IndoAgri

CAPTURING VALUE THROUGH INTEGRATION

ANNUAL REPORT 2019

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 (R&D), seed breeding, oil palm cultivation and milling; as well as the production and marketing of cooking oil, shortening and margarine. Headquartered in Singapore, 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.

OUR VISION

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

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**.

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.

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

To 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.

CONTENTS

OUR MILESTONES

2007

- Completed a reverse takeover and listed on the SGX-ST
- Acquired plantation land in South Sumatra and Kalimantan
- Acquired a 58.8% stake in PT PP London Sumatra Indonesia Tbk (Lonsum)

2008

- Diversified into sugar business via 60% stake in PT Laju Perdana Indah (PT LPI)
- Acquired plantation land in South Sumatra and Central Kalimantan

2009

- Acquired plantation land in South Sumatra

2010

- Divested an 8% stake in Lonsum, of which 3.1% was sold PT Salim Ivomas Pratama Tbk (PT SIMP)

2011

- Listed PT SIMP on the IDX

2012

- Acquired a 26.4% stake in Heliae, a development stage algae technology solutions company

2013

- Acquired a 79.7% interest in PT Mentari Pertiwi Makmur (PT MPM), an industrial timber plantation company
- Acquired a 50% stake in Companhia Mineira de Açúcar e Álcool Participações (CMAA), a sugar and ethanol company in Brazil
- Formed a 30:70 JV, FP Natural Resources Limited (FPNRL), to invest 34% in Roxas Holdings Inc. (RHI), an integrated sugar business in the Philippines
- Achieved Indonesia Sustainable Palm Oil (ISPO)-certified CPO of 45,000 tonnes

- Commenced operations at the newly completed chocolate factory
- Received a voluntary conditional cash offer from PT ISM, for all of IndoAgri's issued and paid-up ordinary shares, which lapsed on 25 June
- Increased ISPO-certified CPO to 503,000 tonnes

2019

- Formed a 50:50 JV, Canápolis Holding S.A. (Canápolis), to acquire a second sugar and ethanol mill in Brazil
- Issued new CMAA shares to acquire Vale do Pontal Açúcar e Álcool Ltda (UVP), which operates a sugar and ethanol mill in Brazil. As a result, CMAA became a 35:35:30 JV held by IndoAgri, JF Investimentos S.A. and JFLIM Participações S/A, respectively
- Increased ISPO-certified to 458,000 tonnes

2018

- Celebrated IndoAgri's 10th anniversary
- Formed a 49:51 JV, PT IndoAgri Daitocacao, to manufacture and market industrial chocolate products in Indonesia
- Increased ISPO-certified CPO to 389,000 tonnes

2017

- Formed a 40:60 JV, PT Prima Sarana Mustika (PT PSM), engaging in road construction and the leasing of heavy equipment
- Expanded sugar business via the acquisition of PT Madusari Lampung Indah (PT MLI)

2014

- Increased ISPO-certified CPO to 180,000 tonnes

2015

- Acquired PT Pasir Luhur, a tea plantation company
- Increased ISPO-certified CPO to 255,000 tonnes

2016

GEOGRAPHICAL PRESENCE

INDONESIA

Palm Oil Mills		CPO Refineries		Sugar Mills/Refineries	
Number of Mills	Capacity	Number of Refineries	Capacity	Number of Mills & Refineries	Capacity
27	7.0M Tonnes FFB Per Year	5	1.7M Tonnes CPO Per Year	2	2.2M Tonnes Cane Crushing Per Year

Philippines

IndoAgri has 30% interest in FPNRL, which in turn holds 62.9% interest in RHI, the largest integrated sugar business in the Philippines.

Indonesia

IndoAgri owns strategically located estates and production facilities across Indonesia. The Group's planted area occupies 302,372 hectares. Oil palm is the dominant crop, followed by sugar cane, rubber and other crops. Our plantations are largely located in Sumatra and Kalimantan, while our refineries are mainly sited at major cities including Jakarta, Medan, Surabaya and Bitung.

Planted Area (Ha)

Oil Palm	Sugar Cane	Rubber	Other crops
251,819	13,543	16,796	20,214

BRAZIL

Sugar and Ethanol Mills

Number of Mills	Capacity
3	8.8M Tonnes Cane Crushing Per Year

Brazil

IndoAgri has 35% interest in CMAA and 50% interest in Canápolis, which together, operate three sugar and ethanol mills.

CMAA Planted Area (Ha)
Sugar Cane
85,968

CORPORATE STRUCTURE

(AS AT 31 DECEMBER 2019)

IndoAgri

- 73.5% SIMP
  - 59.5% LONSUM
- 35.0% CMAA
- 50.0% USINA CANÁPOLIS

Notes:

- IndoAgri is 69.5% effectively owned by PT Indofood Sukses Makmur Tbk (PT ISM)
- Shareholding percentage is calculated based on total number of issued shares (excluding treasure shares of the Company)

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board, it is my pleasure to present the report on IndoAgri's performance for 2019. It has been a year of mixed developments. Persistent oversupply and depressed demand weighed down on CPO prices throughout most part of the year. It was only in the last quarter of the year that we saw the prospect of prices picking up again. In comparison, our edible oils and fats division had performed better with higher sales and revenue.

In Indonesia, the rupiah had stayed relatively stable, with subdued crude oil prices acting as a dampener on inflation as it did in 2018. To stimulate the economy and employment, the government increased spending on infrastructural and social projects. This was further supported by the Indonesian central bank reducing interest rates to spur economic growth.

Our vertically integrated agribusiness model remained resilient amidst the geopolitical and economic turbulence caused by the US-China trade tension. Upstream, we focused on reducing costs as we continued planting and replanting. Downstream, we seized the opportunity to innovate and fine-tune our strategy to stay competitive and expand market share. IndoAgri grew steadily, through continual R&D, innovation and productivity. Our timely investments in strategic assets and capabilities in Indonesia and Brazil began to bear fruit.

Weak commodity prices in 2019 made it a testing year for agribusiness. CPO prices *(CIF Rotterdam)* fell to a 10-year low and stayed relatively flat in the first nine months at USD535 per tonne before moving by 27% to end at USD682 per tonne in the last quarter of the year. The palm oil sector benefitted from Indonesia's biodiesel policy. The mandated mix of B20 was elevated to B30 in January 2020. This might underpin domestic CPO prices. On a full year basis, CPO prices *(CIF Rotterdam)* remained lower at USD572 per tonne in FY2019 compared to USD601 per tonne in FY2018.

Minimum wage in Indonesia went up by around 8% in 2019. As our palm oil plantations are labour-intensive operations, we sought ways to improve cost efficiency, such as implementing cost control measures, and increasing mechanisation to reduce man-efforts to mitigate the effects of wage inflation.

As for sugar, the global sugar glut triggered by India's excessive production in 2019 resulted in lower sugar prices. It is expected to stay suppressed until the excess stock globally has been depleted. To ease the impact, our CMAA mills in Brazil leveraged the higher ethanol prices and maximised ethanol production. Overall, our mills in UVT and UVP achieved another impressive year of sugar production. Canápolis, our third mill, was undergoing refurbishment and would be operational by April 2020. The CMAA cluster in Minas Gerais will provide operational synergies and strengthen our position in sugar and ethanol production in Brazil.

We are strongly committed to sustainable production. Details of our sustainability efforts can be found in our 8th Annual Sustainability Report, which is produced in conjunction with this Annual report. We will ensure all oil palm plantations and mills are certified to the mandatory Indonesian Sustainable Palm Oil (ISPO) scheme. In 2019, we achieved 503,000 tonnes or 71% ISPO certification. Our goal is to have 100% ISPO-certification by 2023.

We are deeply concerned of the impacts that forest fires and smoke could have on the health of people and the local ecology. We have acted quickly and implemented effective fire safety measures in our estates. To prevent fires from spreading, our fire-fighting team provided assistance to neighbouring estates and villages in the year.

The economic downcycle, exacerbated by the recent COVID-19 outbreak, is expected to continue into 2020. Repercussions from the US-China rivalry has also disrupted the global supply chain, perhaps irreparably. The silver lining might be the emerging markets in Southeast Asia, like Indonesia, which are expected to drive future economic growth.

Urbanisation, improving standards of living and consumer expectations will boost demand for better quality food products. In this regard, Indonesia offers vast opportunities for IndoAgri. The Board and Management will spare no efforts in maintaining good corporate governance and organisational excellence. We are committed to lead IndoAgri for the benefits of all stakeholders: customers, shareholders, employees and communities we worked in.

I will like to express my heartfelt thanks to my fellow directors, the management team and all our employees for their invaluable service to the company. Your dedication has made a real difference to IndoAgri. Our gratitude and appreciation to our shareholders for their unstinting support and confidence in us.

Edward Lee
Chairman

CEO'S STATEMENT

DEAR SHAREHOLDERS,

IndoAgri's stature as one of the largest plantation companies in Indonesia has served us well in 2019. As a diversified and vertically integrated agribusiness group, we have sufficient scale to keep our operating costs low while deriving management, logistical and other efficiencies. We are also able to ride on our well-established downstream products to capitalise on a high-growth market with one of the world's largest populations. Likewise, our vertical integration had bolstered our efforts to strengthen profitability and achieve volume growth amidst 2019's low commodity prices. We have chosen ***"Capturing Value Through Integration"*** as the theme of this year's annual report to underscore the resilience of our business model across market cycles.

A CHALLENGING YEAR

2019 was a very challenging year for agribusinesses as the prices of key commodities continued to weaken. This had a major impact on our financial performance. CPO prices in Indonesia fell to a 10-year low in July and averaged 16% below 2018 prices for the first nine months of 2019. In the last quarter of 2019, CPO prices finally reacted to the tightening supply situation, as well as the increased demand driven by Indonesia's B30 mandate effective January 2020. CPO prices were also supported by higher Chinese demand for palm oil due to the ongoing US-China trade dispute in 2019, and the swine flu outbreak in China where more than half of the pig livestock had to be culled. As the demand for soybean pig feed fell, there was less soybean oil produced as a by-product, and China's demand for CPO grew by about a million tonnes. By the end of 2019, CPO prices *(KPB Dumai)* had settled at Rp9,998/kg, a 67% increase over the low of Rp6,000/kg in July. World CPO prices ended at an average of USD786 per tonne in December 2019, a 45% increase from USD541 per tonne in January 2019.

In India, continued government subsidies to domestic sugar farmers produced a second consecutive bumper crop in 2019, adding to the global sugar glut. Resultingly, global sugar prices remained low throughout the year, with NY No.11 raw sugar prices ending marginally higher at 13.3 US cents per pound in 2019, compared to 12 US cents per pound in the previous year. In response, our sugar operations in Brazil continued to capitalise on higher domestic ethanol prices for the third consecutive year, increasing ethanol production to 60% and reducing sugar production to 40% for the year.

The convergence of these events took a heavy toll on our financial performance in 2019. Despite higher sales volume of palm, sugar and edible oils and fats (EOF) products, the Group reported a net loss after tax of Rp710 billion in 2019. This was mainly due to lower selling prices, with CPO and palm kernel prices declining 3% and 39% respectively over last year, partially offset by higher profit contribution from the EOF Division on higher sales volume and lower raw material costs.

The Group's FFB nucleus and CPO production contracted by 2% and 9% year-on-year to 3,300,000 tonnes and 840,000 tonnes respectively, partly driven by increased replanting and lower production from smallholders. Rubber production fell by 14% to 8,200 tonnes due to the ageing of trees and conversion of one of our rubber areas to oil palm.

In South Sumatra and Central Java, the Group harvested 804,000 tonnes of sugar cane to produce 67,000 tonnes of sugar, an increase of 24% and 21% respectively from 2018. In Brazil, a new production record was achieved at our expanded sugar operations, having crushed 6.1 million tonnes of sugar cane (or an 8% increase over the previous year's 5.6 million tonnes) to produce 298,000 tonnes of raw sugar, 321,000 m^3 of ethanol and 322,000 MWh of electricity.

EXPANDING OUR HOUSE BRANDS

The EOF Division reported strong volume growth in 2019, driven by our consistent focus on capacity expansion. The timely addition of 300,000 tonnes of capacity at the Surabaya refinery, in particular, allowed us to respond to stronger demand trends and capture the seasonal peaks throughout 2019. Bolstered by a more competitive pricing strategy, we grew the market share for *Bimoli*, our top-selling brand of cooking oil, and maintained our market leadership for consumer cooking oils in Indonesia during the year.

To drive sales, we placed a stronger focus on local promotions and below-the-line activities, while scaling back on traditional advertising. We also had in our parent Indofood a

New Palm Oil Mill in Central Kalimantan

ready partner for brand collaborations and cross promotional programmes. We are pleased with the outcome of these efforts, which included higher consumer engagement as well as lower advertising and promotional spend.

Aside from cooking oils and margarines, our strategy to capture value from integration yielded other positive results. During the year, we launched *Valenco*, the retail brand for our in-house chocolate production. Available in four variants, these dark chocolate products are covered in beautiful wrappers bearing elegant Indonesian motifs. Although production quantities are limited at this point, they are reflective of our plan to diversify product offerings.

Our retail offerings also include a modest range of black and white teas marketed under the *Kahuripan* brand, and a small volume of retail sugar marketed under the *IndoSugar* brand. We will continue to identify opportunities to extend our plantation offerings to retail consumers.

The chocolate factory under our joint venture with Daitocacao started operations in May 2019. Catering to the industrial sector, the factory produces a selection of white and dark chocolate ingredients in block, chip and button formats formulated to the customers' specifications.

REAPING SYNERGIES IN BRAZIL

Over in Brazil, our two sugar mills at UVT and UVP achieved a utilisation rate of 94% as at end-2019. We continued our cane plantings at Canápolis and secured sufficient commitments from other cane suppliers to start the Canápolis mill operation in April 2020. With the inclusion of the refurbished Canápolis mill in 2020, our cane crushing capacity in Brazil would treble to almost 8.8 million tonnes from 3.0 million tonnes when CMAA was first acquired in 2013.

With UVT, UVP and Canápolis operating as a synergistic cluster, we can continue to expand and derive greater economy of scale as a low-cost producer, while creating greater flexibility to optimise our sugar-ethanol mix. We will also invest further to develop our co-generation capacity, and sell the surplus electricity to the market.

We have encouraged our sugar teams in Brazil and Indonesia to draw lessons from each other's experiences and share their best agronomic practices. To date, knowledge transfers have ranged from mechanised harvesting techniques and fertiliser application to the use of GPS technology, amongst others.

STRENGTHENING OUR R&D EFFORTS

We expanded a pilot programme to analyse geospatial data for the early detection of pests and diseases, as well as other agronomical factors to ensure optimum plant health. Our goal is to achieve a quantum leap from accessing real-time data assets to providing predictive analytics for improved crop management. An improved set of algorithms, which takes into consideration the full spectrum of agronomic data,

CEO'S STATEMENT

would enable us to tailor smarter systems with more accurate diagnostics for managing plant health. Whilst this is an ongoing project, we can expect positive results in the future.

At our R&D centres, the sale of oil palm seeds fell from 11.3 million in 2018 to 5.5 million in 2019. The decline was in line with the nationwide trend, where seed sales contracted by as much as 52% due to the slowdown in planting programmes. As a leading producer committed to the long-term nature of seed-breeding programmes, we will continue to focus on higher-yielding, disease-resistant seeds to optimise land use and reduce the need for expansion, and engage in trials to develop the next genetic breakthrough for our premium seed material.

BEYOND SUSTAINABLE PRODUCTION

The definition and coverage of sustainability risks are evolving. As a leading integrated agribusiness, we have kept our focus on material factors in environmental, social and governance (ESG) that form the basis of corporate accountability. Over the years, we have worked hard to operate our entire supply chain sustainably, implement improvements and reach out to smallholders, so that customers and stakeholders can be assured of traceable and responsibly sourced products. Continued improvement is an ongoing journey for us.

The government's Indonesia Sustainable Palm Oil (ISPO) certification is a legally binding standard that is closely aligned with industry best practices on sustainable palm oil. I am pleased to report that we have achieved ISPO certification for 503,000 tonnes of CPO, accounting for 71% of total nucleus CPO production in 2019. Due to developments in the year, our target for 100% ISPO-certified production has been pushed back to 2023.

We also recognise the importance of engaging with employees, customers, investors, government, civil organisations, and local to ensure the success of our sustainability programmes, strengthen mutual interests and establish common goals. We remain focused on promoting occupational health and safety, and when accidents do occur, we analyse the root cause and update operating practices and training as required.

While certifications are good indicators of our ESG journey, our sustainability beliefs stem from the desire to manage our operations in a sustainable manner that will positively impact the lives of local communities. I encourage you to learn more about IndoAgri's efforts and achievements by downloading the latest Sustainability Report from our website at indofoodagri.com.

LOOKING AHEAD

As the ongoing US-China trade tensions and COVID-19 pandemic take a toll on global trade flows and economic growth, coupled with increasing risks from global weather patterns affecting crop production, it is likely that agricultural commodities prices will remain volatile. Moreover, the demand for palm oil from key import markets like China and India, and the price of crude oil which affects biodiesel demand, plus CPO's price relative to soya oil, will affect the direction of CPO prices. Nonetheless, the CPO outlook remains upbeat in Indonesia, where the government's drive to increase biodiesel consumption and the new B30 mandate are expected to boost domestic palm oil demand. This will have a supportive impact on CPO prices, as evidenced in the last quarter of 2019.

As a diversified and vertically integrated agribusiness based in Indonesia, IndoAgri continues to be well supported by Indonesia's promising economic outlook. We will continue to prioritise our capital expenditure investments in growth areas, and focus on cost-control measures and other innovations to increase productivity.

AWARDS AND ACKNOWLEDGEMENTS

Awards have always been an affirmation of our efforts to improve. I am very proud of the team for achieving the following accolades in 2019 for our *Bimoli* products:

- The Indonesia Living Legend Brands (IBBA) by SWA Magazine;
- Indonesia WOW Brand by Markplus Inc;
- Best Stand Awards 2019 by SIAL InterFOOD;
- One of Indonesia's most valuable brands by Brand Finance; and
- Ministry of Trade Award 2019 for participation in Bazar Ramadan.

Last but not least, I wish to put on record my deepest appreciation to my fellow Board members for their active participation, guidance and input during Board discussions, my staff and management team for their loyal support, and all our shareholders and customers for their unwavering confidence in IndoAgri.

Mark Julian Wakeford
Chief Executive Officer and Executive Director

GROUP PERFORMANCE REVIEW

IndoAgri is a vertically integrated agribusiness group and a leading palm oil producer in Indonesia, with operations spanning from research and development, seed breeding, oil palm cultivation and milling, to the manufacturing and marketing of cooking oils, margarine and shortening. The Group also engages in the cultivation of sugar cane, rubber and other crops as part of its diversified portfolio.

As of 31 December 2019, the Group's total planted acreage of 302,372 hectares comprises 251,819 hectares of oil palm, 13,543 hectares of sugar cane, 16,796 hectares of rubber and 20,214 hectares of other crops.

The Plantation Division is IndoAgri's principal business. In Indonesia, the Division owns and operates 27 palm oil mills, four crumb rubber processing facilities, three sheet rubber processing facilities, two sugar mills and refineries, and one factory each for the production of tea, cocoa and industrial chocolate. It also owns and operates three sugar mills in Brazil through CMAA and Canápolis, and two sugar mills in the Philippines through RHI.

The Group's Edible Oils and Fats (EOF) Division owns and operates five CPO refineries across Indonesia, to produce a range of branded cooking oils, margarine, shortening and speciality fats.

FINANCIAL HIGHLIGHTS

The Group's consolidated revenue fell by 3% to Rp13.7 trillion in 2019, mainly due to lower selling prices of palm products and EOF products, but this was partly offset by higher sales volume of palm kernel (PK) products, sugar and EOF products. Despite lower CPO production, the Group maintained its CPO sales volume, which included the realisation of stocks carried over from last year.

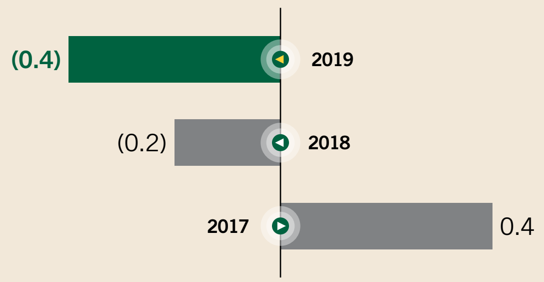
The Plantations Division reported a decline in EBITDA of Rp1,369 billion. This was partly offset by a strong performance from the EOF Division, which recorded a 22% increase in EBITDA to Rp645 billion on higher volume growth and lower raw material costs.

IndoAgri's performance was further affected by higher provisions for expected credit losses relating to plasma receivables, impairment of fixed assets and goodwill, higher financial expenses arising from increased working capital facilities and higher blended interest rate, and write-off of deferred tax assets relating to unrecoverable tax losses. The lower results were partially offset by lower foreign exchange loss and gain arising from changes in fair value of biological assets.

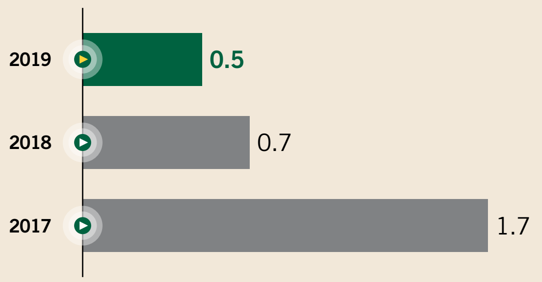
Due to these combined effects, the Group reported higher attributable loss to equity holders of Rp411 billion, as compared with a Rp222 billion in 2018.

Revenue
(Rp trillion)

Net Profit/(loss) to Owners of the Company
(Rp trillion)



Profit from Operations
(Rp trillion)



NAV per share
(Rp)

GROUP PERFORMANCE REVIEW

FFB from the oil palm plantation

FINANCIAL POSITION

As of 31 December 2019, the Group's total non-current assets was Rp30.8 trillion compared to Rp30.4 trillion in the previous year. The increase was mainly due to investment in associate companies (i.e. AIM and Daitocacao) at Rp374 billion, higher fixed assets and rights-of-use assets and higher advances for plasma plantation projects, partially offset by lower claims for tax refund and deferred tax assets.

The Group's total current assets of Rp6.8 trillion was slightly below last year's Rp7.1 trillion, due to lower cash level, lower trade and other receivables, and lower CPO and palm kernel oil stock, partially offset by higher EOF products, higher advances for CPO purchases and biological assets. Total current liabilities have increased to Rp9.2 trillion compared to last year's Rp9.0 trillion. The Group reported net current liabilities of Rp2.4 trillion in December 2019 due to the higher proportion of cheaper short-term loans and borrowings. The Group will continue to review its capital structure to maximise returns.

Total non-current liabilities increased to Rp8.3 trillion compared to last year's Rp7.6 trillion. This was mainly due to higher interest-bearing loans and borrowings following the renewal of a long-term facility, and higher employee benefits liabilities, which were based on actuarial calculations and in accordance with the provisions of the Indonesian Labour Law.

The Group's net debt-to-equity ratio increased from 0.43 times in the previous year to end at 0.48 times as at 31 December 2019, largely driven by an increase in group net debt.

CASH FLOWS

Despite soft operating results, the Group generated higher net cash flows of Rp1,663 billion from our operations in 2019 compared to Rp1,152 billion last year, largely due to improved working capital arising from lower inventories, and trade and other receivables.

The net cash flows used in investment activities was Rp2,589 billion in 2019 compared to Rp2,220 billion in 2018. The increase was mainly due to the addition of property, plant and equipment amounting to Rp1,659 billion, higher biological assets amounting to Rp186 billion, and investments in associate companies and a joint venture amounting to Rp374 billion and Rp75 billion respectively.

The net cash flows generated by financing activities was Rp505 billion, mainly related to a higher drawdown of bank facilities and an advance for shares subscription by a minority shareholder.

Overall, the Group's cash levels decreased from Rp2,229 billion in 2018 to Rp1,787 billion in 2019 mainly due to the usage of funds for capital expenditures and investments in associate companies and a joint venture during the year. We will continue to review our financing options to lower the cost of borrowing, tighten the collection of receivables and minimise inventories to improve cash flow.

FINANCIAL HIGHLIGHTS

	In Rp billion			In SGD million *		
	2017 Actual	2018 Actual	2019 Actual	2017 Actual	2018 Actual	2019 Actual
Revenue	15,725	14,059	13,650	1,517	1,356	1,317
Gross profit	3,061	2,198	2,026	295	212	195
Gain/(loss) arising from changes in fair value of biological assets	35	(31)	190	3	(3)	18
Profit from operations	1,678	656	507	162	63	49
Net profit/(loss) after tax	653	(427)	(710)	63	(41)	(68)
Profit/ (loss) attributable to owners of the Company	447	(222)	(411)	43	(21)	(40)
EPS (in Rp)/(in SGD ‘cents)	320	(159)	(295)	3.1	(1.5)	(2.8)
Current assets	7,375	7,129	6,812	715	691	660
Fixed assets	21,178	21,213	19,557	2,052	2,055	1,895
Other assets	8,862	9,172	11,244	858	889	1,089
Total assets	37,415	37,514	37,613	3,625	3,635	3,644
Current liabilities	6,380	9,044	9,172	618	876	889
Non-current liabilities	9,612	7,617	8,277	931	738	802
Total liabilities	15,992	16,661	17,449	1,549	1,614	1,691
Shareholders' equity	12,104	11,788	11,312	1,173	1,142	1,096
Total equity	21,423	20,853	20,163	2,076	2,020	1,954
Total debt	10,530	11,190	11,552	1,020	1,084	1,119
Cash	2,930	2,229	1,787	284	216	173

In Percentage (%)			
Sales growth/(decline)	8.2%	(10.6%)	(2.9%)
Gross profit margin	19.5%	15.6%	14.8%
Profit from operations margin	10.7%	4.7%	3.7%
Net profit/(loss) after tax margin	4.2%	(3.0%)	(5.2%)
Profit/(loss) attributable to owners of the Company margin	2.8%	(1.6%)	(3.0%)
Return on assets [1]	4.5%	1.7%	1.3%
Return on equity [2]	3.7%	(1.9%)	(3.6%)
Current ratio (times)	1.2	0.8	0.7
Net debt to equity ratio (times) [3]	0.35	0.43	0.48
Total debt to total assets ratio (times)	0.28	0.30	0.31

1 *Profit from operations divided by total assets*
2 *Profit/(loss) attributable to owners of the Company divided by shareholders’ equity*
3 *Net debt divided by total equity*

* *For ease of reference, 2017 to 2019 Income Statement and Balance Sheet items are converted at exchange rates of Rp10,368/SGD1 and Rp10,321/SGD1, respectively.*

GROUP PERFORMANCE REVIEW

OPERATIONAL HIGHLIGHTS

The table below relates to business operations in Indonesia. For sugar operations outside Indonesia, please refer to page 19 of this annual report.

In Hectares (unless otherwise stated)	2017	2018	2019
Planted Area – Nucleus			
Oil Palm	**247,630**	**251,112**	**251,819**
Mature	209,817	211,707	210,548
Immature	37,813	39,405	41,271
Rubber	**19,869**	**16,678**	**16,796**
Mature	16,973	14,373	14,745
Immature	2,896	2,305	2,051
Sugar Cane	**12,618**	**13,595**	**13,543**
Others	**20,270**	**20,336**	**20,214**
Mature	16,828	15,734	15,881
Immature	3,442	4,602	4,333
Planted Area – Plasma			
Oil Palm and Rubber	**89,441**	**89,662**	**89,930**
Age Maturity of Oil Palm Trees			
Immature	37,813	39,405	41,271
4 – 6 years	10,944	4,326	3,585
7 – 20 years	117,346	125,728	126,492
Above 20 years	81,527	81,653	80,471
Total	247,630	251,112	251,819
Distribution of Planted Areas – Nucleus			
Riau	54,766	55,919	56,094
North Sumatra	39,182	38,985	38,142
South Sumatra	95,751	96,927	97,309
West Kalimantan	26,788	26,978	25,967
East Kalimantan	65,309	63,398	65,044
Central Kalimantan	10,067	11,068	11,236
Java	3,214	3,260	3,288
Sulawesi	5,310	5,187	5,292
Total	300,387	301,721	302,372
Production Volume ('000 Tonnes)			
Total Fresh Fruit Bunches (FFB)	4,043	4,424	4,148
FFB Nucleus	3,109	3,375	3,300
Crude Palm Oil (CPO)	842	921	840
Palm Kernel (PK)	205	221	206
Rubber	11	10	8
Sugar [1]	54	56	67
Sales Volume ('000 Tonnes)			
CPO [2]	880	881	882
PK and PK Related Products [3]	211	194	220
Rubber	12	10	9
Sugar	50	57	67
Oil Palm Seeds ('million)	11	11	5

[1] *Comprised of sugar production in South Sumatra, share of sugar produced in Central Java and refined sugar*
[2] *Sales to external and internal parties*
[3] *Comprised of Palm Kernel Oil (PKO) and Palm Kernel Expeller (PKE)*

PLANTATION REVIEW – Oil Palm, Rubber and Other Crops

The Plantation Division cultivates various crops, manages the plantations and handles the production and sale of CPO, PK, crumb and sheet rubber, tea, cocoa and other products, mainly for the domestic market in Indonesia.

The Division has 251,819 hectares of nucleus oil palm estates in Indonesia, of which 17% are immature estates. The average age of oil palms on our estates is 16 years. The FFB are harvested and processed by 27 mills across our estates, with a total combined capacity of 7.0 million tonnes.

The rubber estates are located in North and South Sumatra, East Kalimantan and Sulawesi. The nucleus rubber estates occupied 16,796 hectares, of which 12% are immature estates. The average age of our rubber trees is 16 years. The Division operates four crumb rubber and three sheet rubber processing facilities.

This Division also operates one factory each for the production of tea, cocoa and industrial chocolate.

2019 REVIEW

2019 was a very challenging year for agribusinesses due to weak commodity prices. This had a significant impact on the financial performance of the Plantation Division. Our revenue declined 4% against 2018 on lower selling prices of palm products, although this was partly offset by higher sales volume of PK products and sugar.

The ongoing US-China trade tensions continued to affect global trade flows and economic growth. These uncertain developments negatively impacted the prices of agricultural commodities. CPO prices *(CIF Rotterdam)* fell to a 10-year low and stayed relatively flat in the first nine months at an average USD535 per tonne, before shooting up by 27% to end at USD682 per tonne in the last quarter of the year. On a full-year basis, CPO prices *(CIF Rotterdam)* remained lower at USD572 per tonne compared to USD601 per tonne in FY2018.

Rubber prices also remained low throughout the year in response to declining demand growth. Global supply of rubber was muted, reflecting the lower output in Thailand and Indonesia. RSS3 SICOM rubber prices ended the year at an average of USD1,650 per tonne, a modest recovery of 6% from USD1,552 per tonne last year.

Oil Palm: The total FFB nucleus production declined by 2% to 3,300,000 tonnes due to weaker nucleus output from replanting activities in some older areas where we were using new higher-yielding seed material. The drop in FFB nucleus production as well as lower production from smallholders had led to decreased CPO production at 840,000 tonnes (at an oil extraction rate of 21.6%). The construction of a 45-tonnes-per-hour mill in Kalimantan was completed in September 2019, and would provide the additional capacity required for the higher FFB production when trees from newly planted areas come into maturity.

Rubber: Rubber production fell by 14% to 8,200 tonnes due to the conversion of some rubber estates into oil palm plantations in East Kalimantan and replanting activities. 53% of rubber products, comprising sheet rubber and crumb rubber, were sold in Indonesia, and the rest were exported.

Tea: Under the retail brand *Kahuripan*, Lonsum launched a new jasmine green tea flavour, a new sachet packaging with five tea bags per sachet for the original black tea classic flavour, and black tea classic vanilla flavour in addition to the current black tea and white tea products. The product innovation would provide consumers with more options to experience our high-quality tea products.

Kahuripan tea products are now available in green tea, black tea classic and black tea classic vanilla flavours.

PLANTATION REVIEW – Oil Palm, Rubber and Other Crops

Harvesting of Fresh Fruit Bunches (FFB)

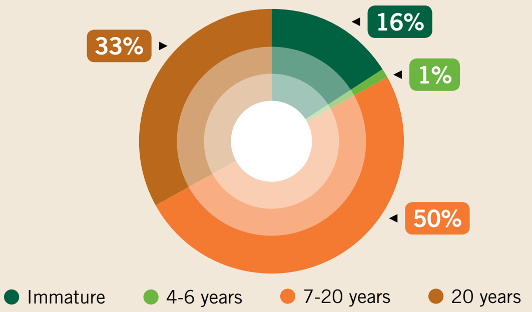
The newly completed chocolate factory under our joint venture with Daitocacao at West Java

Others: The construction of the chocolate factory under our joint venture with Daitocacao was completed. Sited in West Java, the factory commenced operations in May 2019 with the production of industrial white and dark chocolates for food manufacturers. We are also retailing chocolates made in our cocoa factory under the brand of *Valenco*. The brand was launched in 2Q 2019 to offer consumers high-quality dark chocolate blocks in varying percentages of cocoa.

Cost controls: Cost-reduction initiatives were implemented to increase competitiveness and drive productivity across our estates and factories. These included streamlining of the workforce, reduction of overtime costs, proactive maintenance of machineries and equipment, increased mechanisation for harvesting and other routine operations, and switching to cheaper sources of electricity supply, among others.

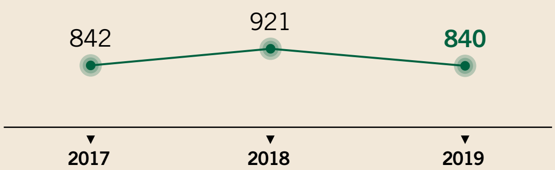
Oil Palm Plantation

Age Profile (251,819 hectares)



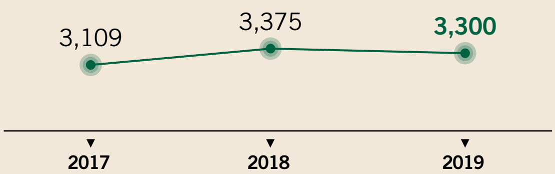
CPO Production

(in '000 tonnes)



FFB Production (Nucleus)

(in '000 tonnes)



Valenco, the retail brand for our in-house dark chocolate production

2020 OUTLOOK

The economic uncertainties arising from the ongoing US-China trade tensions and the recent COVID-19 outbreak will continue to exert pressure on prices of agricultural commodities. Amidst the volatile commodity price environment, we will continue to prioritise our capital expenditure investment in growth areas, and focus on cost-control measures and other innovations to increase productivity.

Oil Palm: The demand for palm oil from key import markets like China and India, and the price of crude oil which affects biodiesel demand, plus CPO's price relative to soya oil, will have an impact on the direction of CPO prices. Nonetheless, the CPO outlook remains positive in Indonesia, where the government's drive to increase biodiesel consumption and the new B30 mandate, effective from January 2020, are expected to boost domestic palm oil demand. CPO prices have recovered strongly from mid-2019, driven by lower production growth and strong demand.

Rubber: Rubber prices are expected to remain subdued due to slowing demand growth. Responding to the trend, we are likely to convert additional rubber estates in East Kalimantan for oil palm planting.

Volatile CPO prices and higher production costs arising from wage inflation will continue to put pressure on Plantation Division's profitability. As a low-cost agricultural commodity producer, we will continue to optimise the value chain, increase agricultural outputs, improve cost control and raise plantation productivity. Through diligent crop management and productivity enhancements, we have been able to increase FFB yields and maximise asset utilisation. We will continue to benchmark our practices and processes against industry standards for quality assurance and operational excellence.

To achieve better results, our focus in 2020 will be to replant the older palms in Riau and North Sumatra, improve infrastructures in South Sumatra and Kalimantan, digitise work processes, streamline manpower requirements and simplify standard operating procedures for cost efficiency, while maintaining a prudent approach to capital expenditure. In line with expected FFB production growth from the newly developed area, we are expanding our production capacity with construction of a new palm oil mill in East Kalimantan with capacity of 45 tonnes FFB per hour due for completion in 2020.

We will also continue to deploy advanced technologies, such as the use of drones, satellite images and GPS tracking devices, to monitor and manage crop yield across estates, and leverage data analytics to improve plantation management and supply chain efficiency.

PLANTATION REVIEW – Sugar in Indonesia

The Plantation Division has two sugar cane operations in Indonesia to meet domestic sugar demand.

- The South Sumatra operation manages 13,543 hectares of cane plantings and operates an 8,000 tonnes of cane per day (TCD) sugar mill and refinery.
- The Central Java operation operates a 4,000-TCD sugar mill. Cane is purchased from smallholder farmers through established supply agreements, whereby credit would be extended to the smallholder farmers for the purchase of seed cane, fertilisers and agrochemicals, with the amounts deducted from their share of sugar processed at our factory.

To support the domestic sugar industry, the government imposes import quotas when sugar prices fall below the stipulated threshold. In 2019, the threshold for sugar prices was Rp9,100 per kilogramme. To curb inflation and keep sugar prices affordable, a maximum retail price of Rp12,500 per kilogramme has also been imposed on modern trade outlets since 2017. Both limits have kept Indonesian sugar prices above the international market in the year.

2019 REVIEW

A total of 1.1 million tonnes of sugar cane were harvested and 82,000 tonnes of sugar were produced by our sugar operations in South Sumatra and smallholders in Central Java.

In South Sumatra, we have a total planted area of 13,543 hectares that produced 804,000 tonnes of cane and 60,000 tonnes of sugar, an increase of 24% and 31% respectively over last year's production. In Central Java, sugar cane was grown on 6,445 hectares of cane estates owned and managed by smallholder farmers. A total of 305,000 tonnes of cane were harvested and processed into 22,000 tonnes of sugar, of which our share was 7,000 tonnes. Overall, the sugar revenue from our Indonesian cane estates grew by 32% due to higher sales volume and sugar prices. Sugar sales contributed to 9% of the Plantation Division's total revenue in 2019.

2020 OUTLOOK

Sugar consumption in food and beverages in Indonesia is expected to continue to grow, given the prevailing consumption patterns. The strong demand potential, coupled with better yielding crops, enhanced productivity, and the government's efforts to expand sugar cane plantations, is expected to keep the domestic sugar industry buoyant in the years ahead.

We will continue to improve the yield of our sugar cane plantations, especially in South Sumatra, by planting higher yielding seed cane varieties and improving our fertiliser and agronomy management. We will also continue to increase operational efficiency by mechanising the harvesting fleet and using drones to monitor cane growth and support cane ripening.

OPERATIONAL HIGHLIGHTS

	Unit	2017	2018	2019
Own Plantation:				
Planted Area	Hectares	12,618	13,595	13,543
Harvested Area	Hectares	11,482	12,161	13,403
Sugar Cane Harvested	'000 tonnes	639	649	804
Sugar Production Volume:				
From sugar cane				
- South Sumatra	'000 tonnes	44	46	60
- Java (PT LPI's share)	'000 tonnes	10	10	7
Total Production	**'000 tonnes**	**54**	**56**	**67**

PLANTATION REVIEW – Sugar in Brazil

In Brazil, the sugar and ethanol operations are held and managed through our joint ventures Canápolis and CMAA with the JF Family, a leading Brazilian orange producer. CMAA manages 85,968 hectares of planted sugar cane and operates two mills at UVT and UVP, while Canápolis operates one mill. The combined annual cane crushing capacity of the three sugar and ethanol mills is 8.8 million tonnes. All three mills are located in proximity to one another in the state of Minas Gerais.

2019 REVIEW

CMAA achieved a new crushing record of 6.1 million tonnes of sugar cane to produce 298,000 tonnes of raw sugar, 321,000 m^3 of ethanol and 322,000 MWh of electricity in 2019.

The rehabilitation of the Canápolis mill is on track for completion in April 2020. In preparation, we have achieved sufficient plantings and secured external commitments to provide sufficient cane for the mill to start operations.

CSCE Sugar No. 11 contract prices remained low at an average USD12.4 cents/lb in 2019, driven by the global sugar surplus from key producers like India, Thailand and Europe. With ethanol maintaining its premium to sugar, Brazilian mills have continued to maximise their ethanol production to capture higher profitability.

Our Brazil operation reported a lower profit in 2019 due to forex losses arising from the weakening of the Brazilian Real and higher expenses relating to the development of the sugar operations. This was partially offset by a higher contribution from ethanol as CMAA increased ethanol production and reduced its sugar mix from 41% for the last crop to 40% in 2019. In local currency terms, IndoAgri's share of CMAA's profit was Rp17 billion, a 42% drop from Rp29 billion in 2018.

Since 2015, CMAA has been an active member of Bonsucro, a multi-stakeholder not-for-profit organisation that promotes sustainable sugar cane production. In 2019, the UVT unit achieved Bonsucro certification for 1,005,000 tonnes of sugar cane harvested from 13,456 hectares, representing 100% of the area available for certification. It will start the Bonsucro certification process at the UVP unit in 2020/21.

2020 OUTLOOK

The price movement in 2020 will be dominated by India's sugar subsidies and export volumes, and Brazil's sugar production. Sugar prices will also be driven by ethanol parity, which will depend on crude oil prices as well as the Brazilian Real.

Through our stable of milling facilities, we would have added flexibility to produce both sugar and ethanol, and will continue to optimise our production mix to maximise profitability. With the inclusion of the rehabilitated Canápolis mill and increased cane plantings in 2020, we can expect another year of increased cane production, together with greater operational and management synergies. We will continue to tap into CMAA's deep expertise and advanced cultivation techniques to improve the efficiency of our sugar operations in Indonesia.

OPERATIONAL HIGHLIGHTS – CMAA

Year Ended March	Unit	2017/18	2018/19	2019/20*
Planted Area #	Hectares	49,204	79,267	85,968
Harvested Area	Hectares	47,022	71,325	72,490
Cane Crushing	'000 tonnes	4,092	5,619	6,095
Production Volume:				
VHP	'000 tonnes	316	291	298
Ethanol	'000 m^3	154	290	321
Energy	'000 MWh	392	305	322

* *Full crop production data*
\# *41% of planted area are leased and planted by CMAA. The balance 59% belong to third parties*

PLANTATION REVIEW – R&D

Oil Palm Pollen Samples

The Plantation Division manages two oil palm research and development (R&D) centres: SumBio in Bah Lias, North Sumatra, and PT SAIN in Pekanbaru, Riau. These centres are run by a professional team of agronomists and researchers, who actively conduct R&D programmes to improve crop yield, crop resilience, pest and disease control, and estate management practices.

Both R&D centres are certified palm seed producers. Our oil palm seeds are in high demand by palm producers for their premium quality, high yield and strong disease resistance. The Division also maintains an R&D team for sugar cane in South Sumatra and for EOF in Jakarta respectively.

The R&D centres are instrumental in developing many useful applications that have contributed to sustainable crop production in Indonesia as well as IndoAgri's long-term competitiveness as an integrated agribusiness. Some of these innovations included high-yielding and disease-tolerant oil palm seeds, block-base farming, soil conservation using Vetiver systems, and the reuse of EFB and POME for soil mulch and nutrient substitute.

2019 REVIEW

In 2019, we sold a total of 5.5 million oil palm seeds to oil palm producers, and set aside 180 seeds per hectare for our new planting and replanting programmes. The volume of seed sales declined in 2019 due to the drop in new plantings in Indonesia, resulting in lower seed demand.

New varieties of high-yield, disease-tolerant and drought-resistant oil palm seeds were produced under ongoing crossbreeding programmes at SumBio and PT SAIN. The SumBio lab has strengthened the genetic composition of the seeds by hybridising PT SAIN's Ghana materials with a diverse range of Ghana pollen sources. This greatly broadened the genetic base of the breeding population while retaining the original genetic background and branding of our seeds in the improved varieties. To protect our customers from poor quality imitation seeds, we have developed a process to authenticate and tag the seeds using UV light.

Through seeds that can produce higher yields per hectare and more tolerant to diseases and droughts, we enabled our plantations and oil palm producers to make more productive use of limited land resources.

The centres conducted similar R&D efforts for cane breeding. Since 2017, we have started commercial planting of high-yield cane varieties developed by us. Other varieties that were developed would also be planted commercially when the yields from trial batches demonstrated their commercial value and viability over current strains. Currently, we do not sell any of these new cane varieties to third-party producers.

Several ongoing studies were carried out to reduce the use of chemical pesticide in our plantations. We are researching on the effects of planting beneficial plants along estate roads to cultivate a symbiotic ecosystem of natural predators and parasitoids to counter oil palm pests, like bagworms and nettle caterpillars.

We intensified our crop protection efforts on the plantations, deploying entomo-pathogenic agents, such as fungi, bacteria and viruses as bio-pesticides, UV light traps to control leaf-eating caterpillars, and spatiotemporal analysis using census data from the SAP database to address pest attacks.

We also used drones for real-time monitoring of the agronomic conditions in the field. The images taken by the drones were combined with other data feeds from the Geographic Information System, ground GPS and unmanned aerial vehicles to provide comprehensive and accurate feedback on the condition of the estates. Spatial analyses were conducted to correlate the aerial data with occurrences of Ganoderma and other agronomic parameters to identify and extrapolate the distribution of the stem rot disease in our estates. These provide invaluable information for us to take immediate and precise remedial and preventive actions. By proactively managing potential agronomic issues, we successfully optimised our resources, cost and efficiency.

With our growing experience and success integrating advanced technology in conventional farming methods, we were able to extend the use of drones to other operations, such as pioneering the chemical ripening of cane in our South Sumatra sugar estate, which greatly improved productivity and cost efficiency.

We were actively involved in some of the downstream activities, including product development for EOF to address the nutritional needs of Indonesian consumers, and customised cooking oils and speciality fats formulations for F&B manufacturers and patisseries. We also collaborated with Indofood to design environmentally friendly packaging materials.

2020 OUTLOOK

The slowdown of new oil palm plantings in 2019 is expected to drive replanting activities in 2020, and with that, an increase in seed demand. Within the Group and and with our parent Indofood, there is a growing demand for R&D support in the plantations, estate management, product development and product packaging, as the rigor, innovativeness and effectiveness of our R&D efforts have proven valuable in operations.

In 2020, we will continue to study the soil hydrology and block planning of plantations using 3D topographic maps, and the increased application of mechanisation to improve productivity. R&D efforts will largely concentrate on the cultivation of premium quality and high-yield oil palm and cane seeds, bio-controls and precision agronomy practices to improve crop management and planting densities. We will explore collaborations with universities and research institutions to accelerate some of the important R&D programmes, such as the *Ganoderma* research.

The SAP system will be progressively upgraded to enable a comprehensive and complete oversight of the plantation operations and conditions. We will use data analytics and machine learning to integrate these data with information from other sources, like images from drones and satellites, to improve our precision agriculture and sustainable farming methods, and achieve higher yields per hectare, lower cost of production, and better land health.

Our branded cooking brand, Bimoli


Bimoli
Spesial*
Bimoli
MINYAK GORENG BERMUTU
STABIL PANASNYA*
MATANG LUAR DALAM

EDIBLE OILS & FATS REVIEW

CPO Refinery at Tanjung Priok

The EOF Division produces and markets palm oil consumer products, including cooking oils, margarine and shortening as well as small quantities of palm-based derivatives, such as RBD palm stearin and palm fatty acid distillate. These consumer products are marketed under various brands, including *Bimoli*, *Bimoli Spesial*, *Delima* and *Happy* for cooking oils, and *Palmia*, *Royal Palmia* and *Amanda* for margarine and shortening.

We also supply industrial cooking oils directly to food manufacturers, including Indofood, as well as industrial margarine and shortening to confectioneries, bakeries and food manufacturers under the brands *Palmia*, *Simas*, *Amanda*, *Delima* and *Malinda*.

Sales and distribution of EOF products are supported by Indofood's Distribution Group, with its extensive network of more than 700,000 registered outlets in both modern and general trade channels across Indonesia. More than 80% of the EOF consumer products are sold domestically, and the rest exported to 26 countries in Asia, Africa, Middle East, Australia and Europe.

We operate five refineries with a total annual processing capacity of 1.7 million tonnes of CPO. As an integrated operation, we have a secure supply of raw materials internally. In 2019, 961,000 tonnes of CPO were purchased and processed into cooking oils, margarine and shortening, of which some 75% were sourced from our plantations.

2019 REVIEW

In 2019, we achieved a strong set of results with higher sales volume and improved profitability. Total revenue declined marginally by 1% to Rp10.3 trillion on the back of lower selling prices. However, this was partially offset by expanded sales volume due to competitive pricing and increased marketing efforts, especially in modern trade channels. On the other hand, EBITDA went up strongly by 22% to Rp645 billion on higher sales volume and lower CPO cost in the year.

The volume growth came mainly from the cooking oils and margarine categories. This was due in part to our strategic expansion of the Surabaya refinery by 300,000 tonnes ahead of demand. The growth was supported by competitive pricing and more aggressive marketing campaigns, such as increasing the frequency of promotions for 1L and 2L cooking oil pouches in Modern Trade channels to strengthen *Delima*'s market share as our second top brand under the "More Affordable" segment. We also improved the industrial margarine products.

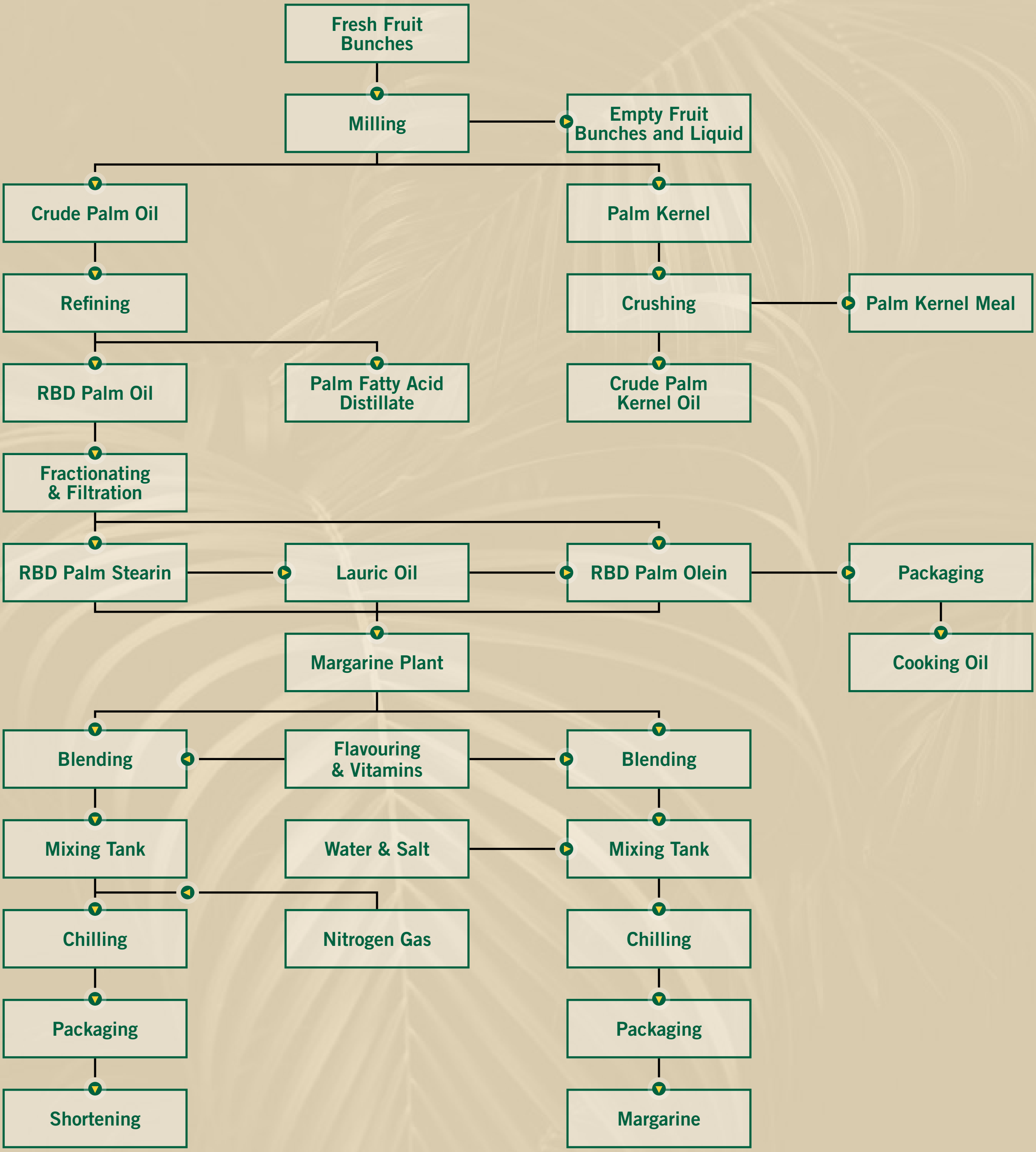
Bimoli continues to be Indonesia's leading household cooking oil brand that has been winning industry awards and consumer recognition every year. In 2019, the awards included "The Indonesia Living Legend Brands (IBBA)" by SWA Magazine, "Indonesia WOW Brand" by Markplus Inc, "Best Stand Awards 2019" by SIAL InterFOOD, an award by Brand Finance for being one of Indonesia's most valuable brands, and an award by the Ministry of Trade for our participation in Bazar Ramadan.

2020 OUTLOOK

With the growing demand for EOF consumer products, we plan to increase the utilisation of downstream assets and production capacity to broaden the range of EOF products. We will introduce new margarine products under *Palmia Prime*, which was launched in 2019, to increase market penetration. This will include a trans-fat-free garlic margarine and a white-and-red-shallot-flavoured margarine. We will continue with the competitive pricing strategy for *Bimoli* to maintain its market leadership, strengthen *Delima* as our second brand, and elevate the *Amanda* brand to support the government's Domestic Mandatory Obligation (DMO) regulation.

We will complement our current distribution system by leveraging the various ecommerce platforms to increase market reach and penetration. We will continue to innovate and develop new products at competitive price points, improve customer service, enhance product labelling and packaging, and increase efficiency through process automation. We will enhance the supply chain and distribution networks to extend our market reach in Indonesia and overseas.

MANUFACTURING PROCESS FROM FFB TO CONSUMER PRODUCTS



SUSTAINABILITY AT INDOAGRI

A key priority at IndoAgri is to meet the global demands for edible oils and fats in a sustainable and traceable manner. As an agribusiness, the Group is exposed to various environmental, social and governance (ESG) factors. We strive to mitigate the ESG impact of our agribusiness operations through innovation, research and development, and by managing our activities and processes efficiently and sustainably. We believe that when grown responsibly, the farming of oil palms presents a viable option for the efficient use of scarce land resources, provide a valuable source of livelihood for local communities, and can actively contribute to economic growth.

Core to our business strategy is our Sustainable Agriculture Policy, which establishes how IndoAgri's operations are managed in a traceable and responsible manner. The Policy is underpinned by the following key commitments:

- No deforestation;
- No planting on peat, regardless of depth;
- No burning;
- Preservation of High Conservation Value and High Carbon Stock areas;
- Upholding of Labour and Human Rights, including Freedom of Association and non-discrimination; and
- Upholding of Free, Prior and Informed Consent (FPIC).

KEY SUSTAINABILITY PERFORMANCE IN 2019

- **Certified CPO in Indonesia**

– 503,000 tonnes of ISPO-certified CPO, representing 71% of total nucleus CPO production in 2019

- **Certified Sugarcane in Brazil**

– 1,005,000 tonnes of Bonsucro-certified production, harvested from 13,456 hectares, representing 100% of the area available for certification at CMAA's UVT operating unit.

- **Occupational Health and Safety**

– Complete elimination of paraquat from all operations since 2018
– 59 sites certified to SMK3 (Occupational Health and Safety Management System), with 51 sites (43 in Palm Oil) achieving the SMK3 Gold award
– Two work-related fatalities in palm oil operations

- **Worker Welfare**

– Compliance with minimum wage regulations
– No registered IndoAgri worker below 18 years of age
– Seasonal workers' contracts comply with government regulations

- **Energy and Water Consumption**

– 4% reduction in energy consumption and 6% reduction in water consumption at refineries (2018 baseline)

- **Smallholders**

– Assisted 10 smallholder cooperatives (KUDs) in first and second stage ISPO audits through the Smallholder Certification Partner Project

KEY SUSTAINABILITY TARGETS

– ISPO certification for all palm oil production by end of 2023 (extended from 2019)
– 100% of FFB supplies for our CPO refineries to be sourced in accordance with our Policy by end of 2020
– Zero fatalities every year and reduction of accident frequency rate by 10% by end of 2020 (2018 baseline)
– Certify 25 palm oil mills and three refineries to ISO 14001 certification by end of 2020
– Certify 25 palm oil mills and three refineries to SMK3 certification by end of 2020

SUSTAINABILITY MANAGEMENT

The Group's Sustainable Agriculture Policy is applicable to all IndoAgri operating units, as well as our plasma smallholders and other third parties from whom we purchase CPO supplies. The Policy sets out the manner in which we continue to achieve responsible and traceable supplies. This includes our approach to the risks and opportunities arising from the ESG factors, as well as our interactions with the different stakeholder groups.

A SYSTEMATIC APPROACH

We respond to the risks and opportunities related to the ESG factors and our different stakeholders by equipping our personnel through relevant training, establishing formal management processes, instilling a culture of accountability, and supporting partnership programmes with community groups.

COMMITMENT – Our sustainability team comprises well-trained professionals who manage our material sustainability topics and impacts in accordance with the Group's mission and values.

PLANNING – The Group's Enterprise Risk Management (ERM) system, rigorous approaches to corporate governance and established internal controls provide additional lines of defence against broader risks and uncertainties. We apply R&D to innovate and achieve sustainable growth in our domestic and international markets.

ACTION – Our local teams at the respective sites implement and enforce the Group's sustainability policies, commitments and programmes. We use management systems and standard operating procedures to maintain quality and drive improvements in areas such as R&D, personal safety, food safety, environmental management and information control. Our six Sustainability Programmes direct the Group's efforts across a range of material sustainability topics. In addition, the sustainability team coordinates the initiatives underlying the achievement of certifications such as ISPO and PROPER.

ASSESS AND REPORT – Our SAP system and the sustainability information system are used to collate data to monitor progress against the Group's key sustainability targets. Evaluation is carried out via regular audits, performance trends and stakeholder feedback.

SUSTAINABILITY AT INDOAGRI

Biological Control Agents at our Estates

SUSTAINABILITY GOVERNANCE

IndoAgri's Board of Directors are actively involved in evaluating the Group's sustainability risks and opportunities, reviewing the material ESG topics, and overseeing the management and reporting processes. The Board is updated on a quarterly basis through the Audit & Risk Management Committee on relevant sustainability risks and concerns.

The CEO steers and updates the Board on the Group's sustainability performance, and is personally involved in all discussions and correspondences relating to sustainability. The CEO is supported by the management team, an ERM unit, an R&D team, as well as sustainability representatives from all business units.

The Group's Policy goals on deforestation, land rights, peatland, burning, smallholders and human rights are benchmarked against the ISPO certification standards and best practice, and covered in our Sustainability Policy. The ISPO is a mandatory and legally binding certification system for all oil palm growers in Indonesia.

OUR MATERIAL SUSTAINABILITY TOPICS

Our sustainability strategy and management approach are designed to drive performance improvements on the economic and ESG topics that are most significant to our operations and stakeholders. The 10 material topics are: deforestation and land management (including peatland, fire control), environment impacts and compliance, governance (transparency, integrity, anti-corruption, risk), land rights including scarce land resources, occupational health and safety, smallholder engagement and livelihoods, product traceability and sustainable sourcing, product quality and safety, yield maximisation including innovation, and human rights.

STAKEHOLDER ENGAGEMENT

Regular dialogue with our stakeholders has been integral to the development of our Sustainable Agriculture Policy, the delivery of our commitments, and our success in sustainable palm oil production. Our key stakeholder groups are employees, customers, investors, government and civil organisations, and local communities.

We connect, engage and collaborate with our respective stakeholder groups through different platforms to strengthen mutual interests and establish common goals. For product safety management, the customer engagement initiatives include production audits, public seminars and customer satisfaction surveys. To support our ISPO-certified production targets, we have established processes for regular contact with suppliers, customers grower cooperatives and government ministries.

We are cognisant that our agribusiness operations are vital to the livelihoods of many Indonesians, and we aim to advance the resilience and socio-economic development of the communities living near our operations. To uphold FPIC, particularly with respect to land acquisition involving local villages, we assess community needs using a Social Impact Assessment before any new development, and promote open negotiations and inclusive decision-making. Our community engagement efforts come under our Solidarity Programme, which governs activities ranging from fire control awareness to education health, infrastructure, micro-enterprise, farmer training, culture and humanitarian efforts.

Further details of our management approach, materiality assessment, stakeholder engagement and sustainability programmes can be found via our Sustainability homepage and our Sustainability Reports available on the IndoAgri website.

BOARD OF DIRECTORS

MR LEE KWONG FOO, EDWARD

Chairman and Lead Independent Director

Mr Lee spent 36 years in the Singapore Administrative Service (Foreign Service Branch), during which 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).

Mr Lee has spent the last 14 years since his retirement from the diplomatic service as an independent director of some listed and non-listed companies.

Mr Lee holds a Master of Arts degree 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 Director-General.

Mr Lim 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 JULIAN WAKEFORD

Chief Executive Officer and Executive Director

Mr Wakeford is a Director of PT Indofood CBP Sukses Makmur Tbk, where he heads the Investor Relations Division. He is concurrently the President Director of PT SIMP and PT Lajuperdana Indah, and Director of Lonsum and CMAA. He started his career with Kingston Smith & Co, a Chartered Accounting firm 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 in Indonesia as the Finance Director of Lonsum in 1993, before moving to Papua New Guinea as the CFO of Pacific Rim Plantations Limited (PRPOL) from 1995 to 1999. In 1999, Mr Wakeford became CEO and Executive Director of PRPOL. PRPOL was sold to Cargill in 2005, Mr Wakeford spent one year with Cargill, before 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.

BOARD OF DIRECTORS

MR MOLEONOTO TJANG

Executive Director and Head of Finance and Corporate Services

Mr Tjang is a Director of PT Indofood Sukses Makmur Tbk, where he heads the Plantation Division. He is concurrently a Commissioner of PT Indofood CBP Sukses Makmur Tbk, Vice President Director of PT SIMP and President Commissioner 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, he has held various management positions in the Plantations Division of the Indofood Group and Salim Plantations Group.

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

MR SUAIMI SURIADY

Executive Director and Head of EOF Division

Mr Suriady is a Director of PT Indofood CBP Sukses Makmur Tbk, where he heads the Snack Foods Division. He concurrently serves as Director of PT SIMP. 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.

Mr Suriady 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 a Director of PT Indofood Sukses Makmur Tbk, where he supervises all financial operations and heads the Corporate Secretary Division. He is concurrently a Director of PT Indofood CBP Sukses Makmur Tbk. He is also the President Commissioner of PT SIMP. He was previously a Director of Lonsum, Commissioner of PT SIMP and PT Indomiwon Citra Inti, as well as Senior Executive of PT Kitadin Coal Mining.

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

MR AXTON SALIM
Non-Executive Director

Mr Axton Salim is 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. He is concurrently a Commissioner of PT SIMP and Lonsum, and Non-Executive Director of Gallant Venture Ltd. He also serves as Co-Chair of Scaling Up Nutrition (SUN) Business Network Advisory Group and Coordinator of SUN Business Network Indonesia and Director of Art Photography Centre Ltd.

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

MR GOH KIAN CHEE
Independent Director

Mr Goh is an Independent Director of AsiaMedic Limited and HL Global Enterprises Limited.

Mr Goh started his career 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. Mr Goh was the Regional Vice President & Controller as well as an Executive Director of John Hancock International Pte Ltd from 2000 to 2004. He was a Consultant at the National University of Singapore's Centre For The Arts from 2005 to 2018. He was also an Independent Director of China Minzhong Food Corporation Limited from 2013 to 2017.

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 audit committee member of PT Indofood CBP Sukses Makmur Tbk and PT SIMP.

He began his career as 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 Corporate Marketing. In 1996, he joined PT ING Indonesia Bank as the Vice President of Project and Structured Finance, and was subsequently promoted to Director of Wholesale Banking. 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 Julian Wakeford

Executive Director and Head of Finance and Corporate Services
Moleonoto Tjang

Executive Director and Head of EOF 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 Julian 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

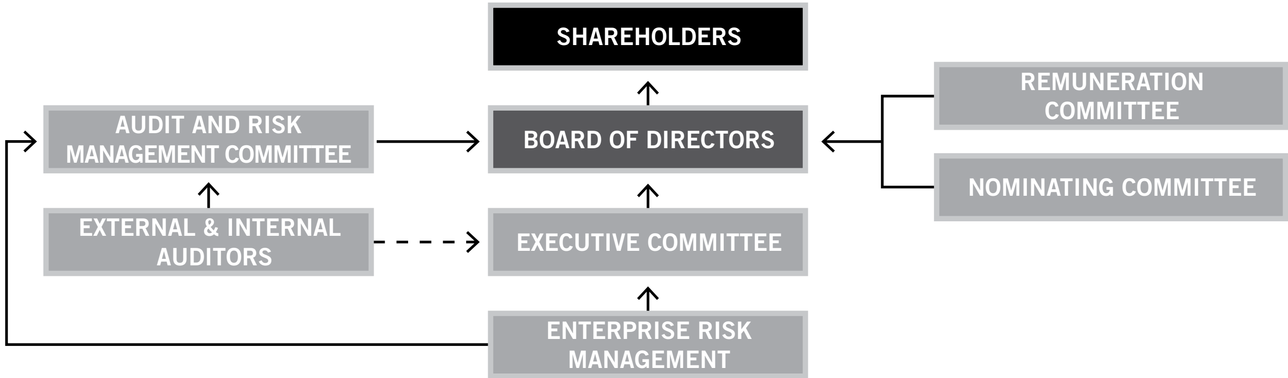
Vincent Toong Weng Sum
(Appointed since financial year ended 31 December 2016)

CORPORATE GOVERNANCE

The Board of Directors ("**Board**") and Management of Indofood Agri Resources Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") firmly believe that good corporate governance is a reflection of the Group's commitment towards long-term sustainable business performance.

This report sets out the key aspects of the Group's corporate governance framework and practices, with reference to the principles and provisions of the Code of Corporate Governance 2018 ("**2018 Code**"). The Company has complied with the principles of all material aspects of the 2018 Code, and where there are deviations to the 2018 Code, the explanations are provided in the respective sections of this report.

CORPORATE GOVERNANCE FRAMEWORK



BOARD MATTERS

PRINCIPLE 1: The Board's Conduct of Affairs

The Company is headed by a Board of Directors who oversees the conduct of the Group's business affairs and performance by working closely with the Management to achieve strategic goals and enhance shareholder value.

Roles and Responsibilities: The Board's principal functions are as follows.

- Review the financial performance and condition of the Group;
- Review and approve the Group's strategic plans, key operational initiatives, major investment, divestment, corporate restructuring and major funding decisions;
- Establish and maintain an effective risk management framework to identify, manage and monitor risks and exposures, and to achieve an appropriate balance between risks and the Group's performance;
- Manage and monitor the Group's sustainability initiatives, including the validation of material environment, social and governance ("**ESG**") factors;
- Oversee the Group's corporate governance, including the establishment of an enabling culture, exemplary values and ethical standards of conduct across the Group;
- Ensure transparency and accountability in the communication with key stakeholder groups.

Directors' Duties and Obligations: The Board of Directors shall exercise due care and independent judgement, and objectively discharge their duties and responsibilities in the best interest of the Company. This is one of the performance criteria for self and peer assessments in the NC's annual evaluation on the effectiveness of the Directors. Directors who are in a conflict-of-interest position on certain issues shall recuse themselves from discussions and decisions involving those issues. Based on the assessments for 2019, all the Directors have satisfactorily discharged their duties.

CORPORATE GOVERNANCE

- **Executive Directors** ("**EDs**") are members of the Management who are involved in the day-to-day running of the business. They work closely with the NEDs on the long-term sustainability and success of the businesses. They provide insights and recommendations on the Group's operations at the Board and Board Committee meetings.
- **Non-Executive Directors** ("**NEDs**") do not participate in the business operations. They constructively challenge the Management on its decisions and contribute to the development of the Group's strategic goals and policies. They participate in the review of the Management's performance in achieving the strategic objectives as well as the appointment, assessment and remuneration of the EDs and key personnel.
- **Independent Directors** ("**IDs**") are NEDs who are unrelated to any of the EDs and deemed to be impartial by the Board. IDs have similar duties as the NEDs, with the additional responsibility of providing independent and objective advice and insights to the Board and Management.

Director Orientation and Training: The Board recognises the importance of professional development for the Directors in order for them to contribute effectively during the Board and Board Committee meetings. All newly appointed Directors are briefed by the Chairman of the Board as well as any Board Committees they are appointed to regarding their roles, duties and responsibilities. They will also attend an orientation programme conducted by the Management to familiarise them with the Group's organisation structure, business operations, strategic directions, industry trends, corporate developments and corporate governance practices as well as their statutory duties and other responsibilities as Directors. In 2019, there was no new Director appointed to the Board.

The Directors receive continuing education and training in areas pertaining to their duties and responsibilities. This includes seminars and workshops on corporate governance, financial reporting standards, and relevant laws and regulations, such as the SGX-ST Listing Manual, the Code of Corporate Governance and the Companies Act. The Directors also attend seminars and trainings organised by the Singapore Institute of Directors ("**SID**") and other professional organisations to stay abreast of recent developments and approaches in financial, legal, corporate governance and regulatory practices.

In 2019, some of the Directors participated in the following seminars and training programmes:

Date	Description
16 Jan 2019	ACRA-SGX-SID Audit Committee Seminar 2019 - The Audit Committee in the New Normal by SID
1 Apr 2019	M&A in the Era of Complexity by Ernst & Young LLP
4 Apr 2019	Board Leadership for Cyber Resilience by SID
9 Apr 2019	Cyber Security Threats & Data Breaches by SID
25 & 26 Jul 2019	Digital Strategy for Finance Managers by SMU / ACCA
25 Jul 2019	Update on New Financial Standards by Dr Muhammad Chatib Basri, S.E., M.Ec
13 Aug 2019	Indonesia's Economic Outlook 2020 by Ernst & Young
10 & 11 Sep 2019	Design Thinking for Finance Professionals by SMU / ACCA
11 Sep 2019	SID Directors Conference 2019 - Transformation: From Extraordinary to Ordinary by SID
14 & 15 Oct 2019	Improving Financial Outcomes with Data Analytics by SMU / ACCA
26 Nov 2019	"What You Need To Know as an ID of a REIT Manager" by REITAS
9 Dec 2019	Update on Indonesia's Economic Outlook 2020 by Dr Muhammad Chatib Basri

Board Delegation and Support: To discharge its fiduciary duties and responsibilities more effectively, the Board is supported by the Executive Committee ("**Exco**"), the Audit and Risk Management Committee ("**AC & RMC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"). These Board Committees play a key role in enhancing corporate governance, improving internal controls and driving the Group's performance. Each Board Committee has clearly defined terms of reference that set out its compositions, duties, authority and accountability to the Board. The terms of reference are reviewed annually.

CORPORATE GOVERNANCE

The Exco is chaired by Mr Mark Julian Wakeford, with Messrs Tjhie Tje Fie, Moleonoto Tjang and Suaimi Suriady as members. The Board delegates the Exco certain discretionary limits and authority for business development, investment, divestment, capital expenditure, finance, treasury, budgeting, human resource ("**HR**") 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 HR practices and compensation policies, and ensure that the Group operates within the approved budget.

All the Directors are required to declare their board representations. In order to ensure that the Directors with multiple board representations are able to devote sufficient time and attention to the affairs of the Company, all the Directors submit an annual affirmation to allocate sufficient time and efforts to carry out their Board duties and responsibilities.

The Board and Board Committees are supported by the Company Secretaries who are competent in company laws and company secretariat practices, including taking minutes of meetings, ensuring compliance with Board procedures and regulatory requirements, and assisting the Board to implement and strengthen corporate governance policies and processes.

The Company Secretaries attend all the Board meetings and are directly accountable to the Chairman on all matters relating to the proper functioning of the Board. The Company Secretaries act as the primary point of contact between the Company and the SGX. The appointment and removal of the Company Secretaries are subject to the approval of the Board.

Board Processes: All Board and Board Committee meetings as well as the Annual General Meeting ("**AGM**") are scheduled at the start of the year in consultation with the Directors. The Board and Board Committees meet regularly to discuss the Group's business results and performance, strategic decisions and policies, operational matters and governance issues. The Board meets at least four times a year, the AC & RMC at least six times a year, and both the RC and the NC at least once a year.

The Company Secretaries circulate the schedules of the meetings to the Directors at the beginning of the calendar year. Board papers and other reading materials, such as financial results, project updates, budgets and forecasts, are circulated to the Directors with sufficient time for them to consider the issues before engaging in productive discussions during the meetings.

The Board is regularly updated on significant developments and events regarding the Group. All the Directors have direct and independent access to the Company Secretaries as well as the Management for additional information. They may seek professional advice, either individually or as a group, in executing their duties, and invite external consultants to present or advise on specific matters at Board or Board Committee meetings. The cost of engaging external advice shall be borne by the Company.

The Company's Constitution allows for the Board and Board Committee meetings to be conducted remotely via telephone or any other available communication channels, and for decisions to be made by way of written resolutions. Directors who are unable to attend the Board or Board Committee meetings are provided with the meeting minutes and materials to facilitate subsequent discussions or follow-up actions after the meetings. The Board and Board Committees can also make decisions by way of circulating the resolutions.

CORPORATE GOVERNANCE

The attendance of Directors at the Board and Board Committee meetings and AGM in 2019 was as follows:

Description	Board	AC & RMC	NC	RC	AGM
Number of meetings held in 2019	**8**	**8**	**1**	**1**	**1**
Name of directors			Number of meetings attended		
Lee Kwong Foo, Edward	8	–	1	–	1
Lim Hock San	8	5	1	1	1
Mark Julian Wakeford	8	–	–	–	1
Moleonoto Tjang	8	–	–	–	1
Suaimi Suriady	7	–	–	–	1
Tjhie Tje Fie	6	–	1	1	0
Axton Salim	7	–	–	–	0
Goh Kian Chee	8	8	–	1	1
Hendra Susanto	8	8	1	–	1

Chairman

"-" Not Applicable

Board Approval: The Company has internal guidelines governing the key matters requiring the Board's approval as specified by the Singapore Exchange Securities Trading Limited's ("**SGX-ST**") listing rules and regulations. Some of the issues requiring the Board's approval include the Company's strategic and operating plans, quarterly and full year financial results, dividend matters, issuance of shares, succession plan for the Board and Management namely the Chief Executive Officer ("**CEO**"), Chief Financial Officer ("**CFO**") and Chief Operating Officer ("**COO**"), acquisition and divestment of businesses exceeding certain material limits, and all material commitments to term loans, lines of credit and credit support from banks and financial institutions.

PRINCIPLE 2: Board Composition and Guidance

Board Composition and Size: The Company recognises and values the diversity of background and thinking of the Board as a critical asset in making objective and comprehensive decisions that are in the best interest of the Company. The NC ensures a balanced representation at the Board by considering factors such as the diversity of skills, knowledge, experience, gender, background and age of the Directors. The NC reviews the Board's composition and succession plans annually to ensure the Directors possess the relevant skillsets, experience and diversity to guide the management and expansion of the wide range of businesses and operations under the Group.

As at 31 March 2020, the Board was made up of nine Directors, comprising three EDs, two NEDs and four IDs. All the Directors were male, between 41 and 72 years old, and have each served on the Board for around 12 years. Three of the Directors were Singaporeans and other six were either Singapore permanent residents or foreigners.

	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 Julian 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

The Directors possess a wide range of skills and experience in operations management, banking, finance, accounting, risk management and industry knowledge. Three of the Directors, namely the CEO, Mr Mark Julian Wakeford, and the EDs, Messrs Moleonoto Tjang and Suaimi Suriady, are deemed to have extensive experience in plantation management and downstream refinery operations in Indonesia. The biographies of the Directors are provided on pages 29 to 31 of this Annual Report.

In 2019, the Board was satisfied that given the scope and nature of the Group's operations, the current composition and size of the Board were adequate in facilitating constructive discussions and effective governance of the Company.

Board Independence: The NC, shall conduct an annual review to determine the independence of the Directors according to the guidelines of the 2018 Code and Rule 210(5)(d) of the SGX-ST Listing Manual. The NC shall also consider all nature of relationships and circumstances that could influence the judgement and decisions of the Directors before tabling its findings and recommendations to the Board for approval.

Annual Review of Directors' Independence
In 2019, the NC conducted an annual review of the independence of the Directors based on their self-declaration in the Directors' Independence Checklist, as well as their respective performance in the Board and Board Committee meetings. The NC was satisfied that the Company had complied with Rules 210(5)(c), 210(5)(d)(i) and (ii) of the SGX-ST Listing Manual, which required at least one third of the Board to be made up of IDs. None of the IDs or their immediate family members was employed by the Company or any of its related corporations. The IDs did not own shares of the Company and were not in foreseeable situations that could compromise their independence of thought and decision.

The Board's IDs, Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto, have all served on the Board for around 12 years. The NC was of the view that the four IDs had fulfilled their obligations as IDs. They had consistently demonstrated independent and sound judgements in the best interest of the Company at the Board and Board Committee meetings, and would continue to contribute to the Board with their extensive experience and deep knowledge of the industry. The Board concurred with the NC's assessment on the independence of the IDs in ensuring an objective and effective Board.

The Company has put in place a process to ensure the continuous monitoring of the independence of the Directors whereby the Directors must immediately report any changes in their external appointments that could affect their independence on the Board.

With effect from 1 January 2022, all Directors who have served on the Board for more than nine years will have to seek the approval of (a) all shareholders; and (b) shareholders, excluding the Directors and CEO of the Company and their associates; in order to comply with Rule 210(5)(d)(iii) of the SGX-ST Listing Manual pertaining to Directors' independence.

Proportion of NEDs: To ensure proper check and balance between the Board and the Management, six out of the nine Directors are NEDs. The NEDs shall attend the Board meetings, participate actively in discussions on the Company's strategic plan and issues, monitor the Company's performance and review the Management's performance against the agreed targets. The NEDs may convene meetings in the absence of the Management to deliberate on Company matters, such as Board processes and practices, corporate governance initiatives, succession planning, leadership development and remuneration.

Role of the Lead ID: Mr Edward Lee, who chairs the Board and the NC, is the Lead ID. The role of the Lead ID is to facilitate and chair the meetings with the NEDs as and when such meetings are deemed necessary. He is also accessible to the shareholders and other stakeholders on any issues that cannot be resolved in their communications with the CEO or the CFO.

Board Guidance: The Directors, especially the NEDs, are kept informed of the Company's business and affairs as well as about the industry in which the Company operates in. This knowledge is essential for the Directors to engage in informed and constructive discussions. The Company has put in place processes to ensure that the Directors receive relevant and timely information to perform their duties effectively. Besides receiving regular Board briefings on key business initiatives, information papers, and industry and market reports, the NEDs are regularly briefed by the Management on major decisions and prospective business deals. Site visits to the Company's plantations, mills and factories are regularly conducted to familiarise the Directors with the business and operations. The NEDs have free access to the Management to consult on any matters regarding the Company and its operations. They can also engage external professional advice, either individually or as a group, to support their roles and duties.

CORPORATE GOVERNANCE

In 2019, the AC members visited the oil palm plantation and mill in Central Kalimantan. The Company Secretaries also briefed the Directors on the amendments to the 2018 Code and the SGX-ST Listing Manual.

PRINCIPLE 3: The Chairman and The Chief Executive Officer
Separation of Roles: The roles of the Chairman and the CEO must be held by different persons, each with his own area of responsibilities and accountabilities, to ensure proper balance of power and independence.

Mr Edward Lee is the Chairman of the Board as well as the Lead ID. Pursuant to Rule 1207(10A) of the SGX Listing Manual, Mr Edward Lee is not related to the CEO or members of the Management. As the Chairman, Mr Edward Lee bears the responsibility for the proper functioning of the Board and the effectiveness of its governance processes. The Chairman works closely with the CEO to develop the agenda for the Board meetings and to ensure that the Company Secretaries disseminate the Board papers and materials to the Directors in a timely manner to prepare them for the Board meetings. During the Board meetings, the Chairman shall facilitate open and objective discussions among the Directors to encourage active participation, and to ensure that all issues on the agenda are carefully deliberated before arriving at a decision. The Chairman also plays an important role to facilitate the smooth and constructive communication among the shareholders, the Directors and the Management at the AGM and shareholder meetings.

Mr Mark Julian Wakeford is the CEO, whose responsibilities include charting the corporate directions and business strategies, including marketing and strategic alliances, and providing strong leadership and clear vision for the Company. The CEO is responsible for the day-to-day operations and management of the Company. He is supported by the Exco and is accountable to the Board for all decisions, actions and performance of the Company.

PRINCIPLE 4: Board Membership
The Board has a formal and transparent process for the appointment and re-appointment of Directors.

Nominating Committee: The NC is chaired by Mr Edward Lee (Lead ID), with Messrs Lim Hock San (ID), Hendra Susanto (ID) and Tjhie Tje Fie (NED) as members. The NC meets at least once a year to carry out the following duties and functions:

- Review the succession plans for the Board and the Management;
- Nominate new Directors to the Board;
- Recommend the re-appointment of Directors to the Board with consideration of their respective contributions, conduct and performance;
- Ensure the Directors submit themselves for re-appointment at least once every three years;
- Conduct an annual review of the independence of the Directors according to the 2018 Code;
- Assess the attitude and abilities of the Directors to adequately carry out their respective duties and responsibilities especially for those with other board commitments;
- Establish the evaluation criteria for the Directors' performance; and
- Review the professional training and development programmes for the Directors.

Nomination of New Directors and Re-appointment of Incumbent Directors: The NC adopts the following process to select and nominate new Directors as well as re-appoint incumbent Directors for another term on the Board:

- Conduct an annual review on the size and composition of the Board to ensure there are sufficient IDs represented;
- Leverage external resources, such as recruitment firms, to search and shortlist potential candidates;
- Review the suitability of each candidate, including factors like experience, competencies, drive and commitment, in consultation with the Board and the Management, to ensure diversity and effectiveness of the Board;
- Recommend the best candidates to the Board for approval.

In recommending the Directors for re-appointment, the NC considers factors such as their attendance record and level of participation and contribution at the Board and Board Committee meetings. Pursuant to the Company's Constitution, at least one third of the Board shall retire from office by rotation at each AGM. Unless they are disqualified from holding office, all the incumbent Directors shall submit themselves for re-appointment at least once every three years.

Retirement by Rotation at the 2020 AGM: Messrs Edward Lee, Lim Hock San and Goh Kian Chee will retire by rotation at the 2020 AGM pursuant to Regulation 111 of the Constitution of the Company. They will continue to serve as members of the Board upon their successful re-election.

CORPORATE GOVERNANCE

Directors' Commitment: For Directors serving on the board of other public-listed companies, the NC will review the number of board representations against their attendance, participation, commitment and contributions at the Company's Board and Board Committee meetings, in assessing whether they have effectively carried out their fiduciary duties as Directors of the Company. The NC was satisfied that all the Directors had devoted sufficient time to attend the Board and Board Committee meetings in 2019. They had adequately discharged their duties as Directors and provided objective views to the Board and the Management. The Board does not see a need at present to limit the number of board representations for the Directors.

Alternate Directors: The Company has no Alternate Directors on the Board.

Nominee Directors: The NC does not see a need at present for Nominee Directors, and has not formulated a policy for such appointments.

PRINCIPLE 5: Board Performance

Evaluation of the Board, Board Committees and Directors: The Company conducts an annual assessment of the overall performance and effectiveness of the Board and Board Committees, and the contributions of the Chairman and Directors using key criteria set out in the "Nominating Committee Guide" issued by the SID. Where appropriate, the Board will recommend changes to the assessment forms to align with prevailing regulations and requirements.

All the Directors are required to complete the following appraisal forms annually:

- Board Assessment
- Board Committee Assessment for the AC & RMC, the NC and the RC
- Board Chairman Assessment
- Director Peer Assessment

The Chairman is assessed by his fellow Board members on his ability to lead the Board, establish proper procedures to ensure the effective functioning of the Board, and facilitate meaningful participation and open communication during Board meetings.

The NC evaluates the contributions and performance of the Directors and recommends key areas for improvement in its report to the Board.

In 2019, the Board reviewed and endorsed the NC's report which had found the Directors to be effective and competent in meeting the performance objectives for the year.

REMUNERATION MATTERS

PRINCIPLE 6: Procedures in Developing Remuneration Policies

Remuneration Committee: The RC is chaired by Mr Lim Hock San (ID), with Messrs Tjhie Tje Fie (NED) and Goh Kian Chee (ID) as members. The RC meets at least once a year to review and approve the remuneration package and terms of employment for the Directors and the key management personnel ("**KMP**").

The RC shall review and recommend to the Board on all aspects of remuneration for the Directors and the KMP, including the Directors' fees, as well as salaries, allowances, bonuses and benefits-in-kind for the KMP. The RC will ensure that the termination pay-out, retirement payment, gratuity, ex-gratia payment, severance payment and other such compensations in the employment contracts of the KMP are reasonable and not overly generous.

The RC shall submit its recommendations on the remuneration package for the KMP as well as present the Directors' fees as a total sum to the Board for endorsement before tabling its proposal at the AGM for the shareholders' approval.

The RC is empowered to review the HR management policies of the Group, and may seek external professional advice on remuneration and HR matters.

CORPORATE GOVERNANCE

PRINCIPLE 7: Level and Mix of Remuneration

The Company's remuneration policy aims to reward the EDs and the Management based on their performance and contributions to the Group, and to ensure the remuneration is commercially competitive to attract and retain the right talent. The remuneration package is carefully structured to deliver sustained performance and value for the Group and to strengthen the accountability and commitment of the Management in today's highly globalised and competitive environment.

Remuneration for the IDs and NEDs: The RC adopts a Base Fee Remuneration model for the IDs. The Director's fee is benchmarked against various factors, including prevailing market practices and industry norms as well as the roles and responsibilities of the IDs in the Board and Board Committees. IDs who chair the Board and Board Committees are paid higher fees in view of their greater responsibilities, and those who are involved in Board Committees are paid additional fees for their services.

Non-independent NEDs do not receive any Director's fees or any other forms of remuneration. When a NED is required to travel for Company business, the Company will reimburse all the travel-related expenses and provide a prescribed daily allowance.

Remuneration for the EDs and the KMP: The RC establishes the remuneration framework for the EDs and the KMP in consultation with the controlling shareholders, taking into account the performance of the Group, the business unit and the individual along with the relevant benchmarks in the respective markets and industries. The RC shall exercise full discretion and independent judgment to determine the right level and mix of compensations for the long-term success of the Company while upholding shareholders' interest.

The remuneration of the EDs and the KMP comprises both fixed and variable components.

Fixed components

The fixed components comprise mainly the annual base salary, fixed benefits and other defined contributions. In determining the fixed components, the RC will consider the individual responsibilities, performances, qualification and experience, as well as regulatory guidelines on wages, economic inflation and market surveys on executive compensations.

The base salary is recommended by the RC and approved by the Board. The based salary is reviewed annually based on the performance of Group and the business unit, and the contributions of the individual.

The Group also provides benefits and contributions in line with local market practices and legislative requirements. The Group participates in national pension schemes as defined by the laws of the countries in which it has operations. The Singapore companies in the Group make contributions to the Central Provident Fund, a defined pension scheme in Singapore. In Indonesia, the Group makes contributions to defined retirement plans covering all of its qualified permanent employees. The Group also provides for employee service entitlements in line with the minimum benefits payable to qualified employees, as required under the Indonesian labour law.

Variable components

The variable components, including bonuses and incentives, are designed to support the Group's business strategy and to drive shareholder value through annual financial, strategic and operational objectives. They are linked to the Group's financial and non-financial performance as well as the individual performance through a Balanced Scorecard that covers the six key areas of crop, cost, condition, people, processes and products underlying the Group's strategic objectives. Weightings are assigned to the targets to encourage a balanced performance and to avoid over-emphasis on any one measure.

The Company does not offer a share option scheme. The RC may consider other forms of long-term incentive schemes for the KMP when necessary. The RC is empowered to withhold or reclaim the variable incentives from the EDs and the KMP in exceptional circumstances involving material misstatement of financial results or misconduct resulting in financial losses to the Company.

The RC was satisfied that the remunerations awarded to the EDs and the KMP in 2019 were aligned with their respective performances.

CORPORATE GOVERNANCE

PRINCIPLE 8: Disclosure on Remunerations

The 2018 Code requires the disclosure of the policy and criteria for setting remuneration, as well as the names, amounts and breakdown of remuneration of (a) each individual Director and the CEO; and (b) at least the top five KMP (who are not Directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these KMP.

Remunerations for the Directors and the CEO: The remunerations for the Directors and the CEO that were paid by the Company and its subsidiaries for the financial year ended 31 December 2019 were as follows:

Name of Directors	Fixed Salary	Variable Bonus/ Benefits	Directors' Fees
Above S$1,250,000			
Mark Julian Wakeford (1)	76%	24%	–
Moleonoto Tjang (2)	21%	79%	–
Below S$250,000			
Lee Kwong Foo, Edward (1)	–	–	100%
Lim Hock San (1)	–	–	100%
Goh Kian Chee (1)	–	–	100%
Hendra Susanto (1)	–	–	100%
Tjhie Tje Fie (3)	–	–	–
Axton Salim (3)	–	–	–
Suaimi Suriady (3)	–	–	–

(1) *Remuneration paid by the Company.*
(2) *Remuneration paid by the subsidiary, PT Salim Ivomas Pratama Tbk ("PT SIMP").*
(3) *Remuneration paid by parent company, PT ISM, or by other companies in the PT ISM Group.*

Considering the competitive nature of the industry and the steep competition for talent, the Company has decided to disclose the remuneration of its Directors in bands of S$250,000, along with the mix of the fixed and variable components.

Remunerations for the IDs: The Director's fees paid to the IDs were as follows:

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

Name of ID	Board	AC & RMC	NC	RC	Total (S$)
Lee Kwong Foo, Edward	Chairman	–	Chairman	–	90,000
Lim Hock San	Member	Member	Member	Chairman	90,000
Goh Kian Chee	Member	Chairman	–	Member	90,000
Hendra Susanto	Member	Member	Member	–	75,000
Total Fees paid to IDs					**345,000**

CORPORATE GOVERNANCE

Remunerations for the KMP: The remunerations of the top five KMP, who were not Directors or the CEO of the Company, were as follows:

Name	Job Position	Fixed Salary	Variable Bonus/ Benefits
S$250,000 – S$500,000			
Mak Mei Yook [1]	CFO	77%	23%
Johnny Ponto [2]	Director of PT SIMP	39%	61%
Tan Agustinus Dermawan [2]	Director of PT SIMP	38%	62%
Rogers H. Wirawan [2]	Head of Internal Audit	48%	52%
S$1,000,000 – S$1,250,000			
Benny Tjoeng [3]	President Director of Lonsum	36%	64%

(1) *Remuneration paid by the Company.*
(2) *Remuneration paid by the subsidiary, PT SIMP.*
(3) *Remuneration paid by the subsidiary, PT PP London Sumatra Indonesia Tbk ("Lonsum").*

The total aggregate remuneration paid to the KMP for the financial year ended 31 December 2019 was S$2,552,275.

There was no pay-out for termination, retirement or post-employment benefit granted to any of the Directors or KMP in 2019.

Remunerations for employees who are immediate family members of a Director, the CEO or a substantial shareholder: There was no employee of the Company or its subsidiaries who was an immediate family member of a Director, the CEO or a substantial shareholder and whose remuneration exceeded S$100,000 for the financial year ended 31 December 2019.

ACCOUNTABILITY AND AUDIT

PRINCIPLE 9: Risk Management and Internal Controls

The Board is solely accountable to the shareholders. It is required to furnish timely information and ensure the appropriate disclosure of material information to the shareholders in compliance with the SGX-ST Listing Manual and other regulatory requirements.

The Board has overall responsibility for the governance and oversight of material risks for the Group. It is supported by the AC & RMC which maintains oversight of the Group's risk in financial reporting and reviews the adequacy and effectiveness of the Group's internal controls and risk management system.

The AC & RMC meets with internal and external auditors four times a year, and at least one of these meetings is conducted without the Management present. Following the amendments to Rule 705 of the SGX-ST Listing Manual effective 7 February 2020, the Company will not be required to announce its financial statements on a quarterly basis. The Board has, after due deliberation, decided that the financial statements will be announced on a half-yearly basis. In line with this, the AC & RMC will meet with the external auditors at least two times a year with effect from 2020.

The AC & RMC also meets with the Enterprise Risk Management ("**ERM**") team four times a year, and reports to the Board every quarter on its findings on the material impacts and recommendations on risk mitigation measures.

For the financial year ended 31 December 2019, the AC & RMC reviewed the Group's quarterly and full-year financial statements before they were tabled to the Board for approval. It also conducted quarterly reviews of the key findings by the Internal Audit Department ("**IAD**"), ERM team and the external auditor, as well as the actions recommended by the Management to rectify the discrepancies. The AC & RMC was kept abreast of changes to accounting standards and the impacts on financial reporting by the external auditor.

CORPORATE GOVERNANCE

Both the ERM team and the IAD worked closely to manage high-risk areas, ensure accuracy of the risk assessment reports, and enforce risk mitigation controls and strategies. The IAD also performed independent reviews of the risks and controls identified by the ERM team to ensure adequate monitoring and resolution. In 2019, the AC & RMC was satisfied that effective internal controls were put in place and supported by a sound internal audit process and a comprehensive ERM framework to identify, monitor, manage and report material risks in key areas, including strategy, operations, governance and finance.

The Board made its assessments based on quarterly updates and discussions with the AC & RMC on the adequacy and effectiveness of the Company's internal controls and risk management systems. The Board was assured by the CEO and the CFO on the proper keeping of financial records and financial statements to give a true and fair view of the Company's operations and finances. The Board was also assured by the CEO and the KMP that adequate and effective risk management and internal control systems were implemented to safeguard the stakeholders' interest.

Noting that no internal control system or ERM framework could absolutely guarantee against material, judgement or human errors, frauds and other irregularities, the Board was of the view that the Group's internal control system, including financial, operational, compliance and information technology controls, and ERM framework were adequate and effective in addressing the identified risks. The AC & RMC concurred with the Board's assessment.

In 2019, key audit matters, listed below, were discussed between the Management and the external auditor, and subsequently reviewed by the AC & RMC. The AC & RMC was satisfied that the key audit matters were appropriately addressed and disclosed in the financial statements.

Key Audit Matters	Key Considerations and Decisions made by the AC & RMC
Impairment assessment of goodwill	The AC & RMC considered and evaluated the methodology applied by the independent valuer engaged by the Management to determine the recoverable value for the assessment of goodwill impairment using the income approach. The AC & RMC reviewed the appropriateness and reasonableness of the underlying assumptions applied in determining the recoverable value of the goodwill impairment as well as the audit findings report presented by the external auditor during the year-end meeting. The AC & RMC concurred with the Management's assessment on goodwill impairment for the financial year ended 31 December 2019.
Recoverability of deferred tax assets arising from tax losses carried forward	The AC & RMC considered and reviewed the methodology and key assumptions used by the Management to determine the amount of future taxable profits for the next five years for deferred tax assets recognition. The AC & RMC reviewed the financial projections to assess the appropriateness of the methodology and reasonableness of the assumptions made as well as the audit findings report presented by the external auditor during the year-end meeting. The AC & RMC concurred with the Management on the assessment of the recoverability of deferred tax assets arising from tax losses carried forward for the financial year ended 31 December 2019.

The key audit matters were listed in the external auditor's report for the financial year ended 31 December 2019, together with a detailed description of the audit procedures adopted on pages 53-54 of this Annual Report.

PRINCIPLE 10: Audit Committee
Composition of the AC & RMC: The AC & RMC is chaired by Mr Goh Kian Chee (ID), with Messrs Lim Hock San (ID) and Hendra Susanto (ID) as members. The AC & RMC possess sound expertise in financial management and is fully qualified to discharge its powers and duties. None of the AC & RMC members is a partner, employee or director, present or former, of the Company's appointed audit firm.

CORPORATE GOVERNANCE

Powers and Duties of the AC & RMC

The key responsibility of the AC & RMC is to support the Board in risk management, internal controls and governance processes as well as to conduct an independent review of the effectiveness of the ERM framework and the adequacy of internal control measures in addressing the financial, operational, compliance and information technology risks. The AC & RMC is empowered to review and investigate any matters under its terms of reference listed below, with full access to the Directors, Management, employees, internal auditors and the external auditor.

The terms of reference of the AC & RMC were as follows:

- Review the audit plan, internal accounting controls, audit report, management letter and the Management's response to the external auditor;
- Review the quarterly, half-yearly and annual financial statements, paying special attention to changes in accounting policies and practices, major risk areas, and rectifications arising from the audit, before submitting the financial reports to the Board for approval;
- Review the on-going concern statement, compliance with applicable accounting standards, and requirements by the SGX, statutes and laws;
- Review the effectiveness and adequacy of the Group's internal controls, including financial, operational, compliance and information technology, and the ERM framework;
- Review the assurance from the CEO and the CFO on the financial records and financial statements;
- Review, together with the external auditor, any suspected frauds, irregularities and infringements of Singapore laws, regulations and the SGX-ST Listing Manual that would likely have a material impact on the Group's operating results or financial position, and the mitigating measures recommended by the Management;
- Review, without the presence of the Management, on the level of assistance the Management has provided to the external auditor, and the adequacy of the resolutions to issues arising from the audits;
- Review Interested Person Transactions ("IPT");
- Review the effectiveness of the whistle-blowing system as a confidential channel for employees to report potential improprieties in financial management and other areas;
- Review the ERM reports;
- Review the adequacy, effectiveness, independence, scope and results of the external and internal audits;
- Undertake additional reviews and projects as required by the Board, and to report the findings and recommendations to the Board in a timely manner; and
- Undertake additional functions and duties as required by the Singapore laws and the SGX-ST Listing Manual.

Audit Activities Performed in 2019

The AC & RMC met eight times during the year and carried out its duties according to the terms of reference. It also met the internal auditors and the external auditor separately, without the Management present.

The AC & RMC reviewed the financial statements before they were submitted to the Board for approval. It also monitored and reviewed the financial status, internal and external audit findings, and the effectiveness of the accounting and internal control systems.

The Company obtained the shareholders' approval in the Addendum dated 8 April 2019 to enter into IPT with individuals who fall within the approved categories of Interested Persons, provided such transactions were entered into according to the review procedures set out in the Addendum. The IPT Mandate was last approved by the shareholders at the 2019 AGM. The list of IPTs is disclosed on page 160 of this Annual Report.

The AC & RMC did not engage an independent financial adviser for the renewal of the IPT Mandate as the guidelines, methods and review procedures to determine the transaction prices of IPTs had remained unchanged since the last shareholders' approval of the IPT Mandate at the 2019 AGM; and the review procedures were deemed sufficient to ensure the IPTs were carried out on fair commercial terms and without prejudice to the interest of the Company or the minority shareholders.

External Audit

The Board will recommend the appointment of a new external auditor or the re-appointment of the incumbent external auditor to the shareholders for approval at the AGM. In the case of the re-appointment of the incumbent external auditor, the AC & RMC will assess the performance of the external auditor based on a combination of inputs, including ACRA's Audit Quality Indicators, feedback from the Management, and the objectivity and conduct of the external auditor during the audit process. If the performance of the external auditor is found to be satisfactory, the AC & RMC will recommend to the Board

CORPORATE GOVERNANCE

for the external auditor to be re-appointed, provided the external auditor has not been appointed for a maximum of five consecutive annual audits according to the SGX-ST regulation.

Ernst & Young LLP was the external auditor appointed by the Company in 2019. In accordance with Rule 1207(6)(a) of the SGX-ST Listing Manual, the audit and non-audit fees paid to the external auditor for the financial year ended 31 December 2019 are disclosed on page 93 of this Annual Report.

The Board and the AC & RMC reviewed the audit services provided by the external auditor and were satisfied with the quality, objectivity and independence of the audit. They recommended for Ernst & Young LLP to be re-appointed for another term, subject to the shareholders' approval at the next AGM.

The Board and the AC & RMC were also satisfied with the performance of the external auditors engaged by the Company's subsidiaries, associated companies and joint ventures and were of the opinion that the Company had complied with Rules 712 and 716 of the SGX-ST Listing Manual. These external auditors are disclosed on pages 116, 119 and 123 of this Annual Report.

Internal Audit
The IAD is an independent unit that operates separately from the business and corporate activities. Its operations are governed by the framework set out in the Internal Audit Charter and Code of Ethics approved by the AC & RMC and the Management. IAD is headed by Mr Rogers H. Wirawan who reports directly to the AC & RMC Chairman on all internal audit matters. The IAD had 58 staff as at 31 December 2019.

The IAD is responsible for the internal audits of the Company's operations in accordance with the guidelines and standards set out in the Professional Practice of Internal Auditing by the Institute of Internal Auditors. It will prepare the internal audit schedules in consultation with the Management before submitting the audit plan to the AC & RMC for approval. As part of the audit plan, the IAD will perform independent reviews of the risk control measures identified by the ERM team to provide added assurance on the robustness of the ERM framework. The duties and responsibilities of the IAD in the area of risk management and internal controls were as follows:

- Review the risk profile of the Company;
- Identify new risks and exposures in the Company's operations;
- Evaluate the effectiveness and cost of the risk control measures in eliminating or mitigating risks and exposures to the Company;
- Establish and maintain the risk reporting and monitoring framework.

In 2019, the IAD adopted a risk-based auditing approach that focused on material internal controls to identify and audit high-risk areas of strategic business units. The mitigation measures were subsequently proposed by the Management in consultation with the IAD. The findings and recommendations of the internal audit as well as quarterly update on the progress of the rectification measures were presented to the AC & RMC. The AC & RMC was satisfied that the IAD had adequately monitored and managed the key risks and internal controls for the Company.

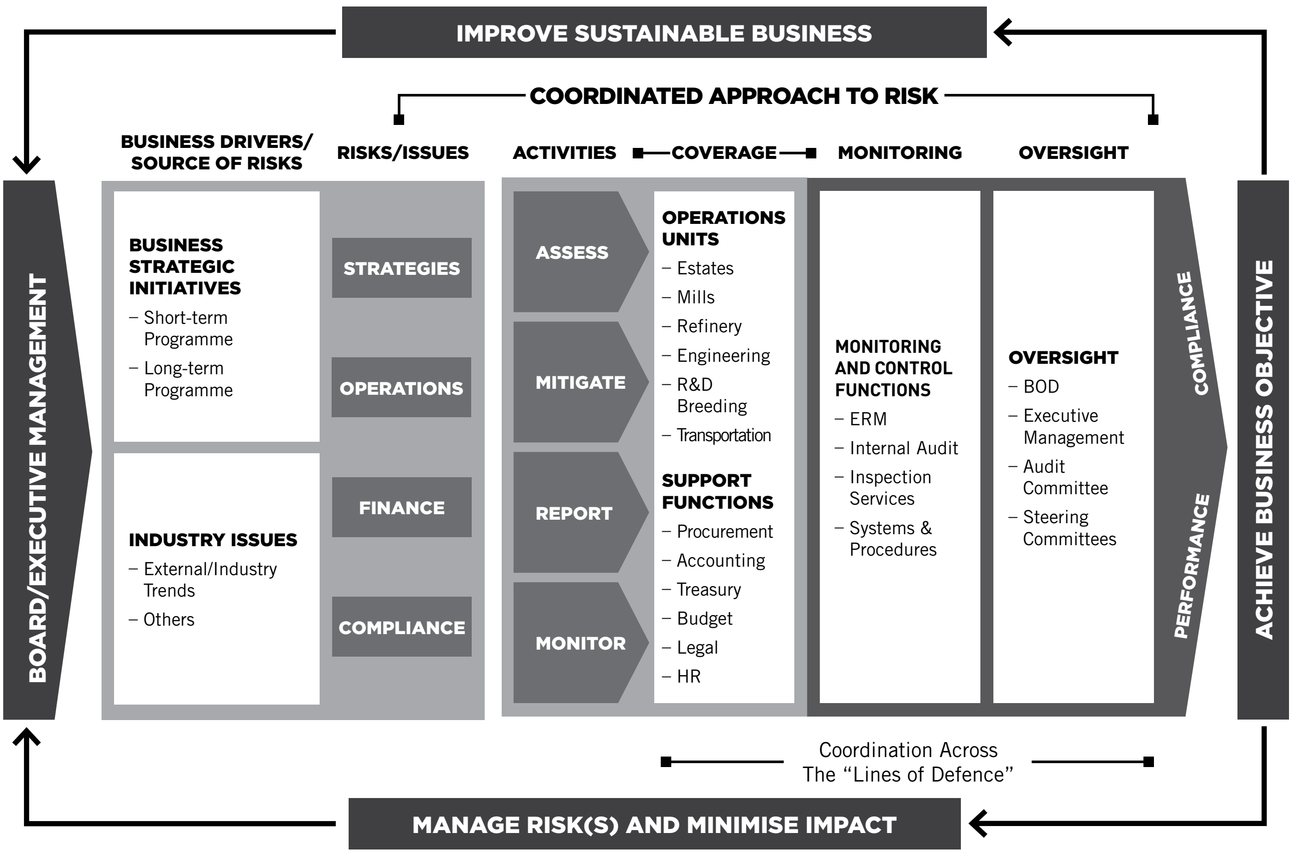
During the year, the AC & RMC reviewed the adequacy of the internal audit function, including the IAD's organisational structure, work scope and audit plans, and was satisfied that the IAD had remained independent, adequately resourced and maintained a good standing within the Group to carry out its roles and responsibilities effectively. The AC & RMC also conducted an annual self-assessment that reflected it had adequately fulfilled its duties as set out in the terms of reference. The Board conducted a separate review of the performance of the AC & RMC and was satisfied that the AC & RMC was well-qualified to discharge its duties and responsibilities in managing the risks and internal controls of the Company.

CORPORATE GOVERNANCE

Whistle-Blowing Policy
The Company has established a whistle-blowing policy and system that provides clearly defined channels and procedures for employees to report any misconduct, including suspected frauds, corruptions and unethical practices. All reports are kept strictly confidential to protect the identities of the whistle-blowers. The reports are reviewed and acted upon by either the AC & RMC or the Exco. The IAD will also conduct an independent investigation of each case and report these investigations to the AC & RMC on a quarterly basis.

Enterprise Risk Management
As an agribusiness, the Company operates in a VUCA (volatile, uncertain, complex and ambiguous) environment. Its performance is constantly influenced by external variables, such as unpredictable weather conditions, volatile commodity prices, fluctuating exchange rates, shifting consumer needs, economic uncertainties, security threats, international competition, disruptive technologies and market dynamics.

To mitigate the vagaries of the external environment, the Company has established an integrated ERM framework to coordinate the 'lines of defence' and proactively manage risks and uncertainties across its operations. The ERM framework enables the Company to stay vigilant and actively monitor its operations for the timely and accurate identification, assessment, mitigation, and reporting of risks and exposures that could have an adverse impact on the business operations and results. In so doing, the ERM framework enhances the competitiveness and sustainability of the Company's operations.



CORPORATE GOVERNANCE

The Company has put in place a Business Continuity Management ("**BCM**") framework to assure all stakeholders of the availability of its products and services during periods of emergency. The BCM focuses on minimising the impacts of emergencies on the operations and establishing a high level of resilience within the organisation to carry on business as usual during times of distress.

Under the BCM, several potential emergency scenarios have been identified, with the appropriate control measures put in place to mitigate and minimise foreseeable operational impacts. In the 'plantation fire' scenario, for instance, the control measures include the daily monitoring of hotspots based on satellite data, observations of fire incidents by the Company's fire patrol teams, regular fire prevention training, fire drills in high-risk estates, proper upkeep of fire-fighting equipment, construction of fire-monitoring towers, mapping of water sources, and regular communication with key stakeholders on the Company's Zero Burn and Fire Safety policies. These efforts have led to a significant reduction in fire incidents over time and helped to mitigate impacts due to the dry season in 2019, which was more severe than the previous year.

A risk governance structure has been established where the Directors, Management, and Heads of Department and Operating Units are committed to enhance the ERM policy and programmes to mitigate risks in business strategies and operations. Regular communications with the employees on the ERM framework have helped to raise awareness on risks and exposures and foster a resilient corporate culture.

The ERM framework and system are maintained by the ERM team, who works closely with the risk owners and managers to conduct quarterly risk assessments and review the overall effectiveness of the risk control measures. The ERM team monitors the progress of the ERM Action Plan, which contains the risk mitigation measures, and reports significant risks and exposures to the AC & RMC and the Board.

In 2019, the following risks were identified, managed and monitored:

1) **Strategic Risks**
   - Planning – Inadequate planning and forecasting could limit the Company's ability to anticipate and respond to internal and external changes, make sound and informed decisions, and take advantage of growth opportunities.
   - Sustainable Palm Oil – Uncertainty in industry trends and requirements could threaten the Company's ability to ensure sustainable operations, leading to adverse perceptions among the stakeholders and the loss of competitive advantage.
   - Land Expansion – Land is a key resource in agribusiness, and any restrictions on the availability or use of land could restrict growth and compromise the strategic objectives.

2) **Operational Risks**
   - Pests and Plant Diseases – Infestations of the crops by pests and plant diseases could lead to lower crop yield and premature crop death.
   - Occupational Health and Safety – Failure to implement a proper system of occupational health and safety to adequately protect employees and workers from workplace accidents and health hazards could expose the Group to higher fatality and accident rates, financial losses in terms of compensations and liabilities, and poor business reputation.
   - Resource Availability – Inadequate resources, such as raw materials, fertilisers, equipment, tools and component parts, could threaten the Group's ability to produce quality products on time and at competitive prices.
   - Social Conflicts – Conflicts with local communities could affect the Group's operations, resulting in limited or controlled access to critical areas, higher operating costs, lower productivity and unsafe work environments.
   - Natural Disasters – Disasters such as flooding, drought, earthquake and fire, could result in property damage, stoppage or delay in operations, higher operating costs, lower productivity and customer dissatisfaction.
   - Secured Communications – Disruptions to information technology due to system failures, cyber-attack or human errors could lead to operational disruptions, financial liabilities and customer dissatisfaction.

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3) **Compliance Risks**
- Land Ownership – Failure to obtain land permits and licences or to promptly resolve land ownership issues and third-party claims could result in loss of land rights.
- Tax Compliance – Non-compliance with local or national tax regulations, failure to identify and prevent legal risks, and inadequate communication with tax authorities could result in severe financial penalties.
- Environmental Compliance – Non-compliance with environmental laws and regulations could expose the Company to regulatory sanctions, public protests, security problems, fines and penalties.

4) **Financial Risks**
- Credit Defaults – Defaults of loans by plasma smallholders could result in financial losses.
- Capital Liquidity – Insufficient access to financial capital could affect the Company's ability to grow, execute strategies and generate returns.
- Economic Uncertainty – Fluctuations in commodity prices and currency exchange rates could adversely affect the Group's financial position and standing.

Shareholder Rights and Engagement

PRINCIPLE 11: Shareholder Rights and Conduct of General Meetings
PRINCIPLE 12: Engagement with Shareholders
The Company is committed to regular and timely disclosure of information pertinent to the shareholders. Announcements are made within the prescribed periods through the SGXNET, and where necessary, through mainstream news media via press releases. All announcements are posted on the Company's Investor Relations ("**IR**") website and disseminated by email to subscribers as news alerts. The IR website is a key source of investor-related information, including presentation slides on financial results, annual and sustainability reports, shares and dividend information, and factsheets.

The CEO, the CFO and other Management members conduct half-year and full-year results briefings, and regularly communicate important corporate developments and announcements, such as merger and acquisition of companies, to analysts and shareholders through meetings and conference calls. The Management also engages the investing community either individually or as a group in dialogues, road shows and investment forums to facilitate their understanding of the Company's business model and strategies.

In 2019, around 160 meetings and conference calls were made to engage the analysts and shareholders and to share the Group's business strategies, operational and financial results and business outlook with them. These engagements were attended by selected members of the Board and the Management. Key analysts and major shareholders were also invited to site visits at the North Sumatra plantation.

Dividend Policy
The Company has started paying dividends since 2012. Dividend payments are made with due consideration of the Company's financial performance, liquidity, capital commitments, business prospects, economic outlook and regulatory factors. The Board aims to maintain a balance between meeting the shareholders' expectation for dividend returns and prudent capital management.

Conduct of the Annual General Meetings
The AGM is attended by all the Directors, the Management as well as the external auditor, who will address the shareholders' queries on the audit report.

The shareholders are encouraged to actively participate at the AGM, which are held at venues easily accessible by the public. Notice of the AGM and related information are provided to the shareholders within the prescribed timeline under the listing rules. The Company provides separate resolutions for every item in the AGM agenda, and where necessary, additional explanatory notes, for each of the items.

All shareholders are entitled to attend and vote at the AGM in person or by proxy. Each shareholder may appoint up to two proxies to vote at the AGM by submitting the proxy forms to the Company in advance. Intermediaries, such as banks and capital markets services license holders that are providing custodial services, may appoint more than two proxies. This allows indirect investors, such as CPF investors, to attend the AGM as proxies. Voting in absentia by mail or other electronic means is currently not supported.

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All resolutions at the AGM are passed by poll voting. An electronic poll voting system is used to register the number of votes by the shareholders present at the AGM. An external party is engaged as a scrutineer to ensure the integrity of the poll voting process. The result of each poll, including the number and percentage of votes cast in favour or against the resolution, is immediately computed and presented to the shareholders. The poll voting and proxy voting results are filed with SGX-ST on the same day as the AGM.

At the AGM held in April 2019, the CEO presented the Company's performance and strategies to the shareholders. The Board and the Management were present to address queries from the shareholders, as well as to gather their feedback on specific issues. The external auditor also attended the AGM to take questions on the audit report.

Dealings in The Company's Securities
In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Group has adopted an Internal Code with regards to dealings in the securities of the Company by its officers. Among other restrictions, the Company's officers are prohibited from dealing in the Company's securities on short-term considerations when they have possession of any unpublished, price-sensitive information about the Company's securities during the two-week period before the announcement of the Group's quarterly and half-yearly financial results or one month before the announcement of the Group's full-year financial results. The Directors and employees are expected to observe the insider trading laws at all times, even when dealing in securities outside the prohibited trading periods, and to refrain from short-term dealings in the Company's securities.

MANAGING STAKEHOLDER RELATIONSHIP

PRINCIPLE 13: Engagement with Stakeholders
The Company's agribusiness operations are constantly exposed to rapidly changing opportunities and risks related to the environment, communities and stakeholders. These opportunities and risks are addressed through formal management processes, an open and responsible work culture, and partnerships with key stakeholders, which include local communities, customers, suppliers and civil society organisations. Steps are taken to improve operational efficiencies and innovations as part of the Company's pledge towards sustainable agriculture, community development and workplace safety.

In line with the Board's commitment to maintain high ethical standards, the Company maintains the following corporate policies:

1) **Code of Conduct and Company Culture**
The Company adopts the same Code of Conduct and core values as its parent company, PT ISM. These include two policies on the Company Business Ethics and the Work Ethics of Employees, and the core values of Discipline, Integrity, Respect, Unity, Leadership and Innovation. Sharing the same company culture as PT ISM allows the Company to engage with stakeholders and conduct its businesses in a manner that is consistent with its parent company.

The Code of Conduct and core values are regularly communicated and reinforced at staff engagement platforms. They are also easily accessible by all employees on the Company's website. Any violations of the Code of Conduct are deemed to be a breach of the employment contract and could lead to disciplinary actions or dismissal.

2) **Sustainable Agriculture Policy**
The Group's Sustainable Agriculture Policy is applicable to all of IndoAgri's operating units, plasma smallholders and third-party CPO suppliers. The Policy sets out the manner in which the Group achieves responsible and traceable supplies, taking into consideration the risks and opportunities arising from the ESG factors, as well as interactions with different stakeholder groups.

The key commitments under this policy are as follows:

- No deforestation;
- No planting on peat, regardless of depth;
- No burning;
- Preservation of High Conservation Value and High Carbon Stock areas;
- Upholding of Labour and Human Rights, including Freedom of Association and non-discrimination; and
- Upholding of Free, Prior and Informed Consent.

FINANCIALS STATEMENTS

DIRECTORS' STATEMENT

The directors are pleased to present their statement 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 2019.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance 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.

DIRECTORS

The directors of the Company in office at the date of this statement 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 Regulation 111 of the Company's Constitution, Lee Kwong Foo, Edward, Lim Hock San and Goh Kian Chee 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

DIRECTORS' STATEMENT

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

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

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 carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50. 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 re-appointment as auditor.

On behalf of the Board of Directors,

Mark Julian Wakeford
Director

Moleonoto Tjang
Director

Singapore
20 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INDOFOOD AGRI RESOURCES LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Indofood Agri Resources Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

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

We have identified the following matters as key audit matters:

(i) Impairment assessment of goodwill

SFRS(I) 1-36 *Impairment* of Assets requires goodwill to be tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. This annual goodwill impairment assessment is significant to our audit because the goodwill balance of Rp3,211.4 billion, which arose largely from the acquisition of PT Perusahaan Perkebunan London Sumatra Indonesia ("Lonsum"), is material to the financial statements and the recoverable value of the goodwill and the underlying assets associated with the acquired entities is determined by a value-in-use calculation using income approach which is complex, highly judgemental and subjective. Management engaged an independent valuer to determine the recoverable value of the goodwill only for Lonsum's integrated plantation estates. The plantation estates under Lonsum are identified as a single cash-generating unit ("CGU") for impairment testing. The recoverable amount of other goodwill from other acquisitions were determined internally by management.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INDOFOOD AGRI RESOURCES LTD.

Key audit matters (cont'd)

(i) Impairment assessment of goodwill (cont'd)

Under the income approach, the expected future cash flows are discounted to the present value by using a discount rate. The estimation of future cash flows requires the use of a number of other significant operational and predictive assumptions, such as fresh fruit bunch yield rate, extraction rate, projected selling price, inflation rate, exchange rate and also factors in the terminal value after the implicit period of five years.

We reviewed the independent valuation report and assessed the expertise, objectivity and competence of the independent valuer. We reviewed the discounted cash flow model to assess the appropriateness of the methodology employed by the valuer and management and the reasonableness of the key assumptions made. We compared the operational assumptions against historical data and trend to assess their reasonableness. We engaged the assistance of our internal valuation specialist to assess the reasonableness of the key predictive assumptions (among others, discount rate, inflation rate, exchange rate, and projected selling price) used.

We also reviewed the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The Group's disclosures about goodwill are in Note 16 to the financial statements, which explain that changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future.

(ii) Recoverability of deferred tax assets arising from tax losses carried forward

SFRS(I) 1-12 *Income Taxes* allows the recognition of deferred tax asset on operating losses if it is probable that there will be sufficient taxable profits in future against which the tax losses can be utilised. The recognition of deferred tax asset is significant to our audit because the Group has recognised deferred tax asset of Rp936.4 billion which is material to the financial statements, of which Rp673.6 billion relates to unutilised tax losses carried forward. Additionally, certain subsidiaries continue to report net losses which raises doubt on whether the related deferred tax assets can be fully recovered in the future years as the tax losses in Indonesia generally expire after 5 years.

The assessment of recoverability of deferred tax asset was undertaken internally by management. We reviewed the key assumptions such as projected selling price, exchange rate and inflation rate used by management in the financial projections to determine the amount of taxable profits expected over the next five years. We reviewed the financial projections to assess the appropriateness of the methodology and reasonableness of the assumptions made. We compared the operational assumptions such as production yield, production cost and extraction rate against historical data and trend to assess their reasonableness.

The Group's disclosures on deferred tax assets are in Note 18 to the financial statements.

Other information

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INDOFOOD AGRI RESOURCES LTD.

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INDOFOOD AGRI RESOURCES LTD.

Auditor's responsibilities for the audit of the financial statements (cont'd)

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Vincent Toong Weng Sum.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

20 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 Rp million	2018 Rp million
Revenue	4	13,650,388	14,059,450
Cost of sales	5	(11,624,774)	(11,861,526)
Gross profit		2,025,614	2,197,924
Selling and distribution expense		(516,474)	(525,014)
General and administrative expense		(958,073)	(884,577)
Foreign exchange gain/(loss)		11,322	(118,034)
Other operating income	6	90,165	77,946
Other operating expense	7	(284,128)	(81,878)
Share of results of associate companies		(67,976)	(7,792)
Share of results of joint ventures		16,612	28,704
Gain/(loss) arising from changes in fair value of biological assets	13	190,353	(30,882)
Profit from operations	8	507,415	656,397
Loss on deemed disposal on investment in a joint venture	21	–	(87,049)
Finance income	9	86,091	104,199
Finance expense	10	(856,928)	(719,960)
Loss before tax		(263,422)	(46,413)
Income tax expense	11	(446,294)	(380,102)
Net loss for the year		(709,716)	(426,515)
Loss for the year attributable to:			
Owners of the Company		(411,353)	(221,764)
Non-controlling interests		(298,363)	(204,751)
		(709,716)	(426,515)
Other comprehensive income ("OCI"):			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(79,531)	(38,590)
Items that will not be reclassified to profit or loss			
Change in fair value of available-for-sale financial asset		134	(3,350)
Re-measurement gain of employee benefits liability	29	122,736	228,304
Income tax effect related to re-measurement gain of employee benefits liability	11	(30,684)	(57,076)
Share of OCI of an associate company and joint ventures		3,463	(52,995)
Other comprehensive income for the year, net of tax		16,118	76,293
Total comprehensive income for the year		(693,598)	(350,222)
Total comprehensive income attributable to:			
Owners of the Company		(435,287)	(214,673)
Non-controlling interests		(258,311)	(135,549)
Total comprehensive income for the year		(693,598)	(350,222)
Loss per share (in Rupiah)	12		
– basic		(295)	(159)
– diluted		(295)	(159)

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

BALANCE SHEETS

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		Rp million	Rp million	Rp million	Rp million
Non-current assets					
Biological assets	13	314,739	328,500	–	–
Property, plant and equipment	14	19,557,327	21,213,418	32,712	36,400
Right-of-use assets	15	1,990,617	–	–	–
Goodwill	16	3,211,427	3,245,317	–	–
Claims for tax refund	17	205,949	284,779	–	–
Deferred tax assets	18	936,354	1,125,003	–	–
Investment in subsidiary companies	19	–	–	10,706,846	10,633,423
Investment in associate companies	20	1,766,098	1,469,721	551,139	551,139
Investment in joint ventures	21	830,258	809,373	–	–
Amount due from a subsidiary	22	–	–	1,070,000	1,150,000
Advances and prepayments	22	478,775	476,077	–	–
Other non-current receivables	22	1,509,152	1,433,224	10	10
Total non-current assets		30,800,696	30,385,412	12,360,707	12,370,972
Current assets					
Inventories	23	2,253,714	2,428,365	–	–
Trade and other receivables	24	1,320,175	1,395,471	90,032	93,424
Advances and prepayments	24	320,137	181,652	145	169
Prepaid taxes		370,931	336,031	–	–
Biological assets	13	717,620	516,656	–	–
Asset held for sale	14	41,795	41,795	–	–
Cash and cash equivalents	25	1,787,462	2,228,869	69,129	153,545
Total current assets		6,811,834	7,128,839	159,306	247,138
Total assets		37,612,530	37,514,251	12,520,013	12,618,110
Current liabilities					
Trade and other payables and accruals	26	1,894,905	1,810,233	109,859	114,796
Advances and other payables	26	313,488	234,699	–	–
Lease liabilities	15	30,066	–	–	–
Interest-bearing loans and borrowings	27	6,910,876	6,971,649	166,812	1,085,351
Income tax payable		22,711	27,609	2	9
Total current liabilities		9,172,046	9,044,190	276,673	1,200,156
Net current liabilities		(2,360,212)	(1,915,351)	(117,367)	(953,018)

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

BALANCE SHEETS

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		Rp million	Rp million	Rp million	Rp million
Non-current liabilities					
Interest-bearing loans and borrowings	27	4,640,873	4,218,271	808,344	–
Amounts due to related parties and other payables	28	509,859	427,859	–	–
Provisions	28	35,191	32,007	–	–
Lease liabilities	15	52,943	–	–	
Employee benefits liabilities	29	2,424,489	2,323,955	–	–
Deferred tax liabilities	18	613,725	614,776	13,982	7,942
Total non-current liabilities		8,277,080	7,616,868	822,326	7,942
Total liabilities		17,449,126	16,661,058	1,098,999	1,208,098
Net assets		20,163,404	20,853,193	11,421,014	11,410,012
Equity attributable to owners of the Company					
Share capital	30	3,584,279	3,584,279	10,912,411	10,912,411
Treasury shares	30	(390,166)	(390,166)	(390,166)	(390,166)
Revenue reserves	31	7,675,350	8,075,562	754,617	743,615
Other reserves	31	442,529	517,935	144,152	144,152
		11,311,992	11,787,610	11,421,014	11,410,012
Non-controlling interests		8,851,412	9,065,583	–	–
Total equity		20,163,404	20,853,193	11,421,014	11,410,012

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 2019

		Attributable to owners of the Company						
	Note	**Share capital**	**Treasury shares**	**Other reserves (Note 31(b))**	**Revenue reserves**	**Total reserves**	**Non-controlling interests**	**Total equity**
		Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
At 1 January 2019		3,584,279	(390,166)	517,935	8,075,562	8,593,497	9,065,583	20,853,193
Cumulative effects of adopting SFRS(I) 16	2.2	–	–	–	(3,762)	(3,762)	(1,535)	(5,297)
At 1 January 2019		3,584,279	(390,166)	517,935	8,071,800	8,589,735	9,064,048	20,847,896
Net loss for the year		–	–	–	(411,353)	(411,353)	(298,363)	(709,716)
Other comprehensive income		–	–	(75,499)	51,565	(23,934)	40,052	16,118
Total comprehensive income for the year		–	–	(75,499)	(359,788)	(435,287)	(258,311)	(693,598)
<u>Contributions by and distribution to owners:</u>								
Dividend payments by subsidiary companies		–	–	–	–	–	(52,325)	(52,325)
Dividend payment to Company's shareholders	31(c)	–	–	–	(36,662)	(36,662)	–	(36,662)
Share of an associate's employee share based compensation reserve		–	–	93	–	93	–	93
Advance for shares subscription		–	–	–	–	–	98,000	98,000
Total transactions with owners in their capacity as owners		–	–	93	(36,662)	(36,569)	45,675	9,106
Balance at 31 December 2019		3,584,279	(390,166)	442,529	7,675,350	8,117,879	8,851,412	20,163,404

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 2019

		Attributable to owners of the Company						
	Note	**Share capital**	**Treasury shares**	**Other reserves (Note 31(b))**	**Revenue reserves**	**Total reserve**	**Non-controlling interests**	**Total equity**
		Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
At 1 January 2018 (FRS Framework)		3,584,279	(390,166)	582,329	8,327,924	8,910,253	9,318,284	21,422,650
Cumulative effects of adopting SFRS(I)		–	–	24,634	(24,634)	–	–	–
At 1 January 2018 (SFRS(I) Framework)		3,584,279	(390,166)	606,963	8,303,290	8,910,253	9,318,284	21,422,650
Net loss for the year		–	–	–	(221,764)	(221,764)	(204,751)	(426,515)
Other comprehensive income		–	–	(89,658)	96,749	7,091	69,202	76,293
Total comprehensive income for the year		–	–	(89,658)	(125,015)	(214,673)	(135,549)	(350,222)
<u>Contributions by and distribution to owners:</u>								
Dividend payments by subsidiary companies		–	–	–	–	–	(168,152)	(168,152)
Dividend payment to Company's shareholders	31(c)	–	–	–	(102,713)	(102,713)	–	(102,713)
Additional capital contributions from non-controlling shareholder to subsidiary companies		–	–	–	–	–	51,000	51,000
Share of an associate's employee share based compensation reserve		–	–	630	–	630	–	630
Total transactions with owners in their capacity as owners		–	–	630	(102,713)	(102,083)	(117,152)	(219,235)
Balance at 31 December 2018		3,584,279	(390,166)	517,935	8,075,562	8,593,497	9,065,583	20,853,193

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 2019

	Note	2019 Rp million	2018 Rp million
Cash flows from operating activities			
Loss before taxation		(263,422)	(46,413)
Adjustments for:			
Depreciation and amortisation	8	1,522,327	1,488,895
Realisation of deferred costs		204,660	149,836
Unrealised foreign exchange (gain)/loss		(18,806)	145,607
(Gain)/loss arising from changes in fair value of biological assets	13	(190,353)	30,882
Gain on disposal of property, plant and equipment	6	(1,135)	(4,466)
Write-off of property, plant and equipment		3,677	362
Changes in allowance for decline in market value and obsolescence of inventories	5,23	(12,108)	3,058
Changes in provision for asset dismantling costs	7,28	3,184	(2,142)
Changes in estimated liability for employee benefits	29	372,228	328,308
Allowance for uncollectible and loss arising from changes in amortised cost		138,550	30,007
Share of results of associate companies		67,976	7,792
Share of results of joint ventures		(16,612)	(28,704)
Loss on deemed disposal on investment in a joint venture	21	–	87,049
Impairment of goodwill	16	33,890	520
Impairment of fixed assets	14,15	46,863	–
Finance income	9	(86,091)	(104,199)
Finance expense	10	856,928	719,960
Operating cash flows before changes in working capital		2,661,756	2,806,352
Changes in working capital:			
(Increase)/decrease in other non-current receivables		(3,913)	99,406
Decrease/(increase) in inventories		186,758	(226,874)
Decrease/(increase) in trade and other receivables		64,801	(188,714)
Increase in advances to suppliers		(133,684)	(843)
Increase/(decrease) in prepaid taxes, advances and other payable		32,997	(24,148)
(Decrease)/increase in trade and other payables and accruals		(72,307)	32,116
Cash flows from operations		2,736,408	2,497,295
Interest received		86,847	105,313
Interest paid		(838,016)	(708,227)
Income tax paid		(322,097)	(742,803)
Net cash flows from operating activities		1,663,142	1,151,578

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 2019

	Note	2019 Rp million	2018 Rp million
Cash flows from investing activities			
Additions to property, plant and equipment		(1,575,016)	(1,405,030)
Additions to land-use right	15	(83,696)	(81,258)
Additions to biological assets		(186,314)	(165,344)
Increase in plasma receivables		(213,811)	(268,583)
Proceeds from disposal of property, plant and equipment		11,197	27,107
Advances for projects and purchases of fixed assets		(92,556)	(117,959)
Investment in associate companies		(373,766)	(109,323)
Investment in a joint venture		(74,634)	(99,984)
Net cash flows used in investing activities		(2,588,596)	(2,220,374)
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		4,130,756	4,464,981
Repayment of interest-bearing loans and borrowings		(3,670,189)	(3,983,434)
Proceeds from amount due to related parties		82,000	76,200
Dividend payments by subsidiaries to non-controlling interests		(52,325)	(168,152)
Dividend payment to the Company's shareholders	31(c)	(36,662)	(102,713)
Capital contributions from non-controlling interests		–	51,000
Advance for shares subscription		98,000	–
Payment of principal portion of lease liability	15	(46,452)	–
Net cash flows from financing activities		505,128	337,882
Net decrease in cash and cash equivalents		(420,326)	(730,914)
Effect of changes in exchange rates on cash and cash equivalents		(21,081)	30,109
Cash and cash equivalents at the beginning of the financial year		2,228,869	2,929,674
Cash and cash equivalents at the end of the financial year	25	1,787,462	2,228,869

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

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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, cocoa, tea, and industrial timber plantations, and marketing and selling these end products.

These activities are carried out through the Company's subsidiaries, associates and joint ventures. The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries, associates and joint ventures are disclosed in Note 19 to 21 to 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 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

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.

The financial statements have been prepared on a going concern basis notwithstanding the net current liabilities of the Group and the Company amounting to Rp2,360 billion (2018: Rp1,915 billion) and Rp117 billion (2018: Rp953 billion) respectively as the Directors are of the view that the future cash flows generated from operations, ability to refinance the maturing debts, together with the undrawn committed banking facilities, the Group and the Company will able to meet its financial obligations as and when they fall due.

2.2 Changes in accounting policies and disclosures

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 years beginning on or after 1 January 2019. Except for the impact arising from the adoption of SFRS(I) 16 Leases described below, the adoption of these standards did not have any material effect on the financial performance of the Group or the financial position of the Group and the Company.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.2 Changes in accounting policies and disclosures (cont'd)

SFRS(I) 16 Leases

The Group adopted SFRS(I) 16 which is effective for annual periods beginning on or after 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group adopted SFRS(I) 16 using modified retrospective method of adoption with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 and SFRS(I) INT 4 will continue to be applied to leases entered or modified before 1 January 2019.

In addition, the Group elected the application of the following exemptions:

- not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019 and 'low value' assets;

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.2 Changes in accounting policies and disclosures (cont'd)

SFRS(I) 16 Leases (cont'd)

Impact of financial statements

On the adoption of SFRS(I) 16, the Group recognised right-of-use assets of Rp122,399 million and lease liabilities of Rp129,461 million for its leases previously classified as operating leases, with a corresponding decrease in the opening retained earnings of Rp3,762 million and non-controlling interests of Rp1,535 million as of 1 January 2019. In addition, the Group has also reclassified the land use rights of Rp1,849,675 million as right-of-use assets as of 1 January 2019.

When measuring lease liabilities, the Group discounted the future lease payments using its incremental borrowing rate at 1 January 2019 which was determined to be 6.71% - 10.34%. The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Rp million
Operating lease commitments as at 31 December 2018	147,328
Less: Commitments relating to leases of low-value assets and short term leases	(1,663)
	145,665
Present value discount using Group's incremental borrowing rates	(16,204)
Discounted operating lease commitments and lease liabilities as at 1 January 2019	129,461

2.3 Standards issued but not yet effective

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

Description	Effective for the financial year beginning on or after
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3: Definition of Business	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

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.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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:

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

(b) Business combinations

Business combinations 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 SFRS(I).

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

(b) Business combinations (cont'd)

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.

Business Combination of Entities Under Common Control

As the transaction of business combination involving entities under common control does not result in a change of the economic substance of the ownership of businesses which are exchanged, the said transaction is recognised at its carrying amount using the pooling-of-interest method.

In applying the pooling-of-interest method, the components of the financial statements of the combining entity, for the year during which the business combination of entities under common control occurred and for the comparative year, are presented in such a manner as if the combination has occurred since the beginning of the year of the combining entity are under common control. Difference in value of considerations transferred in a business combination of entities under common control or considerations received when disposal of business of entities under common control, if any, with its carrying amount is recognised as part of equity in the consolidated statement of financial position.

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 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.6 Foreign currency (cont'd)

(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.

(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

(a) Bearer Plants

Bearer plants are living plants used in the production or supply of agricultural produce; they are expected to bear produce for more than one period; and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

The Group's bearer plants comprise mainly oil palm, rubber and sugar cane plantations. The Group elected to account for its bearer plants using the cost model under SFRS(I) 1-16. Immature bearer plants are accounted for at accumulated cost, which consist mainly of the accumulated cost of land clearing, planting, fertilizing, up-keeping and maintaining the plantations, and allocations of indirect overhead costs up to the time the trees become commercially productive and available for harvest. Costs also include capitalised borrowing costs and other charges incurred in connection with the financing of the development of immature plantations. Immature plantations are not amortised.

Immature plantations are reclassified to mature plantations when they are commercially productive and available for harvest. In general, an oil palm plantation takes about 3 to 4 years to reach maturity from the time of planting the seedlings, while a rubber plantation takes about 5 to 6 years to reach maturity. A sugar cane plantation takes about a year to reach maturity, and can be harvested for an average of 3 times after the initial planting.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.7 Property, plant and equipment (cont'd)

(a) Bearer Plants (cont'd)

Mature plantations are stated at cost, and are amortised using the straight-line method over their estimated useful lives of the primary bearer plants as follows:

• Oil palm	25 years
• Rubber	25 years
• Sugar cane	4 years

The carrying amounts of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be fully recoverable.

The carrying amount of an item of bearer plants is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is directly included in the profit or loss when the item is derecognised.

The assets useful lives and amortisation method are reviewed at each year end and adjusted prospectively if necessary.

Upkeep and maintenance costs are recognised in profit or loss when they are incurred. The cost of major renovation and restoration is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and is depreciated over the remaining useful life of the related asset.

(b) Other Property, Plant and Equipment

All other property, plant and equipment are initially recognised at cost, which comprises its purchase price and any costs directly attributable in bringing the asset to its working condition and to the location where it is intended to be used. Such cost also includes initial estimation at present value of the costs of dismantling and removing items of property, plant and equipment in certain CPO refinery and fractionation plants and margarine plants of the Group located in rented sites, costs of restoring the said rented sites, as well as costs of replacing part of such property, plant and equipment when that cost is incurred, if the recognition criteria are met.

Subsequent to initial recognition, property, plant and equipment are carried at cost less any subsequent accumulated depreciation and impairment losses.

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

• Buildings and improvements	10 to 25 years
• Plant and machinery	4 to 20 years
• Heavy equipment, transportation equipment and vessel	5 to 30 years
• Furniture, fixtures and office equipment	4 to 10 years

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.7 Property, plant and equipment (cont'd)

(b) Other Property, Plant and Equipment (cont'd)

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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 appropriate.

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

Repairs and maintenance costs are taken to the profit or loss when they are incurred. The cost of major renovation and restoration is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and is depreciated over the remaining useful life of the related asset.

2.8 Biological assets

The Group's biological assets comprise timber plantations and agriculture produce of the bearer plants, which primarily comprise of oil palm, oil palm seeds, rubber and sugar cane.

The Group recognised the fair value of biological assets in accordance with SFRS(I) 1-41. Biological assets are stated at fair value less costs to sell. Gains or losses arising on initial recognition of biological assets and from the change in fair value of biological assets at each reporting date are recognised in the profit or loss for the period in which they arise.

The Group adopted the income approach to measure the fair value of the biological assets. For the valuation of unharvested produce of oil palm and rubber trees, the Group has applied the actual harvest data subsequent to year end to derive the fair value of unharvested produce of oil palm and rubber trees at year end. For the valuation of unharvested produce of mother palm trees and sugar cane, the Group has applied discounted cash flow models to derive its fair value.

For timber plantations, the Group appoints an independent valuer to determine the fair value of timber at year end and any resultant gains or losses arising from the changes in fair values is recognised in the profit or loss. The independent valuer adopts the income approach for the fair valuation of timber using a discounted cash flow model. The cash flow models estimate the relevant future cash flows which are expected to be generated in the future, and are discounted to the present value by using a discount rate. Please refer to Note 13 for more information.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.9 Plasma receivables

Certain subsidiaries within the Group (collectively referred to as the "Nucleus Companies"), have commitments with several rural cooperatives ("KUD" or Koperasi Unit Desa) representing plasma farmers to develop plantations as required by the Indonesian government. The Nucleus Companies are to provide guidance and sharing of knowledge in developing the oil palm plasma plantations up to the productive stage.

The financing of these plasma plantations are mainly provided by the banks. In the situation where the plasma farmers' plantations have yet to generate positive cashflows to meet its repayment obligations to the banks, the Nucleus Companies provide temporary loans to help the plasma farmers to develop the plantation and to repay the principal and interest. Several Nucleus Companies provide corporate guarantees to the related credit facilities provided by the banks.

The plasma receivables presented in the Consolidated statement of financial position consist of accumulated development costs incurred and the funding provided by the Nucleus Companies to the KUD or plasma farmers less the funds received from banks on behalf of the KUD or plasma farmers and accumulated impairment loss.

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 financial assets held at amortised cost under SFRS(I) 9. 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 CGU that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The CGU to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates.

(b) 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.10 Intangible assets (cont'd)

(c) 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.

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 CGU level. Such intangible assets are not amortised.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

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 CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU 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, a recent market transaction or an appropriate valuation model is used such as discounted cash flow method.

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 generally cover a period of five or ten years. For longer periods, a long term growth rate is calculated and applied to projected future cash flows after the tenth year.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

Impairment losses 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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses relating to goodwill cannot be reversed in future periods.

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 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. 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.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

(a) Joint operations

The Group recognises in relation to its interest in a joint operation,

(i) its assets, including its share of any assets held jointly;
(ii) its liabilities, including its share of any liabilities incurred jointly;
(iii) its revenue from the sale of its share of the output arising from the joint operation;
(iv) its share of the revenue from the sale of the output by the joint operation; and
(v) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.13 Joint arrangements (cont'd)

(b) Joint ventures

The Group recognises its interest in joint ventures as investments and account for the investments using the equity method. The accounting policy for investment in joint ventures is set out in Note 2.14.

2.14 Joint ventures and 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 and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

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

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

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

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

The financial statements of the associates and joint ventures 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 or joint control over the associate or 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.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.15 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

<u>Investments in debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit and loss when the assets are derecognised or impaired, and through amortisation process.

The Group's financial assets at amortised cost includes trade receivables, other receivables and plasma receivables.

(ii) Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income ("OCI"), except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Investments in debt instruments (cont'd)

(iii) Fair value through profit or loss ("FVPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investment in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

The Group elected to measure its available-for-sale unquoted equity at fair value in OCI. Any subsequent changes in fair value of the available-for-sale will be recognised to other comprehensive income without recycling to profit or loss. Equity instruments measured at FVOCI are not subject to impairment assessment.

For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derecognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.15 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVPL 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.

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.16 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at FVPL and financial guarantee contracts. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale or collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade and other receivables, the Group applies a simplified approach in calculating ECL. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Group considers a financial asset is doubtful when contractual payments are 90 days past due, but exception shall apply to financial assets that relate to entities under common controls or covered by letter of credit or credit insurance. However, in certain cases, the Group may also consider a financial asset to be doubtful when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banks, and short-term deposits with an original maturity of 3 months or less at the time of placements and are readily convertible to known amounts 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 financial assets held at amortised cost under SFRS(I) 9. The accounting policy for this category of financial assets is stated in Note 2.15.

2.18 Inventories

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

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

Raw materials, 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.

2.19 Provisions

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.20 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 measured at the higher of the amount of ECL determined in accordance with the policy set out in Note 2.16 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.21 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.

2.22 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.22 Employee benefits (cont'd)

(b) Defined benefit plans (cont'd)

Defined benefit costs comprise the following:

– Service cost
– Net interest on the net defined benefit liability; and
– Re-measurements 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.

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

2.23 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Following initial recognition, right-of-use assets are subsequently measured at amortised cost and depreciated over the term of the lease using the straight-line method.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.23 Leases (cont'd)

(a) Right-of-use assets (cont'd)

Land use rights

The Group's titles of ownership on its land rights, including the plantation land, are in the form of Right to Build ("Hak Guna Bangunan" or "HGB") which are valid for 20 to 40 years, Right to Cultivate ("Hak Guna Usaha" or "HGU"), which are valid for 19 to 44 years, and Right to Use ("Hak Pakai" or "HP") which are valid for 10 to 25 years.

Included as part of the land use rights 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 and are not amortised as the management is of the opinion that it is probable the titles of land rights can be renewed or extended upon expiration.

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group also has certain leases of office equipment and office furniture with lease terms of less than 12 months (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) or with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases and recognise lease expenses on a straight-line basis. These expenses are presented within general and administrative expenses in the profit or loss.

Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other operating income in the consolidated statement of comprehensive. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.24 Assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.25 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

Revenue from sales arising from physical delivery of CPO, palm kernel ("PK"), palm-based products, edible oils and other agricultural products is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

Certain contracts with customers within the respective business segments provide cash incentives and rights of return for edible oils and fats products, volume discount for palm seeds and pricing change due to CPO quality. The amount of revenue recognised is based on the contractual price, net of volume discounts, good returns and adjustment for product quality.

The Group recognises volume discounts for palm seeds at the point of transaction and net against the revenue, while the cash incentives payable to customers are recognised when supporting documents have been received from customers.

The Group also recognises refunds due to expected returns or price adjustment for product quality as liabilities when it is highly probable that such claims will occur.

(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. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) Dividend income

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

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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.

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

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.26 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply 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 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.28 Share capital and share issuance expenses

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

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 consolidated 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Provision for ECL of trade receivables

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in Note 35(d).

The carrying amount of trade receivables as at 31 December 2019 is Rp1,209.2 billion (2018: Rp1,282.6 billion).

(b) Provision for ECL of plasma receivables

The ECL allowance is based on the credit losses expected to arise over the life of the asset (lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' ECL. The Group primarily determined a receivable from individual plasma project has significant increase in credit risk when the actual development cost per hectare is exceeding the agreed development cost per hectare as stated in the credit agreement between the cooperatives and the creditor.

The 12 months' ECL is the portion of lifetime ECL that represent the ECL which would possibly result from default events on a financial instrument within the 12 months after the reporting date.

The Group calculates ECL based on the expected cash shortfalls, discounted at an approximation of the original effective interest rate ("EIR"). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the Group expects to receive.

The Group measures the cash flows expected to receive from each plasma project based on the estimated revenues from the plasma plantations deducted with the costs of sales, principal and interest payments to the bank. The key inputs applied for this estimation are the selling price of the fresh fruit bunches ("FFB"), production yield for each planting year of the plasma plantations and inflation rate.

These provisions are re-evaluated and adjusted as additional information is received at each reporting date.

The gross carrying amount of the Group's plasma receivables before the allowance for ECL and the adjustments of EIR amortisation as at 31 December 2019 is Rp2,061.5 billion (2018: Rp1,847.7 billion). Further details are disclosed in Note 35(d).

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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) Goodwill impairment

Application of acquisition method requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities acquired, including intangible assets. Certain business acquisitions of the Group have resulted in goodwill, which is not amortised but subject to impairment testing, and whenever circumstances indicate that the carrying amount of the CGU where the goodwill was allocated into may be impaired.

Determining the fair values of biological assets, property, plant and equipment, and other non-current assets of the acquirees at the date of business combination, requires 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 the 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.

The carrying amount of the Group's goodwill as at 31 December 2019 is Rp3,211.4 billion (2018: Rp3,245.3 billion). Further details are disclosed in Note 16.

(b) 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 2019 is Rp2,424.5 billion (2018: Rp2,324.0 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 29.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) 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 30 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 2019 is disclosed in Note 14.

(d) Biological assets

The Group recognises its timber plantations and agriculture produce of bearer plants at fair value less costs to sell, which requires the use of accounting estimates and assumptions.

The Group adopts the income approach to measure the timber plantations and fair value of unharvested produce of bearer plants. The significant assumptions applied to determine the fair value of biological assets included the projected selling prices, production yields, discount rate, inflation rate and exchange rates. For the valuation of unharvested fruit bunches of oil palm and latex of rubber, the Group has applied the actual harvest data subsequent to year end to derive the fair value of unharvested produce of oil palm and rubber at year end. For the valuation of oil palm seeds, sugar cane and timber, the Group has applied discounted cash flow models to derive its fair value.

The amount of changes in fair values would differ if there are changes to the assumptions used. Any changes in fair values of these agriculture produces would affect the Group's profit or loss and equity. The carrying amount of the Group's biological assets as at 31 December 2019 (under Non-current assets and Current assets) is Rp1,032.4 billion (2018: Rp845.2 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.

(e) Income tax

Significant judgement is involved in determining provision for income tax. Uncertainties exist with respect to the interpretation of tax regulations, changes in tax laws, and the amount and timing of future taxable income which requires future adjustments to tax income and expense already recorded. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected income tax issues based on estimates of whether additional income taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax in the year in which such decision is made by the taxation authority. The carrying amount of the Group's tax payables as at 31 December 2019 is Rp22.7 billion (2018: Rp27.6 billion).

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

3.2 Key sources of estimation uncertainty (cont'd)

(e) Income tax (cont'd)

Claims for tax refund

The management exercises judgement to record the amount of recoverable and refundable tax claims by the Tax Office based on the interpretations of current tax regulations. The carrying amount of the Group's claims for tax refund and tax assessments under appeal as of 31 December 2019 was Rp205.9 billion (2018: Rp284.8 billion). Further details are disclosed in Note 17.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that there will be sufficient taxable profit within the next 5 years against which the tax losses can be utilised. Significant management estimates are required to determine the amount of deferred tax assets that can be recognised, 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 2019 is Rp936.4 billion (2018: Rp1,125.0 billion). Further details are disclosed in Note 18.

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

Allowance for decline in market value of inventories and obsolescence of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to be incurred for their sales. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Group's inventories as at 31 December 2019 is Rp2,253.7 billion (2018: Rp2,428.4 billion). Further details are disclosed in Note 23.

4. REVENUE

Revenue represents the value arising from the sales of palm oil, rubber, sugar, edible oils, and other agricultural products. Revenue is recognised in accordance with the accounting policy disclosed in Note 2.25.

Revenue is disaggregated to Plantations and Edible Oils and Fats segment. The timing of transfer of goods is determined at a point in time. The Group does not have revenue that is recognised over time.

(a) Disaggregation of revenue

	Plantations		Edible Oils and Fats		Others/eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Sales channel								
Third party	3,385,527	3,660,096	10,264,861	10,399,354	–	–	13,650,388	14,059,450
Inter-segment	4,906,178	5,002,327	2,847	12,018	(4,909,025)	(5,014,345)	–	–
	8,291,705	8,662,423	10,267,708	10,411,372	(4,909,025)	(5,014,345)	13,650,388	14,059,450

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. REVENUE (CONT'D)

(a) Disaggregation of revenue

	Plantations		Edible Oils and Fats		Others/eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Primary geographical markets								
Indonesia	7,813,519	8,352,190	8,838,571	8,973,686	(4,909,025)	(5,014,345)	11,743,065	12,311,531
Outside Indonesia	478,186	310,233	1,429,137	1,437,686	–	–	1,907,323	1,747,919
	8,291,705	8,662,423	10,267,708	10,411,372	(4,909,025)	(5,014,345)	13,650,388	14,059,450
Major product lines								
CPO	5,938,286	6,131,149	–	–	(4,906,178)	(5,002,327)	1,032,108	1,128,822
Palm Kernel & related products	841,600	982,700	–	–	–	–	841,600	982,700
Edible Oils and Fats	–	–	10,267,708	10,411,372	(2,847)	(12,018)	10,264,861	10,399,354
Others	1,511,819	1,548,574	–	–	–	–	1,511,819	1,548,574
	8,291,705	8,662,423	10,267,708	10,411,372	(4,909,025)	(5,014,345)	13,650,388	14,059,450

During the financial years ended 31 December 2019 and 2018, the details of sales from customers with individual cumulative amount each exceeding 10% of the total consolidated sales are as follows:

	2019		2018	
	Rp million	% of Total Revenue	Rp million	% of Total Revenue
PT Indofood CBP Sukses Makmur Tbk ("PT ICBP")	1,675,107	12.3%	1,676,038	11.9%
PT Indomarco Adi Prima	1,562,206	11.4%	1,548,848	11.0%
Total	3,237,313	23.7%	3,224,886	22.9%

(b) Estimating variable consideration for sale of products

The amount of revenue recognised is based on the consideration that the Group received in exchange for transferring promised goods or services to the customers, net of the volume discounts, cash incentives and adjusted for expected returns and price adjustments arising from product quality.

The Group uses most likely method to arrive at the variable consideration for the sale of the products to predict the volume discounts and cash incentives. Management relies on historical experience with purchasing patterns of customers and current purchasing patterns in comparison to planned volumes to determine the most likely volume discounts. As for the cash incentives, the amount payable to customers are recognised when the supporting documents have been received from customers.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. REVENUE (CONT'D)

(b) Estimating variable consideration for sale of products (cont'd)

For product returns and price adjustments arising from product quality, the Group uses most likely method in estimating the variable consideration. Management considers its historical experience to develop an estimate of variable consideration for expected returns and adjustments arising from product quality. During the year, the expected returns and pricing adjustments were assessed to be immaterial and hence, no refund liabilities is recognised.

5. COST OF SALES

		Group	
	Note	**2019**	**2018**
		Rp million	Rp million
Raw materials used		3,553,698	4,069,811
Harvesting, upkeep and cultivation costs		2,330,773	2,670,965
Net changes in inventories		318,404	(198,486)
	23	6,202,875	6,542,290
Manufacturing and other overhead expenses		5,434,007	5,316,178
Changes in allowance for decline in market value and obsolescence of inventories	23	(12,108)	3,058
Total		11,624,774	11,861,526

6. OTHER OPERATING INCOME

		Group	
	Note	**2019**	**2018**
		Rp million	Rp million
Sundry sales of oil palm seedlings		–	2,688
Management fee income		1,059	1,992
Sale of green palm certificates		2,706	11,397
Rental income	15	4,991	4,547
Gain on disposal of property, plant and equipment		1,135	4,466
Sale of scraps		1,937	2,076
Sale of palm kernel shells		11,459	6,436
Compensation income		24,033	5,150
Others		42,845	39,194
Total		90,165	77,946

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. OTHER OPERATING EXPENSE

	Note	Group 2019 Rp million	Group 2018 Rp million
Allowance for uncollectible and loss arising from changes in amortised cost of plasma receivables		138,550	30,007
Write-off of property, plant and equipment		3,677	362
Amortisation of deferred charges		11,177	13,025
Changes in provision for assets dismantling costs	28	3,184	(2,142)
Impairment of fixed assets	14, 15	46,863	–
Impairment of goodwill	16	33,890	520
Others		46,787	40,106
Total		284,128	81,878

8. PROFIT FROM OPERATIONS

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

	Note	Group 2019 Rp million	Group 2018 Rp million
Depreciation of property, plant and equipment	14	1,393,674	1,426,764
Depreciation of right-of-use assets	15	57,805	–
Amortisation of other non-current assets		70,848	62,131
Employee benefits expense	29	3,536,662	3,362,216
Research and development costs		36,749	37,066
Lease expenses	15	5,453	60,082
Audit fees:			
Auditors of the Company		1,978	2,088
Other auditors		17,157	15,677
Non-audit fees:			
Auditors of the Company		31	32
Other auditors		93	95

9. FINANCE INCOME

	Group 2019 Rp million	Group 2018 Rp million
Interest on current accounts and short-term deposits	85,257	103,534
Others	834	665
Total	86,091	104,199

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. FINANCE EXPENSE

		Group	
	Note	**2019**	**2018**
		Rp million	Rp million
Interest expense on:			
– Bank loans		816,878	688,177
– Lease liabilities	15	9,096	–
– Others		16,056	12,859
Bank charges		14,898	18,924
Total		856,928	719,960

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Group	
	2019	**2018**
	Rp million	Rp million
Consolidated statement of comprehensive income:		
Current income tax		
– Current year income tax	288,870	371,029
– Adjustments in respect of previous years	4,837	20,865
	293,707	391,894
Deferred income tax (Note 18)		
– Current year deferred income tax	(254,978)	(270,957)
– Adjustments in respect of previous years	407,565	259,165
	152,587	(11,792)
Total	446,294	380,102

	Group	
	2019	**2018**
	Rp million	Rp million
Charged to other comprehensive income		
Deferred tax related to items recognised in other comprehensive income:		
Re-measurement gain of employee benefits liability	(30,684)	(57,076)

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. INCOME TAX EXPENSE (CONT'D)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 are as follows:

	Group	
	2019	**2018**
	Rp million	Rp million
Loss before tax as per consolidated statement of comprehensive income	(263,422)	(46,413)
Tax at the Singapore tax rate of 17% (2018: 17%)	(44,782)	(7,890)
Effect of tax rates in foreign jurisdictions	(37,707)	(9,655)
Income already subjected to final tax	(27,914)	(27,233)
Income not subject to taxation	2	(529)
Non-deductible expenses	144,293	145,379
Adjustments in respect of previous years	412,402	280,030
Income tax expense recognised in the consolidated statement of comprehensive income	446,294	380,102

For the financial years ended 31 December 2019 and 2018, the corporate tax rates for companies in Singapore and Indonesia were 17% and 25% respectively.

A subsidiary in Indonesia applies 20% (2018: 20%) tax rate instead of the normal tax rate of 25% (2018: 25%) in computing its income tax expense for the reporting period due to its fulfilment to qualify for a reduced corporate income tax rate.

Adjustments in respect of previous years largely related to the write-off of deferred tax assets due to unrecoverable tax losses as a result of expired tax losses and changes in assumptions used in the estimation of future taxable profits.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 loss and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	As at 31 December 2019	**As at 31 December 2018**
	Rp million	Rp million
Loss attributable to owners of the Company	(411,353)	(221,764)
	No. of shares	No. of shares
Weighted average number of ordinary shares for basic earnings per share computation	1,395,904,530	1,395,904,530

There were no dilutive potential ordinary shares as at 31 December 2019 and 2018.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. BIOLOGICAL ASSETS

Biological assets primarily comprise of timber plantations, and the unharvested agriculture produce of bearer plants. The carrying amount of the Group's biological assets as at 31 December 2019 is Rp1,032.4 billion (2018: Rp845.2 billion).

Fair values of biological assets

Biological assets under Non-current assets - Timber Plantations

For timber plantations, the Group appointed an independent valuer to determine the fair value of timber annually and any resultant gain or loss arising from the changes in fair values is recognised in the profit or loss. The independent valuer adopted the income approach for the fair valuation of timber using a discounted cash flow model. The cash flow models estimate the relevant future cash flows which are expected to be generated in the future and discounted to the present value by using a discount rate.

The key assumptions applied are as follows:

(i) Timber tree is available for harvest only once about 8 years after initial planting.
(ii) Discount rate used represents the asset specific rate for the Group's timber plantations operations which are applied in the discounted future cash flows calculation.
(iii) The projected selling price of logs over the projection period are based on actual domestic price of the produce which is extrapolated based on changes of plywood log price published by World Bank.

The movements for timber plantations are as follows:

		Group	
	Note	**As at 31 December 2019**	**As at 31 December 2018**
		Rp million	Rp million
Timber			
At fair value			
At 1 January		328,500	313,305
Additions		7,409	10,074
Decreases due to harvest		(2,034)	(1,035)
Reclassifications		(10,046)	–
(Loss)/gain arising from changes in fair value of biological assets		(9,090)	6,156
At 31 December	34(a)	314,739	328,500

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. BIOLOGICAL ASSETS (CONT'D)

Fair values of biological assets (cont'd)

Biological assets under Current assets – Agriculture produce of bearer plants

The Group adopted the income approach to measure the fair value of the unharvested agriculture produce of bearer plants which mainly comprise of FFB, oil palm seeds, latex and sugar cane.

The key assumptions applied on the fair value of FFB and latex are as follows:

(i) Estimated volume of subsequent harvest as of reporting date;
(ii) Selling price of FFB and latex based on the market price at year end.

The key assumptions applied on the fair value of sugarcane are as follows:

(i) Cane tree is available for annual harvest for 12 months after initial planting, and subsequently up to 3 more annual harvests;
(ii) Discount rate used represents the asset specific rate for the cane produce which is applied in the discounted future cash flows calculation;
(iii) The projected selling price of sugar over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank, but not exceeding the highest retail price imposed by the Ministry of Trade of Indonesia.

The key assumptions applied on the fair value of oil palm seeds are as follow:

(i) Estimated volume of 6 months subsequent harvest as at reporting date;
(ii) Discount rate used represents the asset specific rate for the seed produce which is applied in the discounted future cash flows calculation;
(iii) The projected selling price of palm seeds over the projection period are based on the extrapolation of historical selling prices.

The movements for agriculture produce of bearer plants, which comprise FFB, oil palm seeds, latex and sugar cane are as follows:

		Group	
	Note	**As at 31 December 2019**	**As at 31 December 2018**
		Rp million	Rp million
At fair value			
At 1 January		516,656	536,821
Additions		241,374	207,282
Decreases due to harvest		(239,853)	(190,409)
		518,177	553,694
Gain/(loss) arising from changes in fair value of biological assets		199,443	(37,038)
At 31 December	34(a)	717,620	516,656

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. BIOLOGICAL ASSETS (CONT'D)

Key inputs to valuation on biological assets

The fair values of the oil palm and rubber agricultural produce are determined at Level 2 based on the applicable market price applied to the estimated volume of the produce.

Range of quantitative unobservable inputs (Level 3) used in determining the fair values of the biological assets are as follows:

Inputs	Sugar cane	Oil palm seeds	Timber
Discount rate	11.18% (2018:12.60%)	11.09% (2018:12.46%)	11.96% (2018: 12.78%)
Selling price of processed agriculture produce	Rp631,602/tonne (2018: Rp634,273/tonne)	Rp8,800 – 9,000/pieces (2018:Rp8,640/pieces)	Rp469,046 to Rp3,360,947/m^3 (2018:Rp542,053 to Rp2,086,101/m^3)
Average production yield of agriculture produce	63 tonnes/hectare (2018: 63 tonnes/hectare)	843 pieces/bunch (2018:1,059 pieces/bunch)	96 m^3/hectare (2018: 91 m^3/hectare)
Exchange rate	Rp14,400/US$1 (2018: Rp15,000/US$1)	–	Rp14,200 to Rp14,400/US$1 (2018: Rp14,200 to Rp15,000/US$1)
Inflation rate	3.10% (2018: 3.50%)	–	3.00% – 3.10% (2018:3.00% – 3.50%)

The narrative sensitivity analysis of unobservable inputs (Level 3) used in determining the fair values of the biological assets are as follows:

Inputs (Hierarchy)	Sensitivity of the inputs to the fair value
Selling price of processed agriculture produce	An increase/(decrease) in the commodity prices would result in an increase/(decrease) in the fair value of biological assets.
Production yield	An increase/(decrease) in production yields would result in an increase/(decrease) in the fair value of biological assets.
Exchange rate	An increase/(decrease) in the exchange rate would result in an increase/(decrease) in the fair value of biological assets.
Inflation rate	An increase/(decrease) in the inflation rate would result in a (decrease)/increase in the fair value of biological assets.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. BIOLOGICAL ASSETS (CONT'D)

Areas of the Group's biological assets:

The Group has timber plantation concession rights of 72,875 hectares (2018: 72,875 hectares) which are valid until 2035 and 2049. The total area of planted timber plantations as of 31 December 2019 is 16,134 hectares (2018: 16,135 hectares) (unaudited).

Physical quantities of agriculture produce:

Agriculture produce harvested during the financial year	Bearer plants from which produce harvested	Unit of measurement	2019 (unaudited)	2018 (unaudited)
FFB	Oil palm	'000 tonnes	3,300	3,375
Oil palm seeds	Mother palm	in million	7.2	13.7
Latex	Rubber	'000 tonnes	8	10
Sugar cane	Cane	'000 tonnes	804	649

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. PROPERTY, PLANT AND EQUIPMENT

	Land use rights Rp million	Bearer plants Rp million	Buildings and improvements Rp million	Plant and machinery Rp million	Heavy equipment, transportation equipment and vessels Rp million	Furniture, fixtures and office equipment Rp million	Total Rp million
Group							
Cost							
At 31 December 2017 and 1 January 2018	2,574,727	14,636,112	7,257,915	5,672,532	2,010,858	399,198	32,551,342
Additions	81,258	816,019	319,984	164,067	128,461	22,935	1,532,724
Reclassification	4,611	(43,685)	(10,279)	8,561	416	1,287	(39,089)
Disposals and write-off	–	(27,834)	(2,005)	(6,846)	(11,697)	(4,421)	(52,803)
At 31 December 2018 and 1 January 2019	2,660,596	15,380,612	7,565,615	5,838,314	2,128,038	418,999	33,992,174
Additions	–	928,779	464,839	172,774	92,383	20,379	1,679,154
Reclassification [1]	(2,660,596)	(40,848)	46,177	(58,323)	10,873	(921)	(2,703,638)
Disposals and write-off	–	(9,324)	(1,963)	(2,001)	(10,365)	(1,366)	(25,019)
Impairment	–	(37,212)	(2,244)	(59)	–	–	(39,515)
At 31 December 2019	–	16,222,007	8,072,424	5,950,705	2,220,929	437,091	32,903,156
Accumulated depreciation							
At 31 December 2017 and 1 January 2018	738,949	4,277,015	2,002,879	2,671,299	1,341,414	341,387	11,372,943
Depreciation charge for the year	71,972	474,767	366,564	338,901	145,397	29,163	1,426,764
Reclassification	–	–	1,785	4,971	2,065	27	8,848
Disposals and write-off	–	(6,234)	(1,277)	(11,897)	(6,032)	(4,359)	(29,799)
At 31 December 2018 and 1 January 2019	810,921	4,745,548	2,369,951	3,003,274	1,482,844	366,218	12,778,756
Depreciation charge for the year	–	494,653	383,812	342,565	150,535	22,109	1,393,674
Reclassification [1]	(810,921)	–	(1,128)	(2,204)	(842)	(227)	(815,322)
Disposals and write-off	–	–	(1,145)	(1,365)	(7,411)	(1,358)	(11,279)
At 31 December 2019	–	5,240,201	2,751,490	3,342,270	1,625,126	386,742	13,345,829
Net carrying amount							
At 31 December 2018	1,849,675	10,635,064	5,195,664	2,835,040	645,194	52,781	21,213,418
At 31 December 2019	–	10,981,806	5,320,934	2,608,435	595,803	50,349	19,557,327

Vessels are presented within the class of Heavy equipment and transportation equipment due to its similar nature of use, which is for the transportation of the Group's commodities.

[1] *Reclassified to "Right-of-use assets" account upon the adoption of SFRS(I) 16 (Note 15) and non-current assets.*

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

	Buildings and improvements	Furniture, fixtures and office equipment	Total
	Rp million	Rp million	Rp million
Company			
Cost			
At 1 January 2018	74,049	484	74,533
Additions	61	31	92
At 31 December 2018, 1 January 2019 and 31 December 2019	74,110	515	74,625
Accumulated depreciation			
At 1 January 2018	34,136	411	34,547
Depreciation charge for the year	3,638	40	3,678
At 31 December 2018 and 1 January 2019	37,774	451	38,225
Depreciation charge for the year	3,649	39	3,688
At 31 December 2019	41,423	490	41,913
Net carrying amount			
At 31 December 2018	36,336	64	36,400
At 31 December 2019	32,687	25	32,712

Assets under construction

Property, plant and equipment of the Group as at 31 December 2019 included immature bearer plants in the course of cultivation, and building and machinery in the course of construction amounting to Rp4,464.3 billion (2018: Rp4,089.0 billion).

Bearer plants

The Group's bearer plants comprise mainly oil palm, rubber and sugar cane plantations.

Asset held for sale

On 21 December 2017, a subsidiary, Lonsum entered into a Sale and Purchase Agreement with an entity under common control, PT ICBP for the sale of a parcel of its land with an area approximately of 125 hectares at the Province of Banten.

In January 2018, Lonsum received cash advances from PT ICBP amounting to Rp40 billion. This transaction is still in progress due to the administrative procedures with the authority that is beyond Lonsum's control. As of March 2020, the disposal of such parcel of land is still being processed by both parties, therefore classified as "Asset held for sale".

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Fully depreciated assets still in use

As at 31 December 2019, the cost of the Group's property, plant and equipment that have been fully depreciated but still in use amounting to Rp2,616.4 billion (2018: Rp2,177.0 billion), which mainly comprise of bearer plants, buildings and improvements, plant and machinery, heavy equipment and transportation equipment.

Capitalisation of borrowing costs

During the year ended 31 December 2019, borrowing costs capitalised by certain subsidiaries to their immature bearer plants under cultivation, and building and machineries under constructions amounted to Rp96.2 billion (2018: Rp98.2 billion) based on capitalisation rates ranging from 5.75% to 9.64% (2018: 4.41% to 9.17%).

Assets under insurance coverage

As at 31 December 2019, the fixed assets are covered by insurance against losses from fire and other risks under a policy package with combined coverage amounting to about Rp15.6 billion and US$16.5 million.

15. LEASES

Group as a lessee

The Group has lease contracts for various assets of land, building, vehicles and office equipment used in its operations. The Group is restricted from assigning and subleasing the leased assets.

- Lease of buildings generally have lease terms between 2 to 5 years.
- Vehicles and office equipment generally have lease terms of 3 years.
- Land use rights generally have lease terms from 10 to 44 years which will expire between 2021 to 2051. The cost incurred in obtaining the land use rights are not amortized as the management is of the opinion that it is probable the titles of land rights can be renewed or extended upon expiration. The Group's bearer plants are planted and managed on the area which have obtained Rights to Cultivate ("Hak Guna Usaha" or "HGU"), or have obtained location permits and in the process of obtaining HGU.

Extension and termination options

The Group has several lease contracts that contain extension and termination options exercisable by the Group. Where practicable, the Group seeks to include extension and termination options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group before the end of the non-cancellable contract period and not by the lessors. The termination options can be exercised by serving the required notice periods in the lease contract.

Short-term leases and leases of low-value assests

The Group also has certain leases of office equipment and office furniture with lease terms of less than 12 months or with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases and recognise lease expenses on a straight-line basis. These expenses are presented within general and administrative expenses in the profit or loss.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. LEASES (CONT'D)

Group as a lessee (cont'd)

Set out below are the carrying amounts of right-of-use assets recognised on the Group's consolidated balance sheet and the movements during the period:

	Land use rights Rp million	**Buildings** Rp million	**Vehicles** Rp million	**Office equipment** Rp million	**Group Total** Rp million
Upon the adoption on 1 January 2019	1,849,675	109,292	11,030	2,077	1,972,074
Additions	83,696	–	–	–	83,696
Impairment	(7,348)	–	–	–	(7,348)
Depreciation expense	(10,997)	(33,701)	(11,030)	(2,077)	(57,805)
As at 31 December 2019	1,915,026	75,591	–	–	1,990,617

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Note	**Group** Rp million
Upon the adoption on 1 January 2019		129,461
Accretion of interest	10	9,096
Payments		(55,548)
As at 31 December 2019		83,009
Current		30,066
Non-current		52,943

The following are the amounts recognised in the consolidated statement of comprehensive income:

	Note	**Group** Rp million
Leases under SFRS(I) 16		
Depreciation expense of right-of-use assets	8	57,805
Interest expense on liabilities	10	9,096
Expense relating to leases of low-value assets and short-term leases (included in general and administrative expenses)	8	5,453
Total amount recognised in consolidated statement of comprehensive income		72,354

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. LEASES (CONT'D)

Group as a lessee (cont'd)

	Note	2018 Rp million
Leases under SFRS(I) 1-17		
Lease expenses	8	60,082

Amounts recognised in the consolidated cash flow statement:

	2019 Rp million
Total cash outflow for leases	
Addition to land-use-right	83,696
Payment of principal portion of lease liability	46,452
	130,148

The future cash outflows relating to leases that have not yet commenced are disclosed in Note 32(b).

Group as a lessor

The Group has entered into operating leases on its CPO tanks and warehouse buildings. These leases have lease term of 2 years and include a clause for rental revision subject to prevailing market conditions. Rental income recognised by the Group during the year is Rp4,991 million (2018: Rp4,547 million).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2019 relating to CPO tank rental which will be charged based on actual usage.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. GOODWILL

	Note	Group 2019 Rp million	Group 2018 Rp million
At 1 January		3,245,317	3,245,837
Impairment of goodwill	7	(33,890)	(520)
At 31 December		3,211,427	3,245,317

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

	2019 Rp million	2018 Rp million
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
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 SAL	86,996	86,996
Plantation estates of PT WKL	–	4,750
Plantation estates of PT MLI	6,104	6,104
Total	3,211,427	3,245,317

Goodwill was tested for impairment as at 31 October 2019 and 2018. As at 31 December 2019, there was no significant change in the assumptions used by management that could have significant impact in determining the recoverable value of the goodwill.

No impairment loss was recognised as at 31 October 2019 and 2018 as the recoverable amounts of the goodwill were in excess of their respective carrying values, except as disclosed in the following paragraph.

As of 31 October 2019, CGU of PT KGP and PT WKL, which is part of Plantations Segment, were impaired by Rp29.1 billion and Rp4.8 billion respectively, since the recoverable amount of each CGU was lower than the carrying values of the respective CGU. Further impairment loss amounting to Rp46.9 billion was recognised for the fixed assets of KGP.

The recoverable value of the goodwill allocated to the plantation estates of Lonsum has been determined based on value-in-use calculations. The recoverable values of the goodwill allocated to all other plantation estates as at 31 October 2019 were 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 summary of impairment testing on the goodwill is disclosed in the succeeding paragraphs.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. GOODWILL (CONT'D)

The following key assumptions had been used:

		Pre-tax discount rate		Growth rate after forecast period	
Cash generating units	**Carrying amount of goodwill**	**31 October 2019**	**31 October 2018**	**31 October 2019**	**31 October 2018**
Recoverable amount assessment based on value-in-use					
Integrated plantation estates of Lonsum	2,909,757	11.57%	13.76%	5.20%	5.20%
Recoverable amount assessment based on FVLCD					
Plantation estates of PT GS	8,055	13.34%	15.51%	5.20%	5.20%
Plantation estates of PT MPI	2,395	13.19%	15.28%	5.20%	5.20%
Plantation estates of PT SBN	234	12.62%	14.81%	5.20%	5.20%
Integrated plantation estates of PT CNIS	7,712	12.88%	15.09%	5.20%	5.20%
Plantation estates of PT LPI	37,230	10.81%	13.37%	5.20%	5.20%
Plantation estates and research facility of PT SAIN	113,936	12.90%	15.27%	5.20%	5.20%
Plantation estates of PT RAP	3,388	13.26%	15.45%	5.20%	5.20%
Plantation estates of PT JS	1,533	12.47%	14.95%	5.20%	5.20%
Integrated plantation estates of PT MISP	34,087	13.37%	15.34%	5.20%	5.20%
Plantation estates of PT SAL	86,996	11.33%	12.36%	5.20%	5.20%
Plantation estates of PT MLI	6,104	10.81%	13.66%	5.20%	5.20%
Sub-total	301,670				
Grand total	3,211,427				

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. 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, sugar and logs.

- CPO — The projected prices are based on the World Bank forecasts for the projection period.
- Rubber — The projected prices (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.
- Sugar — 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, but not exceeding the highest retail price imposed by the Ministry of Trade of Indonesia.
- Logs — The projected prices of logs are based on the actual domestic price of the produce which are extrapolated based on changes of plywood log price published by the World Bank.

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 in Indonesia. 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 CPO price, discount and terminal growth rates, 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.

Management believes that there were no indicators of impairment existed on the above-mentioned goodwill for the year ended 31 December 2019 that required the Group to perform impairment tests of goodwill other than the annual tests.

17. CLAIMS FOR TAX REFUND

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

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group	
	2019	**2018**
	Rp million	Rp million
Temporary tax differences:		
Property, plant and equipment	(1,066,902)	(982,639)
Biological assets	(173,389)	(173,184)
Withholding tax on unremitted foreign interest income	(13,982)	(7,942)
Allowance for uncollectible and loss arising from changes in amortised cost of plasma receicables	138,518	106,574
Allowance for employees benefit expenses	26,457	25,261
Allowance for decline in market value and obsolescence of inventories	88,112	91,811
Provision for unrecoverable advance	14,677	14,677
Employee benefits liabilities	595,463	570,332
Deferred inter-company profits	32,125	31,230
Tax losses carry forward	673,550	826,291
Others	8,000	7,816
Total	322,629	510,227
Classified as:		
Deferred tax assets	936,354	1,125,003
Deferred tax liabilities	(613,725)	(614,776)

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 losses carry forward.

The Company recognised deferred tax liabilities of Rp14.0 billion (2018: Rp7.9 billion) in respect of unremitted foreign interest income arising from cash at banks, short-term deposits and shareholder loan to its subsidiary.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. DEFERRED TAX (CONT'D)

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

	Group	
	2019	**2018**
	Rp million	Rp million
Deferred income tax movements:		
Property, plant and equipment	83,641	(9,868)
Biological assets	–	(9,526)
Allowance for uncollectible and loss arising from changes in amortised cost of plasma receivables	(31,944)	(3,504)
Allowance of decline in market value and obsolescence of inventories	3,661	(772)
Employee benefits liabilities	(55,815)	(48,208)
Deferred inter-company profits	(895)	45,656
Provision for employee benefits expense	(1,197)	4,469
Tax losses carry forward	153,561	31,273
Others	1,575	(21,312)
Net deferred tax expense/(benefit) reported in the consolidated statement of comprehensive income (Note 11)	152,587	(11,792)

Unrecognised tax losses

At the end of the reporting period, the Group has total tax losses amounting to Rp4,242.6 billion (2018: Rp4,391.4 billion) that are available for offset against future taxable profits for up to five years from the date the losses were incurred as the tax losses in Indonesia generally expire after 5 years. Deferred tax benefits of Rp387.1 billion (2018: Rp270.8 billion) attributable to Rp1,548.4 billion (2018: Rp1,083.0 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 recognised a deferred tax liability of Rp617.7 billion (2018: Rp659.0 billion) as at 31 December 2019 in respect of undistributed profits of subsidiaries as 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 recognised deferred tax liability of Rp109.5 billion (2018: Rp109.5 billion) as at 31 December 2019 in respect of unremitted foreign-sourced interest income as the Group has control over the remittance and this foreign-sourced interest income will be retained for future expansionary plans and capital injection in overseas markets and will not be remitted into Singapore in the foreseeable future. The potential deferred tax liabilities are before taking into account the foreign tax credit claim on the Indonesia withholding tax suffered by the Company on the interest income (if applicable).

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2019 Rp million	Company 2018 Rp million
Shares, at cost	10,633,423	10,533,516
Issuance of shares for additional investment in a subsidiary	73,423	99,907
	10,706,846	10,633,423

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.

(a) *Composition of the Group*

The Group has the following investment in subsidiaries:

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2019	Effective percentage of equity held % 2018	Principal activities
Name (Abbreviated name)				
Held by the Company				
PT Salim Ivomas Pratama Tbk (PT SIMP)[2]	Indonesia	73.46	73.46	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	44.08	Investment holding
PT Indoagri Inti Plantation (PT IIP)[2]	Indonesia	72.73	72.73	Investment holding, management services and transportation
Silveron Investments Limited (SIL)*	Mauritius	73.46	73.46	Investment holding

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2019	2018	Principal activities
Held by PT Salim Ivomas Pratama Tbk (cont'd)				
PT Kebun Mandiri Sejahtera (PT KMS)[3]	Indonesia	71.89	71.89	Ownership of rubber and oil palm plantations
PT Manggala Batama Perdana (PT MBP)*	Indonesia	73.46	73.46	Non-operating
PT Sarana Inti Pratama (PT SAIN)[3]	Indonesia	73.45	73.45	Investment, research, management and technical services, oil palm seed breeding, and ownership of oil palm plantations
PT Mentari Subur Abadi (PT MSA)[3]	Indonesia	39.65	39.65	Investment and ownership of oil palm plantations
PT Mega Citra Perdana (PT MCP)[4]	Indonesia	21.83	21.83	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN)[3]	Indonesia	43.20	43.20	Ownership of oil palm plantations
PT Lajuperdana Indah (PT LPI)[2]	Indonesia	22.44	22.44	Ownership of sugar cane plantations and sugar mills/ refineries
PT Mitra Inti Sejati Plantation (PT MISP)[3]	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill
PT PP London Sumatra Indonesia Tbk (Lonsum)[2]	Indonesia	43.72	43.72	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	73.46	Ownership of bulking facilities
PT Hijaupertiwi Indah Plantations (PT HPIP)[3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Cangkul Bumisubur (PT CBS)[3]	Indonesia	73.46	73.46	Ownership of oil palm plantations

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2019	2018	Principal activities
Held by PT Salim Ivomas Pratama Tbk (cont'd)				
PT Samudera Sejahtera Pratama (PT SSP)[3]	Indonesia	73.46	73.46	Transportation service
PT Kebun Ganda Prima (PT KGP)[3]	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill
PT Riau Agrotama Plantation (PT RAP)[3]	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill
PT Citra Kalbar Sarana (PT CKS)[3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Jake Sarana (PT JS)[3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Pelangi Inti Pertiwi (PT PIP)[3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Mentari Pertiwi Makmur (PT MPM)[7]	Indonesia	58.53	58.53	Investment holding
PT Citranusa Intisawit (PT CNIS)[3]	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill
Held by IndoInternational Green Energy Resources Pte. Ltd.				
PT Mentari Subur Abadi (PT MSA)[3]	Indonesia	4.42	4.42	Investment and ownership of oil palm plantations and mill
PT Mega Citra Perdana (PT MCP)[4]	Indonesia	22.25	22.25	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN)[3]	Indonesia	0.88	0.88	Ownership of oil palm plantations
PT Lajuperdana Indah (PT LPI)[2]	Indonesia	22.72	22.72	Ownership of sugar cane plantations and sugar mills/ refineries

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2019	2018	Principal activities
Held by PT Indoagri Inti Plantation				
PT Gunung Mas Raya (PT GMR)[2]	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT Indriplant (PT IP)[2]	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT Serikat Putra (PT SP)[2]	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT Cibaliung Tunggal Plantations (PT CTP)[2]	Indonesia	72.00	72.00	Ownership of oil palm plantations
Held by PT Serikat Putra				
PT Intimegah Bestari Pertiwi (PT IBP)[2]	Indonesia	72.01	72.01	Ownership of oil palm plantations
PT Kencana Subur Sejahtera (PT KSS)[8]	Indonesia	72.01	72.01	Macronutrients mix fertilizer industry
PT Pratama Citra Gemilang (PT PCG)[8]	Indonesia	72.01	72.01	Prefabrication industry
Held by Silveron Investments Limited				
Asian Synergies Limited (ASL)[3]	British Virgin Islands	73.46	73.46	Investment holding
Held by PT Mentari Subur Abadi				
PT Agro Subur Permai (PT ASP)[3]	Indonesia	44.07	44.07	Ownership of oil palm plantations
Held by PT Mega Citra Perdana				
PT Gunta Samba (PT GS)[4]	Indonesia	44.07	44.07	Ownership of oil palm plantations and mill
PT Multi Pacific International (PT MPI)[4]	Indonesia	44.08	44.08	Ownership of oil palm plantations and mill

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2019	2018	Principal activities
Held by PT PP London Sumatra Indonesia Tbk				
PT Multi Agro Kencana Prima (PT MAKP)[5]	Indonesia	43.71	43.71	Rubber mill and trading
Lonsum Singapore Pte. Ltd. (LSP)[6]	Singapore	43.72	43.72	Trading and marketing
PT Tani Musi Persada (PT TMP)[5]	Indonesia	43.68	43.68	Ownership of oil palm plantations
PT Sumatra Agri Sejahtera (PT SAS)[5]	Indonesia	43.71	43.71	Ownership of oil palm plantations
PT Tani Andalas Sejahtera (PT TAS)[5]	Indonesia	39.35	39.35	Ownership of oil palm plantations
Agri Investment Pte. Ltd. (AIPL)[6]	Singapore	43.72	43.72	Investment holding
PT Wushan Hijau Lestari (PT WHL) [3]	Indonesia	28.41	28.41	Agriculture, forestry, fishing and trading
Held by PT Mentari Pertiwi Makmur				
PT Sumalindo Alam Lestari (PT SAL)[7]	Indonesia	58.64	58.64	Development of industrial timber plantations
Held by PT Sumalindo Alam Lestari and PT Mentari Pertiwi Makmur				
PT Wana Kaltim Lestari (PT WKL)[7]	Indonesia	58.64	58.64	Development of industrial timber plantations
Held by Lonsum Singapore Pte. Ltd.				
Sumatra Bioscience Pte. Ltd. (SBPL)*	Singapore	43.72	43.72	Trading, marketing and research

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2019	2018	Principal activities
Held by PT Lajuperdana Indah				
PT Madusari Lampung Indah (PT MLI) [8]	Indonesia	45.16	45.16	Ownership of sugar cane plantations
Held by PT Wushan Hijau Lestari				
PT Perusahaan Perkebunan, Perindustrian dan Perdagangan Umum Pasir Luhur (PT PL) [3]	Indonesia	28.41	28.41	Trading, agricultural, industrial and agency/representative

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

Audited by:
1 *Ernst & Young LLP, Singapore*
2 *Purwantono, Sungkoro & Surja, Indonesia (member firm of Ernst & Young Global)*
3 *Kanaka Puradiredja, Suhartono, Indonesia*
4 *Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia (member firm of Grant Thornton International)*
5 *Aria Kanaka, Indonesia (member firm of Parker Randall)*
6 *Eisner Amper PAC, Singapore*
7 *Anwar, Sugiharto & Rekan, Indonesia*
8 *Jimmy Budhi & Rekan, Indonesia*

(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 year Rp million	Accumulated NCI at the end of the year Rp million	Dividends paid to NCI Rp million
31 December 2019:					
PT SIMP	Indonesia	26.54	(148,762)	3,634,894	52,469
31 December 2018:					
PT SIMP	Indonesia	26.54	(174,931)	3,814,740	127,357

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. 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]	
	As at 31 December 2019	**As at 31 December 2018**
	Rp million	Rp million
Summarised balance sheet		
Current		
Assets	6,740,633	6,970,825
Liabilities	(8,886,692)	(7,865,954)
Net current liabilities	(2,146,059)	(895,129)
Non-current		
Assets	29,071,598	28,606,920
Liabilities	(8,554,822)	(8,761,177)
Net non-current assets	20,516,776	19,845,743
Net assets	18,370,717	18,950,614
Summarised statement of comprehensive income		
Revenue	13,650,388	14,059,450
(Loss)/profit before income tax	(283,981)	82,689
Income tax expense	(427,467)	(368,606)
Loss after tax	(711,448)	(285,917)
Other comprehensive income	91,317	169,294
Total comprehensive income	(620,131)	(116,623)
Other summarised information		
Net cash flows from operations	1,498,309	999,802

[1] *The financial information of PT SIMP is based on the International Financial Reporting Standards ("IFRS") consolidated financial statements of PT SIMP and its subsidiaries. The list of subsidiaries held under PT SIMP is disclosed in Note 19(a).*

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. INVESTMENT IN ASSOCIATE COMPANIES

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

	Group	
	2019	**2018**
	Rp million	Rp million
Associate companies which are strategic to the Group activities		
FP Natural Resources Limited ("FPNRL")	436,126	502,718
Asian Assets Management Pte Ltd ("AAM")	744,007	743,702
PT Prima Sarana Mustika ("PT PSM")	14,960	11,861
PT Indoagri Daitocacao ("Daitocacao")	224,452	211,440
PT Aston Inti Makmur ("AIM")	346,553	–
	1,766,098	1,469,721

	Group	
	2019	**2018**
	Rp million	Rp million
Cost of investment, at cost	1,877,942	1,504,176
Cumulative share of results and other comprehensive income	(198,053)	(140,165)
Foreign currency translation	73,288	92,789
Gain from deemed disposal	12,921	12,921
Carrying value of investment in associate companies	1,766,098	1,469,721

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

Name of associates	Country of incorporation	Effective percentage of equity held % 2019	2018	Principal activities
Held by the Company				
FPNRL [(i)]	British Virgin Islands	30.00	30.00	Investment holdings
Held by Lonsum				
AAM [(ii)]	Singapore	10.92*	10.92*	Investment holdings
AIM [(iii)]	Indonesia	10.92*	–	Ownership and building management
Held by PT SIMP				
PT PSM [(iv)]	Indonesia	29.38	29.38	Construction services, rental of heavy equipment and trading of agriculture equipment
Daitocacao [(v)]	Indonesia	36.00	36.00	Manufacture and marketing of chocolate for industrial use

* *The Group held less than 20% effective shareholdings in certain associates but owned, directly and indirectly, more than 20% shareholdings in these associates.*

(i) *Audited by Ernst & Young (HK) (member firm of Ernst & Young Global)*
(ii) *Audited by Pinebridge LLP, Singapore*
(iii) *Audited by Kosasih, Nurdiyaman, Mulyadi, Tjahjo & Rekan, Indonesia (member firm of Crowe Global)*
(iv) *Audited by Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia (member firm of Grant Thornton International)*
(v) *Audited by Purwantono, Sungkoro & Surja, Indonesia (member firm of Ernst & Young Global)*

FPNRL

FPNRL is an investment holding company, incorporated in British Virgin Islands in July 2013. It is a 30%:70% joint venture between the Company and its ultimate holding company, First Pacific Company Limited. FPNRL in turn owns 62.9% (2018: 62.9%) in Roxas Holdings Inc ("RHI") and 100% (2018:100%) interest in First Coconut Manufacturing Inc.("FCMI") respectively. RHI is engaged in processing of sugar cane for the production and marketing of sugar and ethanol in the Philippines.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

AAM

AAM is 24.98%, 50.00% and 25.02% owned by Lonsum, PT ICBP and PT ISM respectively. AAM is a private limited company incorporated and domiciled in Singapore, which in turn owns 100% equity interest in PT Aston Inti Makmur ("AIM"), an Indonesian-incorporated company engages in the property business and operates an office building.

AIM

During the financial year, a subsidiary of the Company, Lonsum subscribed 344,500 shares of AIM, a subsidiary of AAM, for a consideration of Rp344.5 billion. As a result, Lonsum's effective ownership in AIM is 24.98%.

Daitocacao

On 7 February 2017, PT SIMP and Daitocacao Co. Ltd. in Japan entered into an Agreement, to establish a 49%:51% entity, Daitocacao under the laws of Indonesia. The Company made the first and second capital contributions on 5 April 2017 and 8 June 2019 respectively with the total amount of Rp209.0 billion (approximately US$15.7 million). Daitocacao is still in its development stage at year end.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

The summarised financial information in respect of FPNRL, AAM, Daitocacao and AIM, based on its respective local financial reporting standards which closely aligned with SFRS(I) and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	FPNRL		AAM		Daitocacao		AIM
	2019	2018	2019	2018	2019	2018	2019
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Current assets	2,782,271	3,884,861	1,425,875	1,468,601	61,405	93,431	1,408,799
Non-current assets	3,300,779	3,577,806	3,193,238	3,204,268	400,230	360,731	2,398,921
Total assets	6,083,050	7,462,667	4,619,113	4,672,869	461,635	454,162	3,807,720
Current liabilities	3,100,479	4,605,190	12,573	14,147	3,595	22,676	12,428
Non- current liabilities	663,342	134,586	241,508	1,681,102	–	–	207,342
Total liabilities	3,763,821	4,739,776	254,081	1,695,249	3,595	22,676	219,770
Net assets	2,319,229	2,722,891	4,365,032	2,977,620	458,040	431,486	3,587,950
Proportion of the Group's ownership	30.00%	30.00%	24.98%	24.98%	49.00%	49.00%	24.99%
Group's share of net assets	695,769	816,868	731,086	730,781	224,440	211,428	346,553
Foreign currency translation	(259,643)	(314,150)	–	–	12	12	–
Deemed disposal gain	–	–	12,921	12,921	–	–	–
Carrying amount of the investment	436,126	502,718	744,007	743,702	224,452	211,440	346,553

Summarised statment of comprehensive income

	FPNRL 2019	FPNRL 2018	AAM 2019	AAM 2018	Daitocacao 2019	Daitocacao 2018	AIM 2019
Revenue	3,044,403	4,315,237	–	–	157,215	–	–
(Loss)/profit after tax	(346,789)	(10,132)	799	(1,924)	(33,124)	3,064	22,012
Other comprehensive income for the year	29,749	(82,568)	–	–	–	–	–

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

The aggregate information of the Group's cost of investments in associate companies that are not individually material are as follows:

	Group	
	2019	**2018**
	Rp million	Rp million
Share of profit after tax and other comprehensive income	6,213	1,061

21. INVESTMENT IN JOINT VENTURES

The Group's investments in joint ventures are summarised below:

	Group	
	2019	**2018**
	Rp million	Rp million
Joint ventures which are strategic to the Group activities		
Companhia Mineira de Açúcar e Álcool Participações ("CMAA")	721,967	732,780
Canápolis Holding S.A. ("Canápolis")	108,291	76,593
	830,258	809,373

	Group	
	2019	**2018**
	Rp million	Rp million
Cost of investment (including acquisition related costs)	1,053,232	978,598
Cumulative share of results and other comprehensive income	74,370	64,290
Loss on deemed disposal	(87,049)	(87,049)
Foreign currency translation	(210,295)	(146,466)
Carrying value of investment in joint ventures	830,258	809,373

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. INVESTMENT IN JOINT VENTURES (CONT'D)

Name of joint ventures	Country of incorporation	Effective percentage of equity held % 2019	2018	Principal activities
Held by the IFAR Brazil Pte Ltd and IndoAgri Brazil Participações Ltda ("IndoAgri Brazil")				
CMAA	British Virgin Islands	35.00	35.00	Ownership of sugar cane plantations and sugar and ethanol factories
Canápolis	British Virgin Islands	50.00	50.00	Ownership of sugar cane plantations and sugar and ethanol factory

Both Canápolis and CMAA are audited by Ernst & Young Brazil (Goiânia Office) (member firm of Ernst & Young Global).

CMAA

CMAA is a joint venture between the Group, JF Family, and a member of Salim Group at effective ownership of 35%, 50%, and 15% respectively.

The Group continues to adopt equity accounting as CMAA is jointly controlled by these 3 shareholders through the contractual shareholder agreement.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. INVESTMENT IN JOINT VENTURES (CONT'D)

Canápolis

Canápolis is a 50%:50% joint venture between the Group and JF Family.

During the year, each partner contributed additional capital of BRL 20.1 million (approximately US$7.5 million).

Summarised financial information in respect of CMAA and Canápolis based on its respective local financial reporting standards which closely aligned with SFRS(I), and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Group			
	CMAA		Canápolis	
	2019	**2018**	**2019**	**2018**
	Rp million	Rp million	Rp million	Rp million
Cash and cash equivalents	901,676	1,074,178	2,693	53,050
Other current assets	1,587,106	2,073,289	63,869	16,420
Current assets	2,488,782	3,147,467	66,562	69,470
Non-current assets	4,176,808	2,633,152	1,130,679	598,626
Total assets	6,665,590	5,780,619	1,197,241	668,096
Current liabilities	(2,005,521)	(2,086,951)	(73,102)	(141,324)
Total non-current liabilities	(3,430,017)	(2,511,963)	(915,720)	(378,518)
Total liabilities	(5,435,538)	(4,598,914)	(988,822)	(519,842)
Net assets	1,230,052	1,181,705	208,419	148,254
Proportion of the Group's ownership	35.0%	35.0%	50.0%	50.0%
Group's share of net assets	430,518	413,597	104,210	74,127
Acquisition costs capitalised	52,405	52,405	–	–
Goodwill on acquisition	298,336	298,336	–	–
Loss on deemed disposal	(87,049)	(87,049)	–	–
Foreign currency translation	27,757	55,491	4,081	2,466
Carrying value of the investment	721,967	732,780	108,291	76,593

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. INVESTMENT IN JOINT VENTURES (CONT'D)

Summarised statement of comprehensive income

	Group			
	CMAA		Canápolis	
	2019	2018	2019	2018
	Rp million	Rp million	Rp million	Rp million
Revenue	3,755,380	2,968,531	15,146	(65)
Depreciation and amortisation	(303,590)	(275,868)	90	4
Interest income	390,298	1,062,862	5,889	38
Interest expense	(798,444)	(1,388,120)	(67,347)	(14,189)
Other operating expenses	(2,897,384)	(2,242,248)	(20,017)	(9,736)
Profit/(loss) before tax	146,260	125,157	(66,239)	(23,948)
Income tax benefit/(expense)	8,698	23,811	(3,260)	(5)
Profit/(loss) after tax	154,958	148,968	(69,499)	(23,953)
Other comprehensive income	60,240	44,764	–	–
Total comprehensive income	215,198	193,732	(69,499)	(23,953)

22. OTHER NON-CURRENT ASSETS

	Group		Company	
	2019	2018	2019	2018
	Rp million	Rp million	Rp million	Rp million
Non-current:				
Non-financial assets				
Advances	201,289	219,583	–	–
Prepayments	3,444	3,495	–	–
Others	274,042	252,999	–	–
Total advances and prepayments	478,775	476,077	–	–

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		Rp million	Rp million	Rp million	Rp million
Financial assets					
Amount due from a subsidiary		–	–	1,070,000	1,150,000
Loans to employees		10,435	14,638	–	–
Available-for-sale financial asset	34(a)	15,659	16,311	–	–
Plasma receivables	32(a)	1,463,112	1,383,640	–	–
Deposits		19,946	18,635	10	10
Total other non-current receivables		1,509,152	1,433,224	1,070,010	1,150,010
Total other non-current assets		1,987,927	1,909,301	1,070,010	1,150,010

Amount due from a subsidiary

The Company has extended a credit facility of Rp800 billion to a subsidiary. This facility is non-trade related, unsecured, bears interest at long-term commercial lending rates, repayable in November 2023. In June 2018, there was an additional credit facility of Rp350 billion to the same subsidiary which is repayable in July 2023. The amounts due from this subsidiary is to be settled in cash on the respective due dates.

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 6.50% (2018: 7.97%) per annum.

Available-for-sale financial asset

Available-for-sale financial asset mainly relates to the unquoted equity investment in Heliae Technology Holdings, Inc. ("Heliae") owned by Agri Investment Pte. Ltd. ("AIPL"), a subsidiary of Lonsum. Heliae is a private entity engaged in technology and production solutions for the algae industry.

The fair value of available-for-sale financial asset is determined by using a discounted cash flow model. The Group recognised the fair value gain of Rp0.1 billion (2018: loss of Rp3.4 billion) in other comprehensive income without recycling to profit or loss.

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.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. INVENTORIES

	Group	
	2019	**2018**
	Rp million	Rp million
Balance sheet:		
Raw materials	804,275	816,486
Finished goods	982,663	1,118,706
Spare parts and factory supplies	466,776	493,173
Total inventories at the lower of cost and net realisable value	2,253,714	2,428,365

		Group	
	Note	**2019**	**2018**
		Rp million	Rp million
Consolidated statement of comprehensive income:			
Inventories recognised as an expense in cost of sales, net	5	6,202,875	6,542,290
Inclusive of the following charges:			
– Allowance for decline in market value and obsolescence of inventories		58,379	76,606
– Reversal of decline in market value and obsolescence of inventories		(70,487)	(73,548)
	5	(12,108)	3,058

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. RECEIVABLES

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		Rp million	Rp million	Rp million	Rp million
Current:					
Financial assets					
Trade receivables					
Third parties		677,158	700,189	–	–
Related parties		532,075	582,406	–	–
Other receivables					
Plasma receivables	32(a)	13,506	18,444	–	–
Loans to employees		4,394	6,031	–	–
Subsidiary companies		–	–	89,657	92,939
Related parties		2,571	2,449	–	–
Others		90,471	85,952	375	485
Total trade and other receivables		1,320,175	1,395,471	90,032	93,424
Non-financial assets					
Advances and prepayments					
Advances to suppliers		303,587	169,903	–	–
Prepayments		16,550	11,749	145	169
Total advances and prepayments		320,137	181,652	145	169
Total receivables		1,640,312	1,577,123	90,177	93,593

Trade receivables are unsecured, non-interest bearing and are generally on 1 to 35 days' terms. All trade receivables will be settled in cash. 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.

Other receivables from third parties are mainly consist of interest receivables from time deposits and current portion of loans to employees and plasma receivables. They are non-interest bearing and unsecured.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. RECEIVABLES (CONT'D)

Other receivables from related parties and receivables from subsidiary companies are unsecured, interest-free and are generally settled within the next 12 months in cash.

The management believes that the allowance for impairment of other receivables is sufficient to cover losses from impairment of such receivables.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rp million	Rp million	Rp million	Rp million
US Dollars	176,773	181,008	68,094	70,935
Others	531	246	855	1,474

Receivables that are past due but not impaired

The Group has trade receivables amounting to Rp413.5 billion (2018: Rp417.8 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 are as follows:

	Group	
	2019	**2018**
	Rp million	Rp million
Past due but not impaired:		
1 – 30 days	325,673	263,123
31 – 60 days	12,415	65,080
61 – 90 days	12,274	27,068
More than 90 days	63,179	62,523
	413,541	417,794

Advances to suppliers

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

	Group	
	2019	**2018**
	Rp million	Rp million
Raw materials	168,443	61,094
Factory supplies, spare parts and others	135,144	108,809
	303,587	169,903

Advances to suppliers are unsecured, interest-free and obligations of the suppliers are expected to be fulfilled within the next 12 months.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rp million	Rp million	Rp million	Rp million
Cash at bank and in hand	669,669	564,340	3,701	7,567
Short term deposits	1,117,793	1,664,529	65,428	145,978
Cash and cash equivalents	1,787,462	2,228,869	69,129	153,545

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rp million	Rp million	Rp million	Rp million
US Dollars	623,617	461,590	6,609	1,973
Singapore Dollars	2,800	5,737	2,109	5,156
Others	5,231	7,981	–	–

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 2.25% to 3.25% (2018: 1.50% to 3.25%) per annum and 5.00% to 8.50% (2018: 4.00% to 8.50%) per annum, respectively.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. PAYABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rp million	Rp million	Rp million	Rp million
Current				
Financial liabilities				
Trade payables				
Third parties	819,288	827,669	–	–
Related parties	72,806	54,021	–	–
Other payables and accruals				
Other payables				
Third parties	283,806	299,913	1,535	87
Due to a parent company	63,831	61,331	–	–
Related parties	104,892	104,921	88,966	92,678
Accrued operating expenses	550,282	462,378	19,358	22,031
Total trade and other payables and accruals	1,894,905	1,810,233	109,859	114,796
Non-financial liabilities				
Advances from customers	248,996	181,100	–	–
Taxes payable	64,492	53,599	–	–
Total advances and other payables	313,488	234,699	–	–
Total payables	2,208,393	2,044,932	109,859	114,796

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. PAYABLES (CONT'D)

Trade payables are normally settled on 1 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.

Other 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.

Accrual of operating expenses are mainly for employees' salaries, benefits and bonuses, interest charges, purchases of FFB, and transportation fees.

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 12 months.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rp million	Rp million	Rp million	Rp million
US Dollars	91,677	103,824	88,966	92,678
Euro	10,839	5,983	–	–
Singapore Dollars	22,380	23,918	20,892	22,118
Others	9,878	3,612	–	–

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. INTEREST-BEARING LOANS AND BORROWINGS

Current loans and borrowings

Description of credit facilities	End of availability period	Amount 2019 Rp million	2018 Rp million
Rupiah			
Subsidiaries			
Unsecured facility from PT Bank Mandiri (Persero) Tbk	June 2020	1,950,000	2,177,000
Unsecured facility from PT Bank Central Asia Tbk	March 2020	1,242,000	1,165,000
Unsecured facility from PT Bank DBS Indonesia	September 2020	500,000	415,000
Unsecured facility from PT Bank Tabungan Pensiunan Nasional Tbk (formerly PT Bank Sumitomo Mitsui Indonesia)	March 2020	850,000	–
Secured facility from PT Bank Tabungan Pensiunan Nasional Tbk (formerly PT Bank Sumitomo Mitsui Indonesia) [1) 2)]	March 2020	700,000	–
Secured facilities from PT Bank Rabobank International Indonesia[1) 3)]	April 2019	–	157,600
Secured facility from PT Bank DBS Indonesia[1)]	September 2020	650,000	425,000
Secured facilities from PT Bank Central Asia Tbk[1)]	March 2020	352,000	542,000
Sub-total		6,244,000	4,881,600
US Dollar			
The Company			
<u>Loans for refinancing and investment</u>			
Unsecured facility from Sumitomo Mitsui Banking Corporation, Singapore	May and November 2020	166,812	1,085,351
Total short-term loans		6,410,812	5,966,951
Add: current portion of long-term loans		500,064	1,004,698
Total		6,910,876	6,971,649

1) *Secured by corporate guarantee from PT SIMP in proportion to its equity ownership in the respective subsidiary.*
2) *This credit facility was restructured from long-term to short-term.*
3) *These credit facilities are denominated in US Dollar currency but can also be drawdown in Rupiah currency. The loan was fully settled in April 2019 and the credit facility has been subsequently terminated.*

The Group is expected to rollover and/or refinance the short-term loans as and when they fall due.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Current loans and borrowings (cont'd)

Effective interest rates

The short-term loans denominated in Rupiah bear yearly interest rates ranging from 5.75% to 9.65% (2018: 4.75% to 9.10%) per annum for the year ended 31 December 2019. The short-term loans denominated in US Dollar bear interest rates ranging from 3.15% to 3.99% (2018: 2.65% to 3.84%) per annum for the year ended 31 December 2019.

Covenants

The above-mentioned credit agreements obtained by the subsidiaries are subject to several negative covenants, which include among others, limit the ability to merge or consolidate with other entity; change the Constitution; reduce their share capital; make new investments and capital expenditures in excess of certain thresholds; sell or dispose off significant portion of their assets used in the operations; as well as grant/obtain credit facilities to/from other parties that could 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 2019 and 2018, the Group has complied with all of the covenants of the above-mentioned short-term loans as stipulated in the respective loan agreements or obtained necessary waivers as required by respective loan agreement.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Non-current loans and borrowings

Description of credit facilities	Schedule of instalment and maturities	Amount 2019 Rp million	2018 Rp million
Rupiah			
Subsidiaries			
Loan for refinancing, investment and working capital			
Secured facility from PT Bank Tabungan Pensiunan Nasional Tbk (formerly PT Bank Sumitomo Mitsui Indonesia)[1)2)]	March 2020	–	700,000
Secured facilities from PT Bank Central Asia Tbk[1)]	Quarterly until August 2028	4,366,095	4,567,928
Sub-total		4,366,095	5,267,928
US Dollar			
The Company			
Loans for refinancing and investment			
Unsecured facility from Sumitomo Mitsui Banking Corporation, Singapore	May 2022	808,344	–
Sub-total		808,344	–
Total		5,174,439	5,267,928
Less: deferred charges on bank loan		33,502	44,959
Less: current portion		500,064	1,004,698
Total		4,640,873	4,218,271

1) *Secured by corporate guarantee from the PT SIMP in proportion to its equity ownership in the subsidiary.*
2) *In March 2019, this loan was restructured from long-term to short-term.*

NOTES TO FINANCIAL STATEMENTS

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

Non-current loans and borrowings (cont'd)

Effective interest rates

The long-term loans denominated in Rupiah bear yearly interest rates ranging from 9.00% to 9.75% (2018: 5.45% to 10.00%) per annum for the year ended 31 December 2019. The long-term loans denominated in US Dollar bear interest rates ranging from 3.15% to 3.99% (2018: 2.65% to 5.45%) per annum for the year ended 31 December 2019.

Covenants

The above-mentioned credit agreements obtained by the Group provides for several negative covenants for the subsidiaries, which include among others, limit the ability to pledge their assets to other parties (except for the existing assets already pledged as at the credit agreement date); lend money to unaffiliated parties; merge or consolidate with other entity unless the subsidiaries will be the surviving legal entity; change the current course of their businesses; reduce their share capital; make new investments and capital expenditures in excess of certain threshold; sell or dispose off significant portion of their assets used in the operations in excess of certain thresholds; change their legal status; 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 at 31 December 2019 and 2018, the Group has complied with all of the covenants of the above-mentioned long-term loans as stipulated in the respective loan agreements, or obtained necessary waivers as required by respective loan agreement.

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

			Non-cash changes			
	31 December 2018	**Cash Flows**	**Foreign exchange movement**	**Amortisation of deferred charges**	**Other**	**31 December 2019**
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Current:						
Interest-bearing loans and borrowings	6,971,649	662,400	–	–	(723,173)	6,910,876
Non-Current:						
Interest-bearing loans and borrowings	4,218,271	(201,833)	(43,499)	(55,239)	723,173	4,640,873
Total	11,189,920	460,567	(43,499)	(55,239)	–	11,551,749

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

			Non-cash changes			
	31 December 2017	**Cash Flows**	**Foreign exchange movement**	**Amortisation of deferred charges**	**Other**	**31 December 2018**
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Current:						
Interest-bearing loans and borrowings	4,462,704	418,896	–	–	2,090,049	6,971,649
Non-Current:						
Interest-bearing loans and borrowings	6,067,793	62,651	167,903	9,973	(2,090,049)	4,218,271
Total	10,530,497	481,547	167,903	9,973	–	11,189,920

The "Other" column relates to reclassification of non-current portion to current.

S$500 million Euro Medium Term Note (the "MTN Programme")

In September 2013, the Company established a 5-year S$500 million Euro MTN 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). This MTN Programme has been terminated during the year.

28. OTHER NON-CURRENT PAYABLES

	Group	
	2019	**2018**
	Rp million	Rp million
Non-current:		
Financial liabilities		
Due to related parties	509,859	427,859
Non-financial liabilities		
Provision for assets dismantling costs	35,191	32,007
Total other non-current payables	545,050	459,866

NOTES TO FINANCIAL STATEMENTS

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

The amounts due to related parties represents loans provided to the subsidiaries by their non-controlling shareholders, which are interest bearing, unsecured and not expected to be repaid within 3 years.

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 costs are presented as part of "Other Operating Expense" accounts in the profit or loss, as shown in Note 7.

The movement in provision for assets dismantling costs is:

		Group	
	Note	**2019**	**2018**
		Rp million	Rp million
Balance at 1 January		32,007	34,149
Changes in present value due to the passage of time and discount rates	7	3,184	(2,142)
Balance at 31 December		35,191	32,007

29. 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.

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.

		Group	
	Note	**2019**	**2018**
		Rp million	Rp million
Employee benefits expenses (including directors):			
Wages and salaries		3,082,749	2,949,302
Provision for employee benefits		372,228	328,308
Contribution to defined contribution pension plan		17,755	19,171
Training and education		63,930	65,435
	8	3,536,662	3,362,216

NOTES TO FINANCIAL STATEMENTS

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29. EMPLOYEE BENEFITS (CONT'D)

As at 31 December 2019, the balance of the related actuarial liability for employee benefits is presented as "Employee benefits liabilities" in the consolidated balance sheet.

Changes in the employee benefit obligations are as follows:

	Group	
	2019	**2018**
	Rp million	Rp million
Benefit obligation at 1 January	2,323,955	2,361,278
Benefits paid	(148,958)	(137,327)
Changes charged to profit or loss		
Current service cost	177,329	175,716
Interest cost on benefit obligations	195,483	159,998
Net actuarial gain recognised during the year	(584)	(4,112)
Gains on curtailments and settlements	–	(3,294)
Sub-total	372,228	328,308
Re-measurement (gain)/loss in other comprehensive income		
Actuarial changes arising from changes in financial assumptions	15,400	(200,790)
Experience adjustments	(138,136)	(27,514)
Sub-total	(122,736)	(228,304)
Benefit obligation at 31 December	2,424,489	2,323,955

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

Annual discount rate	:	7.7% (2018: 8.4%)
Future annual salary increase	:	8.0% (2018: 8.5%)
Annual employee turnover rate	:	6.0% (2018: 6.0%) for employees under the age of 30 years and linearly decrease until 0% at the age of 52 years
Annual disability rate	:	10% from mortality rate
Retirement age	:	55 years old
Mortality rate reference	:	Indonesian Mortality Table ("IMT") 2011

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. EMPLOYEE BENEFITS (CONT'D)

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 liabilities**
		Rp million
31 December 2019		
Annual discount rate	100/(100) basis points	(186,462)/213,964
Future annual salary increase	100/(100) basis points	220,152/(194,281)
31 December 2018		
Annual discount rate	100/(100) basis points	(177,001)/202,837
Future annual salary increase	100/(100) basis points	208,889/(184,592)

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

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

	Group	
	2019	**2018**
	Rp million	Rp million
Within the next 12 months	187,202	169,811
Between 1 and 2 years	138,690	158,758
Between 2 and 5 years	446,242	389,354
Beyond 5 years	18,376,666	20,483,958
Total expected payments	19,148,800	21,201,881

The average duration of the employee benefit plan obligation at the end of the reporting period is 11.5 years (2018: 11.7 years).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group			
	2019		**2018**	
	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			
	2019		**2018**	
	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			
	2019		**2018**	
	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	51,878,300	390,166	51,878,300	390,166

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

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. RESERVES

(a) *Revenue reserves*

	Company	
	2019	**2018**
	Rp million	Rp million
Retained earnings:		
Balance at 1 January	743,615	810,774
Dividends	(36,662)	(102,713)
Profit for the year	47,664	35,554
Balance at 31 December	754,617	743,615

(b) *Other reserves*

	Company	
	2019	**2018**
	Rp million	Rp million
Other reserves:		
Balance at 1 January and 31 December	144,152	144,152

Other reserves of the Company pertains to the gain on sale of treasury shares in the previous financial year.

Other reserves of the Group comprise capital reserves of subsidiary companies, gain on sale of treasury shares and foreign currency translation differences. Movement in the reserves of the Group are shown in the Consolidated statement of changes in equity.

(c) *Dividends*

	Company	
	2019	**2018**
	Rp million	Rp million
Declared and paid during year:		
Dividends on ordinary shares:		
– Final tax exempt (one-tier) dividend for 2018: 0.25 Singapore cents (2017: 0.70 Singapore cents) per share	36,662	102,713
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 2019: nil Singapore cents (2018: 0.25 Singapore cents) per share	–	37,002

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32. COMMITMENTS AND CONTINGENCIES

(a) Plasma receivables

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

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

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 Rp574.5 billion (2018: Rp695.0 billion) as at 31 December 2019.

The Group recorded an allowance for uncollectible and adjustments of EIR amortisation of plasma receivables in its consolidated balance sheet amounting to Rp584.9 billion (2018: Rp445.6 billion). Based on a review of the plasma receivables of each project as at 31 December 2019, 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 and adjustments of EIR amortisation of plasma receivables are as follows:

	Group	
	2019	**2018**
	Rp million	Rp million
At 1 January	445,643	416,201
Allowance charge/(reversal) for the year	44,635	(1,202)
Write-off	–	(756)
Adjustments of EIR amortisation	94,575	31,400
At 31 December	584,853	445,643

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. COMMITMENTS AND CONTINGENCIES (CONT'D)

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

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 are as follows:

	Note	Group 2019 Rp million	Group 2018 Rp million
Balance at 1 January		1,402,084	1,176,145
Allowance and adjustments of EIR amortisation		(139,210)	(30,198)
Additional net investment		213,744	256,137
Balance at 31 December	22,24	1,476,618	1,402,084

(b) *Lease commitments*

The Group has entered into commercial leases to lease land and buildings, equipment and transportation equipment. These non-cancellable lease contracts have remaining lease terms from 2 to 5 years.

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

	2018 Rp million
Within one year	54,229
After one year but not more than five years	93,099
	147,328

As disclosed in Note 2.2, the Group has adopted SFRS (I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 December 2019, except for short-term and low-value leases.

(c) *Sales commitments*

As at 31 December 2019, the Group has sales commitments to deliver the following products to local and overseas customers within one month after the reporting date:

	Unit of measurement	2019	2018
Palm products	Tonnes	10,658	25,139
Rubber	Tonnes	585	1,633
Tea	Tonnes	21	30
Cocoa	Tonnes	72	38
Oil palm seeds	Unit	121,690	245,234
Seedlings	Unit	30,962	56,198

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. COMMITMENTS AND CONTINGENCIES (CONT'D)

(d) Commitments for capital expenditures

As of 31 December 2019, 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 Rp833 billion (2018: Rp630 billion, US$10,400 and RM2.0 million).

(e) Contingent liabilities

As of 31 December 2019, there are no probable claims against the Group that may cause material impact.

33. RELATED PARTY TRANSACTIONS

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

Nature of transactions	Year	A shareholder of the Group Rp million	Related companies[1] Rp million	Other related parties[2] Rp million
Sales of goods	2019	20	3,445,095	1,772,027
	2018	583	3,429,707	1,724,271
Purchases of packaging materials	2019	–	157,937	–
	2018	–	139,242	–
Purchases of services, transportation equipment and spare parts	2019	–	6,182	74,311
	2018	–	7,859	70,512
Royalty fee expenses	2019	7,086	–	–
	2018	5,413	–	–
Pump services expenses	2019	–	–	6,959
	2018	–	–	7,416
Rental expenses	2019	–	–	72,275
	2018	–	–	61,646
Insurance expenses	2019	–	–	29,973
	2018	–	–	30,881
Other operating income	2019	–	3,537	–
	2018	–	6,409	–

(1) *Transactions with entities under common control.*
(2) *Transactions with members of Salim Group and its associates.*

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel of the Group

	2019 Rp million	**2018** Rp million
Salaries and short-term employee benefits	191,698	200,201
Termination benefits	33,864	33,959
Post-employment benefits	12,336	10,876
Total compensation paid to the key management personnel	237,898	245,036

34. 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 than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(a) Fair value hierarchy (cont'd)

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)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Rp million	Rp million	Rp million
As at 31 December 2019			
Recurring fair value measurements			
Biological assets- timber plantations (Note 13)	–	–	314,739
Biological assets- agriculture produce (Note 13)	–	316,111	401,509
Available-for-sale financial asset at FVOCI (Note 22)	–	–	15,659
As at 31 December 2018			
Recurring fair value measurements			
Biological assets- timber plantations (Note 13)	–	–	328,500
Biological assets- agriculture produce (Note 13)	–	148,856	367,800
Available-for-sale financial asset at FVOCI (Note 22)	–	–	16,311

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.

(b) Valuation policy

The Group'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. Involvement of external valuers is decided annually by the Valuation Team after discussion with and approval by the Group's executive directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Valuation Team decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use.

The Valuation Team, in conjunction with the Group's external valuers, also compares each of 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 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(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. The effective yearly interest rates were ranging from 6.50% to 10.40% (2018: 7.97% to 10.71%) per annum for the year ended 31 December 2019.

The fair value of available-for-sale financial asset was estimated using income approach based on discounted cash flows of Heliae for five years plus terminal value after the forecast period.

The significance of the unobservable inputs used in the fair value measurement of available-for-sale financial asset is categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2019 and 2018 are as shown below:

		Sensitivity Analysis	
Unobservable Inputs	**Quantitative Inputs**	**Sensitivity Used**	**Effect to Fair Value**
			Rp million
31 December 2019			
Discount rate	12.95%	50 basis points	(3,178)/3,540
Growth rate after forecast period	2.3%	5 basis points	267/(264)
31 December 2018			
Discount rate	15.59%	50 basis points	(2,541)/2,774
Growth rate after forecast period	2.2%	5 basis points	198/(197)

The carrying amounts of cash and cash equivalents, current trade and other receivables, current trade and other payables and accruals, short-term bank loans and borrowings, and lease liabilities are the approximations of their fair values because they are mostly short-term in nature.

The carrying amounts of long-term loans and borrowings and due to related parties with floating interest rates are the approximations of their fair values as they are re-priced frequently.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, market risk (including currency risk and commodity price risk), credit risk and liquidity risk. The Audit & Risk Management 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.

Currently, the Group does not have a formal hedging policy for interest rate exposures.

Sensitivity analysis for interest rate risk

Based on a sensible simulation, with all other variables held constant, sensitivity analysis on the floating interest rate of borrowings are as follows:

Variable	Increase/(decrease)	2019 Increase/(decrease) in loss before tax Rp million	2018 Increase/(decrease) in loss before tax Rp million
Floating interest rate	50/(50) basis points	Rp57,759/(Rp57,759)	Rp55,950/(Rp55,950)

(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 ("USD") or whose price is significantly influenced by their benchmark price movements in foreign currencies (mainly USD) 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(b) Foreign currency risk (cont'd)

Based on a sensible simulation, with all other variables held constant, sensitivity analysis on the change of exchange rate of Rupiah against USD are as follows:

Variable	**Increase/(decrease)**	**2019** **Increase/(decrease) in loss before tax** Rp million	**2018** **Increase/(decrease) in loss before tax** Rp million
Exchange rate of Rupiah against US Dollar	10%/(10%)	Rp19,595/(Rp19,595)	Rp47,207/(Rp47,207)

(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.

During 2019 and 2018, 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. 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 consolidated balance sheet.

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. Such limits are set to minimise the concentration of credit risk and therefore mitigate financial loss through potential failure of the banks.

NOTES TO FINANCIAL STATEMENTS

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

(d) Credit risk (cont'd)

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 1 to 35 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.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type, payment terms and due date) as follows:

Categories	Risk level	Provision rate
Related Parties		
Entities under common control	No risk	0%
External Parties		
Amount is covered by letter of credit	No risk	0%
Under credit insurance	No risk	0%
More than 90 days past due	Probable risk	1%

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 22 and 24. The Group does not hold collateral as security or letters of credit and other forms of credit insurance. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in dispersed locations and industries.

Plasma Receivables

As disclosed in Notes 2.9 and 32(a), plasma receivables represent costs incurred for plasma plantation development which include costs for plasma plantations funded by the banks and temporarily self-funded by the subsidiaries awaiting banks' funding.

Plasma receivables also include advances to plasma farmers for 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.

NOTES TO FINANCIAL STATEMENTS

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

(d) Credit risk (cont'd)

Plasma Receivables (cont'd)

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.

An impairment analysis is performed at each reporting date as disclosed in Note 3.1(b) to measure ECL. The Group evaluates the concentration of risk with respect to plasma receivables as low, as the cooperatives are dispersed in accordance with the locations of the subsidiaries.

The Group's gross carrying amount of plasma receivables and the exposure to credit risk is as follows:

31 December 2019

	Gross carrying amount		
	12-month ECL	**Lifetime ECL**	**Total**
	Rp million	Rp million	Rp million
Total	158,134	1,903,337	2,061,471

31 December 2018

	Gross carrying amount		
	12-month ECL	**Lifetime ECL**	**Total**
	Rp million	Rp million	Rp million
Total	257,874	1,589,853	1,847,727

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

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of maturities in its financial assets and liabilities. The Group manages its liquidity profile to be able to finance its capital expenditure and service its maturing debts by maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and borrowings and equity market issues.

The table below summarises the maturity profile of the Group's financial liabilities at the end of reporting period based on contractual undiscounted repayment obligations:

	One year or less	**One to five years**	**More than 5 years**	**Total**
	Rp million	Rp million	Rp million	Rp million
Group				
As at 31 December 2019				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	–	3,357,717	1,721,605	5,079,322
Other non-current payables	524,988	–	–	524,988
Trade and other payables and accruals	1,894,904	–	–	1,894,904
Current interest-bearing loans and borrowings	7,496,294	845,392	–	8,341,686
Total undiscounted financial liabilities	9,916,186	4,203,109	1,721,605	15,840,900
As at 31 December 2018				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	31,078	3,411,909	2,326,520	5,769,507
Other non-current payables	26,969	427,933	–	454,902
Trade and other payables and accruals	1,810,233	–	–	1,810,233
Current interest-bearing loans and borrowings	7,562,945	–	–	7,562,945
Total undiscounted financial liabilities	9,431,225	3,839,842	2,326,520	15,597,587

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

(e) Liquidity risk (cont'd)

Undiscounted loans and borrowings with floating rates had been determined with reference to the applicable rates as at balance sheet dates.

	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 2019				
Financial liabilities:				
Trade and other payables and accruals	109,859	–	–	109,859
Current interest-bearing loans and borrowings	198,787	845,392	–	1,044,179
Total undiscounted financial liabilities	308,646	845,392	–	1,154,038
As at 31 December 2018				
Financial liabilities:				
Trade and other payables and accruals	114,796	–	–	114,796
Non-current interest-bearing loans and borrowings	1,096,595	–	–	1,096,595
Total undiscounted financial liabilities	1,211,391	–	–	1,211,391

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise 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 2019 and 2018. 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 requirements are subject to shareholders' consideration at the annual general meeting of these subsidiary companies.

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 2019 and 2018.

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.

Capital managed by the management includes equity attributable to the majority shareholders of the Company and non-controlling interests.

	Group	
	2019	**2018**
	Rp million	Rp million
Non-current interest-bearing loans and borrowings	4,640,873	4,218,271
Current interest-bearing loans and borrowings	6,910,876	6,971,649
	11,551,749	11,189,920
Less: Cash and cash equivalents	(1,787,462)	(2,228,869)
Net debts	9,764,287	8,961,051
Total equity	20,163,404	20,853,193
Gearing ratio	48%	43%

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. SEGMENT INFORMATION

For management purposes, the Group is organised 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, tea and industrial timber plantations.

Edible oils and fats segment

Edible oils and fats segment produces, markets and sells edible oil, margarine, shortening and other related products 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 gain/loss 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 payables, and the Company's assets and liabilities.

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. SEGMENT INFORMATION (CONT'D)

The following table presents revenue and profit and certain asset and liability information regarding the Group's business segments:

Business segments

	Plantations Rp million	Edible Oils and Fats Rp million	Others/ eliminations Rp million	Total Rp million
Year ended 31 December 2019				
Revenue				
Sales to external customers	3,385,528	10,264,860	–	13,650,388
Inter-segment sales	4,906,178	2,847	(4,909,025)	–
Total sales	8,291,706	10,267,707	(4,909,025)	13,650,388
Share of results of associate companies	(10,797)	–	(57,179)	(67,976)
Share of results of joint ventures	–	–	16,612	16,612
Segment results	145,966	512,223	(29,978)	628,211
Net finance expense				(770,837)
Foreign exchange gain				11,322
Impairment of goodwill				(33,891)
Impairment of fixed assets				(46,863)
Loss before tax				(263,422)
Income tax expense				(446,294)
Net loss for the year				(709,716)
Assets and liabilities				
Segment assets	28,079,741	4,290,112	518,016	32,887,869
Goodwill	3,211,427	–	–	3,211,427
Prepaid taxes				370,931
Deferred tax assets				936,354
Claims for tax refund				205,949
Total assets				37,612,530
Segment liabilities	4,104,222	1,392,047	(744,048)	4,752,221
Unallocated liabilities				12,074,452
Deferred tax liabilities				599,743
Income tax payable				22,710
Total liabilities				17,449,126
Other segment information:				
Investment in associate companies	1,329,972	–	436,126	1,766,098
Capital expenditure	1,819,306	129,857	–	1,949,163
Depreciation and amortisation	1,358,892	112,940	50,494	1,522,326
Gain from changes in fair value of biological assets	190,353	–	–	190,353
Provision for employee benefits	311,487	60,740	–	372,227

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

	Plantations	Edible Oils and Fats	Others/ eliminations	Total
	Rp million	Rp million	Rp million	Rp million
Year ended 31 December 2018				
Revenue				
Sales to external customers	3,462,558	10,596,892	–	14,059,450
Inter-segment sales	5,121,957	12,018	(5,133,975)	–
Total sales	8,584,515	10,608,910	(5,133,975)	14,059,450
Share of results of associate companies	2,241	–	(10,033)	(7,792)
Share of results of joint ventures	–	–	28,704	28,704
Segment results	194,811	407,479	151,229	753,519
Net finance expense				(615,761)
Foreign exchange loss				(118,034)
Loss on deemed disposal on investment in a joint venture				(87,049)
Loss before tax				(46,413)
Income tax expense				(380,102)
Net loss for the year				(426,515)
Assets and liabilities				
Segment assets	28,309,768	4,199,420	13,933	32,523,121
Goodwill	3,245,317	–	–	3,245,317
Prepaid taxes				336,031
Deferred tax assets				1,125,003
Claims for tax refund				284,779
Total assets				37,514,251
Segment liabilities	3,838,643	1,952,817	(1,455,214)	4,336,246
Unallocated liabilities				11,682,427
Deferred tax liabilities				614,776
Income tax payable				27,609
Total liabilities				16,661,058
Other segment information:				
Investment in associate companies	967,003	–	502,718	1,469,721
Capital expenditure	1,609,144	88,834	92	1,698,070
Depreciation and amortisation	1,373,220	111,996	3,679	1,488,895
Loss from changes in fair value of biological assets	(30,882)	–	–	(30,882)
Provision for employee benefits	275,554	53,764	–	329,318

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. SEGMENT INFORMATION (CONT'D)

Geographical segments

The following table presents sales to customers based on the geographical location of the customers:

	2019 Rp million	**2018** Rp million
Region		
Indonesia	11,743,066	12,311,531
Singapore	626,719	606,267
China	702,749	617,001
Nigeria	140,165	147,361
Malaysia	120,873	49,073
Philippines	56,205	50,101
Timor Leste	68,837	69,709
South Korea	9,333	32,516
Others (each below Rp50.0 billion)	182,441	175,891
Segment revenue	13,650,388	14,059,450

The Group's capital expenditure and segment assets are primarily incurred and located in Indonesia.

38. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 20 March 2020.

INTERESTED PERSON TRANSACTIONS

Interested person transactions ("IPT') carried out during the financial year ended 31 December 2019 pursuant to the Shareholders' Mandate obtained under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") by the Group are as follows:

Name of Interested Person	**Aggregate value of all IPT conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)** Rp billion
PT ISM Group	
• Sales of cooking oil, margarine and others	3,449
• Purchase of goods, services and assets	177
Salim Group	
• Sales of cooking oil, seeds and material	1,789
• Purchases of goods and services	710
• Shareholder loans	1,075
• Corporate guarantees	2,879

Save as disclosed above, there were no additional IPT (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.

ESTATES LOCATIONS

No	Company	Estate Name	District	Province	Description
1	Salim Ivomas Pratama Tbk	Kayangan	Rokan Hilir	Riau	Oil Palm Estate
		Kencana	Rokan Hilir	Riau	Oil Palm Estate
		Sungai Dua	Rokan Hilir	Riau	Oil Palm Estate
		Balam	Rokan Hilir	Riau	Oil Palm Estate
2	Cibaliung Tunggal Plantations	Cibaliung	Rokan Hilir	Riau	Oil Palm Estate
3	Gunung Mas Raya	Sungai Rumbia 1	Rokan Hilir	Riau	Oil Palm Estate
		Sungai Rumbia 2	Rokan Hilir	Riau	Oil Palm Estate
		Sungai Bangko	Rokan Hilir	Riau	Oil Palm Estate
4	Indriplant	Napal	Indragiri Hulu	Riau	Oil Palm Estate
5	Serikat Putra	Lubuk Raja	Pelalawan	Riau	Oil Palm Estate
		Bukit Raja	Pelalawan	Riau	Oil Palm Estate
6	Mentari Subur Abadi	Muara Merang	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Mangsang	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Karang Agung	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Hulu Merang	Musi Banyuasin	South Sumatra	Oil Palm Estate
7	Swadaya Bhakti Negaramas	Pulai Gading	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Muara Medak	Musi Banyuasin	South Sumatra	Oil Palm Estate
8	Sarana Inti Pratama	Lindai	Kampar	Riau	Oil Palm Estate (Seed Breeding)
9	Citranusa Intisawit	Kedukul	Sanggau	West Kalimantan	Oil Palm Estate
10	Kebun Ganda Prima	Kembayan	Sanggau	West Kalimantan	Oil Palm Estate
11	Riau Agrotama Plantation	Nanga Silat	Kapuas Hulu	West Kalimantan	Oil Palm Estate
		Kapuas	Kapuas Hulu	West Kalimantan	Oil Palm Estate
12	Citra Kalbar Sarana	Sepauk	Sintang	West Kalimantan	Oil Palm Estate
13	Jake Sarana	Sekubang	Sintang	West Kalimantan	Oil Palm Estate
14	Agrosubur Permai	Manis	Kapuas	Central Kalimantan	Oil Palm Estate
15	Kebun Mandiri Sejahtera	Mariango	Pasir Utara	East Kalimantan	Oil Palm & Rubber Estate
		Penajam	Pasir Utara	East Kalimantan	Oil Palm & Rubber Estate
16	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
17	Cangkul Bumisubur	Bumi Subur	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Bukit Indah	Musi Banyuasin	South Sumatra	Oil Palm Estate
18	Pelangi Intipertiwi	Mancang	Musi Banyuasin	South Sumatra	Oil Palm Estate
19	Intimegah Bestari Pertiwi	Sungai Ampalau	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Megah Abadi	Musi Banyuasin	South Sumatra	Oil Palm Estate
20	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
21	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
22	Mitra Intisejati Plantation	Bengkayang	Sambas	West Kalimantan	Oil Palm Estate
23	PP London Sumatra Indonesia Tbk	Begerpang	Deli Serdang	North Sumatra	Oil Palm Estate
		Sei Merah	Deli Serdang	North Sumatra	Oil Palm Estate
		Rambong Sialang	Serdang Bedagai	North Sumatra	Oil Palm Estate
		Bungara	Langkat	North Sumatra	Oil Palm Estate
		Turangie	Langkat	North Sumatra	Oil Palm Estate
		Pulo Rambong	Langkat	North Sumatra	Oil Palm Estate

ESTATES LOCATIONS

No	Company	Estate Name	District	Province	Description
23	PP London Sumatra Indonesia Tbk	Bah Lias	Simalungun	North Sumatra	Oil Palm Estate & Seed Breeding
		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 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
		Pering Permai	Musi Rawas	South Sumatra	Oil Palm Estate
		Mentari Kulim	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Kelingi Lestari	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
		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
		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
		Jelau Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Seniung Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Tanjung Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Balombissie	Bulukumba	South Sulawesi	Rubber Estate
		Palang Isang	Bulukumba	South Sulawesi	Rubber Estate
		Pungkol	Minahasa	North Sulawesi	Cocoa Estate
		Treblasala	Banyuwangi	East Java	Cocoa Estate
		Kertasarie	Bandung	West Java	Tea Estate
		Pasir Luhur	Cianjur	West Java	Tea Estate
24	Lajuperdana Indah	Komering Sugar	Ogan Komering Ulu Timur	South Sumatra	Sugar Cane Estate
25	Madusari Lampung Indah	Madusari	Ogan Komering Ulu Timur	South Sumatra	Sugar Cane Estate
26	Sumalindo Alam Lestari	–	Berau	East Kalimantan	Industrial Timber Plantation
			Kutai Timur	East Kalimantan	Industrial Timber Plantation
27	Wana Kaltim Lestari	–	Berau	East Kalimantan	Industrial Timber Plantation

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2020

Number of Issued Shares	:	1,447,782,830
Number of Issued Shares (excluding Treasury Shares)	:	1,395,904,530 ordinary shares
Number/Percentage of Treasury Shares	:	51,878,300 (3.58%)
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 – 99	18	0.30	367	0.00
100 – 1,000	649	10.95	410,669	0.03
1,001 – 10,000	3,328	56.15	19,401,706	1.39
10,001 – 1,000,000	1,912	32.26	95,153,686	6.82
1,000,001 and above	20	0.34	1,280,938,102	91.76
TOTAL	5,927	100.00	1,395,904,530	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of Shares	%**
1	UOB KAY HIAN PRIVATE LIMITED	1,019,626,830	73.04
2	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	112,033,349	8.03
3	CITIBANK NOMINEES SINGAPORE PTE LTD	33,904,677	2.43
4	HSBC (SINGAPORE) NOMINEES PTE LTD	23,407,973	1.68
5	DBS NOMINEES (PRIVATE) LIMITED	19,200,955	1.38
6	OCBC SECURITIES PRIVATE LIMITED	18,958,245	1.36
7	RAFFLES NOMINEES (PTE.) LIMITED	11,552,468	0.83
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	9,953,970	0.71
9	SCS TRUST PTE LTD	6,000,000	0.43
10	MORPH INVESTMENTS LTD	4,899,800	0.35
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,517,328	0.32
12	CILIANDRA FANGIONO OR FANG ZHIXIANG	3,848,000	0.28
13	PHILLIP SECURITIES PTE LTD	2,458,700	0.18
14	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,091,100	0.15
15	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	1,820,107	0.13
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,732,000	0.12
17	CHUA KEE TEE	1,600,000	0.11
18	RHB SECURITIES SINGAPORE PTE. LTD.	1,195,600	0.09
19	TAY BOON HUAT	1,117,600	0.08
20	SOO THIAM BOON	1,019,400	0.07
	TOTAL	**1,280,938,102**	**91.77**

*** Percentage is calculated based on 1,395,904,530 shares (excluding treasury shares of the Company).*

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2020

LIST OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

Name of Substantial Shareholder	Number of shares held: Direct Interest	Number of shares held: Deemed Interest	Number of shares held: Total Interest	Shareholding %**
Indofood Singapore Holdings Pte. Ltd. ("**ISHPL**")	998,200,000	–	998,200,000	71.51
PT Indofood Sukses Makmur Tbk ("**PT ISM**")(1)	146,576,230	998,200,000	1,144,776,230	82.01
First Pacific Investment Management Limited ("**FPIML**") (2)	–	1,144,776,230	1,144,776,230	82.01
First Pacific Company Limited ("**First Pacific**")(2)	–	1,144,776,230	1,144,776,230	82.01
First Pacific Consumer Products Investments Limited ("**FPCPIL**") (3)	–	1,144,776,230	1,144,776,230	82.01
First Pacific Consumer Products Limited ("**FPCP**") (4)	–	1,144,776,230	1,144,776,230	82.01
First Pacific Investments Limited ("**FPIL**")(5)	1,125,344	1,144,776,230	1,145,901,574	82.09
First Pacific Investments (B.V.I.) Limited ("**FPIL BVI**") (5)	882,444	1,144,776,230	1,145,658,674	82.07
Salerni International Limited ("**Salerni**") (5) (6)	–	1,145,658,674	1,145,658,674	82.07
Asian Capital Finance Limited ("**ACFL**") (7)	–	1,145,901,574	1,145,901,574	82.09
Anthoni Salim(8)	–	1,146,784,018	1,146,784,018	82.15

Notes:

** *Percentage is calculated based on 1,395,904,530 shares (excluding treasury shares 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) *FPIML, a sister subsidiary indirectly wholly owned by First Pacific, had acquired an approximate 50.1% interest in PT ISM from CAB Holdings Limited on 29 March 2018. Accordingly, both FPIML and First Pacific are deemed to be interested in the Shares held by ISHPL and PT ISM.*

(3) *FPCPIL owns 100% of the issued share capital of FPIML. Accordingly, FPCPIL is deemed to be interested in the Shares held by ISHPL and PT ISM.*

(4) *FPCP owns 100% of the issued share capital of FPCPIL. Accordingly, FPCP is deemed to be interested in the Shares held by ISHPL and PT ISM.*

(5) *FPIL, together with FPIL BVI and Salerni, collectively own not less than 20% of the issued share capital of First Pacific. Accordingly, FPIL, FPIL BVI and Salerni are deemed to be interested in the Shares held by ISHPL and PT ISM.*

(6) *Salerni owns 100% of the issued share capital of FPIL BVI. Accordingly, Salerni is deemed to be interested in the Shares held by ISHPL, PT ISM and FPIL BVI.*

(7) *ACFL owns more than 50% of the issued share capital of FPIL. Accordingly, ACFL is deemed to be interested in the Shares held by ISHPL, PT ISM and FPIL.*

(8) *Mr Anthoni Salim owns 100% of the issued share capital of Salerni and ACFL. Accordingly, Mr Anthoni Salim is deemed interested in the Shares held by ISHPL, PT ISM, FPIL and FPIL BVI.*

PUBLIC FLOAT

Based on the information available to the Company as at 20 March 2020, approximately 17.81% 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.

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a subsidiary of:

Indofood
THE SYMBOL OF QUALITY FOODS