to this effort. In the plantations, which are often in remote areas, we provide a range of essential amenities and facilities to cater to the needs and comfort of our employees.

Material Issue:
Land rights

Land ownership is a deeply social, political, historical and religious issue in the agricultural industry. We uphold the principle of Free, Prior and Informed Consent (FPIC) with regards to land purchases from local villages, and it is important to IndoAgri that the villagers, in turn, are able to support their own livelihood and provide for themselves.

As a fair and responsible employer, we aim to engage our people through meaningful careers. Direct and indirect employment opportunities are provided to local residents and the plasma community through a wide range of jobs. We empower people through training and talent development for personal and professional growth, and maintain open lines of communication at all levels of our workforce.

We pay at least the minimum wages according to local regulations and ensure that our reward policies are competitive. All IndoAgri staff are enrolled under Badan Penyelenggara Jaminan Sosial (BPJS, formerly known as Jamsostek), a pension plan set up by the government, whereby the Group and the employee respectively contributes 3.7% and 2.0% of the monthly basic salary. Retiring employees enjoy a severance package and other benefits set out by BPJS.

We support the development of agronomy, agriculture and engineering skills through four training facilities. We invest in the training of professional skills suited to specific roles and job requirements. To identify and groom future leaders, we have a Learning and Development Programme implemented in collaboration with the First Pacific Leadership Academy.

The Group complies with Indonesian labour laws and ensures that all employees and casual labourers are of legal age. All forms of child or forced labour are strictly prohibited. As an equal opportunity employer, our recruitment policy is based on merit. We support our female employees by providing childcare centres and keeping the job positions of new mothers who go on maternity leave.

The Indonesian Labour Union represents the interests of our employees. Across the regions, 58% of our operational employees are unionised, while 93% are protected by a Collective Labour Agreement that includes an OHS clause.

As part of occupational safety, an OHS management system known as SMK3 was implemented in our estates and factories.

Employee Profile

Position	Total
Management	525
Supervisors	1,000
Staff	2,103
Administrative and operation staff	37,616
Total	**41,244**

Our *Work and Estate Living* Programme covers aspects relating to the safety, health and well-being of our workers and their families, and to human rights. We aim to provide safe, hygienic and healthy work and living conditions for our employees, workers and their families living on the estates. To support field employees who are parents, we provide day-care centres so that their children can be properly supervised.

During the year, we created employment opportunities for both men and women from the local villages, provided essential services and basic amenities, including clean water, electricity,

free education and proper medical care, and built community facilities and infrastructure, including housing, places of worship, sports venues, day-care centres, kindergartens, schools, clinics, aid posts and posyandus.

To alleviate conflicts relating to land rights and to cultivate strong social relationships, we actively engage with local landowners and community leaders. This has helped to mitigate theft, protests, roadblocks and other business disruptions.

Our *Solidarity* Programme seeks to empower those in our estates through capacity building projects, education and financial support. Local activities and grassroots projects are prioritised and planned based on the findings from our Social Impact assessments.

Key initiatives for 2014 included the construction of schools, funding for learning aids and teaching tools, BISMA scholarships and internship opportunities for competent individuals. The IndoAgri Sehati programme promoted maternal and infant health by providing free immunisation, vitamins, diagnostic, medical and dental services to pregnant women, through our posyandus.

Encouraging micro-entrepreneurship under our Rumah Pintars (smart house), we taught locals to weave beautiful baskets and lampshades out of the veins of palm leaves, a plantation waste product. We responded to those affected by natural disasters through donations and by supporting various relief programmes.

In 2014, we started a programme to fund cleft lip surgeries for children in and around our estates whose families are unable to afford the procedure. To relieve visual impairment caused by cataract, we worked with doctors from the Indonesian Army to conduct 464 on-site cataract operations in our Kalimantan and South Sumatra estates.

To manage social conflicts and issues relating to land rights, the Group conducts Social Impact assessments. We engage with local communities and governments to discuss land ownership and new developments and have established a land conflict resolution mechanism based on the FPLC principle.

GROWING OUR COMMITMENT

ENHANCING OUR VALUE

BOARD OF DIRECTORS

From left to right *(Standing)*:
Mr Moleonoto Tjang *(Executive Director and Head of Finance and Corporate Services),*
Mr Hendra Susanto *(Independent Director),*
Mr Axton Salim *(Non-Executive Director),*
Mr Tjhie Tje Fie *(Non-Executive Director)*

From left to right *(Sitting)*:
Mr Suaimi Suriady *(Executive Director and Head of Edible Oils & Fats Division),*
Mr Lee Kwong Foo Edward *(Chairman and Lead Independent Director),*
Mr Mark Wakeford *(Chief Executive Officer and Executive Director),*
Mr Lim Hock San *(Vice Chairman and Independent Director),*
Mr Goh Kian Chee *(Independent Director)*

MR LEE KWONG FOO EDWARD

Chairman and Lead Independent Director

Mr Lee spent 36 years in the Singapore Administrative Service (Foreign Service Branch), during which he served as Singapore's High Commissioner in Brunei 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 SIMP and PT Lajuperdana Indah, and Director of Lonsum. He started his career with Kingston Smith & Co, a firm of Chartered Accountants in London, England.

Mr Wakeford has been in the plantation industry since 1993, working with plantation companies in Indonesia, Papua New Guinea, Soloman Islands and Thailand. He started his plantation career 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. He became CEO of the Company in August 2007 and is concurrently a member of Rabobank's Asia Food and Agribusiness Advisory Board.

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

MR MOLEONOTO TJANG

Executive Director and Head of Finance and Corporate Services

Mr Tjang is currently a Director of PT Indofood Sukses Makmur Tbk and concurrently a Commissioner of PT Indofood CBP Sukses Makmur Tbk, Vice President Director of PT SIMP and Vice President Director I of Lonsum. He started his career in 1984 with Drs. Hans Kartikahadi & Co., a public accounting firm in Jakarta. Before joining the Plantations Division of the Indofood Group as CFO in 2001, he has held various management positions in the Salim Plantations Group since 1990.

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

BOARD OF DIRECTORS

MR SUAIMI SURIADY

Executive Director and Head Of Edible Oils & Fats Division

Mr Suriady is currently a Director of PT Indofood CBP Sukses Makmur Tbk, where he heads the Snack Food Division. He concurrently serves as President Director of PT Indofood Fritolay Makmur, Director of PT SIMP and Commissioner of PT Nestle Indofood Citarasa Indonesia. He began his career with an automotive battery distributor, PT Menara Alam Teknik of Astra Group and moved on to join consumer goods manufacturer, Konica Film and Paper, in 1991.

He was awarded a Master of Business Administration from De Montfort University in the United Kingdom.

MR TJHIE TJE FIE

Non-Executive Director

Mr Tjhie is currently a Director of PT Indofood Sukses Makmur Tbk and PT Indofood CBP Sukses Makmur Tbk. He is also the President Director of PT Indofood Asahi Sukses Beverage, Vice President Director of PT Asahi Indofood Beverage Makmur, President Commissioner of PT Indofood Fritolay Makmur, PT SIMP, PT Inti Abadi Kemasindo and Director of Lonsum. He previously served as a Director of PT Indomiwon Citra Inti and as a Senior Executive of PT Kitadin Coal Mining.

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

MR AXTON SALIM

Non-Executive Director

Mr Axton Salim is currently a Director of PT Indofood Sukses Makmur Tbk. He is also a Director of PT Indofood CBP Sukses Makmur Tbk, where he heads the Dairy Division, as well as Commissioner of PT SIMP, Lonsum and PT Nestlé Indofood Citarasa Indonesia, Vice President Director I of PT Indolakto, Director of Pacsari Pte. Ltd. and PT Indofood Asahi Sukses Beverage. He also serves as Co-chair of Scaling Up Nutrition (SUN) Business Network Advisory Group.

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

MR GOH KIAN CHEE

Independent Director

Mr Goh is presently a Consultant of the National University of Singapore's Centre For The Arts. He is also an Independent Director of AsiaMedic Limited and China Minzhong Food Corporation 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 seconded to Mobil Petrochemicals International Ltd where he served as Regional Accounting Manager and later, as the Controller of the Asia Pacific region till 2000. Before his present role in National University of Singapore, Mr Goh was the Regional Vice President & Controller as well as an Executive Director of John Hancock International Pte Ltd.

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

MR HENDRA SUSANTO

Independent Director

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

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

CORPORATE INFORMATION

DIRECTORS

Chairman and Lead Independent Director
Lee Kwong Foo Edward

Vice Chairman and Independent Director
Lim Hock San

Chief Executive Officer and Executive Director
Mark Wakeford

Executive Director and Head of Finance and Corporate Services
Moleonoto Tjang

Executive Director and Head of Edible Oils & Fats Division
Suaimi Suriady

Non-Executive Director
Tjhie Tje Fie

Non-Executive Director
Axton Salim

Independent Director
Goh Kian Chee

Independent Director
Hendra Susanto

EXECUTIVE COMMITTEE

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Goh Kian Chee (Chairman)
Lim Hock San
Hendra Susanto

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTRAR

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

REGISTERED OFFICE

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

COMPANY SECRETARIES

Lee Siew Jee, Jennifer
Mak Mei Yook

AUDITORS

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

AUDIT PARTNER

Gajendran Vyapuri
(Appointed 27 April 2012)

CORPORATE GOVERNANCE

The Board and Management of Indofood Agri Resources Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") firmly believe that good corporate governance is critical to the sustainability and long-term success of the Company's businesses and performance. We are committed to continuously enhance the standards of corporate governance principles and processes so as to improve performance, accountability and transparency of the Company.

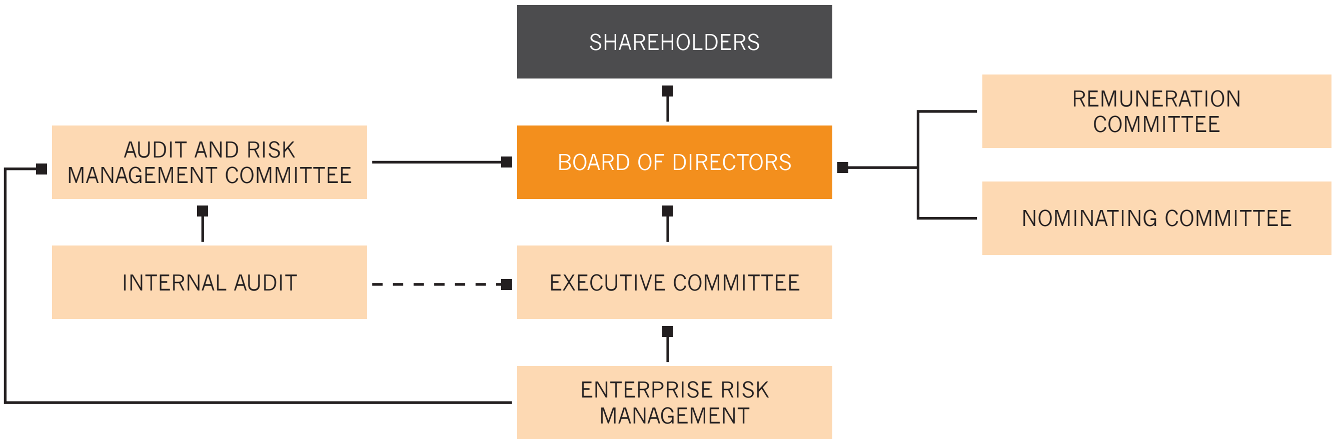
This report sets out the key aspects of the Company's corporate governance framework and practices, with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 ("**2012 Code**"). The Company has complied with the principles and guidelines of 2012 Code, with exception to Guidelines 4.4, 8.4, 9.2 and 9.3.

For Guideline 4.4, the Nominating Committee has reviewed the participation and contribution of the Directors, as well as the number of meetings attended by the Directors in 2014. The NC is satisfied that the Directors with multiple board representations have been able to devote sufficient time to the affairs of the Company to adequately discharge their duties as Directors and continue to provide objective views to the Board and Management. As such, the Board does not stipulate a policy for the maximum number of listed company Board Representations a Director may hold.

For Guideline 8.4, the Company does not stipulate a policy for the reclamation of variable incentives. However, the RC has the discretion not to award or reclaim the variable incentives from Executive Directors and key management personnel in exceptional circumstances involving material misstatement of financial results or misconduct resulting in financial loss to the Company.

As for Guideline 9.2 and 9.3, the Board and Management are not in favour of disclosing the exact remuneration of its Directors and the CEO, and the salary band for each key executive with a breakdown (in percentage or dollar terms) of the remuneration earned. This is in consideration of the competitive environment, the nature of the industry and the confidentiality of such information, as this may adversely affect our ability to attract and retain talent.

Our Corporate Governance Structure is as follows:



BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS [PRINCIPLE 1]
The Board of Directors (the "**Board**") comprises of Directors with a wide range of skills and experience in the fields of operations management, banking, finance, accounting, risk management, and industry knowledge. The Board considers that its Directors possess the necessary competencies to lead and govern the Company effectively. A brief biography of each Director is given on pages 45 to 46 of this annual report.

CORPORATE GOVERNANCE

Roles and Responsibilities of the Board
The principal functions of the Board are to:

- review the financial performance and condition of the Group;
- approve the Group's strategic plans, key operational initiatives, major investment, divestment and corporate restructuring, as well as major funding decisions;
- identify principal risks of the Group's businesses, and implement systems to manage these risks;
- assume the responsibility of corporate governance;
- establish and maintain exemplary values and standards for the Company; and
- ensure all statutory obligations to shareholders and other stakeholders are understood and met.

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

All the Directors shall exercise independent judgement and make objective decisions that are in the best interest of the Company. This is one of the performance criteria for the assessment on the effectiveness of the Board. For the year 2014, all the Directors have discharged this duty.

Board Committees
The Board is assisted by various Board Committees and Executive Committee ("**Exco**"), in discharging their overall functions and responsibilities, including the Exco, the Audit and Risk Management Committee ("**AC & RMC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**").

The Board Committees are actively engaged and play a key role in enhancing corporate governance, improving internal controls and driving performance of the Group. Each of these Board Committees has clearly defined terms of reference, which set out its duties, authority and accountabilities. The terms of reference are reviewed annually.

The Exco is chaired by Mr Mark Wakeford, and comprises Messrs Tjhie Tje Fie, Moleonoto Tjang and Suaimi Suriady as its members. The Board delegates the Exco certain discretionary limits and authority for business development, investment, divestment, capital expenditure, finance, treasury, budgeting, human resource, and business planning. The Exco is entrusted to execute the business strategies approved in the annual budget and business plan, implement the appropriate accounting systems and other financial controls, put in place a robust risk management framework, monitor compliance to laws and regulations, adopt competitive human resource practices and compensation policies, and ensure that the Group operates within the approved budget.

The Board's and Board Committees' Meeting
The dates of the Board, Board Committees and Annual General meetings are scheduled at the beginning of the year. 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 decisions to be made by way of written resolutions. At each Board Meeting, the Management will present and update the Board on the business results and performance. The Board meets at least four times a year to deliberate the strategic policies of the Group, including decisions on significant acquisitions and disposals, approval of annual budgets, review of business performance and release of financial results.

The Directors' attendance at the Board and Board Committee meetings held during the financial year ended 31 December 2014 is set out below:

Description	Board	AC & RMC	NC	RC
Number of meetings held in 2014	6	9	1	1
Lee Kwong Foo, Edward	6/6	–	1/1	–
Lim Hock San	4/6	7/9	1/1	1/1
Mark Wakeford	6/6	–	–	–
Moleonoto Tjang	6/6	–	–	–
Sonny Lianto, resigned on 15 May 2014	2/6	–	–	–
Suaimi Suriady	6/6	–	–	–
Tjhie Tje Fie	4/6	–	0/1	0/1
Axton Salim	5/6	–	–	–
Goh Kian Chee	6/6	9/9	–	1/1
Hendra Susanto	6/6	8/9	1/1	–

Chairman

"–" denotes "Not Applicable"

CORPORATE GOVERNANCE

Training and Induction for Directors
Induction, orientation and training are provided to newly appointed Directors to familiarise them with the organisation, business operations, strategic plans governance practices, as well as industry trends and developments. There was no new Director appointed in 2014.

Site visits to plantations, mills and factories are arranged periodically for the Directors as part of their ongoing education, training and exposure. The Directors are also updated on the development and progress of the Group's key operations as well as the industry specific trends and developments.

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

In 2014, the Company engaged an external legal firm to brief the Board on the Trans-boundary Haze Pollution Act so as to understand the legal implications and requirements. To ensure the proper implementation of fire safety measures, some of the Directors inspected the plantations estates in East Kalimantan and Riau.

During the year 2014, some of our Directors attended the following courses or training programmes:

- Annual Palm & Lauric Oils Conference & Exhibition: Price Outlook 2014/15 organised by Bursa Malaysia
- SGX Investor Guide on Understanding Board Diversity organised by Asiasons WFG Capital Pte Ltd
- Issues for Board & Corporate Leaders organised by Singapore Institute of Directors
- Boardroom training for Directors of Listed Companies on changes to the Companies Act and SGX Listing Rules organised by Rajah & Tann
- Indonesia Financial Services Authority Draft Regulations Synopsis 2014 organised by PT Indofood Sukses Makmur Tbk and speaker invited from Indonesian Institute for Corporate Directorship (IICD)

BOARD COMPOSITION AND GUIDANCE [PRINCIPLE 2]

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

As part of ongoing education, training and exposure to maximise the effectiveness of the Board, site visits to plantations, mills and factories are arranged periodically for the Directors. The Directors also receive updates from the Management on relevant business initiatives, industry developments, and analyst and press commentaries on matters that pertain to the Company or the industries in which it operates. Where necessary, the Directors may seek professional advice, either individually or as a group, in performing their duties.

Board Size
As at 31 March 2015, the Board comprises of nine Directors, of whom three are Executive Directors, two are Non-Executive Directors and four are Independent Directors. Taking into account the nature and scope of the Company's operations, the Board and the NC concur that the current Board size is appropriate and adequate for effective decision making.

	Board of Directors					
Name	**Status**	**Position**	**Exco**	**AC & RMC**	**NC**	**RC**
Lee Kwong Foo, Edward	Lead Independent	Chairman			Chairman	
Lim Hock San	Independent	Vice Chairman		Member	Member	Chairman
Mark Wakeford	Executive	Member	Chairman			
Moleonoto Tjang	Executive	Member	Member			
Suaimi Suriady	Executive	Member	Member			
Tjhie Tje Fie	Non-Executive	Member	Member		Member	Member
Axton Salim	Non-Executive	Member				
Goh Kian Chee	Independent	Member		Chairman		Member
Hendra Susanto	Independent	Member		Member	Member	

CORPORATE GOVERNANCE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER [PRINCIPLE 3]

The roles of the Chairman and Chief Executive Officer ("**CEO**") are held by separate persons, each with his own area of responsibilities and accountabilities, to ensure an appropriate balance of power and independence.

The office of the Chairman is assumed by Mr Edward Lee, who is also the Lead Independent Director. He is a Non-Executive Director and unrelated to the CEO or other members of the Management. As the Chairman, Mr Edward Lee bears the responsibility for the proper function of the Board and the effectiveness of its governance processes. The Chairman works closely with the CEO on issues and decisions to be tabled at meetings, and in ensuring that Board members receive accurate and timely information. The Chairman plays an important role in fostering constructive exchanges amongst the shareholders, the Board and Management at the AGM and other shareholder meetings.

Mr Mark Wakeford holds the office of the CEO. His responsibilities include charting and reviewing the corporate directions and strategies, which cover the areas of marketing and strategic alliances, and providing the Company with strong leadership and clear vision. The CEO, supported by the Exco, is responsible for the day-to-day operation and management of the businesses. The CEO is accountable to the Board for all decisions, actions and performance of the Group.

BOARD MEMBERSHIP [PRINCIPLE 4]

The NC, chaired by Mr Edward Lee, with Messrs Lim Hock San, Tjhie Tje Fie and Hendra Susanto as members, will meet at least once a year to carry out the following duties and functions:

- review the Board succession plans for Directors and management;
- recommend to the Board all board appointments and re-nomination of Directors in consideration of their respective contribution and performance;
- ensure all Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;
- determine annually whether a Director is independent, according to the 2012 Code;
- decide on the ability of a Director to adequately carry out his duties especially when he has multiple board representations;
- decide on the evaluation criteria for the Board's performance; and
- review the training and professional programmes for the Board.

None of the Independent Directors, Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto have been with the Board for more than nine years.

Process of Appointing New Directors and Re-nomination of Directors

The NC has the following process of selecting and appointing new Directors when the need arises:

- review annually the size of the Board and determine that the composition of the Board has a balance and diversity of skills, experience and knowledge;
- leverage external help from sources such as recruitment firms to identify potential candidates and in consultation with the controlling shareholders and Management;
- assess the suitability of the potential candidates, and consult with the Board and Management to determine the selection criteria. The considerations include, among others, integrity, diversity of core competencies, knowledge and experience, and the ability to devote time and effort to carry out the role and duties independently and effectively; and
- recommend the best candidate to the Board for approval.

The NC is also responsible for the re-nomination of Directors, taking into consideration of the Director's contribution and performance (such as attendance, preparedness, participation and candour). Pursuant to the Company's Articles of Association, at each AGM, at least one-third of the Directors shall retire from office by rotation. Existing Directors shall submit themselves for re-nomination and re-election at least once every three years, unless the member is disqualified from holding office. Newly appointed Directors shall submit themselves for re-election at the AGM immediately following the appointment.

Annual Assessment of Director's Independence

The NC will determine annually – after taking into account the Directors' declaration of their independence based on guidelines provided in the 2012 Code, amongst others – whether a Director has business relationships with the Company or any of its related companies that could impair independent judgement. Based on the NC's assessment, four out of the nine Directors are considered to be independent.

CORPORATE GOVERNANCE

Annual Assessment of Director's Commitment
For Directors with multiple board representations in other listed companies, the NC will consider whether the Director is able to carry out his duties as a Director of the Company. The NC has reviewed the participation and contribution of the current Directors, as well as the number of meetings attended by the Directors in 2014. The NC is satisfied that the Directors with multiple board representations have been able to devote sufficient time to the affairs of the Company to adequately discharge their duties as Directors and continue to provide objective views to the Board and Management. As such, the Board does not stipulate a policy for the maximum number of listed company Board Representations a Director may hold.

BOARD PERFORMANCE [PRINCIPLE 5]
The Directors are requested to complete appraisal forms to assess the overall effectiveness of the Board annually. The assessment criteria for the Board covers effectiveness in key areas such as governance, leadership and strategy, Board meeting and decision-making, Board performance, development and training, control and risk management, and communication.

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

Based on the assessment criteria above, the Board is satisfied that its performance objectives have been met for 2014.

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

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

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

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

REMUNERATION MATTERS

PROCEDURES IN DEVELOPING REMUNERATON POLICIES [PRINCIPLE 7]
The RC is chaired by Mr Lim Hock San, with Messrs Tjhie Tje Fie and Goh Kian Chee as members. All the RC members are Non-Executive Directors with Messrs Lim Hock San and Goh Kian Chee being Independent Directors.

The role of the RC is to meet at least once a year to review and approve the remuneration package and terms of employment of the Company's Directors and Key Executives. The RC covers all aspects of remuneration including the Directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind. RC members are refrained from deciding on their own remuneration.

The RC will submit its recommendations to the Board for endorsement before tabling it for shareholders' approval at the AGM. The RC is also empowered to review the human resource management policies of the Group.

CORPORATE GOVERNANCE

LEVEL AND MIX OF REMUNERATION [PRINCIPLE 8]

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

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

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

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

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

In determining the quantum for the variable component of the remuneration, the RC takes into account the extent to which the above performance conditions are met. The RC has the discretion not to award or reclaim the variable incentives from Executive Directors and key management personnel in exceptional circumstances involving material misstatement of financial results or misconduct resulting in financial loss to the Company. The RC is satisfied that remuneration is aligned to performance during the year 2014.

DISCLOSURE ON REMUNERATION [PRINCIPLE 9]

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

Directors' Remuneration

The remunerations of the Directors and the CEO, for the financial year ended 31 December 2014 are as below:

Name of Directors	Fixed/Variable Salary	Directors' Fees
Above S$1,000,000		
Mark Wakeford	100%	–
Moleonoto Tjang	100%	–
Below S$250,000		
Lee Kwong Foo, Edward	–	100%
Lim Hock San	–	100%
Goh Kian Chee	–	100%
Hendra Susanto	–	100%
Tjhie Tje Fie (1)	–	–
Axton Salim (1)	–	–
Suaimi Suriady (1)	–	–
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*

CORPORATE GOVERNANCE

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

Fees Framework (in S$)	Board	AC	NC	RC
Chairman	75,000	30,000	15,000	15,000
Members	50,000	15,000	10,000	10,000

Name of Director	Total (S$)
Edward Lee	90,000
Lim Hock San	90,000
Goh Kian Chee	90,000
Hendra Susanto	75,000
Total	345,000

Remuneration of Key Executives
The remuneration bands of key executives who are not also Directors of the Company are similarly disclosed in bands of S$250,000. In addition, the total aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO) for the financial year ended 31 December 2014 was S$1,688,745.

Remuneration Band	Number of Executives
S$250,000 – S$500,000	5
S$500,000 – S$750,000	2

Remuneration of employees who are immediate family members of a Director or the CEO
There was no employee of the Company and its subsidiaries who was an immediate family member of a Director or the CEO whose remuneration exceeded S$50,000 during the financial year ended 31 December 2014.

Other Remuneration Matters
The Company has no share option scheme.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY [PRINCIPLE 10]
The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with legislative and regulatory requirements, including statutory requirements and the requirements under the Listing Manual of the SGX-ST.

RISK MANAGEMENT AND INTERNAL CONTROLS [PRINCIPLE 11]
The AC & RMC, with the support of internal and external auditors as well as the Enterprise Risk Management ("ERM") team, reviews and reports to the Board regularly on the effectiveness and adequacy of the internal control system. These reports cover operational, financial and compliance controls, risk management policies and systems. The AC & RMC meets with internal and external auditors at least four times a year and at least one of these meetings is conducted without the presence of Management. The AC & RMC also meets with the ERM team separately at least four times a year.

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

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

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

CORPORATE GOVERNANCE

In order to determine the adequacy of the Group's internal controls, the key principal subsidiaries are required to provide written assurance of the adequacy and effectiveness of its internal control system. The Board has accordingly received assurance from the CEO and CFO that, to their best knowledge and belief, the financial records were properly maintained, the financial statements presented a true and fair view of the Group's operations, and effective risk management and internal control systems were put in place.

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

However, no internal control system nor ERM framework can provide absolute assurance against material, judgement or human errors, frauds and other irregularities, the Board deems that the internal control system and ERM framework provide reasonable assurance against material financial misstatement or loss and is sufficient in safeguarding the Company's assets and shareholders' value.

AUDIT AND RISK MANAGEMENT COMMITTEE [PRINCIPLE 12]
The AC & RMC comprises three Independent Directors, including the Chairman, Mr Goh Kian Chee, and members, Messrs Lim Hock San and Hendra Susanto.

The AC & RMC possesses expertise in financial management and is fully qualified to discharge its duties and responsibilities as follows:

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

CORPORATE GOVERNANCE

External Audit
The AC & RMC reviews the scope, results and objectivity of the audit work carried out by the external auditors annually. Following the review of services performed during the financial year by the external auditors, Ernst & Young LLP, the AC & RMC was satisfied with the impartiality of the independent external auditors. In accordance to Rule 1207(6)(a) of the Listing Manual, the audit fees and non-audit fees paid to the external auditors for their services in the financial year ended 31 December 2014 are disclosed on page 94 of this annual report.

The external auditors of the Group's subsidiaries and associated companies are disclosed on page 112, 118 and 120 of this annual report. The AC & RMC and the Board are satisfied that the appointment of different auditors for its subsidiaries and associated companies would not compromise the standard and effectiveness of the audit of the Company, and are of the opinion that the Company is in compliance with Rules 712 and 716 of the SGX-ST Listing Manual.

The AC & RMC recommended that Ernst & Young LLP to be re-appointed as the external auditors of the Company at the forthcoming AGM.

INTERNAL AUDIT [PRINCIPLE 13]
The IAD is led by Mr Rogers H. Wirawan, who reports directly to the Chairman of the AC & RMC on all internal audit matters. The IAD plans its internal audit schedules in consultation with the Management before it submits the plan to the AC & RMC for approval. The IA conducts its audit in accordance with the guidance and standard for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The IAD is independent of the activities it audits. Its duties and responsibilities with regard to risk management and internal controls are as follows:

- review the risk profile of the Company;
- identify and recommend actions to eliminate or mitigate risks so as to improve the risk profile;
- recommend risk parameters for the Company's operations;
- review risk mitigation efforts and related costs;
- monitor the mitigation efforts and risk parameters; and
- establish and maintain a risk reporting and risk monitoring framework.

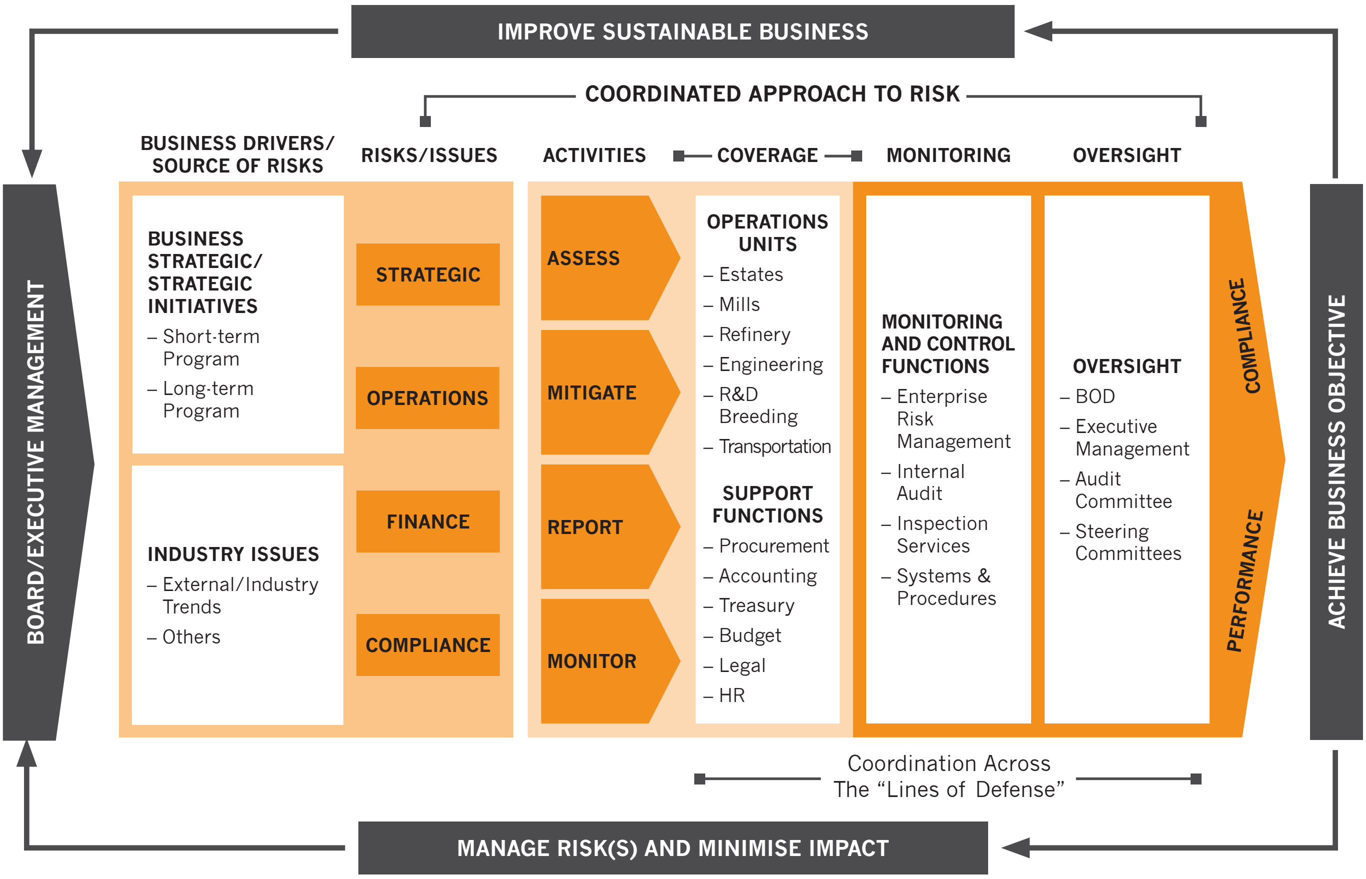
The IAD operates within the framework set out in the IA Charter and Code of Ethics approved by the Management and the AC & RMC. It implements a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes. As part of the audit plan, IAD performs independent reviews of the risks and controls identified by the ERM team so as to provide reasonable assurance to Management and the AC & RMC that the key risks and controls are adequately monitored and addressed.

During the year, the IAD adopted a risk-based auditing approach that focused on material internal controls, whereby audits were conducted on high-risk areas of significant business units. The IAD's key findings and recommendations were presented and discussed at the quarterly meetings with the AC & RMC. The progress of the key actions agreed by the Management was monitored and reviewed by the AC & RMC.

ENTERPRISE RISK MANAGEMENT ("ERM")
In recent years, business operations have become increasingly complex due to various factors, such as regulatory changes on local, national and cross border level, political dynamics on country and regional level, security threat, pandemic risk, increasing number of natural disaster, intense public scrutiny, aggressive competition, volatile commodity prices, rising interest rates, rising electricity price and evolving consumer needs. Risk management is an integral part of the Group's overall effort to promote good corporate governance, enabling it to be more proactive and prepared in dealing and addressing the various challenges and uncertainties it faces in a tough and competitive business environment, and in the process, transforming them into business opportunities.

CORPORATE GOVERNANCE

Integrated Risk Management Framework
The ERM framework is one of the key success factors of the Group in managing its risk effectively. The framework coordinates the "Lines of Defence" across all operating and functional units and enables the Group to maintain vigilance and oversight of the operations for timely and accurate identification, assessment, mitigation, reporting and monitoring of risks that can have an adverse impact on the business drivers and the Group's ability to achieve business results.



Key Initiatives in 2014
As part of the commitment to good corporate governance and effective risk management, the Group continues its focus on the following initiatives:

- Business Continuity Management
  The Group's Business Continuity Management (BCM) system, implemented in September 2013, is integral to its overall Operational Risk Management. It ensures the continuity of business operations and services to maintain public trust and confidence in the event of a disaster or crisis. The BCM is focused on establishing high-level resilience against the failure to deliver critical services during a crisis, and on minimising the impact of natural and man-made disasters on the Group's operations.

  As part of the BCM programme, a number of possible disaster scenarios were created and related controls were identified and put in place to mitigate and minimise impact on operations. The incidence of a plantation fire was one such scenario. The control measures included daily monitoring of fire incidence by a special team in the estate, fire prevention training and exercise in fire-prone estates/areas, conduct of inventory checks on fire prevention equipment in each estate, and continuous socialisation to keep all employees, contract workers and local community members safe.

CORPORATE GOVERNANCE

- Risk Management Awareness Enhancement Programme
  Enhanced awareness of the risk factors is one of the first steps towards effective risk management. It enables all operating and functional units to identify, assess, mitigate, report and monitor the risks in a timely and accurate way. The Risk Management Awareness Enhancement Programme is implemented through regular engagement and active discussions with all employees. These activities are conducted via face-to-face meetings during site visits and/or monthly operations meetings held in Jakarta, telephone and video conferences, email and campaign posters.

- Control Improvement Programmes
  Several control improvement programmes to strengthen the Company's risk profile in critical business functions were implemented in 2014. These included the introduction of fingerprint scanners at all operating units to improve process controls and management of labour; and an asset management system to ensure proper safeguarding of assets (e.g. vehicles, generator, machineries, buildings, etc.), mitigate risks of low utilisation, and control maintenance costs.

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

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

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

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

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

4. **Financial Risks**
   - Credit – The Group is exposed to potential financial loss that may occur as a result of the possible credit default by smallholders.
   - Liquidity – Insufficient access to available capital threatens the Group's capacity to grow, execute its business model and generate future returns.
   - Commodity Price and Foreign Exchange – Fluctuation in CPO price and depreciation of the Rupiah against foreign currencies may have an adverse impact on the Group's financial condition.

CORPORATE GOVERNANCE

WHISTLE BLOWING POLICY

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

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

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS [PRINCIPLES 14 AND 15]

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

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

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

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

Code of Conduct and Company Culture

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

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

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

CONDUCT OF SHAREHOLDER MEETINGS [PRINCIPLE 16]

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

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

OTHER – DEALING IN THE COMPANY'S SECURITIES

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Group has adopted an Internal Code with regard to dealings in the securities of the Company by its officers. Amongst others, the Company restricts its officers from dealing in any of the Company's securities on short-term considerations.

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

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

INDOFOOD AGRI RESOURCES LTD. & ITS 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 2014.

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	
Tjhie Tje Fie	
Axton Salim	
Goh Kian Chee	
Hendra Susanto	

In accordance with Articles 117 of the Company's Articles of Association, Hendra Susanto, Mark Julian Wakeford and Tjhie Tje Fie 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 2015.

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.

DIRECTORS' REPORT

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

10 March 2015

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 2014 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

10 March 2015

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2014

TO THE MEMBERS OF INDOFOOD AGRI RESOURCES LTD.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Indofood Agri Resources Ltd. (the "Company") and its subsidiaries (collectively the "Group"), set out on pages 66 to 147, which comprise the balance sheets of the Group and the Company as at 31 December 2014, 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.

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 2014 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
Chartered Accountants
Singapore
10 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	2014 Rp million	2013 Rp million
Revenue	4	14,962,727	13,279,778
Cost of sales	5	(10,594,799)	(10,076,106)
Gross profit		4,367,928	3,203,672
Selling and distribution costs		(454,530)	(421,335)
General and administrative expenses		(1,119,707)	(970,835)
Foreign exchange losses		(110,531)	(200,642)
Other operating income	6	133,828	193,370
Other operating expenses	7	(219,350)	(167,707)
Share of results of associate companies		(149,883)	(70,063)
Share of results of a joint venture		28,918	64,153
Gain arising from changes in fair value of biological assets	13	59,592	61,546
Profit from operations	8	2,536,265	1,692,159
Finance income	9	228,466	185,474
Finance expense	10	(757,365)	(539,201)
Profit before tax		2,007,366	1,338,432
Income tax expense	11	(679,207)	(417,240)
Net profit for the year		1,328,159	921,192
Profit for the year attributable to:			
Owners of the Company		758,713	523,168
Non-controlling interests		569,446	398,024
		1,328,159	921,192
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(64,134)	104,189
Items that will not be reclassified to profit or loss			
Re-measurement losses of employee benefit liability	28	(18,558)	(149,884)
Income tax effect	11	4,639	37,471
Other comprehensive income for the year, net of tax		(78,053)	(8,224)
Total comprehensive income for the year		1,250,106	912,968
Total comprehensive income attributable to:			
Owners of the Company		680,216	553,610
Non-controlling interests		569,890	359,358
Total comprehensive income for the year		1,250,106	912,968
Earnings per share (in Rupiah)	12		
– basic		535	366
– diluted		535	366

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

BALANCE SHEETS

As at 31 December 2014

	Note	Group 2014 Rp million	Group 2013 Rp million	Company 2014 Rp million	Company 2013 Rp million
Non-current assets					
Biological assets	13	15,060,646	13,893,246	–	–
Property, plant and equipment	14	11,026,669	9,780,693	50,918	54,579
Goodwill	15	3,253,637	3,247,532	–	–
Claims for tax refund	16	148,545	236,529	–	–
Deferred tax assets	17	1,152,977	962,678	–	–
Investment in subsidiary companies	18	–	–	10,327,919	10,327,919
Investment in associate companies	19	416,460	398,860	354,335	209,460
Investment in a joint venture	20	801,153	863,768	–	–
Amount due from a related party	21	–	–	730,000	–
Advances and prepayments	21	746,606	706,696	36,698	36,698
Other non-current receivables	21	735,539	676,518	9	25
Total non-current assets		33,342,232	30,766,520	11,499,879	10,628,681
Current assets					
Inventories	22	1,773,329	1,568,496	–	–
Trade and other receivables	23	1,056,166	1,139,637	69,328	64,909
Advances and prepayments	23	165,898	293,191	6,398	4,942
Prepaid taxes		231,179	134,074	–	–
Cash and cash equivalents	24	3,585,780	3,802,920	887,447	1,687,628
Total current assets		6,812,352	6,938,318	963,173	1,757,479
Total assets		40,154,584	37,704,838	12,463,052	12,386,160
Current liabilities					
Trade and other payables and accruals	25	1,854,311	1,716,990	14,272	15,729
Advances and taxes payable	25	203,780	220,256	–	–
Interest-bearing loans and borrowings	26	4,749,195	3,761,669	–	–
Bonds and Sukuk Ijarah payables	26	–	728,093	–	–
Income tax payable		144,183	77,343	443	754
Total current liabilities		6,951,469	6,504,351	14,715	16,483

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

BALANCE SHEETS

As at 31 December 2014

		Group		Company	
	Note	**2014** Rp million	**2013** Rp million	**2014** Rp million	**2013** Rp million
Non-current liabilities					
Interest-bearing loans and borrowings	26	5,068,141	4,304,964	929,793	908,747
Amounts due to related parties and other payables	27	590,259	532,003	–	–
Provision and other liabilities	27	25,199	22,633	–	–
Employee benefits liabilities	28	1,803,240	1,555,851	–	–
Deferred tax liabilities	17	1,999,124	1,951,802	–	–
Total non-current liabilities		9,485,963	8,367,253	929,793	908,747
Total liabilities		16,437,432	14,871,604	944,508	925,230
Net assets		23,717,152	22,833,234	11,518,544	11,460,930
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	(238,263)	(238,263)	(238,263)	(238,263)
Revenue reserves	30	10,666,852	9,989,279	700,244	642,630
Other reserves	30	615,829	661,155	144,152	144,152
		14,628,697	13,996,450	11,518,544	11,460,930
Non-controlling interests		9,088,455	8,836,784	–	–
Total equity		23,717,152	22,833,234	11,518,544	11,460,930

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 2014

		Attributable to owners of the Company						
	Note	**Share capital** Rp million	**Treasury shares** Rp million	**Other reserves** Rp million	**Revenue reserves** Rp million	**Total reserves** Rp million	**Non-controlling interests** Rp million	**Total equity** Rp million
At 1 January 2013		**3,584,279**	**(124,208)**	**541,449**	**9,624,406**	**10,165,855**	**8,892,019**	**22,517,945**
Profit for the year		–	–	–	523,168	523,168	398,024	921,192
Other comprehensive income		–	–	93,143	(62,701)	30,442	(38,666)	(8,224)
Total comprehensive income for the year		**–**	**–**	**93,143**	**460,467**	**553,610**	**359,358**	**912,968**
Contributions by and distribution to owners:								
Purchase of treasury shares	29(b)	–	(114,055)	27,285	–	27,285	(125,456)	(212,226)
Dividend payments by subsidiary companies		–	–	–	–	–	(291,709)	(291,709)
Dividend payment to Company's shareholders	30	–	–	–	(95,594)	(95,594)	–	(95,594)
Acquisition of non-controlling interest by a subsidiary	18	–	–	(722)	–	(722)	572	(150)
Non-controlling interest of acquired subsidiaries	18	–	–	–	–	–	2,000	2,000
Total transactions with owners in their capacity as owners		**–**	**(114,055)**	**26,563**	**(95,594)**	**(69,031)**	**(414,593)**	**(597,679)**
Balance at 31 December 2013		**3,584,279**	**(238,263)**	**661,155**	**9,989,279**	**10,650,434**	**8,836,784**	**22,833,234**

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 2014

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

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

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 2014

	Note	2014 Rp million	2013 Rp million
Cash flows from operating activities			
Profit before tax		2,007,366	1,338,432
Adjustments for:			
Depreciation and amortisation	8	813,387	782,991
Realisation of deferred costs	13	143,427	153,099
Unrealised foreign exchange loss		85,163	229,753
Loss/(gain) on disposal of biological assets	6,7	2,413	(8,710)
Provision for impairment and amortised cost adjustments of plasma receivables	31(a)	45,711	72,035
Write-off of property and equipment	7	2,113	2,696
Gain on disposal of property and equipment	6	(7,176)	(430)
Allowance for decline in market value and obsolescence of inventories	6,7,22	21,970	(64,584)
Bad debt expense		850	–
(Write-back of allowance)/allowance of doubtful debts	8,23	(749)	356
Gain arising from changes in fair value of biological assets	13	(59,592)	(61,546)
Changes in provision for asset dismantling costs	6,7,27	2,566	(5,779)
Reversal of provision of estimated liabilities for asset dismantling costs	6,27	–	(1,585)
Provision for employee benefits	28	278,317	200,717
Changes in fair value of long-term receivables		191	464
Share of results of associate companies		149,883	70,063
Share of results of a joint venture		(28,918)	(64,153)
Finance income	9	(228,466)	(185,474)
Finance expense	10	757,365	539,201
Operating cash flows before changes in working capital		3,985,821	2,997,546
Changes in working capital:			
Decrease in other non-current assets		103,686	122,800
(Increase)/decrease in inventories		(226,803)	385,094
Decrease/(increase) in trade and other receivables		72,032	(52,597)
Decrease/(increase) in advances and prepayments		129,930	(100,007)
Increase in prepaid taxes, advances and taxes payable		(93,426)	(60,848)
Increase/(decrease) in trade and other payables and accruals		35,597	(44,647)
Cash flows from operations		4,006,837	3,247,341
Interest received		234,002	185,474
Interest paid		(733,566)	(518,160)
Income tax paid		(724,677)	(749,079)
Net cash flows from operating activities		2,782,596	2,165,576

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 2014

	Note	2014 Rp million	2013 Rp million
Cash flows from investing activities			
Additions to property, plant and equipment		(1,813,948)	(1,949,959)
Additions to biological assets	13	(1,242,758)	(1,141,235)
Increase in plasma receivables	31(a)	(68,459)	(168,641)
Proceeds from disposal of property and equipment		14,051	4,660
Proceeds from disposal of biological assets		1,784	10,274
Advances for projects and purchase of fixed assets		(354,638)	(277,307)
Investment in associate companies	19	(150,875)	(288,668)
Investment in a joint venture	20	–	(689,073)
Convertible note subscription in an associate company	19	(57,020)	–
Acquisition of subsidiaries, net of cash acquired	18	(34,952)	(329,989)
Acquisition of non-controlling interests	18	–	(150)
Net cash flows used in investing activities		(3,706,815)	(4,830,088)
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		3,833,031	4,706,544
Repayment of interest-bearing loans and borrowings		(2,108,045)	(3,116,421)
Long-term borrowings from related parties		66,966	128,766
Dividend payments by subsidiaries to non-controlling interests		(176,723)	(291,709)
Purchase of treasury shares by a subsidiary	18	(166,260)	(212,226)
Additional capital contribution from non-controlling interests		38,638	–
Dividend payment to Company's shareholders	30	(67,798)	(95,594)
Redemption of Bonds and Sukuk Ijarah		(730,000)	–
Net cash flows generated from financing activities		689,809	1,119,360
Net decrease in cash and cash equivalents		(234,410)	(1,545,152)
Effect of changes in exchange rates on cash and cash equivalents		17,270	265,776
Cash and cash equivalents at the beginning of the financial year		3,802,920	5,082,296
Cash and cash equivalents at the end of the financial year	24	3,585,780	3,802,920

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

1. CORPORATE INFORMATION

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

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

These activities are carried out through the Company's subsidiaries and associate companies.The principal activities of the Company is that of an investment holding company. The principal activities of the subsidiaries are set out in Note 18 of the Financial Statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company 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.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 108 *Operating Segments*	
(c) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(d) Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*	1 July 2014
(e) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
Amendments to FRS 16 and FRS 41 *Agriculture – Bearer Plants*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(b) Amendments to FRS 19 *Employee Benefits*	1 January 2016
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to FRS *1 Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

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

<u>FRS 115 Revenue from Contracts with Customers</u>

FRS 115 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.The principles in FRS 115 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. The Group is currently assessing the impact of FRS 115 to the financial position and financial performance of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

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

Amendments to FRS 16 and FRS 41 Agriculture - Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 41. Instead, FRS 16 will apply. After initial recognition, bearer plants will be measured under FRS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of FRS 41 measured at fair value less costs to sell. For government grants related to bearer plants, FRS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply.

Entities shall apply these amendments retrospectively or may elect to measure an item of bearer plants at its fair value at the beginning of the earliest period presented in the financial statements for the reporting period in which the entity first applies Agriculture: Bearer Plants (Amendments to FRS 16 and FRS 41) and use that fair value as its deemed cost at that date.

The Group is currently assessing the impact of the amendments to FRS 16 and FRS 41 to the financial position and financial performance of the Group.

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

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

(b) *Business combinations*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

2.6 Foreign currency

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

(a) *Transactions and balances*

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.6 Foreign currency (cont'd)

(b) *Consolidated financial statements*

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

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

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

• Land use rights	8 to 40 years
• Buildings and improvements	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 residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appriopriate.

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 on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.8 Biological assets

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

The fair values of the biological assets is determined in accordance with the provisions of FRS 113 Fair Value Measurement. Such fair values are computed by independent professional valuers using the discounted cash flows of the underlying biological assets. The expected net cash flows from the whole life cycle of the oil palm, rubber and sugar cane plantations are determined using the projected market prices of the estimated yields of 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, and the location, soil type and infrastructure of the plantations. The projected market price of FFB, rubber and sugar cane are largely dependent on the prevailing market price of crude palm oil and palm kernel oil, RSS1 and other rubber products of the Group, and sugar, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.8 Biological assets (cont'd)

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

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

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

2.9 Plasma receivables

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

Plasma receivables also include advances to plasma farmers for topping up the loan interest and instalment payments to banks, and advances for fertilizers and other agriculture supplies. These advances shall be reimbursed by the plasma farmers.

Plasma receivables are classified as loans and receivables under FRS 39. The accounting policy for financial instruments is set out in Note 2.15.

2.10 Intangible assets

(a) *Goodwill*

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

(b) *Other intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.10 Intangible assets (cont'd)

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

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

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

(c) *Research and development costs*

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

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

2.11 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGUs") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations 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 profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.12 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.13 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

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

Where there has been a change recognised in other comprehensive income by the associates, the Group recognizes its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

2.14 Joint venture

A joint venture is a contractual arrangement whereby two or more parties have joint control and provides the right to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises its interest in the joint venture as an investment and accounts for the investment using the equity method. The Group accounts for its investment in the joint venture using the equity method from the date on which it becomes a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.14 Joint venture (cont'd)

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the period in which the investment is acquired.

The financial statements of the joint venture are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of joint control over the joint venture, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

2.15 Financial instruments

a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

(a) <u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.15 Financial instruments (cont'd)

a) Financial assets (cont'd)

(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.

b) Financial liabilties

Initial recognition and measurement

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

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

Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

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

b) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.15 Financial instruments (cont'd)

b) Financial liabilties (cont'd)

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.

2.16 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.

2.17 Impairment of financial assets

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

(a) *Financial assets carried at amortised cost*

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

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

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.17 Impairment of financial assets (cont'd)

(a) *Financial assets carried at amortised cost (cont'd)*

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) *Financial assets carried at cost*

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

2.18 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 2.15.

2.19 Inventories

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

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

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

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

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

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.21 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 profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.22 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.

2.23 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. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

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

(b) *Defined benefit plans*

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

The estimated liability for employee benefits is the aggregate of the present value of the defined benefit obligations at the end of the reporting period.

Defined benefit costs comprise the following:

– Service cost
– Net interest on the net defined benefit liability; and
– Remeasurements of the net defined benefit liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.23 Employee benefits (cont'd)

(b) *Defined benefit plans (cont'd)*

Remeasurements comprising actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

2.24 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.

(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 profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

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

(b) *As lessor*

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.25(c).

(c) *Land use rights*

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

Included as part of 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 40 years.

2.25 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 following specific recognition criteria must also be met before revenue is recognised:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.25 Revenue (cont'd)

(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.

(c) *Rental and storage income*

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

(d) *Dividend income*

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

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

(b) *Deferred tax*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.26 Taxes (cont'd)

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

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.

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

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

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

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

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

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

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

2.27 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 who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.28 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.

2.29 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 profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights relating to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.30 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.

2.31 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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Judgements made in applying accounting policies

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

(a) *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 but subject to annual impairment testing. The carrying amount of the Group's goodwill as at 31 December 2014 is Rp3,253.6 billion (2013: Rp3,247.5 billion). Further details are disclosed in Note 15.

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.

(b) *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 2014 is Rp724.2 billion (2013: Rp877.1 billion). Further details are disclosed in Note 23.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

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

(c) *Allowance for uncollectible plasma receivables*

The Group evaluates the excess of accumulated development costs over the banks' and Group's funding on the amount committed by the plasma farmers. In such cases, the Group uses judgement, based on available facts and circumstances, to record allowance for uncollectible plasma receivables. These provisions are re-evaluated and adjusted as additional information received. The net carrying amount of the Group's plasma receivables as of 31 December 2014 and 2013 is Rp625.6 billion and Rp644.5 billion, respectively. Further details are disclosed in Note 21 and 23.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Pension and employee benefits*

The determination of the Group's obligations and cost for pension and employee benefits liabilities is dependent on its selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turnover rate, disability rate, retirement age and mortality rate. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in other comprehensive income as and when they occur. While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Group's actual experiences or significant changes in the Group's assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense.

The carrying amount of the Group's employee benefits liabilities as at 31 December 2014 is Rp1,803.2 billion (2013: Rp1,555.9 billion). The key assumptions applied in the determination of pension and employee benefits liabilities including a sensitivity analysis, are disclosed and further explained in Note 28.

(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 4 to 25 years. These are common life expectancies applied in the industries where the Group conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Group's property, plant and equipment as at 31 December 2014 is Rp11,026.7 billion (2013: Rp9,780.7 billion). Further details are disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) *Biological assets*

The Group carries its oil palm, rubber and sugar cane plantations and other smaller plantations at fair value less costs of disposal, which requires extensive use of accounting estimates. Significant components of fair value measurement were determined using assumptions including market prices of agricultural produces, average lives of plantations, period to reach maturity production, yield per hectare, maintenance and harvesting costs and discount rates utilized in the computation of future cash flows. The amount of changes in fair values would differ if there are changes to the assumptions used. Any changes in fair values of these plantations would affect the Group's profit or loss and equity. The carrying amount of the Group's biological assets as at 31 December 2014 is Rp15,060.6 billion (2013: Rp13,893.2 billion). The key assumptions applied in the determination of fair value of biological assets including a sensitivity analysis, are disclosed and further explained in Note 13.

(d) *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 2014 is Rp144.2 billion (2013: Rp77.3 billion).

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management estimates are required to determine the amount of deferred tax assets that can be 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 2014 is Rp1,153.0 billion (2013: Rp962.7 billion). Further details are disclosed in Note 17.

(e) *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 2014 is Rp1,773.3 billion (2013: Rp1,568.5 billion). Further details are disclosed in Note 22.

4. 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 2014 and 2013, 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 Rp1,763.9 billion, representing 11.79% of total consolidated revenue (2013: Rp1,544.2 billion; 11.63%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

5. COST OF SALES

	Note	Group 2014 Rp million	Group 2013 Rp million
Raw materials used		4,488,370	4,263,832
Harvesting, upkeep and cultivation cost		2,211,058	1,972,301
Manufacturing and other overhead expenses		3,272,870	3,444,476
Changes in work in-process and finished goods inventories	22	622,501	395,497
Total		10,594,799	10,076,106

6. OTHER OPERATING INCOME

	Note	Group 2014 Rp million	Group 2013 Rp million
Sundry sales of oil palm seedlings		13,872	13,900
Management fee income		703	3,573
Rental income		7,641	5,318
Sale of green palm certificates		22,126	7,499
Interest refund from the tax office		–	11,120
Gain on disposal of property and equipment		7,176	430
Gain on disposal of biological assets		–	8,710
Sale of scraps		6,674	4,063
Changes in provision for assets dismantling costs	27	–	5,779
Reversal of provision of estimated liabilities for asset dismantling cost	27	–	1,585
Sale of empty bunches		6,913	8,241
Reversal of provision for obsolescence and decline in market value of inventories	22	–	77,627
Compensation for land and plantation		28,549	–
Others		40,174	45,525
Total		133,828	193,370

7. OTHER OPERATING EXPENSES

	Note	Group 2014 Rp million	Group 2013 Rp million
Plasma plantation charges and allowance for impairment		101,185	72,035
Allowance for decline in market value and obsolescence of inventories	22	21,970	13,043
Write-off of property and equipment		2,113	2,696
Loss on disposal of biological assets		2,413	–
Amortisation of deferred charges		37,343	35,669
Changes in provision for assets dismantling costs	27	2,566	–
Others		51,760	44,264
Total		219,350	167,707

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

8. PROFIT FROM OPERATIONS

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

	Note	Group 2014 Rp million	Group 2013 Rp million
Depreciation of property, plant and equipment	14	768,596	737,146
Amortisation of other non-current assets		44,791	45,845
Employee benefits expense	28	1,617,430	1,381,083
Research and development costs		55,036	49,949
Operating lease rentals	31(b)	16,438	9,240
(Write-back of allowance)/allowance for doubtful debts	23	(749)	356
Audit fees:			
Auditors of the Company		1,265	1,134
Other auditors		12,190	14,165
Non-audit fees:			
Auditors of the Company		141	269
Other auditors		–	806

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

	Note	Group 2014 Rp million	Group 2013 Rp million
Revenue	4	14,962,727	13,279,778
Cost of sales	5	(10,594,799)	(10,076,106)
Gross profit		4,367,928	3,203,672
Selling and distribution costs		(454,530)	(421,335)
General and administrative expenses		(1,119,707)	(970,835)
Other operating income		193,420	254,916
Other operating expenses		(329,881)	(368,349)
Share of results of associate companies		(149,883)	(70,063)
Share of results of a joint venture		28,918	64,153
Finance income	9	228,466	185,474
Finance expense	10	(757,365)	(539,201)
Profit before tax		2,007,366	1,338,432
Income tax expense	11	(679,207)	(417,240)
Net profit for the year		1,328,159	921,192

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

9. FINANCE INCOME

	Group 2014 Rp million	Group 2013 Rp million
Interest income:		
– Current accounts and short term deposits	219,496	178,608
– Plasma receivables	7,430	6,786
– Others	1,540	80
Total	228,466	185,474

10. FINANCE EXPENSE

	Group 2014 Rp million	Group 2013 Rp million
Interest expense on:		
– Bank loans	640,456	426,088
– Bonds	49,434	53,796
– Sukuk Ijarah	30,430	33,110
– Others	20,504	10,708
Bank charges	16,541	15,499
Total	757,365	539,201

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	Group 2014 Rp million	Group 2013 Rp million
Consolidated statement of comprehensive income:		
Current income tax		
– Current year income tax	789,109	633,568
– Under provision in respect of previous years	2,407	1,079
	791,516	634,647
Deferred income tax (Note 17)		
– Current year deferred income tax	(261,821)	(289,634)
– Under provision in respect of previous years	149,512	72,227
	(112,309)	(217,407)
Total	679,207	417,240
<u>Charged to other comprehensive income</u>		
Deferred tax related to items recognised in OCI:		
Re-measurement losses of employee benefit liability	4,639	37,471

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11. INCOME TAX EXPENSE (CONT'D)

Relationship between tax expense and accounting profit

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

	Group	
	2014	**2013**
	Rp million	Rp million
Profit before tax as per consolidated statement of comprehensive income	2,007,366	1,338,432
Tax at the domestic rates applicable to profits in the countries where the Group operates	498,009	338,124
Income not subject to taxation	(19,913)	(16,583)
Non-deductible expenses	116,007	79,183
Under provision in respect of corporate income tax of previous years	2,407	1,079
Under provision in respect of deferred income tax of previous years	149,512	72,227
Effect of lower tax rate	(66,815)	(56,790)
Income tax expense recognised in the consolidated statement of comprehensive income	679,207	417,240

For the years ended 31 December 2014 and 2013, the corporate tax rate for companies in Singapore and Indonesia was 17% and 25% respectively.

A subsidiary in Indonesia applies 20% (2013: 20%) tax rate instead of the normal tax rate of 25% (2013: 25%) in computing its income tax expense for the reporting period due to its fulfilment to reduce corporate income tax rate.

12. EARNINGS PER SHARE

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

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

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

	Group	
	2014	**2013**
	Rp million	Rp million
Profit attributable to owners of the Company	758,713	523,168
	No. of shares	**No. of shares**
Weighted average number of ordinary shares for basic earnings per share computation*	1,417,282,830	1,428,965,022

* *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 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

13. BIOLOGICAL ASSETS

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

	Group	
	2014 Rp million	**2013** Rp million
At fair value		
At 1 January	13,893,246	12,585,842
Additions through business combination	–	265,277
Additions	1,242,758	1,141,235
Disposal of biological assets	(4,197)	(1,564)
Realisation of deferred costs	(143,427)	(153,099)
Reclassification from/(to) other non-current assets	12,674	(5,991)
	15,001,054	13,831,700
Gain arising from changes in fair value of biological assets	59,592	61,546
At 31 December	15,060,646	13,893,246

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

<u>Oil Palm Plantations</u>

Mature oil palm trees produce Fresh Fruit Bunches ("FFB"), which are used to produce CPO, Palm Kernel ("PK") and other PK related products. The expected future cash flows of the oil palm plantations are determined using the forecast market price of FFB, which is largely dependent on the projected selling prices of CPO and 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 maturity life of 25 years, with the first 3 to 4 years as immature and the remaining years as mature stage;

(b) estimated FFB yield per hectare of oil palm trees between 5 – 31 tonnes/hectare (2013: 9 – 30 tonnes/hectare) is determined in reference to guidelines issued by the Indonesian Oil Palm Research Institute ("*Pusat Penelitian Kelapa Sawit*") in Indonesia, which varies with the average age of oil palm trees, as well as internal standards and results of internal assessments of other relevant factors;

(c) the discount rate used in 2014 is 13.55% (2013: 11.68%). Such a discount rate represents the asset specific rate for the Group's oil palm plantation operations which is applied in the discounted future cash flows calculation; and

(d) the projected price of CPO between US$0.81/kg – US$0.82/kg (2013: US$0.85/kg – US$0.89/kg) is based on forecast of the World Bank.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

13. BIOLOGICAL ASSETS (CONT'D)

Rubber Plantations

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

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

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

(b) discount rate used in 2014 is 13.30% (2013: 11.23%). Such a discount rate represents the asset specific rate for the Group's rubber plantations operations which are applied in the discounted future cash flows calculation; and

(c) the projected selling prices of RSS1 between Rp22,119/kg – Rp29,509/kg (2013: Rp14,886/kg – Rp30,047/kg) and other rubber products of the Group over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank.

Sugar Cane Plantations

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

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

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

(b) discount rate used in 2014 is 12.13% (2013: 10.34%). 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 at Rp8,500/kg (2013: Rp8,100/kg) over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank or the minimum sugar price imposed by the Ministry of Trade of Indonesia, whichever is higher.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

13. BIOLOGICAL ASSETS (CONT'D)

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

Inputs (Hierarchy)	Range of Quantitative Inputs	Sensitivity of the Inputs to the Fair Value
Discount rate Determined using capital asset pricing model	Oil Palm: 13.55% Rubber: 13.30% Sugar cane: 12.13%	An increase/(decrease) in the discount rate would result in a (decrease)/increase in the fair value of biological assets.
Projected price	Oil palm – CPO Price: US$0.81/kg – US$0.82/kg Rubber – RSS 1: Rp22,119/kg – Rp29,509/kg Sugar cane – sugar: Rp8,500/kg	An increase/(decrease) in the prices would result in a increase/(decrease) in the fair value of biological assets.
Estimated FFB yield	5 tonnes/hectare – 31 tonnes/hectare	An increase/(decrease) in FFB yield would result in a increase/(decrease) in the fair value of biological assets.
Exchange rate	Rp10,753/US$1 – Rp12,200/US$1	An increase/(decrease) in the exchange rate would result in an increase/(decrease) in the fair value of biological assets.
Inflation rate	4.5% to 5.0%	An increase/(decrease) in the inflation rate would result in (decrease)/increase in the fair value of biological assets.

Physical quantities of agriculture produce:

	2014 (in tonnes)	**2013** (in tonnes)
Oil palm	3,259,339	2,894,627
Rubber	18,393	18,466
Sugar cane	701,481	757,968

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

13. BIOLOGICAL ASSETS (CONT'D)

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:

	2014		2013	
	Mature (Ha)	**Immature (Ha)**	**Mature (Ha)**	**Immature (Ha)**
Oil palm	185,181	60,874	177,099	62,822
Rubber	17,711	3,986	16,996	4,763
Others	2,320	747	2,868	516

As at 31 December 2014, total area of sugar cane plantation is 13,062 hectres (2013: 11,645 hectres).

Capitalisation of borrowing costs

During the year ended 31 December 2014, borrowing costs capitalised to biological assets of the Group in the course of development amounted to Rp73.9 billion (2013: Rp61.1 billion) based on the specific identification of the related borrowings and using interest rates ranging from 7.02% to 12.28% (2013: from 6.92% to 9.46%) in 2014.

Assets pledged as security

As at 31 December 2014, no biological assets were used as collateral for bank facilities granted to a subsidiary company (2013: Rp801.2 billion).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

14. 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 2012 and 1 January 2013	2,068,085	3,646,939	4,075,630	1,348,091	246,032	11,384,777
Additions	64,029	1,177,390	490,417	267,713	54,997	2,054,546
Additions through business combination	–	247	58	4,072	66	4,443
Reclassification	(5,298)	12,125	(22,907)	13,498	897	(1,685)
Disposals and write-off	–	(4,413)	(32,283)	(10,183)	(2,703)	(49,582)
At 31 December 2013 and 1 January 2014	2,126,816	4,832,288	4,510,915	1,623,191	299,289	13,392,499
Additions	219,427	1,177,072	333,068	145,431	46,950	1,921,948
Additions through business combination	100,301	237	–	311	33	100,882
Reclassification	28,420	53,200	(70,651)	12,865	668	24,502
Disposals and write-off	–	(9,890)	(14,449)	(8,771)	(3,312)	(36,422)
At 31 December 2014	2,474,964	6,052,907	4,758,883	1,773,027	343,628	15,403,409
Accumulated depreciation						
At 31 December 2012 and 1 January 2013	432,320	572,558	1,196,358	569,243	153,441	2,923,920
Depreciation charge for the year	61,426	205,519	267,256	167,759	35,186	737,146
Reclassification	–	(1,818)	(6,179)	908	485	(6,604)
Disposals and write-off	–	(3,695)	(26,737)	(9,763)	(2,461)	(42,656)
At 31 December 2013 and 1 January 2014	493,746	772,564	1,430,698	728,147	186,651	3,611,806
Depreciation charge for the year	67,405	243,674	266,212	149,936	41,369	768,596
Reclassification	2,316	5,426	9,561	5,346	1,123	23,772
Disposals and write-off	–	(6,302)	(9,827)	(8,380)	(2,925)	(27,434)
At 31 December 2014	563,467	1,015,362	1,696,644	875,049	226,218	4,376,740
Net carrying amount						
At 31 December 2013	1,633,070	4,059,724	3,080,217	895,044	112,638	9,780,693
At 31 December 2014	1,911,497	5,037,545	3,062,239	897,978	117,410	11,026,669

Vessels are presented within the class of Heavy equipment and transportation equipment. Vessels are of the same nature and use (to transport the Group's commodities) with transportation equipment. Due to their similar nature of use, the Group has classified the assets in the same class of assets.

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For the financial year ended 31 December 2014

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

	Buildings and improvements Rp million	Furniture, fixtures and office equipment Rp million	Total Rp million
Company			
Cost			
At 1 January 2013	74,049	324	74,373
Additions	–	168	168
At 31 December 2013 and 1 January 2014	74,049	492	74,541
Additions	–	35	35
At 31 December 2014	74,049	527	74,576
Accumulated depreciation			
At 1 January 2013	15,993	321	16,314
Depreciation charge for the year	3,628	20	3,648
At 31 December 2013 and 1 January 2014	19,621	341	19,962
Depreciation charge for the year	3,629	67	3,696
At 31 December 2014	23,250	408	23,658
Net carrying amount			
At 31 December 2013	54,428	151	54,579
At 31 December 2014	50,799	119	50,918

Assets under construction

The Group's property, plant and equipment as of 31 December 2014 included Rp1,758.5 billion (2013: Rp1,699.4 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 of Rp108.0 billion (2013: Rp94.2 billion).

For the prior year ended 31 December 2013, additions of the Group's property, plant and equipment also included provisions for asset dismantling costs of Rp8.0 billion.

Capitalisation of borrowing costs

During the year ended 31 December 2014, borrowing costs capitalised by certain subsidiary companies to their building and machineries under construction amounted to Rp21.0 billion (2013: Rp21.0 billion) based on the specific identification of the related borrowings and using capitalisation rates ranging from 6.97% to 12.28% (2013: 7.77% to 9.55%) in 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

Assets pledged as security

As at 31 December 2014, no property, plant and equipment are pledged to secure the borrowings of a subsidiary company (2013: Rp140.0 billion).

Land Use Rights

The Group has land use rights with terms ranging from 8 to 40 years which will expire between 2015 to 2049. The cost incurred in obtaining the land use rights are depreciated in a manner that reflects the benefits to be derived from them. The management also believes that these land use rights can be renewed/ extended upon expiration.

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

	Group	
	2014	**2013**
	Rp million	Rp million
Amount to be amortised		
– Not later than one year	71,030	64,786
– Later than one year but not later than five years	283,198	258,495
– Later than five years	1,557,269	1,309,789
	1,911,497	1,633,070

15. GOODWILL

	Group	
	2014	**2013**
	Rp million	Rp million
At 1 January	3,247,532	3,155,786
Acquisition of subsidiaries (Note 18)	6,105	91,746
At 31 December	3,253,637	3,247,532

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

Integrated plantation estates of Lonsum	2,909,757	2,909,757
Plantation estates of PT GS	8,055	8,055
Plantation estates of PT MPI	2,395	2,395
Plantation estates of PT SBN	234	234
Plantation estates of PT KGP	29,140	29,140
Integrated plantation estates of PT CNIS	7,712	7,712
Plantation estates of PT LPI	37,230	37,230
Plantation estates and research facility of PT SAIN	113,936	113,936
Plantation estates of PT RAP	3,388	3,388
Plantation estates of PT JS	1,533	1,533
Integrated plantation estates of PT MISP	34,087	34,087
Plantation estates of PT IBP	8,319	8,319
Plantation estates of PT SAL	86,996	86,996
Plantation estates of PT WKL	4,750	4,750
Plantation estates of PT MLI	6,105	–
Total	3,253,637	3,247,532

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For the financial year ended 31 December 2014

15. GOODWILL (CONT'D)

Goodwill was tested for impairment as at 31 October 2014 and 2013, except for goodwill arising from business combination in the current year which was only tested as at 31 October 2014. As at 31 December 2014 and 2013, there was no significant change in the assumptions used by management that could have a significant impact in determining the recoverable value of the goodwill.

No impairment loss was recognised as at 31 October 2014 and 2013 as the recoverable amounts of the goodwill were in excess of their respective carrying values. The summary of impairment testing on the goodwill is disclosed in the succeeding paragraphs.

Except for goodwill allocated to the plantation estates of Lonsum, PT LPI, PT IBP and PT SBN, the recoverable value of the goodwill allocated to all other plantation estates as at 31 October 2014 was determined based on fair value less costs of disposal ("FVLCD"), using discounted cash flow method. The FVLCD derived is categorised under Level 3 of the fair value hierarchy.

The recoverable value of the goodwill allocated to the plantation estates of Lonsum, PT LPI, PT IBP and PT SBN has been determined based on value-in-use calculations.

The following key assumptions had been used:

Cash generating units	Carrying amount of goodwill	Pre-tax Discount Rate 31 October 2014	Pre-tax Discount Rate 31 October 2013	Terminal Growth Rate 31 October 2014	Terminal Growth Rate 31 October 2013
Recoverable amount assessment based on value-in-use					
Integrated plantation estates of Lonsum	2,909,757	14.54%	11.13%	5.50%	5.50%
Plantation estates of PT LPI	37,230	12.95%	11.20%	5.50%	5.50%
Plantation estates of PT IBP	8,319	14.59%	11.20%	5.50%	5.50%
Plantation estates of PT SBN	234	15.07%	11.31%	5.50%	5.50%
Sub-total	2,955,540				
Recoverable amount assessment based on FVLCD					
Plantation estates of PT GS	8,055	15.67%	11.51%	5.50%	5.50%
Plantation estates of PT MPI	2,395	14.94%	11.35%	5.50%	5.50%
Plantation estates of PT KGP	29,140	15.07%	11.79%	5.50%	5.50%
Integrated plantation estates of PT CNIS	7,712	15.13%	11.76%	5.50%	5.50%
Plantation estates and research facility of PT SAIN	113,936	15.36%	11.87%	5.50%	5.50%
Plantation estates of PT RAP	3,388	14.80%	11.79%	5.50%	5.50%
Plantation estates of PT JS	1,533	14.30%	11.27%	5.50%	5.50%
Integrated plantation estates of PT MISP	34,087	15.25%	11.79%	5.50%	5.50%
Plantation estates of PT SAL	86,996	9.76%	8.61%	5.50%	5.50%
Plantation estates of PT WKL	4,750	9.97%	8.73%	5.50%	5.50%
Plantation estates of PT MLI	6,105	12.95%	–	5.50%	5.50%
Sub-total	298,097				
Grand Total	3,253,637				

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For the financial year ended 31 December 2014

15. GOODWILL (CONT'D)

The recoverable value calculation of the CGU applied a discounted cash flow model based on cash flow projections covering a period of 10 years for plantation estates in early development stage and 5 years for established plantations.

The primary selling prices used in the cashflow model are projected prices of CPO, rubber and sugar. The projected price of the CPO is based on the World Bank forecasts for the projection period. The projected selling prices of rubber (RSS1 and other rubber products of the Group) over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank. 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 terminal growth rate used does not exceed the long-term average growth rate of the industry in country where the entities operate. The discount rate applied to the cash flow projections is derived from the weighted average cost of capital of the respective CGUs.

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

		Sensitivity analysis	
Cost generating units	**Reasonably possible changes in key assumptions that would cause the carrying amount of goodwill to exceed its recoverable amount**	**Additional change in key assumptions**	**Excess of carrying amount over recoverable amount that would arise from the additional change in key assumptions**
			Rp million
Discount rate			
Plantation estates of PT KGP	70 basis points higher	1 basis point higher	369
Plantation estates and research facility of PT SAIN	2 basis points higher	1 basis point higher	747
Plantation estates of PT RAP	40 basis points higher	1 basis point higher	696
Plantation estates of PT JS	17 basis points higher	1 basis point higher	466
Integrated plantation estates of Lonsum	56 basis points higher	1 basis point higher	12,291
Projected selling price of CPO			
Plantation estates of PT KGP	0.94% lower	0.1% lower	4,328
Plantation estates of PT RAP	0.88% lower	0.1% lower	5,043

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

16. CLAIMS FOR TAX REFUND

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

17. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group	
	2014 Rp million	**2013** Rp million
Deferred tax assets		
Property, plant and equipment	(74,884)	(49,332)
Biological assets	56,890	62,177
Allowance for impairment and amortised costs adjustments of plasma receivables	78,822	68,349
Allowance for employees benefit expenses	19,621	14,684
Allowance for decline in market value and obsolescence of inventories	3,379	4,835
Employee benefits liability	144,970	109,501
Deferred inter-company profits	42,875	61,792
Tax losses carry forward	880,715	690,720
Others	589	(48)
Total	1,152,977	962,678
Deferred tax liabilities		
Property, plant and equipment	(320,672)	(327,274)
Biological assets	(1,992,913)	(1,940,725)
Allowance for impairment and amortised costs adjustments of plasma receivables	6,326	8,884
Allowance for employees benefit expenses	25,369	34,190
Allowance for decline in market value and obsolescence of inventories	6,912	1,024
Employee benefits liability	300,353	275,321
Tax losses carry forward	–	11,687
Withholding tax on distributable profit of foreign subsidiaries	(24,751)	(15,211)
Others	252	302
Total	(1,999,124)	(1,951,802)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

17. DEFERRED TAX (CONT'D)

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

	Group	
	2014 Rp million	**2013** Rp million
Deferred income tax movements:		
Property, plant and equipment	18,989	14,541
Biological assets	57,802	69,846
Allowance for impairment and amortised costs adjustments of plasma receivables	(7,915)	2,875
(Write-back)/provision for allowance of decline in market value and obsolescence of inventories	(4,432)	16,841
Employee benefits liability	(55,765)	(35,835)
Deferred inter-company profits	18,917	(23,257)
Provision for employee benefits expense	3,884	(613)
Tax losses carry forward	(152,763)	(243,251)
Withholding tax on distributable profit of foreign subsidiaries	9,539	(18,109)
Others	(565)	(445)
Net deferred tax benefit reported in the consolidated statement of comprehensive income (Note 11)	(112,309)	(217,407)

Unrecognised tax losses

At the end of reporting period, the Group has tax losses amounting to Rp4,127.3 billion (2013: Rp3,145.9 billion) that are available for offset against future taxable profits for up to five years from the date the losses were incurred. Deferred tax benefits of Rp151.1 billion (2013: Rp84.4 billion) attributable to Rp604.4 billion (2013: Rp337.7 billion) of these tax losses were not recognised as the recoverability was considered not probable.

Unrecognised temporary differences relating to investments in subsidiaries

The Group has not recognized deferred tax liability of Rp567.2 billion (2013: Rp520.5 billion) as at 31 December 2014 in respect of undistributed profits of subsidiaries because the distribution is controlled and there is currently no intention for the profits to be remitted to Singapore.

Unrecognised temporary differences relating to unremitted foreign-sourced interest income

The Group has not recognized deferred tax liability of Rp57.0 billion (2013: Rp37.2 billion) as at 31 December 2014 in respect of unremitted foreign-sourced interest income as the Group has control over the remittance and there is currently no intention for the income to be remitted to Singapore.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2014	**2013**
	Rp million	Rp million
Shares, at cost	10,327,919	10,327,919

The Group held less than 50% effective shareholdings in certain subsidiaries but owned, directly and indirectly, more than half of the voting power in these subsidiaries.

Treasury shares of PT SIMP

During the financial year, PT SIMP acquired 188,589,500 (2013: 126,410,500) of its own shares at a total cost of Rp166.3 billion (2013: Rp94.9 billion). This resulted in an increase in the Company's shareholding in PT SIMP to 73.46% (2013: 72.58%) as at 31 December 2014.

(a) Composition of the Group

The Group has the following investment in subsidiaries:

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2014	2013	Principal activities
Name (Abbreviated name)				
Held by the Company				
PT Salim Ivomas Pratama Tbk (PT SIMP) [2]	Indonesia	73.46	72.58	Ownership of oil palm plantations, mills and production of cooking oil, margarine, shortening, and other related products
IFAR Brazil Pte. Ltd. [1]	Singapore	100.00	100.00	Investment holding
IndoAgri Brazil Participações Ltda*	Brazil	100.00	100.00	Investment holding
Held by PT Salim Ivomas Pratama Tbk				
IndoInternational Green Energy Resources Pte. Ltd. (IGER) [1]	Singapore	44.08	43.55	Investment holding
PT Indoagri Inti Plantation (PT IIP) [2]	Indonesia	72.73	71.85	Investment holding, management services and transportation
Silveron Investments Limited (SIL) [3]	Mauritius	73.46	72.58	Investment holding
PT Kebun Mandiri Sejahtera (PT KMS) [3]	Indonesia	68.64	67.82	Ownership of rubber and oil palm plantations
PT Manggala Batama Perdana (PT MBP) *	Indonesia	73.46	72.58	Non operating

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For the financial year ended 31 December 2014

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) *Composition of the Group (cont'd)*

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2014	2013	Principal activities
Name (Abbreviated name) (cont'd)				
Held by PT Salim Ivomas Pratama Tbk (cont'd)				
PT Sarana Inti Pratama (PT SAIN) [3]	Indonesia	73.45	72.57	Investment, research, management and technical services, oil palm seed breeding, and ownership of oil palm plantations
PT Mentari Subur Abadi (PT MSA) [3]	Indonesia	21.87	21.61	Investment and ownership of oil palm plantations
PT Mega Citra Perdana (PT MCP) [4]	Indonesia	21.83	21.56	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN) [3]	Indonesia	21.91	21.64	Ownership of oil palm plantations
PT Lajuperdana Indah (PT LPI) [2]	Indonesia	22.44	21.49	Ownership of sugar cane plantations and sugar mills/ refineries
PT Mitra Inti Sejati Plantation (PT MISP) [3]	Indonesia	73.46	72.58	Ownership of oil palm plantations and mill
PT PP London Sumatra Indonesia Tbk (Lonsum) [2]	Indonesia	43.72	43.19	Business of breeding, planting, milling and selling of oil palm products, rubber and other crops
PT Cakra Alam Makmur (PT CAM) [3]	Indonesia	73.46	72.58	Ownership of bulking facilities
PT Hijaupertiwi Indah Plantations (PT HPIP) [3]	Indonesia	73.46	72.58	Ownership of oil palm plantations
PT Cangkul Bumisubur (PT CBS) [3]	Indonesia	73.46	72.58	Ownership of oil palm plantations
PT Samudera Sejahtera Pratama (PT SSP) [3]	Indonesia	73.46	72.58	Transportation service
Held by IndoInternational Green Energy Resources Pte. Ltd.				
PT Mentari Subur Abadi (PT MSA) [3]	Indonesia	22.20	21.93	Investment and ownership of oil palm plantations
PT Mega Citra Perdana (PT MCP) [4]	Indonesia	22.25	21.98	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Composition of the Group (cont'd)

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2014	2013	Principal activities
Name (Abbreviated name) (cont'd)				
Held by IndoInternational Green Energy Resources Pte. Ltd. (cont'd)				
PT Swadaya Bhakti Negaramas (PT SBN) [3]	Indonesia	22.17	21.90	Ownership of oil palm plantations
PT Lajuperdana Indah (PT LPI) [2]	Indonesia	22.72	22.06	Ownership of sugar cane plantations and sugar mills/ refineries
Held by PT Indoagri Inti Plantation				
PT Gunung Mas Raya (PT GMR) [2]	Indonesia	72.00	71.14	Ownership of oil palm plantations and mill
PT Indriplant (PT IP) [2]	Indonesia	72.00	71.14	Ownership of oil palm plantations and mill
PT Serikat Putra (PT SP) [2]	Indonesia	72.00	71.14	Ownership of oil palm plantations and mill
PT Cibaliung Tunggal Plantations (PT CTP) [2]	Indonesia	72.00	71.14	Ownership of oil palm plantations
Held by PT Serikat Putra				
PT Intimegah Bestari Pertiwi (PT IBP) [3]	Indonesia	72.01	71.14	Ownership of oil palm plantations
PT Kencana Subur Sejahtera (PT KSS) [8]	Indonesia	72.01	71.14	Macronutrients mix fertilizer industry
PT Pratama Citra Gemilang (PT PCG) [8]	Indonesia	72.01	71.14	Prefabrication industry
Held by Silveron Investments Limited				
Asian Synergies Limited (ASL) [3]	British Virgin Islands	73.46	72.58	Investment holding
PT Kebun Ganda Prima (PT KGP) [3]	Indonesia	73.45	72.57	Ownership of oil palm plantations

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) *Composition of the Group (cont'd)*

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2014	2013	Principal activities
Name (Abbreviated name) (cont'd)				
Held by Asian Synergies Limited				
PT Citranusa Intisawit (PT CNIS) [3]	Indonesia	73.45	72.57	Ownership of oil palm plantations and mill
Held by PT Sarana Inti Pratama				
PT Riau Agrotama Plantation (PT RAP) [3]	Indonesia	73.45	72.57	Ownership of oil palm plantations
PT Citra Kalbar Sarana (PT CKS) [3]	Indonesia	73.45	72.57	Ownership of oil palm plantations
PT Jake Sarana (PT JS) [3]	Indonesia	73.39	72.51	Ownership of oil palm plantations
Held by PT Mentari Subur Abadi				
PT Agro Subur Permai (PT ASP) [3]	Indonesia	44.07	43.54	Ownership of oil palm plantations
Held by PT Mega Citra Perdana				
PT Gunta Samba (PT GS) [4]	Indonesia	44.07	43.54	Ownership of oil palm plantations
PT Multi Pacific International (PT MPI) [4]	Indonesia	44.06	43.53	Ownership of oil palm plantations
Held by PT Cangkul Bumisubur				
PT Pelangi Inti Pertiwi (PT PIP) [3]	Indonesia	73.46	72.58	Ownership of oil palm plantations
Held by PT PP London Sumatra Indonesia Tbk				
PT Mentari Pertiwi Makmur (PT MPM) [7]	Indonesia	58.53	57.83	Investment holding
PT Multi Agro Kencana Prima (PT MAKP) [5]	Indonesia	43.71	43.19	Rubber mill and trading
Lonsum Singapore Pte. Ltd. (LSP) [6]	Singapore	43.72	43.19	Trading and marketing
PT Tani Musi Persada (PT TMP) [5]	Indonesia	43.68	43.16	Ownership of oil palm plantations

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18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) *Composition of the Group (cont'd)*

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2014	2013	Principal activities
Name (Abbreviated name) (cont'd)				
Held by PT PP London Sumatra Indonesia Tbk (cont'd)				
PT Sumatra Agri Sejahtera (PT SAS) [5]	Indonesia	43.71	43.16	Ownership of oil palm plantations
PT Tani Andalas Sejahtera (PT TAS) [5]	Indonesia	39.35	38.87	Ownership of oil palm plantations
Agri Investment Pte. Ltd. (AIPL) [6]	Singapore	43.72	43.19	Investment holding
Held by PT Mentari Pertiwi Makmur				
PT Sumalindo Alam Lestari ("PT SAL") [7]	Indonesia	58.53	57.83	Development of industrial timber plantations
PT Wana Kaltim Lestari ("PT WKL") [7]	Indonesia	58.53	57.83	Development of industrial timber plantations
Held by Lonsum Singapore Pte. Ltd.				
Sumatra Bioscience Pte. Ltd. (SBPL) [6]	Singapore	43.72	43.19	Dormant
Held by PT Lajuperdana Indah				
PT Madusari Lampung Indah ("PT MLI") [8]	Indonesia	45.16	–	Ownership of sugar cane plantations

* *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 *Aria Kangka, Indonesia (member firm of Parker Randall)*
6 *Saw Meng Tee & Partners PAC, Singapore*
7 *Anwar, Sugiharto & Rekan, Indonesia*
8 *Jimmy Budhi & Rekan, Indonesia*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) *Composition of the Group (cont'd)*

Changes in the Group's investments in subsidiaries are as follows:

AIPL
In May 2014, Lonsum injected additional share capital of US$5.0 million in a wholly-owned subsidiary, AIPL to increase its investment to Rp329 billion (US$31.2 million equivalent) (2013: Rp271 billion (US$26.2 million equivalent)). The principal activity of AIPL is an investment holding company, which in turn has investment in Heliae, an associate company in the agriculture technology and cultivation business.

PT SAS
In December 2014, Lonsum increased its investment by Rp18.8 billion in PT SAS which increased Lonsum's shareholding in PT SAS from 59.46% to 59.50%.

PT LPI
In December 2014, PT SIMP and IGER subscribed for additional new shares in PT LPI of 96,297 shares and 159,110 shares, respectively. This has increased PT SIMP Group's interest in PT LPI from 60.00% to 61.47%.

(b) *Interest in a subsidiary with material non-controlling interest (NCI)*

The Group has the following subsidiary that has NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period	Dividends paid to NCI
		%	Rp million	Rp million	Rp million
31 December 2014:					
PT SIMP	Indonesia	26.54	569,446	9,088,455	176,723
31 December 2013:					
PT SIMP	Indonesia	27.42	398,024	8,836,784	291,709

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18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) Summarised financial information about a subsidiary with material NCI

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

	PT SIMP [1]	
	2014 Rp million	**2013** Rp million
Summarised balance sheet		
Current		
Assets	5,914,531	5,234,572
Liabilities	(6,945,698)	(6,487,647)
Net current liabilities	(1,031,167)	(1,253,075)
Non-current		
Assets	31,687,678	29,171,996
Liabilities	(9,261,420)	(7,443,291)
Net non-current assets	22,426,258	21,728,705
Net assets	21,395,091	20,475,630
Summarised statement of comprehensive income		
Revenue	14,962,727	13,279,778
Profit before income tax	1,977,540	1,253,188
Income tax expense	(633,761)	(391,328)
Profit after tax	1,343,779	861,860
Other comprehensive income	(12,048)	(93,035)
Total comprehensive income	1,331,731	768,825
Other summarised information		
Net cash flows from operations	2,765,289	2,142,021

[1] *The financial information for PT SIMP has been aggregated based on the consolidated financial statements of PT SIMP and its subsidiaries. Subsidiaries consolidated in PT SIMP are the subsidiaries held under PT SIMP listed in Note 18 (a).*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(d) Acquisition of subsidiaries

PT Madusari Lampung Indah ("PT MLI")

On 10 June 2014, the Company's subsidiary, PT LPI, acquired 100% interest in PT MLI for a total cash consideration of Rp227.9 billion which was settled in four installments. Accordingly, PT MLI became a subsidiary of the Group since that date.

The first and second installments amounting to Rp93.2 billion was paid in the prior financial year. During the year, the remaining Rp134.7 billion was paid at completion of the acquisition.

The Group acquired PT MLI to enlarge its sugar cane plantations land bank.

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

	Fair value recognised on acquisition 2014 Rp million
Assets	
Cash and cash equivalents	99,664
Other current asset	505
Property, plant and equipment	100,882
Other non-current asset	34,350
	235,401
Liabilities	
Current liabilities	13,263
Non-current liabilities	387
	13,650
Total identifiable net assets at fair value	221,751
Goodwill arising from acquisition (Note 15)	6,105
Purchase consideration transferred in cash	227,856
Net cash of acquired subsidiary	(99,664)
Acquisition of subsidiary, net of cash acquired	128,192

The goodwill of Rp6.1 billion mainly comprises the value of expected synergies arising from the said business combination. The said goodwill is not expected to be deductible for tax purposes and is allocated entirely to the sugar cane plantations of PT MLI.

Since the date of acquisition, PT MLI has yet to generate any revenue and incurred losses before tax of Rp565 million. If the business combination had taken place at the beginning of year, profit before tax of the Group would have been Rp1,961.8 billion.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(d) *Acquisition of subsidiaries (cont'd)*

PT Mentari Pertiwi Makmur ("PT MPM") and PT Sumalindo Alam Lestari ("PT SAL")

On 8 March 2013, the Company's subsidiaries, PT SIMP and Lonsum subscribed for new shares issued by PT MPM for Rp330 billion. This resulted in the Group having an effective interest of 57.83% in PT MPM in 2013. Accordingly, PT MPM became a subsidiary of the Group since that date.

On the same day, PT MPM acquired 100% equity interests in PT Sumalindo Alam Lestari ("PT SAL") from the previous owner, PT Sumalindo Lestari Jaya Tbk, for a cash consideration of Rp330 billion. Accordingly, PT SAL and its subsidiary, PT Wana Kaltim Lestari ("PT WKL"), became subsidiaries of the Group since that date.

PT SAL is an unlisted company incorporated in Indonesia and mainly involved in management of Hutan Tanaman Industri (HTI). The Group acquired PT SAL to enlarge its land bank and also to diversify its planted crops.

The fair values of the identifiable assets and liabilities of PT SAL and its subsidiary as at the date of acquisition were:

	Fair value recognised on acquisition 2013 Rp million
Assets	
Cash and banks	11
Trade and other receivables	61,720
Prepayments and advances	1,379
Deferred tax assets	2,736
Biological assets – HTI	265,277
Property and equipment	4,443
Other non-current assets	5,184
	340,750
Liabilities	
Other current liabilities	82,005
Other non-current liabilities	8,240
Deferred tax liabilities	5,501
	95,746
Total identifiable net assets at fair values	245,004
Non-controlling interests measured at the proportionate share of the subsidiary's net identifiable assets	(2,000)
Goodwill arising on acquisition (Note 15)	86,996
Purchase consideration transferred in cash	**330,000**
Net cash of the acquired Subsidiary	(11)
Acquisition of Subsidiary, net of cash acquired	**329,989**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(d) Acquisition of subsidiary companies (cont'd)

The goodwill of Rp87.0 billion mainly comprises the value of expected synergies arising from the said business combination. The said goodwill is not expected to be deductible for tax purposes and is allocated entirely to the HTI of PT SAL.

For the year ended 31 December 2013, PT SAL and its subsidiary has yet to generate any revenue and incurred a loss before tax of Rp43.5 billion. If the business combination had taken place as at 1 January 2013, profit before tax of the Group for the year ended 31 December 2013 would have been Rp1,339.7 billion.

As at 31 December 2013, the addition of goodwill amounting to Rp91.7 billion includes goodwill previously recognized by PT SAL upon its acquisition on PT WKL amounting to Rp4.8 billion.

(e) Acquisition of non-controlling interests by a subsidiary

In December 2013, the Company's subsidiary, Lonsum acquired 50,000 shares of PT MAKP from Koperasi Perkebunan Karet Panca Mitra Usaha with total cash consideration of Rp150 million resulting in an increase in ownership of Lonsum in PT MAKP from 80% to 100%.

19. INVESTMENT IN ASSOCIATE COMPANIES

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

	Group	
	2014	**2013**
	Rp million	Rp million
Associate companies which are strategic to the Group activities		
Heliae Technology Holdings, Inc	74,775	189,400
Other associate companies	341,685	209,460
	416,460	398,860

	Group	
	2014	**2013**
	Rp million	Rp million
Cost of investment, at cost	611,003	460,128
Share of results of associate companies	(256,619)	(106,736)
Foreign currency translation	62,076	45,468
Carrying value of investment in associate companies	416,460	398,860

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

Name of associate	Country of incorporation	Principal activities	Effective percentage of equity held % 2014	2013
Held by the Company				
FP Natural Resources Limited ("FPNRL") (i)	British Virgin Islands	Investment Holdings	30.00	30.00
Held by Agri Investment Pte Ltd				
Heliae Technology Holdings, Inc ("Heliae") (ii)	USA	Agricultural technology and cultivation business	10.99	11.15
Held by PT Salim Ivomas Pratama Tbk				
PT Prima Sarana Mustika ("PT PSM") (iii)	Indonesia	Construction services, rental of heavy equipment and trading of agriculture equipment	29.38	–

(i) *Audited by Ernst & Young (HK)*
(ii) *Audited by PricewaterhouseCoopers LLP, Arizona*
(iii) *Audited by Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia (member firm of Grant Thornton International)*

FP Natural Resources Limited ("FPNRL")

In July 2014, First Pacific Company Limited and the Company injected additional capital in FPNRL in proportion to their shareholdings of 70% : 30%. The Company's capital contribution was US$12.6 million (equivalent to Rp 144.9 billion). FPNRL is an investment holding company which in turn owns 34% interest in Roxas Holdings Inc, the largest integrated sugar business in the Philippines.

Heliae Technology Holdings, Inc. ("Heliae")

During the year, AIPL's equity interest in Heliae was diluted to 25.14% (2013: 25.82%) due to additional capital contribution by the shareholders. Heliae is a private entity engaged in technology and production solutions for the algae industry.

Convertible Note

In March 2014, AIPL subscribed for convertible notes of US$5.0 million (Rp62.2 billion) issued by Heliae Development, LLC, a subsidiary of Heliae, The convertible notes earn an interest of 3% plus the one-month London Interbank Offered Rate (LIBOR) rate. The convertible notes can be converted into the common shares of Heliae within 5 years from the date of issue. The convertible notes do not contain derivative as their value is fixed to the value of the shares and requires considerable investment on initial subscription.

The carrying amount of the convertible notes is presented as part of "Other non-current receivables" account in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

PT Prima Sarana Mustika ("PT PSM")

In January 2014, PT Wahana Inti Selaras ("PT WIS"), a related party, and a subsidiary, PT SIMP, established PT Prima Sarana Mustika ("PT PSM") with a total issued and fully paid share capital amounting to Rp15 billion. PT SIMP's capital contribution is Rp6 billion and holds 40% interest in PT PSM.

PT PSM is engaged primarily in the development of plantations' infrastructures, land clearing, rental services of heavy equipment, transportation and trading of agricultural equipments.

Aggregate information about the Group's investments in associate companies that are not individually material are as follows:

	Group	
	2014	**2013**
	Rp million	Rp million
Share of loss after tax and total comprehensive income	(37,857)	–

The summarised financial information in respect of Heliae, based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Heliae Technology Holdings, Inc.	
	2014	**2013**
	Rp million	Rp million
Current assets	12,108	32,251
Non-current assets excluding goodwill	204,234	217,454
Total assets	216,342	249,705
Current liabilities	(54,170)	(38,593)
Non-current liabilities	(373,200)	–
Total liabilities	(427,370)	(38,593)
Net assets excluding goodwill	(211,028)	211,112
Proportion of the Group's ownership	25.14%	25.82%
Group's share of net assets	(53,052)	54,509
Goodwill on acquisition	103,439	103,439
Foreign exchange gain	24,388	31,452
Carrying amount of the investment	74,775	189,400

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19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

Summarised statement of comprehensive income

	Heliae Technology Holdings, Inc.	
	2014	**2013**
	Rp million	Rp million
Revenue	9,056	10,586
Loss and total comprehensive income for the year	(442,396)	(270,898)
Share of loss of an associate company	(111,929)	(70,062)

20. INVESTMENT IN A JOINT VENTURE

The Group has 50% (2013: 50%) interest in a jointly-controlled entity, Companhia Mineira de Açúcar e Álcool Participações ("CMAA") that is held through the Company's subsidiaries, IFAR Brazil Pte Ltd and IndoAgri Brazil Participações Ltda.

The joint venture is incorporated in Brazil and is a strategic venture. The Group jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

The joint venture company is engaged in the cultivation and processing of sugar cane for the production and marketing of sugar and ethanol, as well as co-generation of electric power from sugar cane bagasse in Brazil.

On acquisition of CMAA in June 2013, the Group completed a Purchase Price Allocation ("PPA") exercise in 2014 to identify any intangible assets and/or goodwill from the acquisition. As at 31 December 2014, goodwill amounting to Rp311.9 billion (US$31 million) has been determined and included in the carrying amount of the investment.

The external auditor of CMAA is KPMG Auditores Independentes.

	Group	
	2014	**2013**
	Rp million	Rp million
Cost of investment in a joint venture (include acquisition related costs)	689,073	689,073
Share of results of a joint venture	93,071	64,153
Foreign currency translation	19,009	110,542
Carrying value of investment in a joint venture	801,153	863,768

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For the financial year ended 31 December 2014

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

Summarised financial information in respect of CMAA based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Group	
	2014 Rp million	**2013** Rp million
Cash and cash equivalents	221,727	103,101
Other current assets excluding goodwill	890,437	866,945
Current assets	1,112,164	970,046
Non-current assets	3,512,985	3,738,266
Total assets	4,625,149	4,708,312
Current liabilities	2,139,057	2,242,083
Non-current liabilities (excluding trade, other payables and provisions)	1,608,360	1,426,696
Other non-current liabilities	4,078	3,823
Total non-current liabilities	1,612,438	1,430,519
Total liabilities	3,751,495	3,672,602
Net assets excluding goodwill	873,654	1,035,710
Proportion of the Group's ownership	50.0%	50.0%
Group's share of net assets	436,827	517,855
Acquisition costs capitalised	52,405	52,405
Goodwill on acquisition	311,921	293,508
Carrying amount of the investment	801,153	863,768

Summarised statement of comprehensive income (Post acquisition from 1 July 2013 to 31 December 2014)

	Group	
	2014 Rp million	**2013** Rp million
Revenue	2,315,675	1,248,784
Depreciation and amortisation	(367,218)	(101,718)
Interest income	69,572	17,780
Interest expense	(415,776)	(181,712)
Other operating expenses	(1,532,703)	(854,550)
Profit before tax	69,550	128,584
Income tax expense	(11,714)	(278)
Profit after tax and total comprehensive income	57,836	128,306

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

21. OTHER NON-CURRENT ASSETS

	Note	Group 2014 Rp million	Group 2013 Rp million	Company 2014 Rp million	Company 2013 Rp million
Non-current:					
Non-financial assets					
Advances		648,594	588,503	36,698	36,698
Prepayments		11,041	34,858	–	–
Others		86,971	83,335	–	–
Total advances and prepayments		746,606	706,696	36,698	36,698
Financial assets					
Loans to employees		31,793	20,236	–	–
Plasma receivables	31(a)	618,026	632,661	–	–
Deposits		23,520	23,621	9	25
Investment in convertible note	19	62,200	–	–	–
Total other non-current receivables		735,539	676,518	9	25
Total other non-current assets		1,482,145	1,383,214	36,707	36,723

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 7.77% in 2014 (2013: 8.05%) per annum.

Amount due from a related party

Amount due from a related party is non-trade related, unsecured, bears interest at long-term commercial lending rates, repayable in November 2017 and is to be settled in cash.

22. INVENTORIES

	Group 2014 Rp million	Group 2013 Rp million
Balance sheet:		
Raw materials	517,942	421,578
Finished goods	746,094	675,515
Spare parts and factory supplies	509,293	471,403
Total inventories at the lower of cost and net realisable value	1,773,329	1,568,496

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. INVENTORIES (CONT'D)

	Note	Group 2014 Rp million	Group 2013 Rp million
Consolidated Statement of Comprehensive Income:			
Inventories recognised as an expense in cost of sales	5	(622,501)	(395,497)
Inclusive of the following charge/(credit):			
– Reversal of allowance for decline in market value and obsolescence of inventories	6	–	(77,627)
– Allowance for decline in market value and obsolescence of inventories	7	21,970	13,043
Net changes		21,970	(64,584)

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

As at 31 December 2014, there were no inventories pledged as security against the bank borrowings of a subsidiary (2013: Rp29.7 billion).

23. RECEIVABLES

	Note	Group 2014 Rp million	Group 2013 Rp million	Company 2014 Rp million	Company 2013 Rp million
Current:					
Financial assets					
Trade receivables					
Third parties		360,971	538,207	–	–
Related parties		363,221	338,942	–	–
Less: Allowance for doubtful third party trade receivables		–	(749)	–	–
Other receivables					
Plasma receivables	31(a)	7,572	11,884	–	–
Loans to employees		10,589	12,552	–	–
Subsidiary companies		–	–	67,673	56,202
Related parties		65,858	1,089	–	–
Claims from contractors		116,568	119,986	–	–
Others		131,387	117,726	1,655	8,707
Total trade and other receivables		1,056,166	1,139,637	69,328	64,909

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

23. RECEIVABLES (CONT'D)

	Group		Company	
	2014 Rp million	2013 Rp million	2014 Rp million	2013 Rp million
Non-financial assets				
<u>Advances and prepayments</u>				
Advances to suppliers	130,274	260,204	–	–
Prepayments	35,624	32,987	6,398	4,942
Total advances and prepayments	165,898	293,191	6,398	4,942
Total receivables	1,222,064	1,432,828	75,726	69,851

Trade receivables are non-interest bearing and are generally on 7 to 35 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.

Trade and non-trade receivables from related parties and receivables from subsidiary companies are unsecured, interest-free and are generally on 7 to 35 days terms. All receivables will be settled in cash.

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

	Group		Company	
	2014 Rp million	2013 Rp million	2014 Rp million	2013 Rp million
US Dollars	200,766	96,759	59,527	379
Others	8,521	12,813	1,269	5,560
	209,287	109,572	60,796	5,939

Receivables that are past due but not impaired

The Group has trade receivables amounting to Rp204.8 billion (2013: Rp168.1 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	
	2014 Rp million	2013 Rp million
Overdue but not impaired:		
1 – 30 days	175,164	159,484
31 – 60 days	16,887	2,580
61 – 90 days	2,822	2,255
More than 90 days	9,950	3,755
	204,823	168,074

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

23. RECEIVABLES (CONT'D)

Receivables that are impaired

As at 31 December 2014, there was no allowance for impairment of trade receivables (2013: Rp749.0 million). Trade receivables that are determined to be impaired at the end of the reporting period relate to debtors that are in financial difficulties and have defaulted on payments.

Movement in allowance for doubtful debts account:

	Note	Group 2014 Rp million	Group 2013 Rp million
At 1 January		749	393
(Write-back)/charge for the year	8	(749)	356
At 31 December		–	749

Advances to suppliers

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

	Group 2014 Rp million	Group 2013 Rp million
Raw materials	41,029	172,198
Factory supplies, spare parts and others	89,245	88,006
	130,274	260,204

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 2014 Rp million	Group 2013 Rp million	Company 2014 Rp million	Company 2013 Rp million
Cash at bank and in hand	1,426,780	1,119,142	109,247	121,400
Short term deposits	2,159,000	2,683,778	778,200	1,566,228
Cash and cash equivalents	3,585,780	3,802,920	887,447	1,687,628

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

	Group 2014 Rp million	Group 2013 Rp million	Company 2014 Rp million	Company 2013 Rp million
US Dollars	874,233	1,109,594	445,937	339,490
Singapore Dollars	16,913	204,037	16,068	202,873
Others	642	1,061	–	–
	891,788	1,314,692	462,005	542,363

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For the financial year ended 31 December 2014

24. CASH AND CASH EQUIVALENTS (CONT'D)

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

Short term deposits denominated in US dollars and Rupiah earned interest at annual rates between 0.50% to 3.50% (2013: 0.20% to 3.50%) and 7.00% to 11.00% (2013: 3.25% to 10.75%), respectively.

25. PAYABLES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	Rp million	Rp million	Rp million	Rp million
Current				
Financial liabilities				
Trade payables				
Third parties	849,269	652,126	–	–
Related parties	12,931	11,815	–	–
Other payables and accruals				
Third parties	510,394	479,815	35	2,229
Due to a parent company	18,454	15,311	–	–
Related parties	27,397	11,779	–	–
Accrued operating expenses	435,866	546,144	14,237	13,500
Total trade and other payables and accruals	1,854,311	1,716,990	14,272	15,729
Non-financial liabilities				
Advances from customers	169,395	167,916	–	–
Taxes payable	34,385	52,340	–	–
Total advances and taxes payable	203,780	220,256	–	–
Total payables	2,058,091	1,937,246	14,272	15,729

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

25. PAYABLES (CONT'D)

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

	Group		Company	
	2014 Rp million	2013 Rp million	2014 Rp million	2013 Rp million
US Dollars	276,231	86,801	2,386	2,158
Euro	22,419	7,642	–	–
Singapore Dollars	13,071	15,155	11,886	13,571
Others	10,822	1,910	–	–
	322,543	111,508	14,272	15,729

26. INTEREST-BEARING LOANS AND BORROWINGS

	Maturity	Collateral	Group		Company	
			2014 Rp million	2013 Rp million	2014 Rp million	2013 Rp million
Current						
Rupiah denominated loans	2015	Unsecured	1,004,000	450,000	–	–
Rupiah denominated loans	2015	Secured 1)	1,356,680	1,413,980	–	–
US Dollar denominated loans	2015	Unsecured	1,677,845	1,036,065	–	–
US Dollar denominated loans	2015	Secured 1)	–	113,894	–	–
Add: current portion of non-current loans			710,670	747,730	–	–
Current interest-bearing loans and borrowings			**4,749,195**	**3,761,669**	**–**	**–**
Bonds and Sukuk Ijarah Payables	2014	Unsecured 2)	–	728,093	–	–
Total current portion			**4,749,195**	**4,489,762**	**–**	**–**
Non-Current						
Rupiah denominated loans	2015 – 2018	Unsecured	20,982	27,058	–	–
Rupiah denominated loans	2015 – 2021	Secured 1)	4,352,325	3,674,402	–	–
Rupiah denominated loans	2015 – 2019	Secured 3)	19,620	93,529	–	–
US Dollar denominated loans	2015 – 2016	Unsecured	933,000	914,175	933,000	914,175
US Dollar denominated loans	2015 – 2019	Secured 1)	503,820	387,611	–	–
Less: deferred charges on bank loans			(50,936)	(44,081)	(3,207)	(5,428)
Less: current portion			(710,670)	(747,730)	–	–
Non-current interest bearing loans and borrowings			**5,068,141**	**4,304,964**	**929,793**	**908,747**
Total non-current portion			**5,068,141**	**4,304,964**	**929,793**	**908,747**

1) *Corporate guarantees from PT SIMP in proportion to its equity ownership in the subsidiaries*
2) *Not secured by any specific assets of PT SIMP. However, all of 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*
3) *Secured by land rights under name of the plasma farmers as the members of rural cooperative units (Koperasi Unit Desa or the "KUD"), plasma plantations and infrastructures, and corporate guarantee from a subsidiary*

NOTES TO THE FINANCIAL STATEMENTS

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

Current loans and borrowings

Effective Interest Rates

The short-term loans denominated in Rupiah bear effective interest rates that are ranging from 8.00% to 11.15% (2013: 6.00% to 11.00%) per annum for the year ended 31 December 2014. The credit facilities denominated in US Dollar bear interest at annual rates ranging from 1.66% to 5.00% per annum (2013: 1.70% to 4.50% 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 thresholds; to sell or dispose off significant portion of their assets used in the operations; as well as granting/obtaining credit facilities to/from other parties which would affect their ability to perform their obligation under the related credit agreements. The subsidiaries are also required to maintain certain financial ratios.

Compliance with Loan Covenants

As at 31 December 2014 and 2013, 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.

Bonds and Sukuk Ijarah Payables

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 and Sukuk Ijarah payables are carried and presented in the consolidated statement of financial position at amortized cost using the effective interest for the Bonds at annual rate of 11.95% (2013: 11.95%) for the year ended 31 December 2014 and effective Return of Sukuk Ijarah (Cicilan Imbalan Sukuk Ijarah) at an annual rate of 11.96% (2013: 11.96%) for the same year.

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 at 31 December 2014 and 2013, PT SIMP has complied with the above-mentioned covenants as set forth in the Trustee Agreement. In November 2014, PT SIMP has fully repaid all of the above mentioned Bonds and *Sukuk Ijarah* Payables. The repayment was funded by a shareholder loan from the Company.

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For the financial year ended 31 December 2014

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

Non-current loans and borrowings

Effective Interest Rates

The long-term loans denominated in US Dollar and Rupiah bear effective interest rates that are ranging from 1.98% to 3.50% per annum and from 8.53% to 11.15% per annum, respectively, for the year ended 31 December 2014 (2013: 1.99% to 3.50% per annum and from 6.00% to 11.00% 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 thresholds; to change their legal status; to pay dividends exceeding 50% of the previous year net profit; as well as to obtain credit facilities from other parties which would affect their ability to perform their obligation under the related credit agreements. The subsidiaries are also required to maintain certain financial ratios.

Compliance with Loan Covenants

As of 31 December 2014 and 2013, 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.

Establishment of a S$500 million Euro Medium Term Note (the "MTN")

In September 2013, the Company established a 5-year S$500 million Euro Medium Term Note Programme. Under the Programme, the Company may from time to time issue notes (the "Notes") in series or tranches. Each series or tranche of Notes may be issued in any currency, in various amounts and tenors, and may bear interest at a fixed, floating, variable or hybrid rates (as applicable), as agreed between the Company and the relevant dealer(s).

As at 31 December 2014 and 2013, the Company has not issued any Notes under the programme.

27. OTHER NON-CURRENT PAYABLES

	Group	
	2014	**2013**
	Rp million	Rp million
Non-current:		
Financial liabilities		
Due to related parties	586,764	515,443
Others	3,495	16,560
Total amount due to related parties and other payables	590,259	532,003
Non-financial liabilities		
Provision for assets dismantling costs	25,199	22,633
Total provision and other liabilities	25,199	22,633
Total other non-current payables	615,458	554,636

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% – 10.5% (2013: 7.4% – 8.5%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

Provision for assets dismantling costs

Provision for assets dismantling costs represents estimated liabilities for the costs to dismantle, remove and restore the sites of refinery, fractionation and margarine plants located in Jakarta and Surabaya, Indonesia. Gain/(loss) arising from changes in estimates of provision for asset dismantling cases are presented as part of "Other Operating Income" and "Other Operating Expenses" accounts in the profit or loss, as shown in Note 6 and 7. The resulting outflows of economic benefits of this provision are expected to take place in 2016, 2021 and 2032.

The movement in provision for assets dismantling costs is:

	Note	Group 2014 Rp million	Group 2013 Rp million
Balance at 1 January		22,633	21,963
Addition during the year		–	8,034
Changes in present value due to the passage of time and changes in discount rates	6,7	2,566	(5,779)
Reversal of unused provision arising from changes in management's estimate	6	–	(1,585)
Balance at 31 December		25,199	22,633

28. EMPLOYEE BENEFITS

Certain subsidiaries of the Group have defined benefit retirement plans covering substantially all of their qualified permanent employees.

The Group's contributions to the funds are computed at 10.0% and 7.0% of the basic pensionable income for staff and non-staff employees, respectively. Total pension cost charged to operations in 2014 is Rp16.8 billion (2013: Rp17.4 billion).

On top of the benefits provided under the above-mentioned defined benefit retirement plans, the Group has also recorded additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to the qualified employees, as required under the labor law in Indonesia. The amounts of such additional provisions were determined based on actuarial computations prepared by an independent firm of actuaries using the "Projected Unit Credit" method.

	Note	Group 2014 Rp million	Group 2013 Rp million
Employee benefits expenses (including directors):			
Wages and salaries		1,278,468	1,123,638
Provision for employee benefits		278,317	200,717
Contribution to defined contribution pension plan		16,846	17,416
Training and education		43,799	39,312
	8	1,617,430	1,381,083

As at 31 December 2014, the balance of the related actuarial liability for employee benefits is presented as "Employee benefits liabilities" in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. EMPLOYEE BENEFITS (CONT'D)

Changes in the defined benefit obligations are as follows:

	Group	
	2014 Rp million	**2013** Rp million
Benefit obligation at 1 January	1,555,851	1,254,580
Benefits paid	(49,486)	(49,330)
Changes charged to profit or loss		
Current service cost	144,426	122,655
Past service cost	55	9,842
Interest cost on benefit obligations	140,027	75,275
Net actuarial losses/(gains) recognised during the year	3,169	(7,055)
Gains on curtailments and settlements	(9,360)	–
Sub-total	278,317	200,717
Re-measurement losses in other comprehensive income		
Actuarial changes arising from changes in financial assumptions	(6,576)	17,994
Experience adjustments	25,134	131,890
Sub-total	18,558	149,884
Benefit obligation at 31 December	1,803,240	1,555,851

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

Annual discount rate	:	8.0% (2013: 9.0%)
Future annual salary increase	:	9.0% (2013: 10.0%)
Annual employee turnover rate	:	6.0% (2013: 6.0%) for employees under the age of 30 years and linearly decrease until 0% at the age of 52 years
Disability rate	:	10% (2013: 10%) from mortality rate
Mortality rate reference	:	Indonesian Mortality Table ("IMT") 2011 (2013: IMT 2011)
Retirement age	:	55 years (2013: 55 years)

Sensitivity analysis to the principal assumptions used in determining employee benefits obligations are as follows:

	Quantitative Sensitivity Analysis	
Assumptions	**Increase/ (Decrease)**	**(Decrease)/Increase in the Net Employee Benefits Liability** Rp million
Annual discount rate	1%/(1%)	(137,131)/157,636
Future annual salary increase	1%/(1%)	176,756/(155,928)
Retirement age	1 year/(1 year)	(1,793)/1,967

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. EMPLOYEE BENEFITS (CONT'D)

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

	2014 Rp million	2013 Rp million
Within the next 12 months	42,594	56,442
Between 1 and 2 years	101,147	39,433
Between 2 and 5 years	643,583	565,555
Beyond 5 years	17,252,977	19,463,712
Total expected payments	18,040,301	20,125,142

The average duration of the defined benefit plan obligation at the end of the reporting period is 14.5 years (2013: 14.5 years).

29. SHARE CAPITAL AND TREASURY SHARES

(a) *Share capital*

	Group			
	2014		2013	
	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	1,447,782,830	3,584,279	1,447,782,830	3,584,279

	Company			
	2014		2013	
	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	1,447,782,830	10,912,411	1,447,782,830	10,912,411

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

(b) *Treasury shares*

	Company			
	2014		2013	
	No. of shares	Rp million	No. of shares	Rp million
Balance at 1 January	30,500,000	238,263	13,500,000	124,208
Acquired during the year	–	–	17,000,000	114,055
Balance at 31 December	30,500,000	238,263	30,500,000	238,263

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

In the prior financial year, the Company acquired 17,000,000 treasury shares in the share capital of the Company through purchases on the Singapore Exchange. The shares were purchased for Rp114.1 billion and is presented as a component within shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. RESERVES

(a) Revenue reserves

	Company 2014 Rp million	Company 2013 Rp million
Retained earnings:		
Balance at 1 January	642,630	504,155
Dividends	(67,798)	(95,594)
Profit for the year	125,412	234,069
Balance at 31 December	700,244	642,630

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

(b) Other reserves

	Company 2014 Rp million	Company 2013 Rp million
Other reserves:		
Balance at 1 January and 31 December	144,152	144,152

Other reserve of the Company pertains to the sale of treasury shares in previous financial years.

(c) Dividend

	Company 2014 Rp million	Company 2013 Rp million
Declared and paid during year:		
Dividends on ordinary shares:		
– Final tax exempt (one-tier) dividend for 2013: 0.52 Singapore cents (2012: 0.85 Singapore cents) per share	67,798	95,594
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 2014: 0.52 Singapore cents (2013: 0.52 Singapore cents) per share	69,440	70,957

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

31. COMMITMENTS AND CONTINGENCIES

(a) Plasma receivables

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

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

The loans advanced by the banks under the Plasma Scheme are secured by the sales proceeds of FFB of the respective plasma plantations and corporate guarantees from certain subsidiary companies for a maximum amount of Rp1,132.7 billion (2013: Rp1,063.8 billion) as at 31 December 2014.

The Group recorded an allowance for uncollectible plasma receivables in its consolidated balance sheet amounting to Rp160.9 billion (2013: Rp170.3 billion). Based on a review of the plasma receivables of each project as at 31 December 2014, 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	
	2014	**2013**
	Rp million	Rp million
At 1 January	170,356	189,245
Charge for the year	(9,273)	(13,085)
Write-off	(152)	(5,804)
At 31 December	160,931	170,356

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

		Group	
	Note	**2014**	**2013**
		Rp million	Rp million
Balance at 1 January		644,545	554,527
Allowance for uncollectible and loss arising from changes in amortised costs of plasma receivables		(45,711)	(72,035)
Additional net investment		68,459	168,641
Reclassifications		(41,695)	(6,588)
Balance at 31 December	21,23	625,598	644,545

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

31. COMMITMENTS AND CONTINGENCIES (CONT'D)

(b) *Operating lease commitments*

As Lessee

The Group has entered into commercial leases to lease land and buildings, equipment and transportation equipment. These non-cancellable operating leases have remaining lease terms from 1 to 3 years. Operating lease payments recognized in the statement of comprehensive income in 2014 amounted to Rp16.4 billion (2013: Rp9.2 billion).

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

	2014 Rp million	**2013** Rp million
Within one year	13,861	5,814
After one year but not more than five years	5,814	6,073
	19,675	11,887

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 2014 amounted to Rp9.5 billion (2013: Rp14.6 billion).

(c) *Contingent liabilities*

Dispute of PT LPI's HGU certificate

In May 2011, an individual filed a legal case against PT LPI for losses of Rp17.4 billion in respect of an area of approximately 143 hectares located at Campany Tiga village.

The Group has been advised by its legal counsel that it is not probable, that the legal action will succeed, and accordingly, no provision for liability has been made in the consolidated financial statements as at 31 December 2014.

(d) *Sales commitments*

As at 31 December 2014, the Group has sales commitments to deliver the following products to local and overseas customers within the next three months:

	2014 (Tonnes)	**2013** (Tonnes)
Crude palm oil	20,236	8,964
Palm kernel	4,977	10,428
Rubber	1,109	827
Tea	83	53
Cocoa	95	–
Total	26,500	20,272

As at 31 December 2014, Lonsum also has sales commitments to deliver 1,648,090 pieces (2013: 206,000) of oil palm seeds to third party domestic customers within one month after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

31. COMMITMENTS AND CONTINGENCIES (CONT'D)

(e) Commitments for capital expenditures

As of 31 December 2014, 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 Rp1,357.6 billion, US$17.0 million, EUR0.5 million, MYR0.3 million and JP¥ 40.2 million (2013: Rp1,253.7 billion, US$17.5 million, EUR0.5 million, MYR0.2 million and JP¥ 47.5 million).

32. RELATED PARTY TRANSACTIONS

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

Nature of transactions	**Year**	**A Shareholder of the Group** Rp million	**Related companies** Rp million	**Other related parties** Rp million
Sales of goods	2014	–	3,443,891	849,107
	2013	–	2,939,600	150,893
Purchases of packaging materials	2014	–	27,730	–
	2013	–	21,388	–
Purchases of services, transportation equipment and spare parts	2014	–	7,877	78,637
	2013	–	7,064	80,821
Royalty fee expenses	2014	5,556	–	–
	2013	6,577	–	–
Pump services expenses	2014	–	–	5,349
	2013	–	–	4,739
Rental expenses	2014	–	–	25,526
	2013	–	–	17,938
Freight services expenses	2014	–	2,548	–
	2013	–	–	–
Insurance expenses	2014	–	–	24,448
	2013	–	–	20,946
Other operating income	2014	–	4,967	–
	2013	–	3,249	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

32. RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel of the Group

	2014 Rp million	2013 Rp million
Salaries and short-term employee benefits	165,992	141,455
Termination benefits	3,540	1,570
Post-employment benefits	11,767	18,730
Total compensation paid to the key management personnel	181,299	161,755
Comprise amounts paid to:		
– Directors of the Company	65,878	51,383
– Other key management personnel	115,421	110,372
	181,299	161,755

33. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group measures non-financial assets, such as biological assets, at fair value at each reporting date.

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

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

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

– Level 3 – Unobservable inputs for the asset or liability.

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

The following table provides the fair value hierarchy of the Group's assets and liabilities in accordance with the level of inputs to valuation techniques used to measure fair value:

	Quoted prices in active markets for identical assets (Level 1) Rp million	**Significant other observable inputs (Level 2)** Rp million	**Significant unobservable inputs (Level 3)** Rp million
As at 31 December 2014			
<u>*Recurring fair value measurements*</u>			
Biological assets (Note 13)	–	–	15,060,646
As at 31 December 2013			
<u>*Recurring fair value measurements*</u>			
Biological assets (Note 13)	–	–	13,893,246

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

(a) Fair value hierarchy (cont'd)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

(b) Valuation policy

The Group's subsidiary company, PT SIMP's financial reporting team in charge of valuation ("Valuation Team") determines the policies and procedures for recurring fair value measurement, such as biological assets and fair value (less costs of disposal) of CGUs (for goodwill impairment test purpose).

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

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

The Valuation Team, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable. On an interim basis, the Valuation Team and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations as well as the integrity of the model and reasonableness of the key inputs.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

(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 2014, had the interest rates of the loans and borrowings been 50 basis points higher/lower (2013: 50 basis points higher/lower) with all other variables held constant, profit before tax for the year ended 31 December 2014 would have been Rp5.8 billion (2013: Rp4.2 billion) lower/higher accordingly, mainly as a result of higher/lower interest charge on the loans and borrowings with floating interest rates.

(b) Foreign currency risk

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

The Group does not have any formal hedging policy for foreign exchange exposure. Whenever possible, the Group seeks to maintain a natural hedge through the matching of liabilities against assets in the same currency to minimise foreign exchange exposure.

As at 31 December 2014, had the exchange rate of Rupiah against US Dollar depreciated/appreciated by 10% (2013: 10%) with all other variables held constant, profit before tax for the year ended 31 December 2014 would have been Rp166.7 billion (2013: Rp190.4 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.

NOTES TO THE FINANCIAL STATEMENTS

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

(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).

During 2014 and 2013, 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).

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

(d) Credit risk (cont'd)

Plasma Receivables

As disclosed in Notes 2.9 and 31(a), plasma receivables represent costs incurred for plasma plantation development which include costs for plasma plantations funded by the banks and temporarily self funded by the subsidiaries awaiting banks' funding.

Plasma receivables also include advances to plasma farmers for topping up loan instalments to the banks, advances for fertilisers and other agriculture supplies. These advances shall be reimbursed by the plasma farmers and the collateral in form of titles of ownership of the plasma plantations will be handed over to the plasma farmers once the plasma receivables have been fully repaid.

The Group through partnership scheme also provides technical assistance to the plasma farmers to maintain the productivity of plasma plantations as part of the Group's strategy to strengthen relationship with plasma farmers which is expected to improve the repayments of plasma receivables.

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

(e) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities at the end of reporting period based on contractual undiscounted repayment obligations:

	One year or less Rp million	**One to five years** Rp million	**More than 5 years** Rp million	**Total** Rp million
Group				
As at 31 December 2014				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	20,122	5,558,961	587,054	6,166,137
Other payables (non-current)	32,379	619,232	–	651,611
Trade and other payables and accruals	1,863,571	–	–	1,863,571
Bonds and Sukuk Ijarah payables	5,393,389	–	–	5,393,389
Total undiscounted financial liabilities	7,309,461	6,178,193	587,054	14,074,708
As at 31 December 2013				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	17,712	4,498,894	642,083	5,158,689
Other payables (non-current)	24,400	569,755	–	594,155
Trade and other payables and accruals	1,716,990	–	–	1,716,990
Current interest-bearing loans and borrowings	4,277,710	–	–	4,277,710
Bonds and Sukuk Ijarah payables	807,958	–	–	807,958
Total undiscounted financial liabilities	6,844,770	5,068,649	642,083	12,555,502

Undiscounted loans and borrowings with floating rates had been determined with reference to the applicable rates as at balance sheet dates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

34. 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 2014				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	20,122	939,854	–	959,976
Trade and other payables and accruals	14,272	–	–	14,272
Total undiscounted financial liabilities	34,394	939,854	–	974,248
As at 31 December 2013				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	17,712	935,315	–	953,027
Trade and other payables and accruals	15,729	–	–	15,729
Total undiscounted financial liabilities	33,441	935,315	–	968,756

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and 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 2014 and 2013. Additionally, certain subsidiary companies in Indonesia are required by the Corporate Law to maintain a non-distributable reserve until it reaches 20% of the issued and paid share capital. This externally imposed capital requirement will be complied by the relevant subsidiary companies by their next annual general meeting.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

35. CAPITAL MANAGEMENT (CONT'D)

The Group monitors capital using gearing ratios, by dividing net loans and borrowings with total equity. The Group's policy is to keep the gearing ratio within the range of gearing ratios of leading companies in similar industry in Indonesia in order to secure access to finance at a reasonable cost.

	2014 Rp million	**2013** Rp million
Non-current interest-bearing loans and borrowings	5,068,141	4,304,964
Current interest-bearing loans and borrowings and bonds and Sukuk Ijarah payables	4,749,195	4,489,762
	9,817,336	8,794,726
Less: Cash and cash equivalents	(3,585,780)	(3,802,920)
Net debts	6,231,556	4,991,806
Total equity	23,717,152	22,833,234
Gearing ratio	26%	22%

36. 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, tea plantations and industrial timber plantations (Hutan Tanaman Industri or "HTI").

Edible oils and fats segment

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income), foreign exchange gains/losses and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between business segments are based on terms agreed between the parties. Segment revenues, segment expenses and segment results include transfers between business segments. Those transfers are eliminated for purposes of consolidation.

Others/eliminations for segment assets and liabilities relates primarily to eliminations between inter-segment receivables and payable, and the Company's asset and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. SEGMENT INFORMATION (CONT'D)

The following table presents revenue and profit and certain asset and liability information regarding the Group's business segments:

Business segments

	Plantations Rp million	Edible Oils and Fats Rp million	Others/ eliminations Rp million	Total Rp million
Year ended 31 December 2014				
Revenue				
Sales to external customers	5,149,364	9,813,363	–	14,962,727
Inter-segment sales	5,128,167	21,285	(5,149,452)	–
Total sales	10,277,531	9,834,648	(5,149,452)	14,962,727
Share of results of associate companies	(112,026)	–	(37,857)	(149,883)
Segment results	2,599,979	100,667	96,033	2,796,679
Net finance costs				(528,899)
Foreign exchange gain				(110,531)
Profit before tax				2,007,366
Income tax expense				(679,207)
Net profit for the year				1,328,159
Assets and liabilities				
Segment assets	31,470,666	3,293,934	603,646	35,368,246
Goodwill	3,253,637	–	–	3,253,637
Prepaid taxes				231,179
Deferred tax assets				1,152,977
Claims for tax refund				148,545
Total assets				40,154,584
Segment liabilities	3,244,437	2,105,572	(1,465,312)	3,884,697
Unallocated liabilities				10,409,428
Deferred tax liabilities				1,999,124
Income tax payable				144,183
Total liabilities				16,437,432
Other segment information:				
Investment in associate companies	80,677	–	335,783	416,460
Capital expenditure	3,084,078	94,036	–	3,178,114
Depreciation and amortisation	697,596	112,095	3,696	813,387
Gain from changes in fair value of biological assets	59,592	–	–	59,592
Provision for employee benefits	235,328	42,989	–	278,317

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

	Plantations Rp million	Edible Oils and Fats Rp million	Others/ eliminations Rp million	Total Rp million
Year ended 31 December 2013				
Revenue				
Sales to external customers	4,661,754	8,618,024	–	13,279,778
Inter-segment sales	3,788,488	9,069	(3,797,557)	–
Total sales	8,450,242	8,627,093	(3,797,557)	13,279,778
Share of results of associate companies	(70,063)	–	–	(70,063)
Segment results	1,741,479	283,831	(62,446)	1,962,864
Net finance costs				(353,727)
Foreign exchange gain				(200,642)
Profit before tax				1,338,432
Income tax expense				(417,240)
Net profit for the year				921,192
Assets and liabilities				
Segment assets	28,535,149	3,676,534	912,342	33,124,025
Goodwill	3,247,532	–	–	3,247,532
Prepaid taxes				134,074
Deferred tax assets				962,678
Claims for tax refund				236,529
Total assets				37,704,838
Segment liabilities	2,902,111	2,403,621	(1,789,396)	3,516,336
Unallocated liabilities				9,326,123
Deferred tax liabilities				1,951,802
Income tax payable				77,343
Total liabilities				14,871,604
Other segment information:				
Investment in associate companies	189,400	–	209,460	398,860
Capital expenditure	3,150,541	41,838	–	3,192,379
Depreciation and amortisation	671,070	108,273	3,648	782,991
Gain from changes in fair value of biological assets	61,546	–	–	61,546
Provision for employee benefits	155,757	44,960	–	200,717

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. SEGMENT INFORMATION (CONT'D)

Geographical segments

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

	2014 Rp million	2013 Rp million
Region		
Indonesia	13,441,849	11,658,961
Singapore	500,122	298,058
China	346,757	268,061
Nigeria	159,255	138,022
Malaysia	89,559	17,544
Philippines	83,729	36,426
Timor Leste	67,270	57,814
United Kingdom	47,455	95,932
Netherlands	40,024	263,094
United States of America	37,758	87,610
South Korea	–	33,734
Spain	–	41,137
Others (each below Rp50.0 billion)	148,949	283,385
Segment revenue	14,962,727	13,279,778

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

37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 10 March 2015.

INTERESTED PERSON TRANSACTIONS

Interested person transactions ("IPT') carried out during the financial year ended 31 December 2014 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 Interested person transactions (excluding transactions less than S$100,000) Rp 'billion	USD 'million
PT Indofood Sukses Makmur Tbk Group		
• Rental Income	1	–
• Sales of cooking oil, margarine and others	3,448	–
• Purchase of goods and services	38	–
Salim Group and its associates		
• Sales of cooking oil, seeds and material	926	–
• Purchases of goods and services	924	–
• Shareholder loans	1,079	57
• Corporate guarantees	3,197	26

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	PT 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	PT Cibaliung Tunggal Plantations	Cibaliung	Rokan Hilir	Riau	Oil Palm Estate
3	PT 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	PT Indriplant	Napal	Indragiri Hulu	Riau	Oil Palm Estate
5	PT Serikat Putra	Lubuk Raja	Pelalawan	Riau	Oil Palm Estate
		Bukit Raja	Pelalawan	Riau	Oil Palm Estate
6	PT 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	PT Swadaya Bhakti Negaramas	Pulai Gading	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Muara Medak	Musi Banyuasin	South Sumatra	Oil Palm Estate
8	PT Sarana Inti Pratama	Lindai	Kampar	Riau	Oil Palm Estate (Breeding)
9	PT Citranusa Intisawit	Kedukul	Sanggau	West Kalimantan	Oil Palm Estate
10	PT Kebun Ganda Prima	Kembayan	Sanggau	West Kalimantan	Oil Palm Estate
11	PT Riau Agrotama Plantation	Nanga Silat	Kapuas Hulu	West Kalimantan	Oil Palm Estate
		Kapuas	Kapuas Hulu	West Kalimantan	Oil Palm Estate
12	PT Citra Kalbar Sarana	Sepauk	Sintang	West Kalimantan	Oil Palm Estate
13	PT Jake Sarana	Sekubang	Sintang	West Kalimantan	Oil Palm Estate
14	PT Agrosubur Permai	Manis	Kapuas	Central Kalimantan	Oil Palm Estate
15	PT Kebun Mandiri Sejahtera	Mariangau	Pasir Utara	East Kalimantan	Oil Palm Estate
		Penajam	Pasir Utara	East Kalimantan	Rubber Estate
16	PT 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	PT 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	PT Mitra Intisejati Plantation	Bengkayang	Sambas	West Kalimantan	Oil Palm Estate
19	PT Hijaupertiwi Indah Plantations	Lupak Dalam	Kapuas	Central Kalimantan	Oil Palm Estate
		Bunga Tanjung	Kapuas	Central Kalimantan	Oil Palm Estate
		Kuala Kapuas	Kapuas	Central Kalimantan	Oil Palm Estate
20	PT Cangkul Bumisubur	Bumi Subur	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Bukit Indah	Musi Banyuasin	South Sumatra	Oil Palm Estate
21	PT Pelangi Intipertiwi	Mancang	Musi Banyuasin	South Sumatra	Oil Palm Estate
22	PT Intimegah Bestari Pertiwi	Sungai Ampalau	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Megah Abadi	Musi Banyuasin	South Sumatra	Oil Palm Estate

ESTATE LOCATIONS

No.	Company	Estate Name	District	Province	Description
23	PT 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 Utara	South Sumatra	Oil Palm Estate
		Sei Lakitan	Musi Rawas & Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Sei Gemang	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Gunung Bais	Musi Rawas	South Sumatra	Oil Palm Estate
		Sei Kepayang	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Ketapat Bening	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Belani Elok	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Batu Cemerlang	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Bukit Hijau	Musi Rawas Utara	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	PT Lajuperdana Indah	Komering Sugar	Ogan Komering Ulu Timur	South Sumatra	Sugar Cane
25	PT Madusari Lampung Indah	Madusari	Ogan Komering Ulu Timur	South Sumatra	Sugar Cane

STATISTICS OF SHAREHOLDINGS

As at 13 March 2015

Number of Issued Shares	:	1,447,782,830
Number of Issued Shares (excluding Treasury Shares)	:	1,414,282,830 ordinary shares
Number/Percentage of Treasury Shares	:	33,500,000 (2.31%)
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	16	0.19	304	0.00
100 – 1,000	742	8.86	503,997	0.04
1,000 – 10,000	4,937	58.97	29,182,555	2.06
10,001 – 1,000,000	2,653	31.69	113,022,079	7.99
1,000,001 and above	24	0.29	1,271,573,895	89.91
TOTAL	**8,372**	**100.00**	**1,414,282,830**	**100.00**

* Based on total number of issued shares, excluding 33,500,000 shares held in treasury. The 3,000,000 shares which the Company bought back during the period from 11 – 13 March 2015 were not reflected in the above shareholding list.

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of shares	% **
1	UOB KAY HIAN PRIVATE LIMITED	1,029,211,330	72.77
2	CITIBANK NOMINEES SINGAPORE PTE LTD	50,932,028	3.60
3	HSBC (SINGAPORE) NOMINEES PTE LTD	36,080,793	2.55
4	DBS NOMINEES (PRIVATE) LIMITED	35,864,919	2.54
5	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	28,608,320	2.02
6	RAFFLES NOMINEES (PTE) LIMITED	22,990,526	1.63
7	OCBC SECURITIES PRIVATE LIMITED	7,348,215	0.52
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	7,080,750	0.50
9	DBSN SERVICES PTE. LTD.	5,986,138	0.42
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,598,800	0.40
11	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	5,530,916	0.39
12	DB NOMINEES (SINGAPORE) PTE LTD	4,419,819	0.31
13	NOMURA SINGAPORE LIMITED	4,325,000	0.31
14	CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,239,001	0.30
15	PHILLIP SECURITIES PTE LTD	3,141,990	0.22
16	SCS TRUST PTE LTD	3,000,000	0.21
17	BANK OF SINGAPORE NOMINEES PTE. LTD.	2,973,905	0.21
18	CITIBANK CONSUMER NOMINEES PTE LTD	2,746,700	0.19
19	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	2,647,845	0.19
20	HEMSACK DEVELOPMENTS LIMITED	2,550,000	0.18
TOTAL		**1,265,276,995**	**89.46**

** Percentage is calculated based on total number of issued shares, excluding 33,500,000 shares held in treasury. The 3,000,000 shares which the Company bought back during the period from 11 – 13 March 2015 were not reflected in the above shareholding list.

STATISTICS OF SHAREHOLDINGS

As at 13 March 2015

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	70.73	–	–
PT Indofood Sukses Makmur Tbk ("**PT ISM**") (1)	20,000,000	1.42	998,200,000	70.73
CAB Holdings Limited ("**CAB**") (2)	–	–	1,018,200,000	72.15
First Pacific Company Limited ("**First Pacific**") (3)	–	–	1,018,200,000	72.15
First Pacific Investments Limited ("**FPIL**") (4)	1,125,344	0.08	1,018,200,000	72.15
First Pacific Investments (B.V.I.) Limited ("**FPIL BVI**") (4)	882,444	0.06	1,018,200,000	72.15
Salerni International Limited ("**Salerni**") (5)	–	–	1,020,207,788	72.29
Anthoni Salim(6)	–	–	1,020,207,788	72.29

Notes:

** Percentage is calculated based on total number of issued shares, excluding 36,500,000 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 13 March 2015, approximately 27.68% 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 Raffles City Convention Centre, Atrium Ballroom (Level 4), 80 Bras Basah Road, Singapore 189560, on Wednesday, 29 April 2015 at 3.00 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 2014 and the Auditors' Report thereon. [Resolution 1]

2. To declare a first and final tax-exempt (one-tier) dividend of 0.52 Singapore cents per share for the year ended 31 December 2014 (2013: 0.52 Singapore cents per share). [Resolution 2]

3. To approve the Directors' Fees of S$345,000 (2013: S$345,000) for the year ended 31 December 2014. [Resolution 3]

4a. To re-elect Mr Hendra Susanto, the Director who retires under Article 117 of the Company's Articles of Association. [Resolution 4a]

4b. To re-elect Mr Mark Julian Wakeford, the Director who retires under Article 117 of the Company's Articles of Association. [Resolution 4b]

4c. To re-elect Mr Tjhie Tje Fie, the Director who retires under Article 117 of the Company's Articles of Association. [Resolution 4c]

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

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following Resolutions Nos. 6 to 8 as Ordinary Resolutions:

6. That authority be and is hereby given to the directors of the Company to:

(i) (aa) issue shares in the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

(bb) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may, in their absolute discretion, deem fit; and

(ii) issue Shares in pursuance of any Instrument made or granted by the directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution),

Provided that:

(iii) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 50% of the total number of issued Shares (as calculated in accordance with paragraph (iv) below), and provided further that where shareholders of the Company ("Shareholders") are not given the opportunity to participate in the same on a pro-rata basis ("non pro-rata basis"), then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20% of the total number of issued Shares (as calculated in accordance with paragraph (iv) below);

NOTICE OF ANNUAL GENERAL MEETING

(iv) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "SGX-ST")) for the purpose of determining the aggregate number of the Shares that may be issued under paragraph (iii) above, the total number of issued Shares shall be based on the total number of issued Shares of the Company (excluding treasury shares) at the time such authority was conferred, after adjusting for:

(aa) new Shares arising from the conversion or exercise of any convertible securities;

(bb) new Shares arising from exercising share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and

(cc) any subsequent bonus issue, consolidation or subdivision of the Shares;

and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument; and

(v) (unless revoked or varied by the Company in general meeting), the authority so conferred shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier. [Resolution 6]

7. The proposed renewal of the shareholders' mandate on Interested Person Transactions

That approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies (if any) that are entities at risk (as the term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions set out in the Company's Addendum to Shareholders dated 10 April 2015 (being an addendum to the Annual Report of the Company for the financial year ended 31 December 2014) (the "Addendum") with any party who is of the class of Interested Persons described in the Addendum provided that such transactions are made at arm's length, on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders and are in accordance with the review procedures for such Interested Person Transactions as set out in the Addendum (the "Shareholders' Mandate");

That the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier;

That the Audit & Risk Management Committee of the Company be and is hereby 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 7]

8. The proposed renewal of the Share Purchase Mandate

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the Companies Act"), the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares in the Company (the "Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the 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**");

NOTICE OF ANNUAL GENERAL MEETING

(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 SGX-ST's Quest-ST system as shown in any publication of the SGX-ST or other sources;

"**date of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

(d) the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution. [Resolution 8]

9. To transact any other routine business.

By Order of the Board

MAK MEI YOOK
LEE SIEW JEE, JENNIFER
Company Secretaries

Singapore
10 April 2015

NOTICE OF ANNUAL GENERAL MEETING

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 Hendra Susanto is an Independent Director and he is also member of the Audit & Risk Management Committee and the Nominating Committee. He will, upon re-election, continue to serve as a member of the Audit & Risk Management and the Nominating Committees.

EXPLANATORY NOTE TO RESOLUTION 4b:
Mr Mark Julian Wakeford is an Executive Director and the Chief Executive Officer ("CEO") of the Company. He will, upon re-election, continue to serve as a member of the Board and CEO.

EXPLANATORY NOTE TO RESOLUTION 4c:
Mr Tjhie Tje Fie is a Non-Executive Director. He is also a member of the Remuneration Committee and Nominating Committee. He will, upon re-election, continue to serve as Non-Executive Director and members of the Remuneration and Nominating Committees.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:
The ordinary resolution proposed in item (6) above if passed will empower the directors of the Company from the date of the above Meeting until the next Annual General Meeting, to issue shares and convertible securities in the Company up to an amount not exceeding in total 50 per centum of the total number of issued shares in the capital of the Company calculated on the basis set out in the said resolution. For issues of shares and convertible securities other than on a pro rata basis to all Shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 20 per centum of the total number of issued shares in the capital of the Company calculated on the basis set out in the said resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Shareholders should note that presently, the controlling shareholders of the Company include First Pacific Company Limited and PT Indofood Sukses Makmur Tbk, are listed on the Hong Kong Stock Exchange Limited and the Indonesia Stock Exchange (Bursa Efek Indonesia), respectively. Prior to any exercise of the authority conferred upon them by the ordinary resolution in item (6) above, the directors of the Company intend to take into account, inter alia, any approval that may be required from any such controlling shareholders and/or their respective shareholders and/or from such stock exchanges.

For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the offering documents for the issue of shares and Instruments pursuant to such authority may NOT be despatched to Shareholders with registered addresses outside Singapore as at the applicable books closure date and who have not, by the stipulated period prior to the books closure date, provided to The Central Depository (Pte) Limited or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents.

The ordinary resolution proposed in item (7) above if passed will empower the directors of the Company to enter into Interested Person Transactions approved by the Shareholders' Mandate. Such authority will, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company and Shareholders' approval will be sought for its renewal at every Annual General Meeting of the Company.

The ordinary resolution proposed in item (8) above if passed will empower the directors of the Company to make purchases (whether by way of market purchases or off-market purchases on an equal access scheme) from time to time of up to 10 per centum of the total number of issued Shares as at the date of the above Meeting at the price up to but not exceeding the Maximum Price (as defined in the Resolution). The rationale for the Share Purchase Mandate, the source of funds to be used for the Share Purchase Mandate, the impact of the Share Purchase Mandate on the Company's financial position, the implications arising as a result of the Share Purchase Mandate under The Singapore Code on Take-overs and Mergers and on the listing of the Company's Shares on the SGX-ST, as well as the number of Shares purchased by the Company in the previous twelve months are set out in the Addendum.

NOTICE OF 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 08 May 2015 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. 08 May 2015 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 08 May 2015 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the AGM to be held on 29 April 2015, will be made on 20 May 2015.

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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 Wednesday, 29 April 2015 at 3.00 p.m., and at any adjournment thereof.

The proxy is required to vote as indicated with an "X" on the resolutions set out in the Notice of Meeting and summarised below. If no specific direction as to voting is given, the proxy/proxies may vote or abstain at his discretion.

No.	Resolution	For	Against
1.	To receive and adopt the Directors' Report and Accounts for the year ended 31 December 2014.		
2.	To declare a first and final tax-exempt (one-tier) dividend of 0.52 Singapore cents per share for the year ended 31 December 2014 (2013: 0.52 Singapore cents per share).		
3.	To approve the Directors' Fees of S$345,000/- (2013: S$345,000/-) for the year ended 31 December 2014.		
4a.	To re-elect Mr Hendra Susanto, the Director who retires under Article 117 of the Company's Articles of Association.		
4b.	To re-elect Mr Mark Julian Wakeford, the Director who retires under Article 117 of the Company's Articles of Association.		
4c.	To re-elect Mr Tjhie Tje Fie, the Director who retires under Article 117 of the Company's Articles of Association.		
5.	To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.		
6.	To approve the general mandate for issues of shares.		
7.	To renew the Shareholders' Mandate on Interested Person Transactions.		
8.	To renew the Share Purchase Mandate.		

Signed this ____________ day of ________________ 2015

____
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. 7. 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.

INDOFOOD 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