



**Bumitama Agri Ltd.**  
*Excellence Through Discipline*

## ANNUAL REPORT 2016



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## OUR VISION

To be a leading CPO producer through continuous improvement; focus on productivity, cost efficiency, sustainability and growth.

## OUR MISSION

To enhance shareholder's value; to improve the benefits and quality of life of our employees; to improve the welfare of the local communities and the environment.

## CORPORATE PROFILE

**Bumitama Agri Ltd. (“Bumitama” or the “Group”), listed on the Singapore Exchange since 2012, is a young producer of crude palm oil (“CPO”) and palm kernel (“PK”) in Indonesia, with a total revenue of IDR 6,630 billion and net profit of IDR 1,188 billion in FY2016. The Group’s primary activities include cultivating and harvesting oil palm trees, to processing fresh palm fruit bunches (“FFB”) into CPO and PK. In 2015, the Group has also ventured into the production and sale of biodiesel.**



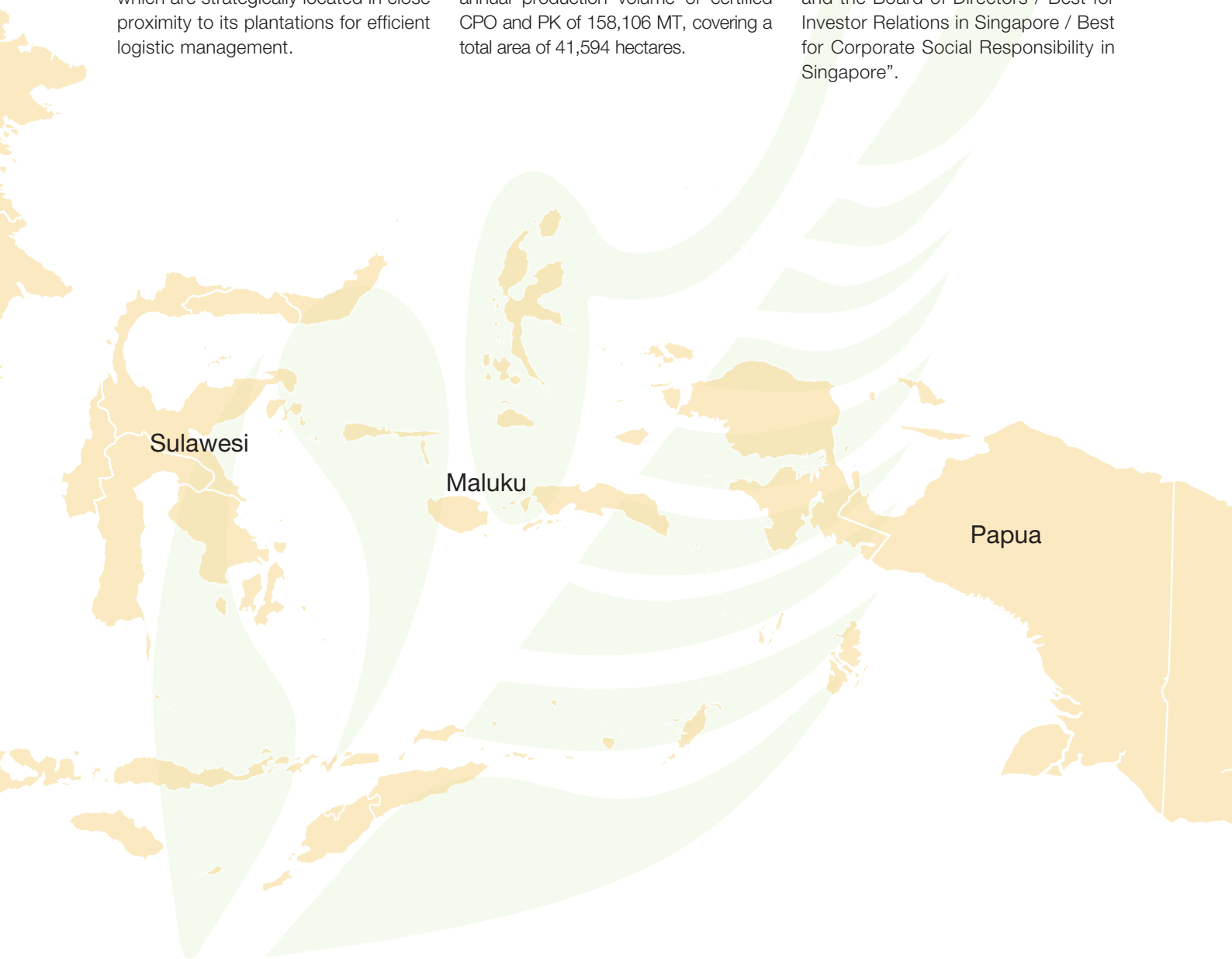
Bumitama's oil palm plantations are located in Central Kalimantan, West Kalimantan and Riau, spanning a total land area of approximately 225,000 hectares. The Group currently has a relatively young palm profile, with a weighted average age of 8.7 years as at 1 January 2017. This places Bumitama in good stead to capitalise on significant production growth opportunities as the oil palm trees mature and reach peak production.

The Group has 13 CPO mills with a total FFB processing capacity of 5.04 million metric tonne per annum (tpa) which are strategically located in close proximity to its plantations for efficient logistic management.

In 2015, the Group took a bold step in strengthening its sustainability footprint when it declared its Sustainability Policy of "No Deforestation, No Peat and No Exploitation" and at the same time published its maiden sustainability report, outlining its commitment and efforts to advocate sustainable development in the palm oil industry.

Besides being a member of the internationally recognised Roundtable on Sustainable Palm Oil ("RSPO"), Bumitama also adheres to the mandatory requirements of Indonesian Sustainable Palm Oil. To date, Bumitama has achieved four RSPO certificates for total annual production volume of certified CPO and PK of 158,106 MT, covering a total area of 41,594 hectares.

The Group has also received a number of awards which include the 200 "Best Under A Billion" Award (2013), "Frost & Sullivan Indonesia Excellence Award" (2014), "Asiamoney Award (2015) – Overall Best Company in Singapore for Corporate Governance / Best for Investor Relations in Singapore / Best for Corporate Social Responsibility in Singapore", and "Asiamoney Award (2016) – Best Managed Small Cap Company in Singapore / Overall Best Company in Singapore for Corporate Governance / Best Disclosure and Transparency / Best for Shareholders' Rights and Equitable Treatment / Best for Responsibilities of Management and the Board of Directors / Best for Investor Relations in Singapore / Best for Corporate Social Responsibility in Singapore".



## DEAR SHAREHOLDERS,

The year 2016 was marked by unexpected geopolitical developments globally, which resulted in uncertainty and volatility in capital and financial markets. Notwithstanding this, the Indonesian economy grew by 5.1%, up from 4.8% in 2015. Besides the stronger domestic economy, we were also heartened to see favourable trends in the industry that we operate in. Indonesia pushed and supported the B20 biodiesel mandate by increasing palm oil content in biodiesel from 15% to 20%. This revised biofuel mandate in Indonesia and Malaysia resulted in an increase in domestic demand for palm oil in Indonesia. The lower production of fresh fruit bunches recorded for both Indonesia and Malaysia, the effect of the prolonged drought in 2015, along with the increase in domestic demand, provided the boost to lift Crude Palm Oil ("CPO") price which ranged from MYR 2,202 to MYR 3,267 in 2016 compared to MYR 1,806 to MYR 2,371 in the previous year.

At Bumitama Agri Ltd ("Bumitama" or the "Group"), we focus on areas which we have control over, driving for improved efficiency and effectiveness, strengthening management of cost, stretching our assets, and also making calculated investments for the financial well-being and future benefit of the Group.

## FINANCIAL AND OPERATIONAL PERFORMANCE

The strong performance in the fourth quarter enabled the Group to record a stellar performance for the financial year ended 31 December 2016 ("FY2016"), reporting a 19.6% growth in revenue to IDR 6,630 billion in FY2016 from IDR 5,542 billion a year ago. The increase in revenue was attributable to stronger average CPO price which rose by 6.4% as well as improvement in sales volume for FY2016 from 704,859 MT to 734,219 MT. Revenue from biodiesel continues to grow since the Group started the sale of biodiesel in 2015; it contributed 4.7% to the Group's revenue.

The Group's gross profit rose 19.4% to IDR 1,976 billion, while net profit increased 47.5% to IDR 1,188 billion in FY2016. EBITDA also increased 23.5% to IDR 1,891 billion, showing the strong performance of the Group.

Bumitama ended the financial year with a healthy balance sheet and positive free cashflow, placing us in good position to leverage on opportunities to achieve synergistic growth in our business.

The Group registered a slight decline in production output; in FY2016, internal (comprising both nucleus and plasma) FFB production fell 4.6% to 2.2 million metric tonnes ("MT"). Similarly, external FFB production declined 6.1% to 901,492 MT. The decline in FFB production was mainly due to the impact of El Nino as well as dry weather conditions in 2014, which continued to have a prolonged impact on production well into the first half of 2016 ("1H2016"). However, FFB production improved in 2H2016, rising from 0.8 million MT in 1H2016 to 1.4 million MT in 2H2016; a confirmation that the impact of the dry and hot weather of 2015 is reducing.

Bumitama's total planted area increased to 175,243 hectares; the increase came from newly planted areas and planted areas from new acquisition. 46,277 hectares or 26.4% of the total planted areas is set aside for smallholders under the plasma programme of 2016. As at 1 January 2017, the weighted average of the Group's palm tree was 8.7 years, which places the Group in a good position to capitalise on production growth opportunities as the oil palm trees mature and reach peak production.

In 2016, the Group made acquisitions that collectively added approximately 22,000 hectares of land in Central and West Kalimantan, which is in line with the Group's expansion plan to increase its land bank, and reap operational efficiency through the sharing of resources.

## SHARE BUYBACK

As per our Share Buyback Mandate (based on latest practicable date of 10 March 2017), the Group bought back 964,400 shares representing 0.055% of the total shares at an average price of S\$0.790 per share. The share buyback execution reflects the Management confidence in the value of the company which has shown strong growth and which will continue to grow significantly as the young palms of the Group reach peak production age.

## DIVIDENDS

The Group remains committed to rewarding our shareholders for their steadfast support towards Bumitama. To share with shareholders the fruits of our labour, the Board of Directors is pleased to propose a final, tax exempt, cash dividend of 1.5 Singapore cents per share.

## STRENGTHENING OUR SUSTAINABILITY FOOTPRINT

In 2016, the Group celebrated the first anniversary of our Sustainability Policy ("Policy"), a significant milestone for Bumitama as we worked towards strengthening our sustainability footprint. We endeavour to grow in harmony with the environment and communities; adopting a balanced approach, and recognising the need to continuously review our performance and policies against international benchmark and best practices and past experiences to ensure they remain relevant and effective. As we pursue growth in a responsible and sustainable way, Bumitama will continue to work closely with the local communities, buyers, suppliers and other stakeholders through open communication with these groups.

Looking back at the various targets and objectives set out in our Policy, the Group is pleased to share that we remain on track in achieving our targets. In 2016, Bumitama has increased the number of Roundtable of Sustainable Palm Oil ("RSPO")



CHAIRMAN'S  
MESSAGE

"Backed by a strong foundation, Bumitama is in a good position to seek opportunities for growth and to deliver value for all stakeholders."

certificates to four. Currently, the Group's total annual volume of certified CPO and PK produced stands at 158,106 MT, covering a total area of 41,594 hectares. In late 2016, Bumitama together with its partners, IDH and Aid Environment started a landscape biodiversity community project, linking protected forest area and peatland in Ketapang. This is a collaborative and participative initiative and will involve and require many different stakeholders' active contribution to achieve success for this challenging project.

**MOVING FORWARD**

Over the years, Bumitama has established a strong foundation for its business. Backed by the relatively young palm profile, available land bank for planting, our core competencies in upstream production and healthy balance sheet, the Group remains in good position to seek opportunities for organic and inorganic growth, and to continue delivering value for all stakeholders in the years ahead.

The palm oil industry is recovering strongly from the El Nino impact on palm oil production in 2017. In line

with the better outlook, Bumitama targets to plant as well as to replant 5,000 hectares in 2017.

The Group remains positive on the long term outlook of the palm oil industry. Bumitama will continue to look for new investment which meets our investment criteria.

**AWARDS**

The team's pursuit for excellence through discipline has enabled the Group to be conferred multiple corporate awards and accolades over the years, a strong testament to the Group's leadership strength.

For a continuous 2 years, Bumitama was awarded the "Asiamoney Award". In 2016, the Group was awarded for 7 categories compared to 3 categories in 2015 – "Best Managed Company in Singapore – Small Cap", "Overall Best Company in Singapore for Corporate Governance", "Best Disclosure and Transparency", "Best for Shareholders' Rights and Equitable Treatment", "Best for Responsibilities of Management and the Board of Directors", "Best for Investor Relations in Singapore" and "Best for Corporate Social Responsibility in Singapore".

**APPRECIATION AND CLOSING**

On behalf of the Group, I would like to extend our heartfelt gratitude to our valued shareholders for your continued trust and support as the Group continues to scale new heights. We would like to thank our Board members, and all of Bumitama's customers, suppliers and business partners who will continue to play an integral role in supporting our business in the years ahead. Last but not least, I would also like to express appreciation to the management team and staff for their leadership, dedication and valuable contribution to the Group. It is a privilege to work with such a dynamic and capable team, and I am confident that we will continue to work hard together to capitalise on opportunities that lay before us.

As we move into 2017, I look forward to your continued support as we build a sustainable future for Bumitama and drive greater returns for our shareholders.

Yours faithfully,  
**LIM GUNAWAN HARIYANTO**  
Executive Chairman and  
Chief Executive Officer  
23 March 2017

# OPERATIONAL & FINANCIAL HIGHLIGHT

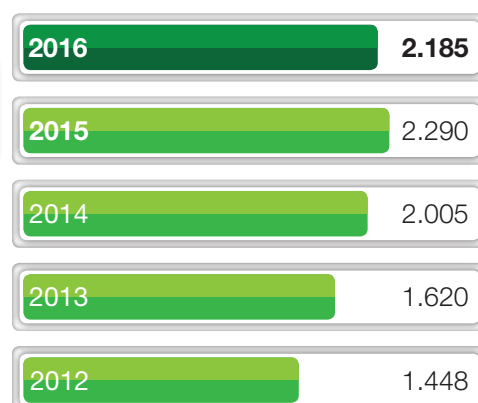
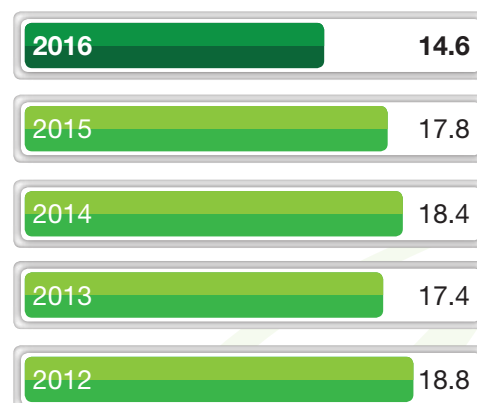
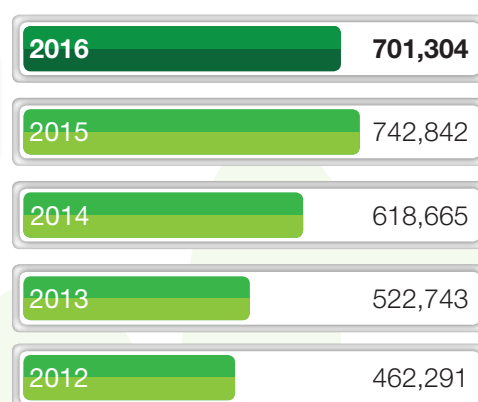
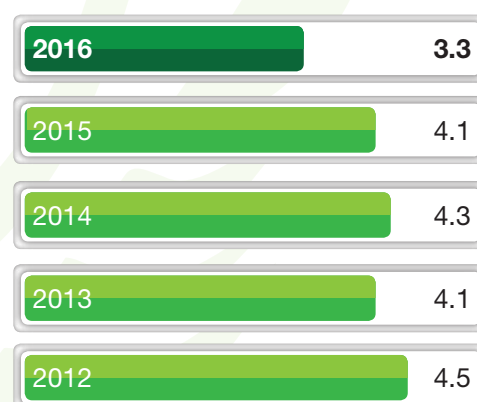
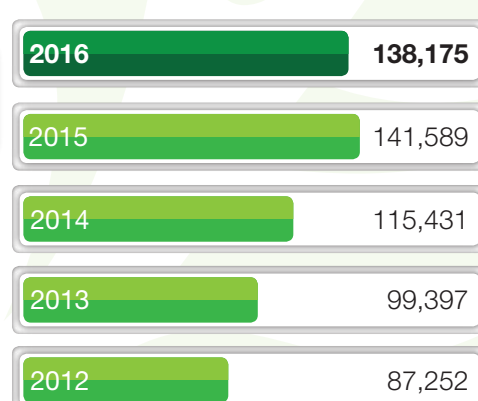
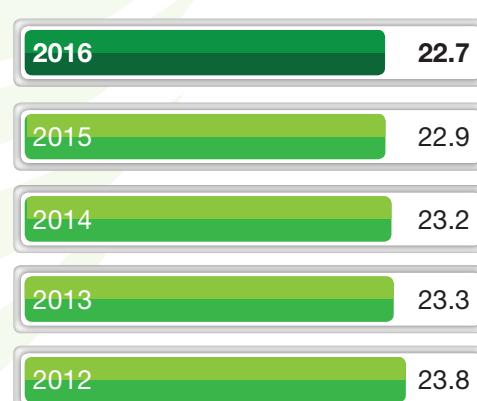
## OPERATIONAL HIGHLIGHT

FINANCIAL YEAR	2016	2015	2014	2013	2012
<b>PLANTATION AREA (Hectares)</b>					
<b>Total Planted Area</b>	<b>175,243</b>	<b>164,177</b>	<b>153,268</b>	<b>149,683</b>	<b>133,367</b>
Old	3,809	3,809	–	–	–
Mature	143,704	122,474	105,869	90,483	75,420
Immature	27,730	37,894	47,399	59,200	57,947
<b>Nucleus Planted Area</b>	<b>128,966</b>	<b>119,679</b>	<b>115,463</b>	<b>114,952</b>	<b>101,182</b>
Old	3,809	3,809	–	–	–
Mature	101,161	85,402	77,177	63,677	51,532
Immature	23,996	30,468	38,286	51,275	49,650
<b>Plasma Planted Area</b>	<b>46,277</b>	<b>44,498</b>	<b>37,805</b>	<b>34,731</b>	<b>32,185</b>
Mature	42,543	37,072	28,692	26,806	23,888
Immature	3,734	7,426	9,113	7,925	8,297
<b>Planted Area by Location</b>					
Kalimantan	172,934	161,868	150,959	147,374	131,058
Riau	2,309	2,309	2,309	2,309	2,309

<b>PRODUCTION VOLUME (Tonnes)</b>					
<b>Fresh Fruit Bunches (“FFB”)</b>	<b>2,185,440</b>	<b>2,290,189</b>	<b>2,004,769</b>	<b>1,620,211</b>	<b>1,448,016</b>
Nucleus	1,513,422	1,578,815	1,401,040	1,105,358	948,603
Plasma	672,018	711,374	603,729	514,853	499,413
<b>Crude Palm Oil (“CPO”)</b>	<b>701,304</b>	<b>742,842</b>	<b>618,665</b>	<b>522,743</b>	<b>462,291</b>
<b>Palm Kernel (“PK”)</b>	<b>138,175</b>	<b>141,589</b>	<b>115,431</b>	<b>99,397</b>	<b>87,252</b>

<b>PRODUCTIVITY</b>					
<b>FFB Yield per Mature Hectare (tonnes)</b>	<b>14.6</b>	<b>17.8</b>	<b>18.4</b>	<b>17.4</b>	<b>18.8</b>
<b>CPO Yield per Mature Hectare (tonnes)</b>	<b>3.3</b>	<b>4.1</b>	<b>4.3</b>	<b>4.1</b>	<b>4.5</b>
<b>CPO Extraction Rate (%)</b>	<b>22.7</b>	<b>22.9</b>	<b>23.2</b>	<b>23.3</b>	<b>23.8</b>
<b>PK Extraction Rate (%)</b>	<b>4.5</b>	<b>4.4</b>	<b>4.3</b>	<b>4.4</b>	<b>4.5</b>



CAGR  
10.8%**FRESH FRUIT BUNCHES PRODUCTION**  
(MILLION TONNES)**FRESH FRUIT BUNCHES YIELD**  
(TONNES/MATURE HECTARE)CAGR  
11.0%**CRUDE PALM OIL PRODUCTION**  
(TONNES)**CRUDE PALM OIL YIELD**  
(TONNES/MATURE HECTARE)CAGR  
12.2%**PALM KERNEL PRODUCTION**  
(TONNES)**CRUDE PALM OIL EXTRACTION RATE**  
(TONNES/MATURE HECTARES)

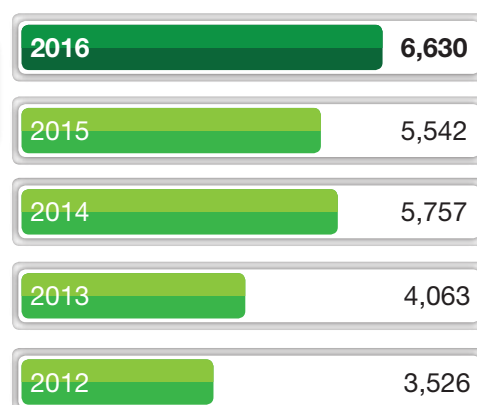
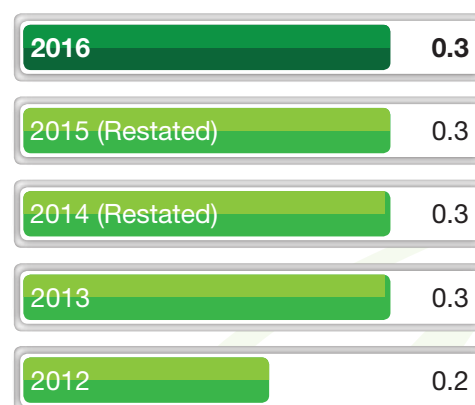
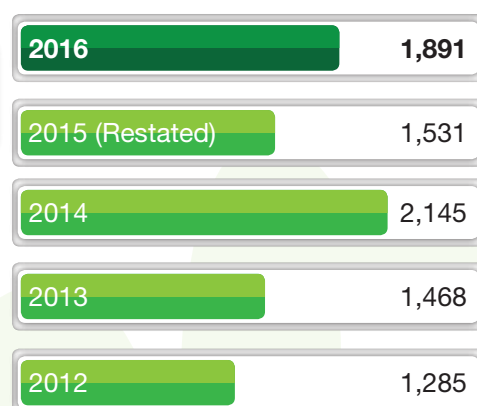
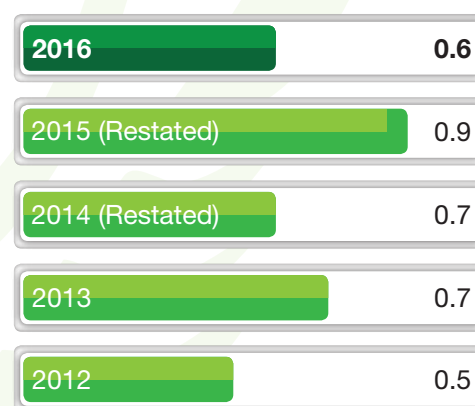
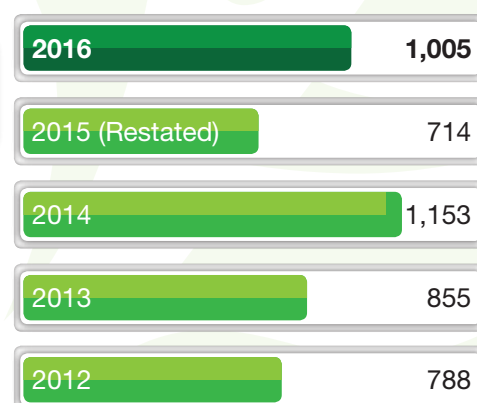
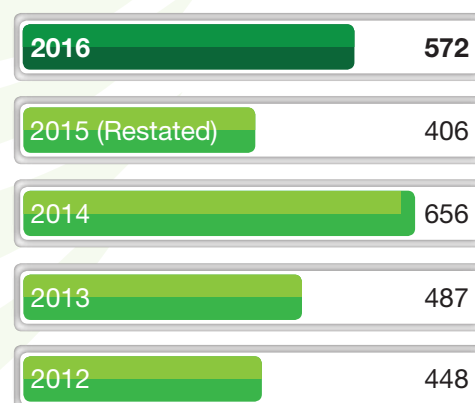
# OPERATIONAL & FINANCIAL HIGHLIGHT

## FINANCIAL HIGHLIGHT

FINANCIAL YEAR	2016	2015	2014	2013	2012
INCOME STATEMENT (IDR Billion)		Restated			
Revenue	6,630	5,542	5,757	4,063	3,526
Gross Profit	1,976	1,655	2,342	1,600	1,423
Gain/(Loss) arising from Changes in Fair Value of Biological Assets	27	(91)	(38)	29	58
Profit before tax	1,516	1,002	1,805	1,268	1,164
EBITDA	1,891	1,531	2,145	1,468	1,285
Net Profit	1,188	806	1,372	982	902
Net Profit Attributable to Owners of the Company	1,005	714	1,153	855	788
EPS Attributable to Owners of the Company (IDR per Share) <sup>(1)</sup>	572	406	656	487	448
FINANCIAL YEAR	2016	2015	2014	2013	2012
BALANCE SHEETS (IDR Billion)		Restated	Restated		
Total Assets	14,767	14,372	12,111	11,844	9,089
Total Current Assets	2,295	3,056	2,208	1,302	1,509
Total Current Liabilities	1,915	3,276	1,923	1,483	1,012
Total Non-current Liabilities	5,330	4,889	4,277	4,220	2,790
Total Equity	7,522	6,207	5,911	6,141	5,287
Equity Attributable to Owners of the Company	6,718	5,661	5,386	5,630	4,888
FINANCIAL YEAR	2016	2015	2014	2013	2012
FINANCIAL STATISTICS					
Revenue Growth	19.6%	(3.7%)	41.7%	15.2%	25.7%
Gross Profit Margin	29.8%	29.9%	40.7%	39.4%	40.4%
Operating Profit Margin	23.9%	22.7%	34.5%	33.3%	33.8%
EBITDA Margin	28.5%	27.6%	37.3%	36.1%	36.5%
Net Profit Margin	17.9%	14.5%	23.8%	24.2%	25.6%
Return on Equity <sup>(2)</sup>	15.0%	12.6%	21.4%	15.2%	16.1%
Return on Assets <sup>(3)</sup>	6.8%	5.0%	9.5%	7.2%	8.7%
Net Debt <sup>(4)</sup> /Total Equity (Times)	0.6	0.8	0.7	0.6	0.3
Debt/Total Equity (Times)	0.6	0.9	0.7	0.7	0.5
Net Debt <sup>(4)</sup> /Total Assets (Times)	0.3	0.3	0.3	0.3	0.2

### Remarks:

- (1) The earnings per share has been computed based on the Company's total number of issued shares excluding treasury shares as at each balance sheet date
- (2) Return on Equity = Net Profit Attributable to Owners of the Company/Equity Attributable to Owners of the Company
- (3) Return on Assets = Net Profit Attributable to Owners of the Company/Total Assets
- (4) Net Debt = Interest bearing debts less cash and bank balances

CAGR  
17.1%**REVENUE**  
(IDR BILLION)**NET DEBT PER TOTAL ASSETS**  
(TIMES)CAGR  
10.1%**EBITDA**  
(IDR BILLION)**DEBT PER TOTAL EQUITY**  
(TIMES)CAGR  
6.3%**NET PROFIT ATTRIBUTABLE TO OWNERS  
OF THE COMPANY** (IDR BILLION)**BASIC EARNINGS PER SHARE**  
(IDR PER SHARE)



## OPERATIONAL & FINANCIAL REVIEW

### A STRONG FOUNDATION TO SUPPORT OUR GROWTH

As the Group continues its journey to become a leading and sustainable palm oil producer, we remain focused on discipline and continuous improvement, in a bid to achieve greater productivity and cost efficiency. Bumitama embraces best practices in all aspects of its management to enhance the Group's cultivation and management of its plantations, thereby optimising the yield rate for Fresh Fruit Bunches ("FFB"), Crude Palm Oil ("CPO"), and Palm Kernel ("PK") and allowing the Group to achieve competitive production costs and profitability.

In FY2016, the Group's total internal FFB output fell 4.6% from 2.3 million

metric tonnes ("MT") to 2.2 million MT. Similarly, external FFB production declined from 960,035 MT to 901,492 MT, which represented a fall of 6.1%. Internal and external FFB contributed 70.8% and 29.2% of total FFB production respectively for FY2016. The decline in FFB production was mainly due to El Nino that resulted in prolonged dry weather, severe drought and high temperatures in 2015, which affected production more significantly in the first half of 2016 ("1H2016"). Over the next six months ("2H2016"), production of internal FFB increased significantly, from 0.8 million MT in 1H2016 to 1.4 million MT in 2H2016. This internal FFB production increased 10.8% to 791,721 MT for the fourth quarter of 2016 when compared to the same quarter of the preceding year.

Similarly, annual CPO production volume declined 5.6%, from 742,842 MT in FY2015 to 701,304 MT in FY2016. PK production declined 2.4%, from 141,589 MT in FY2015 to 138,175 MT in FY2016.

As at 31 December 2016, Bumitama's mature planted area increased by 21,230 hectares to 143,704 hectares, which represented 82.0% of the Group's total planted area, compared to 74.6% in FY2015. The weighted average age of our palm trees is 8.7 years as at 1 January 2017. This highlights the relatively young palm profile of the Group, placing Bumitama in a good position to capitalise on production growth opportunities as the oil palm trees mature and reach peak production.





The total planted area increased from 164,177 hectares in FY2015 to 175,243 hectares in FY2016, backed by new plantings of 2,688 hectares and acquisitions. As at 31 December 2016, planted nucleus occupied 128,966 hectares, representing 73.6% of the total planted area. The remaining 46,277 hectares or 26.4% of total planted area were for plasma planting.

In 2016, the Group made a total investment of IDR 1.0 trillion, which included the acquisition of PT Sukses Manunggal Sawitindo, PT Langgeng Makmur Sejahtera, PT Gemilang Makmur Subur and PT Damai Agro Sejahtera. The acquisitions collectively added approximately 22,000 hectares of land in West and Central Kalimantan. The acquisitions were also in line with the Group's expansion plan to increase its land bank.

## FINANCIAL REVIEW

Bumitama delivered a 19.6% rise in revenue to IDR 6,630 billion in FY2016, up from IDR 5,542 billion in FY2015. The increase in revenue was largely attributable to stronger average selling prices as well as an increase in sales volumes. Average sales price of CPO, PK and biodiesel rose 6.4%, 50.6% and 21.6% respectively in FY2016.

The Group's cost of sales which comprised palm oil and biodiesel costs, rose 19.7% to IDR 4,654 billion, from IDR 3,888 billion in FY2015. This increase was attributable mainly to higher purchase price of external FFB as well as higher palm feed stock purchase price of biodiesel, which was impacted by the increase in CPO prices during the year under review.

Correspondingly, the Group's gross profit increased 19.4% to IDR 1,976 billion in FY2016, as compared to IDR 1,655 billion in FY2015. Net profit rose 47.5% to IDR 1,188 billion, from IDR 806 billion previously.

Interest income increased from IDR 146 billion in FY2015 to IDR 182 billion, which represented a rise of 25.2%, attributable mainly to interest income earned from advances given to the plasma farmers and interest income from time deposits.

Selling expenses mainly comprised transportation freight and loading expenses. For FY2016, selling expenses declined 1.2% to IDR 188 billion, due to improved efficiency in logistic management as well as decrease in fuel prices.



## OPERATIONAL & FINANCIAL REVIEW

Likewise, general and administrative expenses, which comprised salaries and employee cost, depreciation and amortisation, taxes and licenses, and office expenses, fell 1.0% to IDR 206 billion in FY2016.

The Group's finance cost increased 5.1% to IDR 163 billion, compared to IDR 155 billion in FY2015 due to higher LIBOR rate and lower interest being capitalised in the year under review.

The Group recorded a net foreign exchange gain of IDR 16 billion in FY2016 mainly due to a translation gain on USD denominated borrowings in the Group's IDR financial statements as a result of the appreciation of IDR against the USD

during the financial year compared to FY2015.

Under the revised Financial Reporting Standard 41, the agricultural produce growing on bearer plants are measured at fair value less costs to sell. As such, the Group recorded gain arising from fair value changes in biological assets of IDR 27 billion in FY2016, based on the market value of the agricultural produce as at 31 December 2016.

In FY2016, the Group recognised income from deferred tax of IDR 54 billion from the tax incentive programme issued by the Indonesian Ministry of Finance for the revaluation of the Group's assets. With this incentive, the Group has potential

deferred tax benefit which can be recognised in the future.

Share of loss of associate companies, PT Sawit Nabati Agro and PT Berkas Agro Sawitindo Group of companies ("SNA Group") was IDR 22 billion in FY2016, down from IDR 67 billion in FY2015.

For FY2016, EBITDA increased 23.5% to IDR 1,891 billion, from IDR 1,531 billion in the previous year.

The Group ended the financial year with a healthy balance sheet, placing Bumitama in good stead to leverage on opportunities to achieve further growth in our business. As at 31 December 2016, the Group's total assets increased from IDR 14,372







billion to IDR 14,767 billion. For the same period, the Group's total liabilities declined from IDR 8,165 billion to IDR 7,245 billion.

As at 31 December 2016, total current assets decreased to IDR 2,295 billion, from IDR 3,056 billion. The decline was primarily due to decreases in trade and other receivables, plasma receivables, due from related companies, prepayments and advances, as well as inventories.

The Group's non-current assets increased from IDR 11,316 billion to IDR 12,472 billion as at 31 December 2016. The rise was mainly attributable to an increase in bearer plants, plasma receivables, land use rights and property, plant and equipment. However, the above increases were

partially offset by a decrease in loan to associate company.

Bumitama's current liabilities decreased from IDR 3,276 billion to IDR 1,915 billion as at 31 December 2016, mainly attributable to the decline in loans and borrowings as well as trade and other payables. On the other hand, the Group's non-current liabilities rose from IDR 4,889 billion to IDR 5,330 billion as at 31 December 2016, largely due to the reclassification of loans and borrowings as a result of an extension of some of the revolving bank loans to more than one year tenure. However, the increase was partially offset by the decrease in Islamic Medium Term Note ("IMTN") due to the translation of the foreign denominated IMTN.

The Group reported positive free cash flow amounting to IDR 667 billion for FY2016 compared to a deficit of IDR 602 billion for FY2015 arising from slower investment and receipt of loan repayment which declined from IDR 1,937 billion in FY2015 to IDR 705 billion in FY2016. Net cash flow generated from operating activities increased to IDR 1,372 billion arising from higher cash collection from customers as a result of improved revenue. The Group reported net cash used in financing activities of IDR 748 billion in FY2016, compared to net cash generated from financing activities of IDR 875 billion in the previous year. This was largely due to the repayment of some revolving bank loans. The Group closed FY2016 with a cash and cash equivalent of IDR 517 billion.

## CORPORATE MILESTONES

**1996**

Acquired first land bank (in Central Kalimantan)

**1998**

Commenced planting

**2003**

Commissioned first CPO mill (in Central Kalimantan)

**2004**

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

**2007**

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

**2010**

Surpassed 100,000 hectares planted area

**2012**

Listed on the Mainboard of the Singapore Exchange in April

**2013**

- 200 "Best Under A Billion" Award 2013
- First dividend payment







## 2014

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

## 2015

- Launched the new Sustainability Policy & Inaugural Sustainability Report
- Initial Sales of Biodiesel
- Received "Asiamoney Award" for 3 categories in Singapore:
  - Best Overall for Corporate Governance
  - Best for Investor Relations
  - Best for Corporate Social Responsibility

## 2016

- Received "Asiamoney Award" for all 7 categories in Singapore:
  - Best Managed Small Cap Company
  - Best Overall for Corporate Governance
  - Best for Disclosure and Transparency
  - Best for Shareholders' Rights and Equitable Treatment
  - Best for Responsibilities of Management and the Board of Directors
  - Best for Investor Relations
  - Best for Corporate Social Responsibility
- One of Bumitama's Management team, Ms. Christina Lim has also been awarded the "Best Executive in Singapore."





BOARD OF  
DIRECTORS**LIM GUNAWAN HARIYANTO** Executive Chairman and Chief Executive Officer

Mr. Lim Gunawan Hariyanto, Executive Chairman and Chief Executive Officer of Bumitama, joined the Group in 1997 when he was appointed Director of PT Karya Makmur Bahagia. Mr. Gunawan was first appointed to the Board on 23 March 2012 and re-elected on 27 April 2015. He is responsible for the formulation of the Group's business and corporate policies and strategies, business development as well as business and operations management.

Mr. Gunawan developed his expertise in business operations and development based on his knowledge and experience gained in the palm oil industry over the past 19 years. Mr. Gunawan started his career in 1984 as the Vice President Director of PT Tirta Mahakam

Resources Tbk., where he was in charge of the operational and business development of the company. Mr. Gunawan served as a director in various other companies.

Mr. Gunawan graduated from the University of Southern California in 1981 with a Bachelor of Business Administration.

**DATO' LEE YEOW CHOR** Non-Executive Director

Dato' Lee Yeow Chor, a Non-Executive Director of Bumitama was first appointed to our Board on 23 March 2012 and re-elected on 22 April 2016. He is presently the Chief Executive Officer of IOI Corporation Berhad, a Malaysian company which is a leading global palm oil player, and a Director of IOI Properties Group Berhad. Dato' Lee was first appointed to the Board of IOI Corporation Berhad as Group Executive Director in 1996 and was appointed as Chief Executive Officer of IOI Corporation Berhad in January 2014.

Dato' Lee qualified as a barrister from Gray's Inn, London. He holds a LLB (Honours) from King's College London and a Postgraduate Diploma in Finance and Accounting from the London School of Economics.

Prior to joining IOI Group as a General Manager in 1994, Dato' Lee served in various capacities in the Attorney General's Chambers of Malaysia and the Malaysian Judiciary for about four years. His last post in the Malaysian Judiciary was as a Magistrate.

Dato' Lee is the Chairman of the Malaysian Palm Oil Council and serves as a Council Member in the Malaysian Palm Oil Association. He was also appointed to the Board of Directors of Bank Negara, the Central Bank of Malaysia, in March 2015.

**TAN BOON HOO** Lead Independent Director

Mr. Tan Boon Hoo, the Lead Independent Director of the Company, was appointed to our Board on 23 March 2012 and re-elected on 22 April 2016. This is Mr. Tan's only directorship in a listed company.

Mr. Tan is currently the Corporate Adviser at TBH International Consulting, specialising in finance, securities and corporate consultation matters. Mr. Tan is also a director of Ren Ci Hospital and member of the Investment Advisory Council of the Asset Management Committee of the National Trades Union Congress (NTUC) Income Insurance Cooperative Ltd.

From 1994 to 2003, Mr. Tan was the General Manager (Institutional Sales) at JM Sassoon & Co Pte Ltd. From 1990 to 1994, Mr. Tan was the Executive Vice President, Head of Corporate Banking at Keppel Bank Ltd. From 1988 to 1990, Mr. Tan was the Deputy General Manager at Tat Lee Bank. Prior to this, Mr. Tan joined the Monetary Authority of Singapore's Banking and Financial Institutions Department in 1976 and held the position of Deputy Director in 1988 when he left for the private sector. Mr. Tan was previously an independent director of MAP Technology Holdings Limited (now known as MAP Technology Holdings Pte Ltd).

Mr. Tan obtained his Bachelor of Science (Honours) in Applied Chemistry from the University of Singapore in 1973 and completed his National Service in 1976 as an Officer in the Singapore Armed Forces ("SAF"). He attended the Stanford Executive Programme at Stanford University, Palo Alto, USA, in 1987.



#### **CHUA CHUN GUAN CHRISTOPHER** Independent Director

Mr. Chua Chun Guan Christopher, an Independent Director of Bumitama, was appointed to our Board on 8 February 2012 and re-elected on 27 April 2015. This is Mr. Chua's only directorship in a listed company.

Mr. Chua joined the SAF in 1973, where he served for more than 30 years until his retirement in 2004 with the rank of Colonel. During his career in the SAF, Mr. Chua served in various command and staff appointments. Some of his key appointments included Commanding Officer of the 6th Singapore Infantry Regiment, Brigade Commander of the 15th Singapore Infantry Brigade, Division Operations Officer of 6th Division and Senior Medical Staff Officer in Headquarters Medical Corps. The last appointment he held before

his retirement was Defense Attaché at the Singapore Embassy in Jakarta, where he served for three and a half years. Apart from his military appointments, Mr. Chua also served as Honorary Aide de Camp to the President of Singapore from 1995 till 2000. For his meritorious service to the SAF, Mr. Chua was bestowed two State Awards, namely the Public Administration Medal (Bronze) (Military) and the Long Service Award (25 years).

From 2005 to 2012, Mr. Chua was involved in the Singapore Red Cross Society ("SRC"). He started as Senior Manager Operations, and was promoted to Secretary General in 2007. During this period, he was responsible for the SRC's response to many disasters that occurred both within and outside the region. Some of these include Cyclone Nargis in Myanmar, the Sichuan earthquake in China, the eruption of Mount Merapi in Indonesia, the Tohoku Tsunami in Japan and the Typhoon Washi in Cagayan and Iligan, Philippines.



#### **ONG CHAN HWA** Independent Director

Mr. Ong Chan Hwa, an Independent Director of Bumitama, was appointed to our Board on 23 March 2012 and re-elected on 25 April 2014. This is Mr. Ong's only directorship in a listed company. Mr. Ong has more than 40 years of experience in the palm oil and vegetable oil and fats industry, and had been engaged in various managerial positions along the palm oil value chain.

Mr. Ong started his career in 1975 with the Palmco Group, where his responsibilities included overseeing the trading and product development of, and exploring new markets for, palm oil products. In 1980, he joined Socoil Corporation Berhad as a Commercial Development Manager and was subsequently promoted to Vice-President,

Manufacturing. Mr. Ong was engaged by Phoenix Saguaro (M) Sdn Bhd, a dealer in PK expeller cakes, as a General Manager in 1984 and by Karlshamns (Malaysia) Sdn Bhd, a specialty oils and fats manufacturer, as Managing Director in 1989. Mr. Ong acted as an adviser to the General Manager of Kosma Plantations from 2002 to 2003, and as a director of Malaysian Vegetable Oil Refinery from 2003 to 2005. He was Managing Director of AAA Oils & Fats Pte Ltd, an Indonesian oil palm plantation company, from 2005 to 2007. From 2008 to 2010, Mr. Ong was Managing Director of GateTrade (M) Sdn Bhd. Since 2008, Mr. Ong has also been engaged as an arbitrator on the Panel of Arbitrators of the Palm Oil Refiners Association of Malaysia.

Mr. Ong Chan Hwa obtained his Bachelor of Economics (Hons.) in Business Administration from the University of Malaya in 1975. In 2012, he attended and completed the Listed Company Directors Programme conducted by the Singapore Institute of Directors (SID).

## TOP KEY MANAGEMENT

### JOHANNES TANUWIJAYA

Chief Strategy Officer

Mr. Johannes Tanuwijaya is the Group's Chief Strategy Officer. Mr. Johannes joined the Group in 2003 and was previously Director and Chief Financial Officer of PT Windu Nabatindo Abadi, a subsidiary of the Group. He is now responsible for the oversight of the Group's strategic and commercial activities and reports to our Chief Executive Officer.

Mr. Johannes started his career in 1990 as an Audit Manager at Prasetio Utomo & Co (Arthur Andersen), where he was involved in the projects of two telecommunication companies in Indonesia seeking dual listing on the Indonesia Stock Exchange and the New York Stock Exchange. In 1996, he joined PT Bira Aset Manajemen as a Director, where he was responsible for the operations and financial matters of the company. In 1999 and 2000 respectively, Mr. Johannes was appointed as the Corporate Secretary and Director cum Chief Financial Officer of PT Tirta Mahakam Resources Tbk., where he oversaw its listing on the Indonesia Stock Exchange.

Mr. Johannes obtained his Bachelor of Economics degree in 1991 from the University of Indonesia.

### ROEBIANTO

Chief Operating Officer

Mr. Roebianto is the Group's Chief Operating Officer. He joined the Group in 2003 as General Manager in the engineering division of Bumitama Gunajaya Agro ("BGA"). He has oversight and control of the



LEFT TO RIGHT:  
JOHANNES TANUWIJAYA • ROEBIANTO • SIE EDDY KURNIAWAN

Group's overall operational activities, including the plantation, engineering and human resource departments. Mr. Roebianto started his career as a Field Superintendent in the Planning Engineering Department of Indo Plywood (Salim Group) in 1982, and was subsequently promoted to various managerial positions within the Salim Group during his tenure with them. Mr. Roebianto left the Salim Group in 1999, and was appointed as Director at Chua Sea Joo Plywood Industry Sdn Bhd, Malaysia, from 1999 to 2003. Mr. Roebianto spent four months in 2003 as General Manager in PT Tirta Mahakam Resources Tbk prior to joining BGA.

Mr. Roebianto obtained his Bachelor of Civil Engineering degree in 1982 from the Christian University of Indonesia.

### SIE EDDY KURNIAWAN

Chief Financial Officer

Mr. Sie Eddy Kurniawan is the Group's Chief Financial Officer. He joined the Group in 2013, and is responsible for the Group's finance, accounting, and ICT department. He started his career in 1994 as a financial auditor with Arthur Andersen, and left as a senior auditor in 1996 to join the financial advisory services of PricewaterhouseCoopers, where he rose to become Associate Director. In 2005, he was recruited by Sampoerna Strategic Group as Business Development Executive, and in 2007, he was appointed Chief Financial Officer of PT Sampoerna Agro Tbk., a plantation company listed on the Indonesian Stock Exchange.

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





## SOCIAL RESPONSIBILITY & SUSTAINABILITY

CORPORATE

## CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY

### OUR STEADFAST COMMITMENT TOWARDS A SUSTAINABLE FUTURE – COLLABORATING WITH OUR COMMUNITY

As we mark the first anniversary of Bumitama's Sustainability Policy (the "Policy"), the Group remains steadfast in strengthening the implementation of our sustainability commitments. Corporate Social Responsibility ("CSR") is an integral part of our corporate DNA and forms the bedrock of our business management, which has enabled the successful assimilation of our new acquisitions. Building on our core value of *Customer Focus; with the heart to serve*, we endeavour to grow in harmony with the community and environment that we operate in.

To ensure that our CSR efforts remain relevant and effective, the Group structures its CSR programme, projects and activities based on systematic annual review. Bumitama's CSR programme which focused on three broad groups; the internal community, external community and other stakeholders, encompasses economic, education, health, socio-cultural, religious and environmental initiatives.

Bumitama remains committed to ensuring that our initiatives are based on the core objectives of our CSR programme, which focuses on the following:

- Improve living standards and welfare of employees and their families and the surrounding community; to provide them with opportunities, options and/or resources, while being mindful of preserving the core



cultural identity and values of the community;

- Build commitment and trust and promote integration between the employees with the locals, regional governments, suppliers, customers and media; and
- Establish a sustainable palm oil Group which complies with our Sustainability Policy, recognised sustainability standards, regulations and commitment, with appropriate social programmes and environmental conservation.

We recognise that our own success depends on the shared values we create. For 2016, we continued to strengthen our existing multifunctional landscape approach programmes which are mainly collaborative in structure; for the sustainability of the core programmes, collaboration with relevant and interested stakeholders are vital. Depending on the preparedness of the community, availability of resources and demand

for such resources, all our existing programmes are deepened either vertically or horizontally, maximising the impact of the programmes.

In 2016, we started the Bumitama Biodiversity and Community Project ("BBCP") in Ketapang where new methods are being trialed and existing methods are enhanced together with its partners. We will share and highlight some of the projects undertaken in 2016 in the subsequent paragraphs below.

### Economy: Towards Empowerment And Financial Independence

Bumitama's investment in long-term programmes that provide economic and/or alternative livelihood is a part of its collaborative role in supporting the growth of the local villages near its plantations. We remain committed to working hand in hand with local community and smallholders, and implementing programmes to provide locals with economic opportunities that would allow them to achieve financial independence.



### Plasma Programme

The Plasma Programme is an initiative introduced by the Indonesian Government to encourage the development of smallholders' plantations, supported and implemented by the plantation owners. Bumitama has been supporting the programme since 2003, guiding smallholders in the development and management of plasma plantations, and empowering them to become independent growers.

To date, Bumitama has developed and allocated approximately 26.4% of our total planted area or 46,277 hectares to the Plasma Programme. Since then, the Group's Plasma Programme has benefitted many smallholder farmers and their families in Kalimantan and Riau. For FY2016, the Group distributed IDR 207 billion in dividend to the plasma smallholders.

The Plasma Programme has played an instrumental role in driving improvements, and yielding social and economic progress. To deepen the Plasma Programme further, the plasma cooperatives will be introduced to the alternative livelihood programme called Plasma Advantage Programme ("PAdP") which has been running successfully at the village/community level. Bumitama's CSR team is very excited with the opportunity of PAdP up-scaling the capacity of the cooperatives to another level of economic development and growth, over the next 5 years starting from the end of 2016.

Encouraged by this positive change brought about by the Plasma Programme, Bumitama through its Supply Shed Approach Project ("SSAP") of tracing fresh fruit bunches to mills and then to estates, had found pockets of smallholders looking for change

and improvement. An initiative has taken shape to hand-hold various groups of independent smallholders on productivity improvement, legality and certification. The Group remains committed to working closely with our partners in addressing the developing needs of our smallholders and the community, aspiring to achieve sustainable, long-term benefits for the generations to come.

### Local Economic Empowerment Programme

Being actively involved in the community in which we operate is an integral aspect of our sustainability efforts. We endeavour to help the surrounding communities achieve economic progress and financial independence through our Local Economic Empowerment Programme.

In the spirit of building an ecosystem that promotes self-sufficiency, Bumitama encouraged different groups in a community to start complementary businesses. In support of this, Bumitama educated the locals on the economics of business and equipped them with the necessary skills and knowledge to manage their businesses sustainably. The Group played a pivotal role in every stage of the programme, from the provision of seed/capital to business management, sale of produce and products to micro-

banking facilities. Through this "partnership" approach, locals have a direct stake and therefore feel a greater sense of responsibility and ownership. This has translated into higher level of participation from the community and a higher rate of successful projects.

Our aquaculture, poultry and vegetable farming programme has grown quite significantly, expanding from one seed community group to numerous groups in different districts and provinces; for example, our aquaculture project started with one seed community group in 2012 to 13 groups by 2016.

The Group had the opportunity to support the government's push for food security and encourage the community in four locations in Central and West Kalimantan to plant paddy crop; one of which was the Teluk Pulai Village in PT Andalan Sukses Makmur ("ASMR"). Bumitama educated local farmers on good agricultural practices and composting methods, improved drainage as well as assisted in the application for seeds and additional land for planting; thereby allowing more families to join the farmers group. This initiative has been successful and has resulted in an overwhelming request for assistance of the Bumitama CSR team's from another farmers group.



## CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY



Bumitama's blacksmith project, which is one of the most successful alternative livelihoods under the Local Economic Empowerment Programme, involves the production of harvesting knives called *dodos*, a type of harvesting knife used in palm plantations. These locals started from making traditional blow pipes and ceremonial sword (*keris*) were gradually up-scaled, by acquiring more refined and precise skills for making harvesting knives which are sold to the Group and other plantations surrounding the villages.

To date, we have 7 ironmongery groups with another 2 groups undergoing training and setting up workshop to kick-start the projects for 2017. One of the most successful of this group is from the Wonosari Village in Kendawangan. To motivate this group of budding entrepreneurs, the company provides each start-up group with an initial order of 500 knives and promise to step up the volume once the group meets the required standard for the knives. The Group is also looking into expanding

the range of products for these business groups as it witnessed significant growth since its launch in Central and West Kalimantan in 2013.

The Group is piloting a new project, an eco-tourism village under its subsidiary ASMR. Recognising that Sekonyer Village has the potential to become a transit point for tourists travelling to the Tanjung Puting National Park ("TNTP"), ASMR took

the opportunity to improve the quality and number of attraction in this village. This includes showcasing local handicrafts, culinary specialties, rehabilitated mangrove swamps, natural remedies and indigenous art to attract tourists to stay for a day or two under a village homestay programme. To tap the locals' talent in creating souvenirs out of local mangrove and marsh plants, new and current designs and quality control will be taught so as to improve the attractiveness of these souvenirs to tourists visiting the orangutan feeding area in TNTP which is located just across the Sekonyer River. This project will expand to include helping the locals create opportunities to market and promote the amenities via social media and other marketing platforms. ASMR also hopes that the increased interest from tourists will help preserve the culture and heritage of the local living in the area. Sekonyer is also one of the selected villages for Bumitama's "Fire Free Village Initiative" or previously called Village Fire Prevention Programme.





The Group is encouraged by the positive results from the Local Economic Empowerment Programmes, which have been well-received by the locals and have witnessed credible financial returns for the local communities. Looking ahead, Bumitama strives to further develop the above programmes, so that more locals can benefit from it and be on the journey to achieving financial independence.

### Education: Investing In Our Future Generation

Education is one of the key drivers of socio-economic growth, and remains an effective tool to push locals out of the poverty trap. Bumitama recognises the importance of education, and continues to play a pivotal role in providing platforms for continuous learning, for both its employees and the wider community.

Through our efforts, approximately 4,400 students across the 36 schools of the Group in the provinces of Central and West Kalimantan, now have the opportunity to further their education. Our schools are supported by a dedicated team comprising 298 teachers, teaching administrators and helpers; collectively managed by the Bumitama Foundation.

### Training Centres

Besides providing educational opportunities for the children of our staff and workers and community, Bumitama is committed to investing in our human capital. The Group acknowledges the importance of continuous learning and skills upgrade. As such, Bumitama strives to provide employees with platforms to grow holistically, by providing them with opportunities to develop their skills and abilities.

To date, more than 1,800 undergraduates, trainees and employees have benefited from our training centres. They have been given the opportunity to hone their skillset through skills and development courses conducted by our two training centres, located in Pundu and Kendawangan. To amplify the impact of this programme and reach out to the wider community, Bumitama conducts outreach events in Yogyakarta, Bandung and Jakarta. Bumitama has also developed various e-learning curricula to encourage its human capital pool to continue learning and growing. All these initiatives are aligned with our goal of grooming leaders and managers for tomorrow, ensuring that our employees' skillset remains relevant with the changing times, and to equip them with the ability to work more efficiently and effectively.



Bumitama spent approximately IDR 6.1 billion on its internal and external educational programmes in 2016.

### Health And Other Programmes: Caring For Our Community

As part of our goal to be a responsible employer, the Group has been providing free basic healthcare services to all our employees since 2004, with our team of plantation doctors, nurses and health assistants. We currently have six clinics located in the areas we operate. Plantations which do not have clinics are serviced by approved public and private clinics near the plantations. The Group also extends free medical services to the local communities living within the vicinity of our operations, which ties in with our commitment to improve and safeguard the well-being of our community.

In the course of the year, the Group also actively supported various health programmes such as: conducting regular blood donation drives in support of our partnership with the Indonesian Red Cross ("*Palang Merah Indonesia*" or "PMI"); carrying out mass circumcision events; running family planning education programmes as well as distributing birth control devices; and organising personal hygiene workshops for children with the aim of inculcating good personal hygiene habits in them.

At the start of 2016, The Group organised a flood relief initiative, using boats from the armed forces to transfer affected locals to evacuation site and bringing drinking water, food and medicine for the flood victims who do not want to be evacuated in the affected villages in Ketapang over a period of 7 days.

Bumitama continues to play a key supporting role in the development and promotion of social, cultural and religious activities, which are an

## CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY



integral part of the everyday lives of the local communities we operate in. The Group continues to build on the success of past initiatives and uses these initiatives to build relationships and integrate socially. In 2016, the Group continued to support activities such as: funding the building and repair of places of worship and community halls and schools in the villages together with employees; organising activities for the Bumitama Women's Group with the aim of fostering cohesiveness and unity; organising various events such as sports and family days and participating in traditional events and social functions organised by the districts and provinces.

Infrastructural development remains a key component in driving economic growth, and consequently boosts standards of living. Enhancing infrastructure not only benefits the Group in terms of allowing our activities to operate more effectively, it also enables local communities to have better access to healthcare and educational facilities. Bumitama

consults with local village leaders to identify and prioritise projects according to needs and scalability. In 2016, the Group continued to invest in improving infrastructure. These projects include: building of roads and bridges to create links between villages; repairs and maintenance of roads and bridges; provision of tanks and engines/pumps for the extraction, filtration and storage of clean water; and provision of electric generators and cables.

### LAYING THE FOUNDATION FOR A SUSTAINABLE FUTURE

The Group's Sustainability Policy acts as a compass for Bumitama's sustainability programmes and sets a new level of transparency and accountability to the public and our various stakeholders. Together with external certifications, the Policy remains a key driving force behind the Group's pursuit of sustainability.

#### Protecting Forests And Biodiversity: Production And Protection

Bumitama has developed a broad-based land use planning procedure

as part of the Group's commitment towards forest conservation and sustainable land use. The Group used the High Conservation Value ("HCV") and Social Impact Assessment ("SIA"), High Carbon Stock ("HCS") approach, peat delineation test, land cover, land use and land use change analysis to identify locations with HCV, HCS and peat, which provides guidance to the Group in terms of planting plans for new concessions.

Bumitama is protecting our forests and commits to biodiversity conservation, acknowledging that it is a major part of responsible agriculture. Indonesia boasts a rich and immensely varied ecosystem, and it is vital for the current generation to protect it for future generations to enjoy. With that, the Group actively consults, invites participation and engages the local community in our landscape planning, recognising that their invaluable insights will allow us to better identify cultural HCVs and local biodiversity.



### Conservation And Reforestation: Landscape Approach

#### GMS:

The HCV and HCS assessment conducted on our recent acquisition in Ketapang (Gemilang Makmur Subur or "GMS") has led to discussion with various experts on the potential conversion of about 1,000 hectares of HCV and HCS area into a biodiversity corridor linking Gunung Tarak and the fragile peatland forest of Sungai Putri. This discussion has now been inked in September 2016 under IDH's Initiative for Sustainable Landscapes ("ISLA") project or what we internally call the BBCP with IDH who is co-funding the project and Aid Environment as the project manager. BBCP focuses on 2 main goals:

- (a) Reforestation and management of wildlife and green corridor for orangutans and other species between the two forested area; and
- (b) Participative social and economic development which will be managed and regulated based on a Village Level Land-



use Plan ("VLLP") for 8 villages in and around the corridor.

This will not be an easy project since it will be taking a landscape approach and there will be many complexities and issues which have to be looked into and to overcome, such as the legal status of this set-aside area. The Group had very quickly acquired the neighbouring PT Damai Agung Sejahtera ("DAS") to secure the corridor from deforestation. The success of this project will provide evidence that conservation and plantation can co-exist; land use planning especially on a bigger

scale, even at jurisdictional level is critical; reforestation although painful and difficult but when undertaken with patience can achieve balance between production and protection.

#### ASMR:

Located in an ecologically diverse area and anticipating the needs for reforestation in the buffer area running along the river of Sekonyer, ASMR prepared a nursery of 40,000 seedlings of local trees in 2014. The nursery was set up both for the benefit of ASMR and others in the area, and has donated many seedlings to other stakeholders. As





## CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY



part of its commitment to protect HCS forests, ASMR began with the reforestation of an area that was previously burnt in 2015. The area of 107 hectares is planted in scheduled stages.

Just across the Sekonyer River a different reforestation programme is well underway in Teluk Pulau Village. Mangrove ecosystems play an important function in maintaining the integrity of coastal areas, by dampening the waves and wind, trapping sedimentation and impeding abrasion, maintaining nutrients for marine life, and providing nursery grounds for fishes and shrimps. The local community's concern of the coastal land slowly eroding and retreating inland prompted the idea of revitalising the mangrove area by reforesting an experimental plot of 150 hectares. In this participative

project, ASMR became the advisor and investor for the planting material and the planting of the mangrove, while the community secured the seedlings and was contracted to plant 25,000 seedlings over a period of 2.5 years starting from end of 2015. As part of the efforts to inculcate the importance of protecting and maintaining a balanced ecosystem, school children and even regional governmental personnel were involved in the planting of seedlings. Moving forward, the team is looking into the possibility of tagging the seedlings for future recording and monitoring and improving the survival rate of the planting. Teluk Pulau could potentially become another area of interest for tourists, given the area's rich biodiversity enhanced by this mangrove replanting.



### Reducing Greenhouse Gases

We acknowledge that climate change poses a major challenge to our planet, to communities that have to adapt to changing weather patterns, and to companies like ours that are profoundly affected by the changing climatic conditions. As such, reducing greenhouse gas ("GHG") is a key part of our Policy and we remain committed to progressively reduce our emissions.

Bumitama recognises that for palm oil producers, the biggest contribution to GHG emissions is derived from land use change, particularly from the clearance of peatland and forest areas. As such, the Group makes the concerted effort to avoid developing on peat, taking guidance from the Group's No Deforestation, No Peat and No Exploitation ("NDPE") policy. Bumitama achieved negative emissions for two recent New Planting Procedure ("NPP") submissions. In 2016, the Group completed collation of the GHG emission data from all our certified mills.

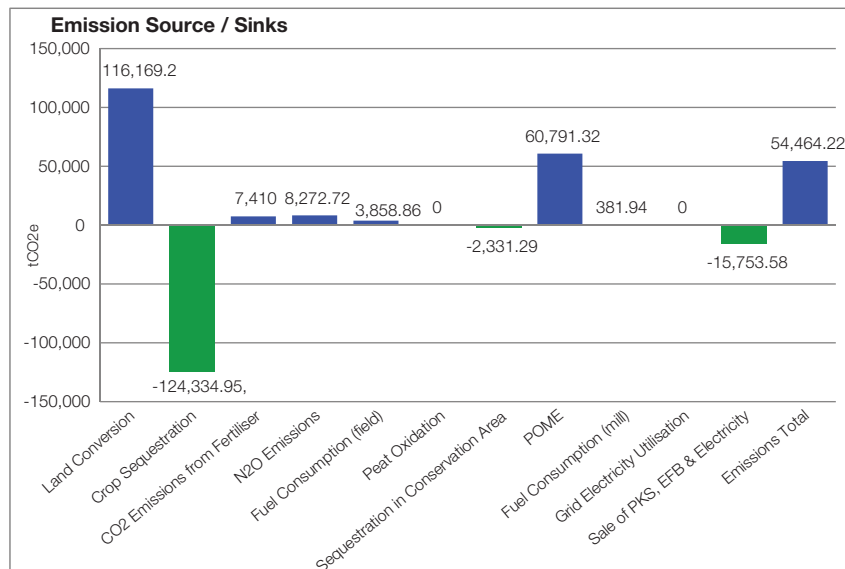
Besides reducing GHG emission via addressing land use change, Bumitama adopts alternative ways to curtail its emission, through converting waste products from palm oil processing into energy as part of our "zero waste management" policy. Bumitama has partnered with waste treatment and integrated power solutions providers to build two biogas plants in Central Kalimantan, which are expected to be completed in end 2018. The two plants are part of the Bumitama's pilot project to sell the electricity from the produced biogas, which is a more efficient and environmentally-friendly method to generate electricity for PLN based on a Power Purchase Agreement.

Aside from putting our liquid waste into good use, Bumitama also seeks to cut its GHG emission by converting

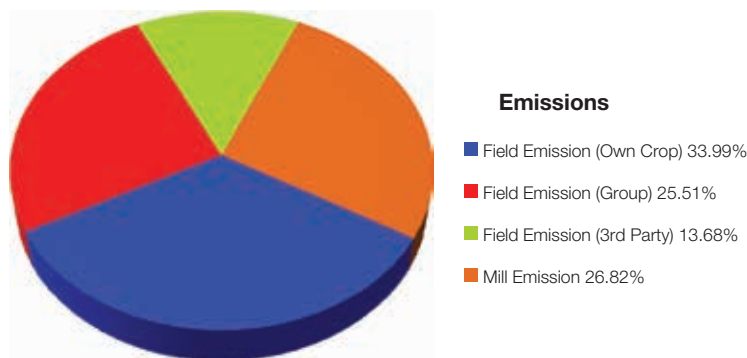


## CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY

by-products from palm oil production into ground covers and fertilisers. Supported by the Group's NDPE policy and the motivation to achieve sustainable land planning, Bumitama remains on track to push forth significant reductions in our GHG emissions.



Summary of Field Emission Sources and Sinks of PT KMB (tCO2e) 2016



GHG emissions contribution PT KMB

### Enhancing Productivity

Maintaining stable productivity requires various departments within the Group to work together to identify and study areas which can be improved such as yield, oil content and bunch weight. The decline in yield per hectare in 2016 was due to the high hectareage of immature palms being transferred to the mature palms category and the impact of the prolonged dry weather in 2015. The Group's productivity trend was as follows:

	2016	2015	2014	2013	2012
<b>Yield per hectare</b>	14.6	17.8	18.4	17.4	18.8
<b>Oil Extraction Rate (%)</b>	22.7	22.9	23.2	23.3	23.8

### Accident Rate Mitigation

Bumitama remains committed to providing our staff, contractors and visitors with a safe working environment. The Group conducted several training programmes in 2016 to equip our staff with basic knowledge on the Environmental, Safety and Health ("ESH") procedures, which will help to pave the way for the smooth implementation of the ESH procedures.

The first course for 2016 held in March, was attended by all managers and engineering staff representatives from mill, traction and quality control, as well as local sustainability staff. A follow-up workshop was subsequently held in November 2016 for managers and officers. Overall, the programmes were well-received. However, the 2 fatalities in 2016 highlighted the need to go beyond training and auditing. These have pushed our accident rate higher and made the planned reduction by 40% based on the 2014 data a huge challenge. The Group will still strive for this target, extending the implementation period to 2018.







### Fire Management Programme

Since our inception, Bumitama has adhered to a strict zero-burning policy, which bans all use of fire for land clearing and waste disposal within our plantations and plasma developments. This approach is not only important for avoidance of air pollution and spreading of fires, but it is also beneficial for soil conservation and crop performance.

In 2016, the Group continued its proactive measures to better prevent and manage any arisen fires. In addition to conducting regular checks on the readiness of the fire-fighting equipment, a special task force was formed to conduct fire prevention activities throughout all of Bumitama's units, and in the process, improve preventive measures in our plantations. The Group leveraged on fire predictive tools such as satellite imagery systems, watchtowers and drones, which helped the task force to better monitor the presence of hotspots in the various operational areas.

In line with the Group's "prevention is better than cure" approach, Bumitama recognises the importance of educating the local communities, by conducting fire training workshops in partnership with Manggala Agni, the Indonesian Forest Fire brigade established by

	2016	2015	2014	2013	2012
<b>Lost time accident rate*</b>	48.0	44.5	21.6	19.4	21.8

\* (Frequency Rate/FR) – (recordable injuries \* 1,000,000/working hours)

Bumitama has successfully eliminated the use of Paraquat in all of its management units. The Group's research and development department will continue to strengthen efforts in integrated pest management, and aim to reduce the usage of harmful chemical pesticides.

### Traceable And Transparent Supply Chain

Operating in a responsible and ethical manner is a value that is important in our business. Under the SSAP, the Group targets to have all FFB processed by our mills to remain traceable to our own and plasma estates and all FFB purchased documented and verified that they originate from legal and responsible sources by December 2017 respectively. This helps to create greater transparency in our supply chain and in the process, de-linking our products from deforestation and exploitation risks.

In 2016, we kick-started the first phase of the FFB traceability initiative, by mapping the entire supplier base of our CPO mills (based on purchase documents). Moving forward, the Group will follow-up with the collection of additional information on our third party suppliers, which will provide us with more accurate and detailed data for analysis and verification as we closely monitor our supply chain partners.

Our initial socialisation on our NDPE and the importance of ensuring legality and traceability to independent smallholders under the SSAP has resulted in pooling of interested smallholders into cooperatives or groups for productivity improvement, legality and certification projects in 2017.



## CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY

the Ministry of Forestry. In 2016, 15 fire management training sessions were conducted, which collectively benefitted approximately 500 staff and more than 500 local people.

Bumitama continued its participation in the “Fire Free Village Initiative” (“FFVI”), the programme aims to educate the local community on alternative ways of land clearing, as well as the harmful risks associated with the use of fire as a means to clear land. To encourage active participation, rewards were given to villages that were able to successfully keep their villages “fire-free”.

Bumitama has also signed a Memorandum of Understanding (“MoU”) with 28 villages located within the vicinity of our plantations. Involving local communities in the FFVI enables them to take ownership and have a stake in the programme success, and raise awareness on the

importance of forest conservation. To amplify the impact of the programme, Bumitama aims to, in the near-term, increase the number of trained personnel in the field of fire management both internally and externally and equip the local communities with the necessary tools and equipment to address and prevent forest and land fires.

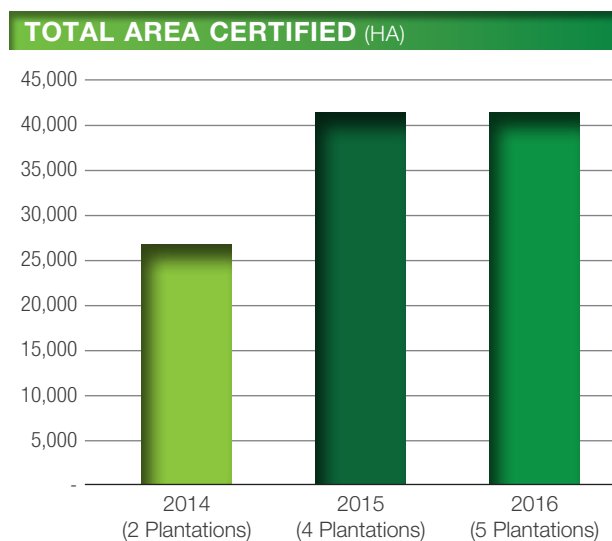
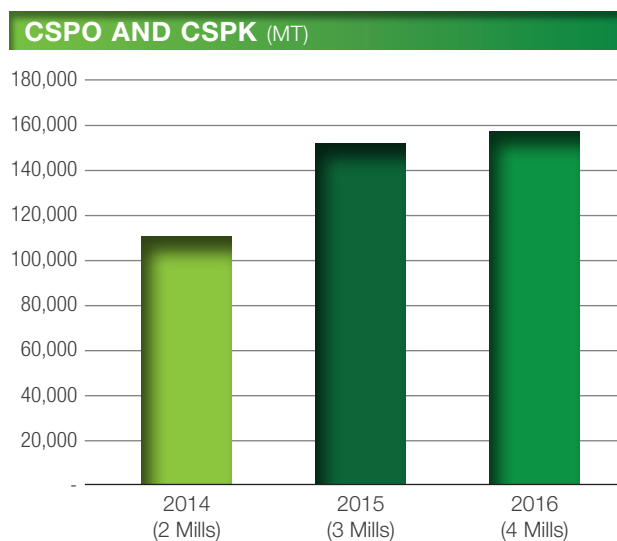
### Certifications

Third-party assurance of our sustainability initiatives remains critical to our continuous improvement. We believe that standards developed in collaboration with both commercial and non-profit organisations are the best means for developing credibility and trust, as well as helping to keep the Group on track with its sustainability initiatives.

As Bumitama continues our sustainability journey, we aim to have all our mills and plasma smallholder

schemes certified by the RSPO. With the latest certification of the Katari Agro Mill in 2016, Bumitama has achieved RSPO certification for four mills and four plantations to date. This brings the total certified volume and area to 158,106 tonnes and 41,594 hectares respectively.

The Group has also started preparing some of our plasma smallholders for the RSPO certification. This process, together with the certification of our other mills and estates will be conducted in accordance with the time bound plan, targeted for completion by December 2020. The preparation for independent smallholders’ certification will start in 2017.



# CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY

## Objectives And Targets

What we want to achieve	Our target (year-end)
<b>No expansion without Free, Prior and Informed Consent from local communities†</b>	<ul style="list-style-type: none"> <li>• Immediate.</li> </ul>
<b>No new developments without HCV and HCS approach assessments†</b>	<ul style="list-style-type: none"> <li>• Conducted HCV, HCS, SIA, land cover and land use analysis and peat delineation test for new concessions;</li> <li>• New planting planning and New Planting Procedure in 2016.</li> </ul>
<b>New Business Ethics Policy socialised with staff and made publicly available</b>	<ul style="list-style-type: none"> <li>• On target, completed “socialisation” in December 2015;</li> <li>• Refreshment course planned for 2017.</li> </ul>
<b>Zero fatalities</b>	<ul style="list-style-type: none"> <li>• Forming a taskforce to focus on ensuring zero fatality by next 2 years as the 2 deaths in 2016 are unacceptable.</li> </ul>
<b>Eliminate use of Paraquat in all plantations and plasma schemes</b>	<ul style="list-style-type: none"> <li>• Fully eliminated by September 2016;</li> <li>• Continue to look into reduction of use of harmful chemicals.</li> </ul>
<b>Develop partnership with reputable orang-utan organisation to protect and increase orang-utan populations in Kalimantan</b>	<ul style="list-style-type: none"> <li>• Bumitama Biodiversity Community Project in Ketapang with IDH and Aid Environment and others.</li> </ul>
<b>Reduce accidents rates by 40%</b>	<ul style="list-style-type: none"> <li>• Implement measures to achieve 40% reduction (from 21.6%) by the end of 2018, designing a special &amp; specific mitigation programme.</li> </ul>
<b>Complete survey and mapping of independent smallholders that supply FFB</b>	<ul style="list-style-type: none"> <li>• Pilot smallholders yield and certification programme in 2017;</li> <li>• Continue with socialisation and tracing of smallholders; all certified areas by 2018.</li> </ul>
<b>Measure and publish our carbon footprint and develop a reduction strategy</b>	<ul style="list-style-type: none"> <li>• Completed GHG data for all certified mills by 2016;</li> <li>• Two methane capture plants by 2018 (subject to Power Purchase Agreement with PT PLN).</li> </ul>
<b>FFB processed by our mills is traceable to our own estates and plasma smallholders</b>	<ul style="list-style-type: none"> <li>• Completed data gathering by 2015;</li> <li>• All FFB traced to mill gate and all plasma traced to estate;</li> <li>• All independent smallholders from certified mills traced to estate by 2018.</li> </ul>
<b>All FFB purchased can be documented to originate from legal and responsible sources</b>	<ul style="list-style-type: none"> <li>• Completed documentation preparation in 2015;</li> <li>• Audit and verification in 2016, fortified through certification.</li> </ul>
<b>All mills and plasma smallholder schemes RSPO certified*</b>	<ul style="list-style-type: none"> <li>• Target to complete as per time bound plan by December 2020, plasma smallholders by 2023 (based on <i>Hak Guna Usaha</i> process).</li> </ul>

† These commitments are ongoing. We will report on compliance in future sustainability reports

\* Or one year from *Hak Guna Usaha* and relevant permits approved if not before 2023

## ONWARDS AND BEYOND

2016 marked a significant milestone in the Group’s sustainability journey as we celebrated the first anniversary of our Sustainability Policy. The Policy has helped to raise the bar in our sustainability efforts and allowed Bumitama to make headway in driving improvements to the lives of the local communities through the various sustainability initiatives and activities. While the Policy is still in its infant stage, we remain committed to adapting our initiatives to ensure that they remain relevant and effective.

For 2017, Bumitama will focus on initiatives such as the development of the BBCP, our collaborative landscape-based project in West Kalimantan that combines an environmental corridor concept with social aspects; certification programme focused on schemed smallholders and independent smallholders; initiatives focused on the reduction of greenhouse gases; and frameworks to support responsible sourcing in supply chain and improve traceability. The Group will continue to work closely with all stakeholders and adopt a balanced and sustainable approach as we move towards growing and strengthening our sustainability footprint.



## CORPORATE GOVERNANCE

Bumitama Agri Limited (the “Company” or “Bumitama”) and its subsidiaries (the “Group”) recognises the importance of, and is committed to observing and attaining high standards of corporate governance, business integrity and professionalism in its business and operations. The Board constantly reviews the Company’s corporate governance practices and seeks to align its practices with the development and changes in the Code of Corporate Governance 2012 (the “Code”). The Company has complied substantially with the principles and guidelines set out in the Code, where they are applicable, relevant and practicable. This report sets out Bumitama key corporate governance practices with reference to the Code and with the Group’s cultural pillar of morality, capability and integrity.

### ACHIEVEMENT

The Company has been accorded 7 awards from the Asiamoney Corporate Governance Poll 2016 for Singapore under the categories of Best Managed Small Cap Company, Best Overall for Corporate Governance, Best for Disclosure and Transparency, Best for Shareholders’ Rights and Equitable Treatment, Best for Responsibilities of Management and the Board of Directors, Best for Investor Relations and Best for Corporate Social Responsibility.” In addition to the company awards’, one of the executives in Bumitama’s management team, Ms. Christina Lim has also been awarded the “Best Executives in Singapore.”

### PRINCIPLE 1: THE BOARD’S CONDUCT OF AFFAIRS

The primary function of the Board is to protect and enhance long-term value and returns to its Shareholders. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group. The Board focuses on the following broad areas, namely:

- Formulate corporate strategies, financial objectives and direction for the Group;
- Ensure effective management leadership of the highest quality and integrity;
- Provide oversight in the proper conduct of the Group’s businesses;
- Oversee and/or evaluate the adequacy of the internal audit, risk management, financial reporting and compliance processes; and
- Oversee and ensure high standards of corporate governance for the Group.

The Board also establishes a framework of prudent and effective internal controls which enable risks to be assessed and managed, reviews Management performance, sets the Company’s values and standards, and ensures that the Company’s obligations to Shareholders and other stakeholders are understood and met and that all decisions are made objectively and in the interest of the Company and its Shareholders.

To facilitate effective management and assist the Board in discharging its responsibilities, certain functions have been delegated by the Board to various Board Committees namely: Audit Committee (“AC”), Remuneration Committee (“RC”), Nominating Committee (“NC”) and Conflicts Resolution Committee (“CRC”), which operate under clearly defined terms of reference.

The Committees are each chaired by an Independent Director and all members are Independent Directors. Each Board Committee is governed by clear terms of references approved by the Board and its role is to assist the Board in the matters that the Board delegates to it. Each Board Committee has the authority to examine any issue that arises in their specific areas and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the Board. Further details of the scope and functions of the various Board Committees are set out in this Report.

## CORPORATE GOVERNANCE

The Board and Board Committees meetings are scheduled in advance to coincide with the announcements of the Group's quarterly results. Additional and ad hoc meetings and conference calls are convened as and when they are deemed necessary to address significant transactions or issues that may arise in between the scheduled meetings. In addition to these meetings, Independent Directors meet without the presence of Management, as and when required. The Company's Constitution provide for meetings to be held via telephone, electronic or other communication facilities which permits all persons participating in the meeting to communicate with each other simultaneously.

Directors may request for explanations, briefings by or discussions with Management on any aspect of the Group's operations or business from Management. When circumstances require, Board members exchanged views outside the formal environment of Board meetings.

The Board met four times in respect of the financial year ended 31 December 2016 ("FY2016"). The attendance of each Director at the Board and Board Committees Meetings for FY2016 is as follows:

	Board	AC	RC	NC	CRC
Number of Meetings Held	4	4	1	1	1
Name	No of Meetings Attended	No of Meetings Attended	No of Meetings Attended	No of Meetings Attended	No of Meetings Attended
Lim Gunawan Hariyanto	3	NA	NA	NA	NA
Dato' Lee Yeow Chor	4	1 <sup>1</sup>	NA	NA	NA
Tan Boon Hoo	4	4	1	1	1
Chua Chun Guan Christopher	4	4	1	1	1
Ong Chan Hwa	4	4	1	1	1

NA: Not Applicable

<sup>1</sup> Attendance by invitation of the Committee

The Board has delegated day-to-day operations to Management, while reserving certain key matters for its approval. Matters that specifically require Board approval are the Group's financial results, annual budgets, financial statements, interested person transactions, acquisitions and disposals of assets, capital expenditure plan, corporate or financial restructurings, dividend payments, commitments to banking facilities and convening of Shareholders' meetings. Board approval is also required for other matters which are likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business. The Board believes that when making decisions, all Directors of the Board act objectively and in the interests of the Group.

There were no new Directors appointed in FY2016. The Company has a programme in place whereby newly appointed Directors would receive orientation and training, if necessary, to enable them to familiarise with the Group's senior management, business activities and the relevant regulations and governance requirements. Directors also have the opportunity to visit the Group's operational facilities and meet with Management to gain a better understanding of the Group's business operations. Directors who do not have prior experience or are not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo the necessary training and briefing.

## CORPORATE GOVERNANCE

The Company encourages Directors to participate in development programmes especially technology development in palm oil industry, which are considered essential and or will enhance their roles on the Board and its Committees. The cost of Directors' attendance at appropriate training courses, conferences and seminars conducted by professionals (including the Singapore Institute of Directors) will be borne by the Company.

Some of the courses/seminars/conferences attended by some of the Directors are:

- ASEAN CSR Network – Conference on Corporate Governance & Responsibility 2016
- Singapore Institute of Directors (SID) – Launch of the Board Guide
- INSEAD Singapore Campus – Private Equity and CEO Development
- Singapore Alliance for Sustainable Palm Oil Seminar
- ACRA-SGX-SID Audit Committee Seminar 2016
- SID Business Future Series (BFS 1) – Disruptive Technologies for Directors
- Palm Oil Economic Review and Outlook Seminar 2016
- Sustainability Engagement Series for Directors/Chief Executive Officers
- Sustainable Palm Oil Leaders Summit

Relevant updates, news releases issued by the Singapore Exchange Trading Limited ("SGX-ST") and the Accounting and Corporate Regulatory Authority ("ACRA") are also circulated to the Board for information.

### PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

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

Name	Board	AC	RC	NC	CRC
Lim Gunawan Hariyanto	Executive Chairman	–	–	–	–
Dato' Lee Yeow Chor	Non-Executive Director	–	–	–	–
Tan Boon Hoo	Lead Independent Director	Chairman	Chairman	Member	Chairman
Chua Chun Guan Christopher	Independent Director	Member	Member	Member	Member
Ong Chan Hwa	Independent Director	Member	Member	Chairman	Member

The strong independent element on the Board ensures that it is able to exercise objective and independent judgement on corporate affairs and on transactions involving conflicts of interest and other complexities.



## CORPORATE GOVERNANCE

The Board periodically conducts a review of its size and composition to ensure that both aspects continue to meet the needs of the Group and to maintain the effectiveness of the Board. The Board, with the concurrence of the NC, is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Company's operations. The current Board comprises Directors who as a group provide core competencies such as finance, legal, business management and industry knowledge. The profile of the Directors can be found on pages 16 to 17 of this Annual Report.

Non-Executive Directors' views and opinions provide alternative perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors also communicate regularly with Management to discuss matters such as the Group's financial performance and corporate governance initiatives. Where necessary, the Group arranges for the Independent Directors to meet the Heads of Departments and key employees without the presence of Management.

### **PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")**

The Chairman of the Board, Mr. Lim Gunawan Hariyanto, is also the CEO. Mr. Lim Gunawan Hariyanto plays an instrumental role as the CEO in (i) formulating the overall business and corporate policies and strategies of the Group; (ii) managing the overall business and operations of the Group; and (iii) overseeing the Group's overall business development. As Chairman of the Board, he bears primary responsibility for the workings of the Board, by ensuring effectiveness on all aspects of its role including setting agenda for Board meetings and ensures that the Directors receive complete and adequate information.

With the establishment of various Board Committees with power and authority to perform key functions and putting in place internal controls to allow effective oversight by the Board of the Group's business, the Board is of the view that these enable the Board to exercise objective decision-making in the interests of the Group. The Board believes that Mr. Lim Gunawan Hariyanto's dual role as Chairman and CEO allows for more effective planning and execution of long term business strategies as he is knowledgeable in the business of the Group and provides the Group with a strong and consistent leadership.

In view of the foregoing, the Board is of the view that it is currently unnecessary to effect a separation of the roles of the Chairman of the Board from that of the CEO to facilitate the Group's decision-making and implementation process.

Taking cognizance of the non-separation of the roles of the Chairman of the Board and the CEO, the Board has in the spirit of good corporate governance, appointed Mr. Tan Boon Hoo as Lead Independent Director to serve as a channel for Shareholders in the event their concerns are not resolved through the normal channel of the Chairman and CEO or the Chief Financial Officer ("CFO"), or for which such contact is inappropriate. Mr. Tan will also act as liaison between the Independent Directors and the Chairman of the Board, as to provide non-executive perspectives in circumstances where it would be inappropriate for the Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board.

### **PRINCIPLE 4: BOARD MEMBERSHIP**

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

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

## CORPORATE GOVERNANCE

The NC met once in FY2016.

The NC performs the following functions:

1. review and recommend to the Board the structure, size and composition of the Board and Board Committees;
2. determine the process for search, nomination, selection and appointment of new Board members;
3. review and make recommendations to the Board on all Board appointments, including nomination of the Directors for re-election/re-appointment, taking into account the Director's contribution and performance;
4. determine annually whether a Director is independent;
5. determine whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly where the Director concerned has multiple board representations;
6. evaluate the Board's performance as a whole and the contribution by each Director to the effectiveness of the Board, and to adopt appropriate measures to assess performance;
7. review succession plans, in particular, the Chairman and CEO;
8. oversee the induction, orientation and training for any new and existing Directors; and
9. undertake such other functions and duties as may be delegated by the Board.

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

Mr. Lim Gunawan Hariyanto and Mr. Ong Chan Hwa, who are both subject to retire by rotation, will be offering themselves for re-election at the forthcoming Annual General Meeting ("AGM"). In reviewing the nomination of the retiring Directors, the NC considered the performance and contribution of each of the retiring Directors, having regards not only to their attendance and participation at Board and Board Committees meetings but also the time and efforts devoted to the Group's business and affairs. The NC has recommended the re-election of Mr. Lim Gunawan Hariyanto and Mr. Ong Chan Hwa at the forthcoming AGM. The Board has accepted the NC's recommendation.

Each member of the NC shall abstain from voting on any resolutions and/or participating in deliberations in respect of his re-election as Director. Accordingly, Mr. Ong Chan Hwa has abstained from the deliberation and decision in respect of his own re-election.

The NC conducts an annual review of Directors' independence adopting the Code's definition of an Independent Director and guidelines as to relationship in determining the independence of a Director. The NC and the Board are of the view that Mr. Tan Boon Hoo, Mr. Chua Chun Guan Christopher, and Mr. Ong Chan Hwa are considered independent while Dato' Lee Yeow Chor is considered a Non-Executive and Non-Independent Director in view of his association with Oakridge Investments Pte Ltd, a substantial Shareholder of the Company.

Save as disclosed, the Non-Executive Directors are not related and do not have any relationship with the Company, its related corporations, or its officers or are in any circumstances that could interfere or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

## CORPORATE GOVERNANCE

The NC had adopted a process for the selection and appointment of new Directors which provides the procedures for identification of potential candidates' skills, knowledge, experience and assessment of candidates' suitability.

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, Management or external parties. The NC interviews the shortlisted candidates before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committee(s).

In reviewing and recommending to the Board any new Director appointments, the NC considers: (a) the candidate's independence, in the case of the appointment of an Independent Director; (b) the composition requirements for the Board or Board Committee(s) as the case may be; (c) the candidate's track record, experience and capabilities and such other relevant factors as may be determined by the NC which would contribute to the Board's collective skills; and (d) any competing time commitments if the candidate has multiple board representations.

The Company will provide a formal letter of appointment to newly appointed Non-Executive Directors, setting out the Director's duties and obligations and terms of appointment whereas Executive Directors will be provided with Service Agreements setting out their terms of office and terms and conditions of appointment.

The NC had deliberated on succession planning for the Chairman/CEO and would bear this factor in mind when considering the appointment of any Executive Director.

A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Group. The NC is of the view that Directors who have multiple board representations have performed as well as the other Directors with lesser board representations. The Board, with the concurrence of the NC, having considered the attendance of the Directors and their contributions at meetings of the Board and Board Committees, is of the view that such multiple representations do not hinder the Directors from carrying out their duties in the Company. The Board and the NC are also satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Group. The NC is also of the view that putting a maximum limit on the number of listed company board representations is arbitrary, given that time requirements for each vary, and thus should not be prescriptive.

There is no alternate Director on the Board.

### **PRINCIPLE 5: BOARD PERFORMANCE**

The NC has adopted an annual assessment of the performance and effectiveness of the Board and Board Committees collectively. The NC believes it is more appropriate to assess the Board as a whole, rather than assessing individual Directors, bearing in mind that each member of the Board contributes in different ways to the effectiveness of the Board.

The assessment process had been continuously improved upon, with feedback from the Board and the review incorporates factors such as attendance, Board composition, conduct, input and contributions of the Board and its various committees; keeping updated on latest trends in the industry and global market; and quality, availability and sufficiency of information. Each Director evaluates and assesses the Board and the Board Committees, the results of which are consolidated, analysed and discussed within the NC, which included a comparison with the results of the preceding financial year. The results and areas to be strengthened are identified and reported to the Board.

The Chairman, in consultation with the NC, would act on the results of the assessment; upon the endorsement of the report.



## CORPORATE GOVERNANCE

For FY2016, the NC is generally satisfied with the Board evaluation results, which indicated areas of strengths and areas that could be improved further. No significant problems had been identified. The NC had discussed the results with the Board and the Board has agreed to work on the areas where improvement is necessary as appropriate.

### PRINCIPLE 6: ACCESS TO INFORMATION

Prior to each Board meeting, all Directors are provided with the relevant Board papers and reports within adequate time for the Directors to review the papers and reports. These reports provide information on the Group's performance, financial position, significant issues and any other matter which may be brought before the Board. Besides these, Board members are provided with monthly operational performance report with a short commentary so as to ensure Board members are kept updated and informed of the progress of the Group on a regular basis. Directors are also informed of any significant developments or events relating to the Group.

All Directors are updated on an on-going basis via Board meetings and/or circulars on matters relating to, *inter alia*, changes to the regulations of the SGX-ST, Companies Act, accounting standards and/or other statutory requirements. The Directors may also seek independent professional advice on any Group matters, as they require, at the Group's expense.

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

At least one of the Company Secretaries attends all Board and Board Committees meetings and ensures that Board procedures are followed and that the applicable rules and regulations are complied with. The Company Secretaries are responsible for assisting the Company in its compliance with the requirements of the Companies Act, the rules of SGX-ST Listing Manual and any other applicable regulations. The Company Secretaries also ensure good information flow within the Board and the Board Committees, as well as between the senior management and Non-Executive Directors (including Independent Directors), and assists in the professional development of existing Directors, as and when required. The appointment and/or removal of the Company Secretaries are subject to Board approval.

### PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises three, all three of whom are Independent Director. The members of the RC are:

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

The RC's duties include:

1. recommending to the Board a framework of remuneration for the Directors and key management personnel of the Group;
2. ensuring that these remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities;
3. reviewing and recommending Directors' fees for Non-Executive Directors, taking into account factors such as their effort, time spent, and responsibilities;

## CORPORATE GOVERNANCE

4. reviewing the service contracts of the CEO and Executive Directors (if any);
5. recommending to the Board long term incentive schemes which may be set up from time to time; and
6. undertaking such other functions and duties as may be delegated by the Board.

The Group has a formal and transparent process for developing policy on executive remuneration and fixing the remuneration packages of individual Directors and key management personnel. The RC's review covers all aspects of remuneration including but not limited to, Directors' fees, salaries, allowances, bonus, employees share options and benefits in kind and specific remuneration package for each Director.

In developing a policy on executive remuneration, the RC seeks to link a proportion of the compensation to the Group's performance. The RC also ensures that the remuneration packages of individual Directors take into consideration the Group's performance and the performance of that individual Director. No Director is involved in deciding his own remuneration. The RC has access to external expert advice with regard to remuneration matters, if required.

The Group does not have any employee share option scheme or any long-term scheme in place.

### **PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION**

### **PRINCIPLE 9: DISCLOSURE ON REMUNERATION**

The remuneration policy of the Company is to provide compensation packages at market rates, reward performance and attract, retain and motivate the key management personnel.

Only Non-Executive Directors (including Independent Directors) are paid Directors' fees. The Directors' fees are set in accordance with a framework comprising Board fees and additional fee/s for serving on any of the Board Committees, and taking into account factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the Directors. The payment of such fees is recommended for Shareholders' approval at the AGM of the Company.

The Executive Director/CEO does not receive any Directors' fee. The remuneration packages of the Executive Director/CEO and key management personnel are determined annually having regard to the performance of the individuals and the Group as well as taking into account industry standards.

The remuneration packages for the Executive Director/CEO and key management personnel consist of both fixed and variable components. The variable component is determined based on the performance of the individual and the Group's performance in the relevant financial year. Annual increments and adjustments to remuneration are reviewed and approved taking into account the outcome of the annual appraisal of the employees. Management makes recommendations to the RC, having regard to key performance indicators, such as (a) revenue, (b) earnings before interest, depreciation and amortisation ("EBITDA"), (c) net profit, (d) land bank and (e) planted area. The list is not exhaustive. The Group will also consider the individual contribution to these objectives.

The Executive Director/CEO, Mr. Lim Gunawan Hariyanto, had signed a Service Agreement with the Company commencing from the date of listing of the Company on 12 April 2012 and valid for the initial three years. This agreement which has an auto renewal clause for subsequent periods of one year each is now automatically renewed

## CORPORATE GOVERNANCE

for a further one year. The Service Agreement may be terminated during such term either as provided in the Service Agreement or by either party giving to the other not less than six months' written notice. There are no onerous compensation commitments on the part of the Company or its subsidiaries in the event of an early termination of the service of the Executive Director/CEO. The Executive Director and key management personnel of the Group are rewarded based on their achievement of certain key performance indicators and the actual results of the Group, and not on any other assigned incentives, the "claw back" provisions in their employment contracts may therefore not be relevant or appropriate. The RC will when appropriate, review the need to adopt provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstance of misstatement of financial results or of misconduct which could result in financial loss to the Group.

The RC, with the concurrence of the Board, has recommended that an amount of S\$307,000 as Directors' fees be paid to the Non-Executive Directors quarterly in arrears for financial year ending 31 December 2017 ("FY2017"). These fees will be tabled for Shareholders' approval at the forthcoming AGM.

The annual remuneration bands for the Directors and key management personnel and the proportion of variable bonus and fixed remuneration, fee and salary of the benefit for FY2016 are set out below:

Name	Remuneration Band	Fixed Salary	Variable Bonus and Benefit	Directors' Fee	Total
<b>Directors</b>					
Lim Gunawan Hariyanto	S\$2,000,001 – S\$2,250,000	55%	45%	–	100%
Dato' Lee Yeow Chor	Below S\$250,000	–	–	100%	100%
Tan Boon Hoo	Below S\$250,000	–	–	100%	100%
Chua Chun Guan Christopher	Below S\$250,000	–	–	100%	100%
Ong Chan Hwa	Below S\$250,000	–	–	100%	100%
<b>Key Management Personnel</b>					
Johannes Tanuwijaya	S\$1,250,001 – S\$1,500,000	52%	48%	–	100%
Roebianto	S\$1,250,001 – S\$1,500,000	52%	48%	–	100%
Sie Eddy Kurniawan	S\$1,000,001 – S\$1,250,000	51%	49%	–	100%

The remuneration of the Directors and key management personnel are set out in incremental bands of S\$250,000. The Group is of the view that disclosure in incremental bands is sufficient and adequate, and that any further disclosure could be detrimental to the Group's interest, as it may hamper the Group's efforts in retaining and nurturing its talent pool, having regard to the highly competitive human resource environment, and the confidential nature of remuneration matters.

On the same basis and also due to sensitivity of such matter, it is not in the Group's interest to disclose the aggregate remuneration of its key management personnel (who are not Directors or the CEO).

Having considered Guideline 9.3 of the Code requiring the disclosure of the remuneration of at least the top 5 key management personnel, the Group is only disclosing the above 3 individuals, who, besides the CEO, are considered as the Group's key management personnel and since they have supervisory roles over the other senior management of the Group.



# CORPORATE GOVERNANCE

There are three employees, who are immediate family members of a Director and/or the CEO whose remuneration exceeded S\$50,000 during FY2016. The information is set out below:

Name of Executives	Related to	Remuneration Band
Michael Raben	Brother-in-law of the Board Chairman	S\$50,001 – S\$100,000
Lim Liana Sarwono	Sister of the Board Chairman	S\$250,001 – S\$300,000
Lim Christina Hariyanto	Sister of the Board Chairman	S\$350,001 – S\$400,000

## PRINCIPLE 10: ACCOUNTABILITY

The Board promotes timely and balanced disclosure of all material matters concerning the Group. Shareholders are updated on the operations and financial position of the Group through its quarterly and full year results announcements (in line with the Singapore Financial Reporting Standards prescribed by the Accounting Standards Council of Singapore) as well as timely announcements of other matters as prescribed by the SGX-ST Listing Manual and other relevant rules and regulations.

A summary of the Group's operational highlight prepared on a quarterly basis is also released via SGXNet.

In line with the listing requirements of the SGX-ST, negative assurance statements were issued by the Board to accompany the Group's quarterly financial results announcements, confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Company's results announcements to be false and misleading. The Company is not required to issue negative assurance statements for its full year results announcement.

Management provides the Board with financial information as and when required to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. As and when circumstances arise, the Board can request Management to provide any necessary explanation on the financial information of the Group.

## PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises that it is responsible for ensuring that Management maintains a sound system of internal controls to safeguard Shareholder's investment and the Group's assets.

The Board regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. Management reviews all control policies and procedures and highlights all significant matters to the AC and the Board. The Group's financial risk factors and financial risk management objectives and policies are outlined under Note 36 of the "Notes to the Financial Statements" on pages 128 to 133. Risk management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the AC and the Board are in a position to make more informed decisions and will benefit from a better balance between risk and reward. This will assist in protecting the Group's assets.

The AC, together with the Board has reviewed the effectiveness of the Group's system of internal controls put in place to address the key financial, operational, compliance and information technology risks affecting the operations.

## CORPORATE GOVERNANCE

### ENTERPRISE RISK MANAGEMENT (“ERM”)

Effective and prudent risk management is one of the key factors in achieving the Group's business objectives and strategic goals.

The Group has established a systematic ERM framework to identify, assess, monitor, manage and evaluate the significant business risks which the Group is exposed to. Under the ERM framework, a risk register identifying the material risks together with the internal controls to manage or mitigate those risks is maintained. A separate Management Committee was formed to oversee the ERM and ensure that the risk register is reviewed and updated regularly.

The Management Committee comprises the Chief Operating Officer, Chief Financial Officer, Deputy Chief Operating Officer, Group Head of Corporate Secretarial Services and Corporate Social Responsibility as well as the Head of the Internal Audit Department.

Risks are pro-actively identified and addressed. The ownership of these risks lies with the respective business and executive heads with stewardship residing with the Board. The Board reviews the adequacy and effectiveness of the Company's risk management and internal control systems quarterly. As the Group continues to grow and taking into account the evolving nature of its business, the Management Committee will on a regular basis, conduct an assessment on the adequacy of the framework, processes and procedures and risk identified and measured. The results and recommendation for improvement of this assessment will be shared with the AC and the Board.

The Board has received written assurances from the CEO and CFO that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) the Group's risk management and internal control systems are effective.

Based on the ERM framework established, internal controls systems maintained by the Group, work performed by the internal and external auditors, and assurance from Management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems addressing financial, operational, compliance and information technology risks of the Group are adequate and effective during FY2016.

### PRINCIPLE 12: AUDIT COMMITTEE

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

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

In accordance with the principles in the Code, the Board is of the view that at least two members of the AC, collectively, have the expertise and experience in accounting and financial and finance management, and are qualified to fulfill and discharge their responsibilities.

## CORPORATE GOVERNANCE

For 2016, the AC has performed the following in accordance with their terms of reference:

1. met with both the internal and the external auditors to review the audit plans, and discussed the results of their audit findings and evaluation of the Group's system of internal accounting controls;
2. reviewed the Group's significant financial reporting issues and judgement to ensure the integrity of the financial statements of the Group and announcements relating to the Group's financial performance;
3. reviewed with the internal auditors, the scope and results of the internal audit procedures and monitored Management's response to their findings to ensure that appropriate follow-up measures are taken;
4. reviewed the effectiveness of the Group's internal audit function;
5. reviewed compliance with the corporate governance guidelines on processes and activities adopted by the Board;
6. reviewed Interested Person Transactions ("IPT") falling within the scope of Chapter 9 of the SGX-ST Listing Manual and the IPT Register;
7. made recommendations to the Board on the nomination of the external auditors, as well as reviewing the remuneration and terms of engagement of the external auditors;
8. met with the internal and external auditors, without the presence of Management. Both the internal and external auditors had confirmed that they had received the full co-operation of Management and no restrictions were placed on the scope of the respective audits;
9. kept abreast of accounting standards and issues that could potentially impact the Group's financial reporting through quarterly updates and advice from the external auditors;
10. reviewed the non-audit services provided by the external auditors of the Group, and the fees paid to them, to assess the independence and objectivity of the external auditors. The aggregate amount and breakdown of the audit and non-audit fees paid to the external auditors is found in Note 6 "General and Administrative Expenses" in the Financial Statements of this Annual Report. The AC is satisfied that the nature and extent of non-audit services had not prejudiced the independence and objectivity of the external auditors. The external auditors had also confirmed their independence in this respect; and
11. reviewed and confirmed the Group's compliance with Rules 712, 715 and 716(1) of the Listing Rules of the SGX-ST. The AC in their deliberation on the proposed appointment of Ernst & Young LLP have considered various factors, and was satisfied that the adequacy of resources and firm's experience, the audit engagement partner and his team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group. The accounts of the Company, its significant foreign-incorporated subsidiaries and its associates are audited by Ernst & Young LLP, an auditing firm registered with the Accounting and Corporate Regulatory Authority, and Ernst & Young Jakarta.

The rest of the Group's subsidiaries are audited by Anwar & Rekan ("A&R"), an auditing firm which is part of DFK International, a worldwide association of independent accounting firms and business advisers. Details of DFK International and the list of the Group's subsidiaries audited by A&R are disclosed on Note 9 of the "Notes to the Financial Statements" on pages 93 and 95 of this Annual Report. The AC is satisfied that the appointment of A&R would not compromise the standard and effectiveness of the audit of the Group.

The AC with the concurrence of the Board has recommended the nomination of Ernst & Young LLP for re-appointment as external auditors of the Company at the forthcoming AGM.



## CORPORATE GOVERNANCE

The AC has explicit authority within the scope of its responsibilities to seek any information it requires or investigate any matter within its terms of reference. In particular, the AC has full access to both the external and internal auditors. It also has full discretion to invite any Director, and/or Management to attend its meetings.

The Group has put in place a *whistle-blowing policy*, whereby staff of the Group or any other persons such as customers, suppliers, contractors or local community may, in good faith and confidence, without fear of reprisals raise concerns about possible improprieties in financial reporting, unethical practices or other matters. Anonymous disclosures will also be accepted and anonymity honoured. Arrangements are also in place for the confidential and independent investigation of such matters and for appropriate follow up actions; always mindful of protecting the identity and interest of all whistle blowers. The whistle-blowing policy and the procedures put in place to implement such a policy, has been reviewed by the AC and made available to all employees.

During FY2016, the Group had received whistle-blowing reports which were also highlighted to the AC's attention. The whistle-blowing reports highlighted several incidents of impropriety carried out at the Group's plantations in Indonesia. These incidents were not material to the Group's financial statements and operations and remedial actions had been taken to address the issues raised.

### PRINCIPLE 13: INTERNAL AUDIT

A dedicated in-house internal audit team ("IA") is in place to review, at least once annually, the risks of the Group's policy, procedures and activities. The IA has free access to all of the Group's records and documents and reports directly to the AC on any material non-compliance and internal control weakness.

The Head of the IA reports directly to the Chairman of the AC on audit matters and to the CFO on administrative matters. The Head of the IA also shares the IA report with Management so as to ensure that the recommended corrective and preventive actions are taken. Every quarter the IA prepares the internal audit report and reports the key issues, highlighting concerns, if any, to the AC. Feedback from the AC is taken note of, acted on and monitored. Within this framework, the internal audit function provides reasonable assurance that the risks of the Group will be identified, analysed and managed by Management. The IA will also make recommendations to enhance the effectiveness and security of the Group's operations.

The AC ensures that the internal audit function is adequately resourced and qualified. On an annual basis, the AC reviews the adequacy and effectiveness of the internal audit function. The IA prepares and present internal audit plan which incorporated feedback from the AC reviews, categorised inputs gathered from the audits, reviewing risk map, core programmes of the Group and critical internal control areas. To ensure maximisation of human resources in this department, IA has a training programme drawn up specifically to ensure that the team is kept updated and current on matters of audit, risks and internal controls based on the recommendations of the AC.

In addition to the work performed by the internal audit team, the external auditors also performed tests of certain controls that are relevant to the preparation of the Group's financial statements. The external auditors report any significant deficiencies of such internal controls to the AC. The AC also reviews the effectiveness of measures taken by Management to address the issues noted by the external auditors. The internal controls are continually being refined by Management.

## CORPORATE GOVERNANCE

### **PRINCIPLE 14, PRINCIPLE 15 & PRINCIPLE 16:**

#### **SHAREHOLDERS RIGHTS**

##### **COMMUNICATION WITH SHAREHOLDERS**

##### **CONDUCT OF SHAREHOLDER MEETINGS**

The Group is committed to disseminate information to Shareholders regularly and on a timely basis. It aims to provide Shareholders with clear, balanced, useful and material information to ensure that Shareholders receive a balanced and up-to-date view of the Group's strategic development, performance and business.

Announcements on material information and the release of quarterly and full year results are released via SGXNet. Every quarter, the Group's senior management holds briefings and/or conference calls with analysts and the media to coincide with the release of the Group's results announcements. Analyst presentation slides will also be released on SGXNet and available on the Company's website. In addition, Management takes an active role in investor relations, meeting local and foreign fund managers and analysts regularly as well as participating in roadshows and conferences both locally and overseas. For a more hands-on experience, investors, analysts, bankers and representatives from government organisations, civil societies and many other stakeholders were also invited to the Group's plantations.

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

The Group's main forum for dialogue with Shareholders takes place at its AGM, where members of the Board, senior management and the external auditors are in attendance. In particular, the chairpersons of the Audit, Nominating, Remuneration and Conflicts Resolution Committees will all endeavor to be present and available to address questions raised at the AGM.

The Group's external auditors are also invited to attend the AGM and are available to assist the Directors in addressing any relevant queries by the Shareholders relating to the conduct of the audit and the preparation and content of their Auditors' Report.

Shareholders will be given the opportunity to air their views and ask questions regarding matters affecting the Group. The Company's Constitution allows a Shareholder to appoint one or two proxies to attend and vote at the general meetings on his/her behalf. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meeting without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

Shareholders are encouraged to attend the Company's AGM to ensure a high level of accountability and to stay informed of the Group's strategies and growth. If Shareholders are unable to attend the meetings, the Constitution allows a Shareholder of the Company to appoint up to two proxies to attend and to vote in place of the Shareholder through proxy form sent in advance.

## CORPORATE GOVERNANCE

As the authentication of Shareholder identity information and other related security issues still remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

Separate resolutions on each distinct issue are tabled at general meetings and explanatory notes are set out in the notices of general meetings where appropriate.

The minutes of general meetings, which will typically include relevant and substantial comments from Shareholders relating to the agenda of the meetings and responses from Management, will be made available to Shareholders upon written request.

The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages for general meetings.

### **DIVIDEND POLICY**

The Group has a dividend policy to distribute up to 20% of its distributable income. The policy on distribution of dividend depends on the results of the Group's cash flow and financial position, capital expenditure plan, debt repayment schedule, dividends received from its subsidiaries, industry conditions and prospects, and other factors deemed relevant by the Board of Directors.

A final dividend of S\$0.015 per ordinary share for FY2016 has been recommended by the Board and subject to the approval by Shareholders at the forthcoming AGM.

### **CONFLICTS RESOLUTION COMMITTEE**

In light of the interest of the Group's controlling Shareholders in the palm oil business outside of the Group (in particular, the controlling stake which IOI Corporation has in SNA and BAS), the Board has adopted certain procedures to address conflicts or potential conflicts of interest issues that may arise from time to time in the course of business conducted or carried on by the Group.

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

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

The CRC performs the following functions:

1. review on an annual basis the protocols established to resolve conflicts or potential conflicts of interest, so as to ascertain that the guidelines are adequate and relevant to the business and affairs of the Group; and
2. review specific conflicts or potential conflicts of interests that may arise from time to time and to ensure that such conflicts are dealt with or resolved properly.



## CORPORATE GOVERNANCE

Management maintains a record of potential conflict transactions (deliberated on as well as decided). Any member of the CRC is entitled to inspect such records.

Within 45 days from the end of each financial quarter and 60 days from the full year results announcement, Management will circulate or present information on transactions or potential transactions carried out or rejected in the immediately preceding financial quarter to the Board. However this information will not be extended to the Directors who are in a conflict or potential conflict of interest situation.

The CRC will on a quarterly basis receive reports from the internal auditors who provide confirmation that the protocols have been adhered to in the preceding quarter.

### **DEALINGS IN SECURITIES**

The Group has adopted an internal compliance code on Securities Transaction ("Compliance Code") which provides guidance and internal regulation with regard to dealings in the Company's securities by the Company, its Directors and officers. These guidelines prohibit dealing in the Company's securities on short-term considerations and while in possession of unpublished material price-sensitive information in relation to such securities and during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Company's financial year and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the Company are notified in advance of the commencement of each "closed period". The Compliance Code has been disseminated and made available to all employees.

The Group confirmed that it has adhered to its Compliance Code for FY2016 pursuant to Rule 1207(19) of the SGX-ST Listing Manual.

### **INTERESTED PERSON TRANSACTIONS**

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

In particular, the CFO will maintain a register of interested persons and a register of transactions carried out with interested persons. These registers are updated quarterly based on submissions by the designated persons. The AC reviews all transactions recorded in the register of interested person transactions on a quarterly basis to ensure that they are carried out on normal commercial terms and in accordance with the procedures established by the Group.

CORPORATE  
GOVERNANCE

The aggregate value of interested person transactions entered into by the Group in FY2016 is as follows:

<b>Name of interested person</b>	<b>Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920 of the Listing Manual)</b>	<b>Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 of the Listing Manual during the financial year under review (excluding transactions less than S\$100,000)</b>
	<b>in IDR million</b>	<b>in IDR million</b>
Mr. Gunardi Hariyanto Lim	2,400 <sup>(1)</sup>	–
IOI Corporation Berhad	–	92,830 <sup>(2)</sup>
PT Sawit Nabati Agro		5,286 <sup>(3)</sup>
PT Lima Srikandi Jaya	6,900 <sup>(4)</sup>	–
<b>TOTAL</b>	<b>9,300</b>	<b>98,116</b>

Notes:

- \* For illustrative purpose the aggregate value of all interested person transactions, conducted under the Shareholders' Mandate during the financial year under review using the current period closing rate.
- (1) In respect of the aggregate rent paid by the Group to Mr. Gunardi Hariyanto Lim for office space in Indonesia pursuant to the lease agreement between Mr. Gunardi Hariyanto Lim and PT Bumitama Gunajaya Agro.
- (2) In respect of transactions conducted pursuant to the Shareholders' Mandate for Transactions with IOI Corporation and its Associates (as described in the Prospectus).
- (3) In respect of transactions conducted pursuant to the Shareholders' Mandate for transaction with Sawit Nabati Agro (SNA) Group (as described in the Prospectus).
- (4) In respect of the rental agreement of vessels transactions involving PT Lima Srikandi Jaya which is one of the subsidiaries of Harita Group. Harita Group is owned by Lim family and also one of the Company's controlling shareholders.

**MATERIAL CONTRACTS**

Save as disclosed above in the sections on "Interested Person Transactions" and Service Agreements entered into between the Company and the Executive Director, there are no other material contracts of the Company or its subsidiaries involving the interest of the CEO, each Director or controlling Shareholders, which are either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of FY2016.

ANNUAL  
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# DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Bumitama Agri Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2016.

## 1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. DIRECTORS

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

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

## 3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

## 4. DIRECTORS' INTEREST IN SHARES AND DEBENTURES

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company as stated below:

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<b>Ordinary shares of the Company</b>				
Lim Gunawan Hariyanto	–	–	903,157,774	903,157,774
Dato' Lee Yeow Chor	–	–	556,672,070	556,672,070
Chua Chun Guan Christopher	450,000	450,000	–	–

## DIRECTORS' STATEMENT

### 4. DIRECTORS' INTEREST IN SHARES AND DEBENTURES (Continued)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

By virtue of Section 7 of the Singapore Companies Act, Cap.50, Lim Gunawan Hariyanto and Dato' Lee Yeow Chor are deemed to have interests in shares of the subsidiaries of the Company.

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 at the end of the financial year.

### 5. SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries. The Company does not have any share option scheme.

### 6. AUDIT COMMITTEE

The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50. The functions of the AC include the following:–

- Reviews the audit plans of the internal and external auditors of the Group and the Company, and reviews the internal auditors' evaluation of the adequacy of the Group's system of internal accounting controls and the assistance given by the Group and the Company's Management to the external and internal auditors;
- Reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- Reviews effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and



## DIRECTORS' STATEMENT

### 6. **AUDIT COMMITTEE** (Continued)

- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the financial year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance in the Annual Report of the Company.

### 7. **AUDITOR**

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

**LIM GUNAWAN HARIYANTO**

Director

**TAN BOON HOO**

Lead Independent Director

Singapore

23 March 2017

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUMITAMA AGRI LTD.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Bumitama Agri Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statement of changes in equity of the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows 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 and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") 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 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUMITAMA AGRI LTD.

## Key audit matters (Continued)

### ***Adoption of Amendments to FRS 16, Property, Plant and Equipment and FRS 41, Agriculture: Bearer Plants***

The amendments to FRS 16 Property, Plant and Equipment and FRS 41 Agriculture: Bearer Plants ("Amendments") became effective for financial period beginning on or after 1 January 2016. In accordance with the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 41. Instead, such bearer plants will be within the scope of FRS 16 and has to be measured at accumulated cost (before maturity) using either the cost model or revaluation model (after maturity). Produce that grows on bearer plants remain within the scope of FRS 41 and continues to be measured at fair value less costs to sell.

We considered the audit of this to be a key audit matter as the adoption of these amendments resulted in material adjustments being made to certain account balances, including the restatement of comparatives.

In previous years, the Group has accounted for bearer plants and their agricultural produce as a single asset measured at fair value less costs to sell in accordance with FRS 41. These amendments resulted in a change in the Group's accounting policy for biological assets as disclosed in Note 39. This resulted in a reclassification from biological assets of IDR 6,091,413 million to bearer plants and a decrease in the carrying value of biological assets by IDR 7,783,241 million to IDR 233,308 million, representing the fair value of the agricultural produce as at 31 December 2015. There were also corresponding increases in net deferred tax liabilities of IDR 310,367 million and decrease in equity of IDR 1,381,461 million as at 31 December 2015 respectively. In addition, the Group has also restated the comparative as disclosed in Notes 11 and 19.

Our audit procedures include the following; amongst others:

- We obtained an understanding of management's process for separating the value of bearer plants from their agricultural produce.
- With respect to bearer plants, we obtained an understanding of management's identification of the costs that can be capitalised and have test-checked the accuracy of these costs to supporting documents.
- With respect to agricultural produce, the details of our audit procedures are in "Valuation of biological assets" paragraph below.
- We assessed whether the adjustments to the respective account balances and restatements have been made in accordance with the requirements set out in the Amendments.
- We also assessed the adequacy of the disclosures related to the adoption of these Amendments in Notes 11 and 19.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUMITAMA AGRI LTD.

## **Key audit matters** (Continued)

### ***Valuation of biological assets***

As at 31 December 2016, the fair value of biological assets amounted to IDR 260,251 million. The biological assets relates to agricultural produce growing on the bearer plants ("oil palm trees") which we refer as Fresh Fruit Bunches ("FFBs"). The valuation of FFBs is significant to our audit because of the complexity of management's fair value measurement methodologies which involved significant judgement and is dependent on the biological transformation and projected harvest quantities based on historical physical census results. As such, we identify this as key audit matter.

Our audit procedures include the following; among others:

- We obtained an understanding of management's fair value measurement methodologies used to measure the fair value of these produce and assessed the reasonableness of the significant assumptions used in the valuation.
- We compared the projected harvest quantities to historical physical census reports.
- We compared the market price of FFBs to publicly available index price set by government.
- We checked the post balance sheet harvest data to assess the reasonableness of the quantities projected and recorded by management.
- We assessed the adequacy of the disclosures related to valuation of biological assets in Note 19 to the financial statements.

### ***Deferred tax assets***

As at 31 December 2016, the Group has recognised deferred tax assets ("DTA") of IDR 149,113 million. The estimation of the DTA is significant to our audit because of the complexity of the valuation process which involved significant management judgement given that it is dependent on management's forecast of profitability.

Our audit procedures include the following; amongst others:

- We assessed and tested management's assumptions to determine the probability that DTA will be recovered through taxable income in future years.
- We involved our internal tax specialist to review the tax positions and to assess the assumptions used to determine the tax positions.
- We assessed the historical accuracy of management's assumptions and estimation process by comparing the forecasted results against actual results of operations.
- We also assessed the adequacy of the disclosure Note 18 in the financial statements.



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUMITAMA AGRI LTD.

## ***Impairment assessment of goodwill***

As at 31 December 2016, the carrying amount of goodwill amounted to IDR 167,901 million. The annual goodwill impairment test is significant to our audit because the recoverable value is determined by a value-in-use calculation using a discounted cash flow model which is complex, highly judgemental and subjective. Management engaged an independent valuer to determine the recoverable value of the goodwill. The plantation estates are identified as a single cash generating unit ("CGU") for impairment testing.

The recoverable value of the CGU to which the goodwill is attributed to was determined by using the discounted cash flow model. The cash flow model estimates 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 approximating the weighted average cost of capital. 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 terminal value after the implicit period of 5 years.

Our audit procedures include the following; amongst others:

- We reviewed the independent valuation reports and assessed the capability, 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 assumptions made.
- We compared the operational assumptions against historical data and trend to assess their reasonableness.
- We engaged the assistance of our internal valuation expert to assess the reasonableness of the key predictive assumptions such as inflation rate, projected crude palm oil price and discount rate used.
- We 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 14 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.

## **Other information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our audit'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 BUMITAMA AGRI 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 FRSs, 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BUMITAMA AGRI LTD.

## Auditor's responsibilities for the audit of the financial statements (Continued)

- 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.

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 Low Bek Teng.

## ERNST & YOUNG LLP

Public Accountants and  
Chartered Accountants  
Singapore

23 March 2017

# CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 IDR million	2015 IDR million (Restated)
<b>Revenue</b>	4	6,629,772	5,542,123
Cost of sales	5	(4,654,131)	(3,887,599)
<b>Gross profit</b>		1,975,641	1,654,524
<b>Other items of income:</b>			
Other income		16,122	19,505
Interest income		182,223	145,566
<b>Other items of expenses:</b>			
Selling expenses		(188,144)	(190,420)
General and administrative expenses		(206,138)	(208,190)
Finance cost		(163,344)	(155,476)
Share of loss of associate companies		(21,784)	(67,357)
Gain/(loss) arising from fair value changes in biological assets		26,943	(91,227)
Foreign exchange gain/(loss)		15,857	(52,094)
Other expenses		(121,693)	(52,850)
<b>Profit before taxation</b>	6	1,515,683	1,001,981
Income tax expense	7	(327,547)	(196,444)
<b>Profit for the year</b>		<b>1,188,136</b>	<b>805,537</b>
<b>Attributable to:</b>			
Owners of the Company		1,005,086	713,723
Non-controlling interests		183,050	91,814
		<b>1,188,136</b>	<b>805,537</b>
<b>Earnings per share</b>			
Basic and diluted (IDR per share)	8	<b>572</b>	<b>406</b>

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



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 IDR million	2015 IDR million (Restated)
<b>Profit for the year</b>		1,188,136	805,537
<b>Other comprehensive income:</b>			
<b><i>Item that may be reclassified subsequently to profit or loss:</i></b>			
Foreign currency translation gain/(loss)		173,637	(179,035)
<b><i>Item that will not be reclassified to profit or loss:</i></b>			
Fair value reserve on derivative financial liabilities		(37,461)	22,690
Re-measurement gain/(loss) on defined benefit plans	28	2,267	(3,412)
<b>Other comprehensive income for the year, net of tax</b>		138,443	(159,757)
<b>Total comprehensive income for the year</b>		<b>1,326,579</b>	<b>645,780</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		1,143,529	554,123
Non-controlling interests		183,050	91,657
		<b>1,326,579</b>	<b>645,780</b>

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

BALANCE  
SHEETS

AS AT 31 DECEMBER 2016

		Group			Company	
	Note	31.12.2016 IDR million	31.12.2015 IDR million (Restated)	1.1.2015 IDR million (Restated)	31.12.2016 IDR million	31.12.2015 IDR million
ASSETS						
Non-current assets						
Investments in subsidiaries	9	–	–	–	854,370	675,463
Investments in associate companies	10	2,285	24,043	84,250	142,952	145,886
Bearer Plants	11	7,024,690	6,091,413	5,714,631	–	–
Property, plant and equipment	12	3,307,380	3,244,388	2,865,809	79	140
Land use rights	13	815,034	615,560	486,160	–	–
Intangible assets	14	176,034	173,301	171,276	–	–
Plasma receivables	15	923,331	713,697	245,089	–	–
Due from subsidiaries	16	–	–	–	8,041,210	8,280,592
Loan to an associate company	17	68,084	327,686	282,167	68,084	327,686
Deferred tax assets	18	149,113	113,254	42,965	–	–
Deferred charges		6,228	12,788	10,263	6,228	12,788
Total non-current assets		12,472,179	11,316,130	9,902,610	9,112,923	9,442,555
Current assets						
Biological assets	19	260,251	233,308	324,535	–	–
Inventories	20	611,617	650,842	526,801	–	–
Deferred charges		5,333	8,101	8,326	50	61
Trade and other receivables	21	277,770	598,598	139,576	–	–
Due from related companies	22	478	158,977	126,270	–	–
Plasma receivables	15	302,246	426,289	539,573	–	–
Prepayments and advances		10,784	80,081	81,099	101	99
Dividend receivables		–	–	–	13,314	173,500
Prepaid taxes		309,230	301,288	151,292	44	12
Cash and short-term deposits	23(a)	517,097	598,797	310,858	23,700	22,603
Total current assets		2,294,806	3,056,281	2,208,330	37,209	196,275
Total assets		14,766,985	14,372,411	12,110,940	9,150,132	9,638,830

BALANCE  
SHEETS

AS AT 31 DECEMBER 2016

		Group			Company	
	Note	31.12.2016 IDR million	31.12.2015 IDR million (Restated)	1.1.2015 IDR million (Restated)	31.12.2016 IDR million	31.12.2015 IDR million
LIABILITIES AND EQUITY						
Current liabilities						
Loans and borrowings	24	1,007,700	1,983,667	588,959	1,007,700	1,861,201
Trade and other payables	25	572,029	935,430	772,622	13	13
Accrued operating expenses	26	171,012	144,873	154,377	56,366	55,202
Dividend payables		1,397	43,732	20,400	–	–
Sales advances		30,996	62,119	165,237	–	–
Income tax payable		132,231	106,334	221,107	1	7,679
Total current liabilities		1,915,365	3,276,155	1,922,702	1,064,080	1,924,095
Net current assets/(liabilities)		379,441	(219,874)	285,628	(1,026,871)	(1,727,820)
Non-current liabilities						
Deferred tax liabilities	18	164,488	190,235	196,101	–	–
Loans and borrowings	24	868,634	343,933	139,769	868,634	343,933
Islamic medium term notes	27	2,991,828	3,202,894	3,551,370	2,991,828	3,202,894
Employee benefits liability	28	39,082	25,224	12,369	–	–
Derivative financial liabilities	29	1,265,881	1,126,928	377,480	1,265,881	1,126,928
Total non-current liabilities		5,329,913	4,889,214	4,277,089	5,126,343	4,673,755
Total liabilities		7,245,278	8,165,369	6,199,791	6,190,423	6,597,850
Net assets		7,521,707	6,207,042	5,911,149	2,959,709	3,040,980
Equity attributable to owners of the Company						
Share capital	30	1,807,045	1,807,045	1,807,045	1,807,045	1,807,045
Treasury shares	30	(17,946)	(17,946)	–	(17,946)	(17,946)
Other reserves	31	(254,934)	(217,473)	(240,163)	(69,996)	(32,535)
Retained earnings		5,162,032	4,241,266	3,791,895	360,141	326,096
Foreign currency translation reserve	32	21,894	(151,743)	27,292	880,465	958,320
		6,718,091	5,661,149	5,386,069	2,959,709	3,040,980
Non-controlling interests		803,616	545,893	525,080	–	–
Total equity		7,521,707	6,207,042	5,911,149	2,959,709	3,040,980
Total liabilities and equity		14,766,985	14,372,411	12,110,940	9,150,132	9,638,830

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

STATEMENTS OF  
CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Attributable to owners of the Company							
	Share capital	Treasury shares	Retained earnings	Other reserves	Foreign currency	Total share capital and reserves	Non-controlling interests	Total equity
					translation reserves			
	IDR million	IDR million	IDR million	IDR million	IDR million	IDR million	IDR million	IDR million
<b>2016</b>								
Balance as of 1 January 2016:								
– As previously reported	1,807,045	(17,946)	5,515,407	(217,473)	(151,743)	6,935,290	653,213	7,588,503
– Cumulative effects of adopting amendments to FRS 41	–	–	(1,274,141)	–	–	(1,274,141)	(107,320)	(1,381,461)
Balance as of 1 January 2016 (As restated)	1,807,045	(17,946)	4,241,266	(217,473)	(151,743)	5,661,149	545,893	6,207,042
Profit for the year	–	–	1,005,086	–	–	1,005,086	183,050	1,188,136
Other comprehensive income:								
Fair value reserve on derivative financial liabilities	–	–	–	(37,461)	–	(37,461)	–	(37,461)
Foreign currency translation gain	–	–	–	–	173,637	173,637	–	173,637
Re-measurement gain on defined benefit plan (Note 28)	–	–	2,267	–	–	2,267	–	2,267
Total comprehensive income for the year, net of tax	–	–	1,007,353	(37,461)	173,637	1,143,529	183,050	1,326,579
Contributions by and distributions to owners:								
Contributions from non-controlling interests	–	–	–	–	–	–	76,317	76,317
Dividends on ordinary shares (Note 38)	–	–	(86,587)	–	–	(86,587)	–	(86,587)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(1,644)	(1,644)
<b>Balance as at 31 December 2016</b>	<b>1,807,045</b>	<b>(17,946)</b>	<b>5,162,032</b>	<b>(254,934)</b>	<b>21,894</b>	<b>6,718,091</b>	<b>803,616</b>	<b>7,521,707</b>

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



STATEMENTS OF  
CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Attributable to owners of the Company							
	Share capital	Treasury shares	Retained earnings	Other reserves	Foreign currency translation reserves	Total share capital and reserves	Non-controlling interests	Total equity
	IDR million	IDR million	IDR million	IDR million	IDR million	IDR million	IDR million	IDR million
<b>2015</b>								
Balance as of 1 January 2015:								
– As previously reported	1,807,045	–	4,889,062	(240,163)	27,292	6,483,236	625,490	7,108,726
– Cumulative effects of adopting amendments to FRS 41	–	–	(1,097,167)	–	–	(1,097,167)	(100,410)	(1,197,577)
Balance as of 1 January 2015 (As restated)	1,807,045	–	3,791,895	(240,163)	27,292	5,386,069	525,080	5,911,149
Profit for the year:								
– As previously reported	–	–	890,697	–	–	890,697	98,724	989,421
– Effects of adopting amendments to FRS 41	–	–	(176,974)	–	–	(176,974)	(6,910)	(183,884)
Profit for the year (As restated)	–	–	713,723	–	–	713,723	91,814	805,537
Other comprehensive income:								
Fair value reserve on derivative financial liabilities	–	–	–	22,690	–	22,690	–	22,690
Foreign currency translation loss	–	–	–	–	(179,035)	(179,035)	–	(179,035)
Re-measurement loss on defined benefit plan (Note 28)	–	–	(3,255)	–	–	(3,255)	(157)	(3,412)
Total comprehensive income for the year, net of tax	–	–	710,468	22,690	(179,035)	554,123	91,657	645,780
Contributions by and distributions to owners:								
Contributions from non-controlling interests	–	–	–	–	–	–	625	625
Buy-back of ordinary shares	–	(17,946)	–	–	–	(17,946)	–	(17,946)
Dividends on ordinary shares (Note 38)	–	–	(261,097)	–	–	(261,097)	–	(261,097)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(71,469)	(71,469)
<b>Balance as of 31 December 2015 (As restated)</b>	<b>1,807,045</b>	<b>(17,946)</b>	<b>4,241,266</b>	<b>(217,473)</b>	<b>(151,743)</b>	<b>5,661,149</b>	<b>545,893</b>	<b>6,207,042</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 IDR million	2015 IDR million (Restated)
<b>Cash flows from operating activities</b>		
Cash receipts from customers	6,919,475	4,979,983
Cash payments to suppliers, employees and for other operating expenses	(5,316,045)	(3,289,218)
Cash receipts from operating activities	1,603,430	1,690,765
Corporate income tax paid	(231,207)	(356,376)
<b>Net cash generated from operating activities (Note 23(b))</b>	<b>1,372,223</b>	<b>1,334,389</b>
<b>Cash flows from investing activities</b>		
Increase in plasma receivables	(117,066)	(424,220)
Investment in intangible assets	(5,601)	(313)
Investment in bearer plants	(328,978)	(804,972)
Purchase of property, plant and equipment	(392,315)	(705,658)
Investment in land use rights	(179,299)	(127,917)
Receipt of loan repayment from associate companies	262,700	–
Net cash outflows for the acquisition of subsidiaries	(96,203)	(2,759)
Interest received	151,713	129,224
<b>Net cash flows used in investing activities</b>	<b>(705,049)</b>	<b>(1,936,615)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings	132,455	2,070,920
Repayment of loans and borrowings	(597,427)	(639,705)
Increase in amount due from related companies	(34,038)	(32,707)
Dividend paid	(112,112)	(298,514)
Tax on dividend paid	–	(25,200)
Contributions from non-controlling interests	43,182	625
Buy-back of ordinary shares	–	(17,946)
Interest paid	(180,094)	(182,161)
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(748,034)</b>	<b>875,312</b>
Net (decrease)/increase in cash and cash equivalents	(80,860)	273,086
Effect of exchange rate changes on cash and cash equivalents	(840)	14,853
Cash and cash equivalents at beginning of the year	598,797	310,858
<b>Cash and cash equivalents at the end of the year (Note 23(a))</b>	<b>517,097</b>	<b>598,797</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 1. GENERAL

Bumitama Agri Ltd. (the “Company”) is a limited liability company, incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The Company’s immediate holding company is Wellpoint Pacific Holdings Ltd (“Wellpoint”) incorporated in British Virgin Islands. Wellpoint is ultimately held by the Hariyantos.

The registered office of the Company is located at 10 Anson Road, #11-19, International Plaza, Singapore 079903. The principal place of operations is located at Jl. Melawai Raya No. 10, Kebayoran Baru, Jakarta Selatan, Indonesia.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are that of investment holding, operating oil palm plantations and palm oil mills, and the production and trading of crude palm oil and related products.

Related companies in these financial statements refer to the Hariyanto family’s group of companies.

Related parties in these financial statements refer to members of IOI Corporation Berhad and its subsidiaries (“IOI” Group) of companies.

## 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 (“FRS”).

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

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

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (“INT FRS”) that are effective for annual periods beginning on or after 1 January 2016. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company, except for Amendments to FRS 16 and FRS 41 *Agriculture: Bearer Plants* as detailed in Note 39.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Standards issued but not yet effective

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

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
<i>Amendments to FRS 110 &amp; FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined**
<i>Amendments to FRS 7: Disclosure Initiative</i>	1 January 2017
<i>Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
<i>Improvement to FRSs issued in December 2016</i>	
<i>FRS 101 First-time Adoption of Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters</i>	1 January 2017
<i>FRS 112 Disclosure of Interests in Other Entities: Clarification of the scope of the Standard</i>	1 January 2017
<i>FRS 28 Investments in Associates and Joint Ventures: Measuring an associate or joint venture at fair value</i>	1 January 2018
<i>FRS 115 Revenue from Contracts with Customers</i>	1 January 2018
<i>FRS 109 Financial Instruments</i>	1 January 2018
<i>Amendments to FRS 40: Transfers of Investment Property</i>	1 January 2018
<i>Amendments to FRS 102: Classification and Measurement of Share-based Payment transactions</i>	1 January 2018
<i>Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*</i>	1 January 2018
<i>INT FRS 122: Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
<i>FRS 116 Lease</i>	1 January 2019

\*\* The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council ("ASC") in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.

# The amendments to FRS 104 only apply to Insurance Entities.

Except for FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109 and FRS 116 are described below.

#### **FRS 109 Financial Instruments**

In December 2014, the ASC issued the final version of FRS 109 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is required, but comparative information is not compulsory in the year of adoption. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 *Standards issued but not yet effective* (Continued)

#### **FRS 116 Leases**

FRS 116 requires lessees to recognise most leases on the statements of financial position to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, earnings before interest, taxation and depreciation and gearing ratio.

### 2.4 *Basis of consolidation and business combinations*

#### **(a) Basis of consolidation**

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

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

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

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

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

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 *Basis of consolidation and business combinations* (Continued)

#### (a) *Basis of consolidation* (Continued)

- 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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

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

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.13(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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 *Basis of consolidation and business combinations* (Continued)

#### (b) *Business combinations* (Continued)

Business combinations involving entities under common control are accounted for by applying the pooling-of-interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the acquired entity is reflected within equity as merger reserve. The income statement reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been consolidated since the date the entities had come under common control. No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities. No additional goodwill is recognised as a result of the combination.

### 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 financial statements are presented in Indonesian Rupiah ("IDR") which is also the functional currency of its Indonesian entities. The functional currency of the Company is United States Dollars ("USD"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### (a) *Transactions and balances*

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 *Foreign currency* (Continued)

#### (b) *Consolidated financial statements*

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

### 2.7 *Revenue and other income*

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

#### (a) *Sale of goods*

Revenue is recognised upon the transfer of significant risks and rewards of ownership of the goods to the buyer, usually on delivery of goods in accordance with the terms of the sale. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. Payments received from the buyer are recorded as sales advances until all of the criteria for revenue recognition are met.

#### (b) *Interest income*

Interest income is recognised using the effective interest method.

#### (c) *Management fee*

Management fee is earned from managing related companies and providing plantation support services to related companies.

### 2.8 *Subsidiaries*

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 Associates

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

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

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

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

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

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

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

### 2.10 Bearer plants

Bearer plants comprise of mature and immature oil palm plantations and nurseries.

Bearer plants are measured at accumulated cost before maturity and at cost, less any subsequent accumulated depreciation and impairment, with changes recognised in profit or loss. Bearer plants at cost mainly consist of cost relating to development of the oil palm such as land clearing, planting, fertilizing, up-keeping/maintaining the plantations, and allocations of indirect overhead costs up to the time the trees become commercially productive and available for harvest.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which is 25 years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 *Bearer plants* (Continued)

Bearer plants which are not matured are not depreciated as these are not yet available for use.

The carrying values of the bearer plants 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 reporting date and adjusted prospectively, if appropriate.

Bearer plants are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the bearer plant is included in profit or loss in the year the asset is derecognised.

### 2.11 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.14. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

	Number of years
Buildings	5-20
Renovations	2
Infrastructure	20
Machinery and equipment	5-20
Vehicles and heavy equipment	5-10
Furniture and fixtures	5

Depreciation of property, plant and equipment related to the plantations are allocated proportionately based on the area of mature and immature plantations.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 *Property, plant and equipment* (Continued)

Assets in construction is stated at cost and not depreciated as these assets are not yet available for use. Accumulated cost is transferred to the related asset when the asset is completed and ready for use and is then depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with Note 2.15.

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

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

### 2.12 *Land use rights*

Hak Guna Usaha ("HGU") or Right to Cultivate and Hak Guna Bangunan ("HGB") or Right to Build are land rights that grant the registered holders of such rights use of the land for a period of 25 to 35 years.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised according to the rights period, which are over the period of 25 to 35 years.

### 2.13 *Intangible assets*

#### (a) *Goodwill*

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

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

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.13 *Intangible assets* (Continued)

##### (b) *Other intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

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

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

Other intangible assets represent the cost of software, which is not an integral part of a related hardware that covers all direct cost related to the acquisition and preparation of the software for its intended use. The intangible asset is being amortised on a straight-line basis over the estimated useful life of five years from its initial use.

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

#### 2.14 *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.

#### 2.15 *Impairment of non-financial assets*

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.15 *Impairment of non-financial assets* (Continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

### 2.16 *Plasma receivables*

Plasma receivables represent loans to Plasma farmers under the Indonesian Government policy – "Kredit Koperasi Primer untuk Anggota" ("KKPA") scheme for the development of biological assets and its infrastructures, covering costs incurred for plasma plantations development which includes seedling, land clearing, cultivating, fertilising, maintenance and other indirect expenses. Plasma receivables are either immediately claimed to the financing banks, or temporarily self-funded by the Group for those awaiting bank's funding, or shall be reimbursed by the Plasma farmers. Plasma receivables will include advances to Plasma farmers for loan instalments paid to banks. This account is presented at net amount after financing cost, received from the banks. Bank financing are soft loans obtained by cooperatives whose agreements were signed by Plasma farmers and the respective bank for which the Group acts as guarantors for the loans repayment.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.16 *Plasma receivables* (Continued)

Costs incurred during development of the oil palm plantations and temporary funding to the Plasma farmers for working capital purposes are included in plasma receivables in the balance sheet. The funds received from the designated banks on behalf of the Plasma farmers for the development and operations of the plantations are included in plasma receivables as "Investment credits" in the balance sheet.

#### 2.17 *Biological assets*

Biological assets comprise of fresh fruit bunches ("FFB").

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

The fair value of the FFB is measured by reference to estimated FFB quantities and publicly available index price set by government.

In determining the estimated FFB production quantities, the Company considers the estimated yield of the biological assets which is dependent on the age of the oil palm trees, the location, soil type and infrastructure.

#### 2.18 *Financial instruments*

##### (a) *Financial assets*

##### *Initial recognition and measurement*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Financial instruments (Continued)

#### (a) Financial assets (Continued)

##### **Subsequent measurement**

Subsequent measurement of financial assets depends on their classification as follows:

##### (i) Financial assets at fair value through profit or loss

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

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

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

##### (ii) Loans and receivables

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

##### **Derecognition**

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 *Financial instruments* (Continued)

#### (b) *Financial liabilities*

##### ***Initial recognition and measurement***

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

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

##### ***Subsequent measurement***

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

##### Financial liabilities at fair value through profit or loss

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

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

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

##### Financial liabilities at amortised cost

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

##### Derivatives

The Group uses derivative financial instruments such as cross currency swaps to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date. The Group had applied hedge accounting on its cross currency swaps.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Financial instruments (Continued)

#### (b) *Financial liabilities* (Continued)

##### *Subsequent measurement* (Continued)

##### Derivatives (Continued)

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to the statement of comprehensive income for the year. The fair value of cross currency swaps are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

##### *Derecognition*

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

### 2.19 *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and in banks, and short-term deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are not pledged as collateral and not restricted.

### 2.20 *Impairment of financial assets*

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

#### **Financial assets carried at amortised cost**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.20 *Impairment of financial assets* (Continued)

##### **Financial assets carried at amortised cost** (Continued)

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

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

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

#### 2.21 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials (comprising of fertilisers and chemicals and other supplies): purchase costs on a weighted average basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

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

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

FFB are initially recognised at fair value and subsequently at lower of net realisable value and initial recognition value.

#### 2.22 *Operating leases*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 *Income tax*

#### (a) *Current income tax*

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

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

#### (b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 *Income tax* (Continued)

#### (b) *Deferred tax* (Continued)

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

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

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

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

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

#### (c) *Sales tax*

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from and payable to, the taxation authority is presented as prepaid taxes and part of other payables in the balance sheet.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.24 Provisions

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

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

### 2.25 Employee benefits

#### (a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### (b) Defined benefit plans

The Group also provides additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labor Law No.13/2003. The said additional provisions, which are unfunded, are estimated using actuarial calculations based on the report prepared by an independent firm of actuaries.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.25 *Employee benefits* (Continued)

#### (b) *Defined benefit plans* (Continued)

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

### 2.26 *Contingencies*

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.27 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.

### 2.28 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 related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

### 2.29 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
  - (i) Has control or joint control over the Company;
  - (ii) Has significant influence over the Company; or
  - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.30 Segment reporting

For management purposes, the Group is organised into business units based on their products, and has two operating segments as follows:

(a) *Plantations and Palm Oil Mills*

Plantations and palm oil mills segment is principally involved in the cultivation and maintenance of oil palm plantations and operation of palm oil mills.

(b) *Downstream Biodiesel Refinery*

Processing biodiesel plant and sells biodiesel products from the refinery.

As the downstream biodiesel refinery segment information is quantitatively insignificant to the Group, operating segment information is not presented.

The Group operates in only one country, and therefore does not present geographical segment information.

### 2.31 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management did not make any judgements that have effect on the amounts recognised in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Fair value of biological assets ("FFB")

Biological assets are measured at fair value less estimated costs to sell. The fair value of FFB is measured by reference to estimated FFB quantities and publicly available index price set by government. In determining the fair value of the FFB, the Company considers the estimated yield of the biological assets which is dependent on the age of the oil palm tree, the location, soil type and infrastructure. Any change in the estimates may affect the fair value of the FFB significantly. The management review the assumptions and estimates periodically to identify any significant change in the fair value of FFB.

Details of assumptions used and sensitivity analysis are disclosed in Note 19.

#### (b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.13(a). As disclosed in Note 14 to the financial statements, the recoverable amounts of the cash generating units which goodwill have been allocated to have been determined based on value in use calculations. The value in use calculations are based on discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 14.

#### (c) Deferred tax assets

Deferred tax assets are recognised for all unused tax credits to the extent that it is probable that taxable profit will be available against which the tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits. In determining the timing and level of future taxable profits, the Group assessed the probability of expected future cash inflows based on expected taxable profit for the next 2 years.

Details of unutilised tax losses and unused tax credits including sensitivity are disclosed in Note 18.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4. REVENUE

	Group	
	2016 IDR million	2015 IDR million
Revenue from sale of:		
Crude Palm Oil ("CPO")	5,416,743	4,888,709
Palm Kernel ("PK")	902,170	579,909
Biodiesel	309,968	72,839
Glycerin	891	666
<b>Total revenue</b>	<b>6,629,772</b>	<b>5,542,123</b>

## 5. COST OF SALES

	Group	
	2016 IDR million	2015 IDR million (Restated)
<b>FFB</b>		
Upkeep and cultivation	190,491	253,728
Fertilising	405,755	424,898
Harvesting	405,643	368,645
Indirect cost	156,411	151,348
Depreciation of mature plantations and property, plant and equipment (Notes 11 and 12)	305,776	243,770
Amortisation of land use rights (Note 13)	4,419	4,419
Production cost of FFB	1,468,495	1,446,808
FFB purchased – related parties and third parties	2,440,051	2,195,333
Cost of FFB transferred to CPO and PK	3,908,546	3,642,141
<b>CPO and PK</b>		
Cost of FFB to be processed into CPO and PK	3,908,546	3,642,141
Processing expenses:		
CPO and PK	165,749	150,597
Depreciation of property, plant and equipment (Note 12)	108,633	93,297
Indirect cost	42,330	44,716
<b>Biodiesel</b>		
Processing expenses:		
Biodiesel	216,465	45,853
Depreciation of property, plant and equipment (Note 12)	5,196	4,715
Indirect cost	2,850	1,642
Cost of production	4,449,769	3,982,961
Biodiesel purchased – third parties	86,965	24,226
Finished goods:		
Balance as at 1 January – CPO and PK	305,491	187,361
Balance as of 31 December – CPO and PK (Note 20)	(172,485)	(305,491)
Balance as of 1 January – Biodiesel	7,018	5,560
Balance as of 31 December – Biodiesel (Note 20)	(22,627)	(7,018)
<b>Total cost of sales</b>	<b>4,654,131</b>	<b>3,887,599</b>

Total depreciation of mature plantations and property, plant and equipment charged to cost of sales during the year amounted to IDR 419,605 million (2015: IDR 341,782 million) (Notes 11 and 12).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 6. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the following expenses:

	Group	
	2016 IDR million	2015 IDR million (Restated)
<b>Selling expenses</b>		
Freight	(166,242)	(153,508)
Loading expense	(21,902)	(36,912)
<b>Total selling expenses</b>	<b>(188,144)</b>	<b>(190,420)</b>
<b>General and administrative expenses</b>		
Audit fees:		
– Auditors of the Company	(1,436)	(1,385)
– Other auditors	(3,141)	(3,308)
Non-audit fees:		
– Other consultants	(39)	(40)
Employees' benefit expense:		
– Salaries, wages and other staff related expenses	(111,860)	(126,275)
– Defined benefit plan (Note 28)	(16,928)	(14,487)
– Defined contribution plan	(471)	(486)
Transportation	(5,131)	(5,167)
Training	(11,874)	(6,818)
Depreciation of property, plant and equipment (Note 12)	(9,514)	(9,096)
Amortisation of land use rights (Note 13)	(90)	(90)
Amortisation of intangible assets (Note 14)	(2,278)	(2,515)
Maintenance	(2,847)	(3,438)
Rental	(3,816)	(3,505)
Professional fees	(2,926)	(4,712)
Insurance	(4,209)	(4,381)
Security	(2,159)	(3,249)
Electricity, water and telephone	(663)	(774)
Licenses and taxes	(12,621)	(5,395)
Office expenses	(5,314)	(5,803)
Others	(8,821)	(7,266)
<b>Total general and administrative expenses</b>	<b>(206,138)</b>	<b>(208,190)</b>
<b>Finance costs</b>		
Interest expense and amortisation on:		
Loans and borrowings	(250,301)	(249,530)
Less:		
Capitalised to Bearer Plants (Note 11)	86,957	94,054
<b>Total finance costs</b>	<b>(163,344)</b>	<b>(155,476)</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 7. INCOME TAX EXPENSES

### Major components of income tax expense

	Group	
	2016	2015
	IDR million	IDR million
		(Restated)
Current income tax:		
– Current year	(353,503)	(266,803)
Deferred income tax:		
– Reversal of temporary differences	25,956	70,359
<b>Income tax expense recognised in profit or loss</b>	<b>(327,547)</b>	<b>(196,444)</b>

### Relationship between income tax expense and accounting profit

A reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group	
	2016	2015
	IDR million	IDR million
		(Restated)
Profit before taxation	1,515,683	1,001,981
Tax at the domestic rates applicable to profits in the countries where the Group operates	(378,921)	(201,639)
Income not subject to tax	–	2,386
Non-deductible expenses	(23,787)	(3,159)
Share of loss of associate companies	(5,446)	(16,839)
Deferred tax adjustment on revaluation of mature plantation	54,259	–
Others	26,348	22,807
<b>Income tax expense recognised in profit or loss</b>	<b>(327,547)</b>	<b>(196,444)</b>

The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction. The corporate income tax rates applicable to the Group companies in the following countries are:

	2016	2015
Singapore	17%	17%
Indonesia	25%	25%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 8. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit net of tax attributable to owners of the Company, by the weighted average number of ordinary shares outstanding during the respective financial years.

Diluted earnings per share are calculated by dividing profit net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the respective financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. No dilution of shares was noted for the Company as at 31 December 2016 and 2015.

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

	2016	2015 (Restated)
Profit for the year attributable to ordinary equity holders of the Company (IDR million)	1,005,086	713,723
Weighted average number of ordinary shares for basic earnings per share computation (No. of shares)	1,757,153,644	1,757,153,644
<b>Earnings per share (IDR)</b>		
– Basic and diluted	572	406

## 9. INVESTMENTS IN SUBSIDIARIES

	Company 2016 IDR million	2015 IDR million
Unquoted equity shares, at cost	854,370	675,463

Details of the subsidiaries are as follows:

Subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest		
			2016	2015	
			%	%	
<b><u>Held by the Company</u></b>					
PT Bumitama Gunajaya Agro (“BGA”) <sup>(1)</sup>	Indonesia	Wholesale distribution, agriculture and plantations development	90.00	90.00	
PT Bumitama Sawit Lestari (“BSL”) <sup>(1)</sup>	Indonesia	Investment holding	90.00	90.00	
PT Bumitama Energi Lestari (“BEL”) <sup>(1)</sup>	Indonesia	Wholesale distribution	99.77	99.77	
PT Bumitama Oleo Sentosa (“BOS”) <sup>(3)</sup>	Indonesia	Wholesale distribution	95.00	95.00	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 9. INVESTMENT IN SUBSIDIARIES (Continued)

Subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2016 %	2015 %
<b>Held via BGA:</b>				
PT Karya Makmur Bahagia (“KMB”) <sup>(1)</sup>	Indonesia	Oil palm plantation and mill	85.50	85.50
PT Windu Nabatindo Lestari (“WNL”) <sup>(1)</sup>	Indonesia	Oil palm plantation and mill	81.00	81.00
PT Rohul Sawit Industri (“RSI”) <sup>(1)</sup>	Indonesia	Palm oil mill	81.00	81.00
PT Bumitama Gunajaya Abadi (“BG Abadi”) <sup>(1)</sup>	Indonesia	Oil palm plantation and mill	85.50	85.50
PT Windu Nabatindo Abadi (“WNA”) <sup>(1)</sup>	Indonesia	Oil palm plantation and mill	85.50	85.50
PT Masuba Citra Mandiri (“MCM”) <sup>(1)</sup>	Indonesia	Oil palm plantation	85.50	85.50
PT Windu Nabatindo Sejahtera (“WNS”) <sup>(3)</sup>	Indonesia	Oil palm plantation	85.50	85.50
PT Agro Manunggal Sawitindo (“AMS”) <sup>(1)</sup>	Indonesia	Oil palm plantation	85.50	85.50
PT Lestari Gemilang Intisawit (“LGI”) <sup>(1)</sup>	Indonesia	Oil palm plantation	81.00	81.00
PT Ladang Sawit Mas (“LSM”) <sup>(1)</sup>	Indonesia	Oil palm plantation and mill	85.50	85.50
<b>Held via BSL:</b>				
PT Tanah Tani Lestari (“TTL”) <sup>(1)</sup>	Indonesia	Oil palm plantation	85.50	85.50
PT Nabatindo Karya Utama (“NKU”) <sup>(1)</sup>	Indonesia	Oil palm plantation	72.00	72.00
PT Andalan Sukses Makmur (“ASMR”) <sup>(1)</sup>	Indonesia	Oil palm plantation	85.50	85.50
PT Inti Sawit Lestari (“ISL”) <sup>(2)</sup>	Indonesia	Wholesale distribution	85.50	85.50
PT Sukses Manunggal Sawitindo (“SMS”) <sup>(2)</sup>	Indonesia	Wholesale distribution	85.50	–
PT Langgeng Makmur Sejahtera (“LMS”) <sup>(1)</sup>	Indonesia	Oil palm plantation	85.50	–
PT Investa Karya Bakti (“IKB”) <sup>(3)</sup>	Indonesia	Oil palm plantation	85.50	–
PT Gemilang Makmur Subur (“GMS”) <sup>(3)</sup>	Indonesia	Oil palm plantation	85.50	–
PT Sejahtera Sawit Lestari (“SSL”) <sup>(1)</sup>	Indonesia	Oil palm plantation	85.50	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 9. INVESTMENT IN SUBSIDIARIES (Continued)

Subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2016 %	2015 %
<b>Held via BSL:</b>				
PT Fajar Bumi Nabati ("FBI") <sup>(3)</sup>	Indonesia	Oil palm plantation	85.50	–
PT Gemilang Subur Maju ("GSM") <sup>(3)</sup>	Indonesia	Oil palm plantation	85.50	–
PT Damai Agro Sejahtera ("DAS") <sup>(3)</sup>	Indonesia	Oil palm plantation	85.50	–
<b>Held via KMB:</b>				
PT Hatiprima Agro ("HPA") <sup>(2)</sup>	Indonesia	Oil palm plantation	85.73	85.73
<b>Held via AMS:</b>				
PT Gunajaya Karya Gemilang ("GKG") <sup>(1)</sup>	Indonesia	Oil palm plantation and mill	85.52	85.52
PT Gunajaya Ketapang Sentosa ("GKS") <sup>(1)</sup>	Indonesia	Oil palm plantation	85.52	85.52
PT Karya Bakti Agro Sejahtera ("KBAS") <sup>(1)</sup>	Indonesia	Oil palm plantation and mill	85.52	85.52
<b>Held via LGL:</b>				
PT Agro Sejahtera Manunggal ("ASM") <sup>(1)</sup>	Indonesia	Oil palm plantation and mill	82.37	82.37
PT Karya Makmur Langgeng ("KML") <sup>(1)</sup>	Indonesia	Oil palm plantation	82.37	82.37
PT Nabati Agro Subur ("NAS") <sup>(3)</sup>	Indonesia	Oil palm plantation	76.95	76.95
<b>Held via BEL:</b>				
PT Energi Baharu Lestari ("EBL") <sup>(1)</sup>	Indonesia	Wholesale distribution	99.63	90.25
<b>Held via ISL:</b>				
PT Sentosa Prima Agro ("SPA") <sup>(2)</sup>	Indonesia	Oil palm plantation	81.23	81.23
PT Wahana Hijau Indah ("WHI") <sup>(2)</sup>	Indonesia	Oil palm plantation	81.23	81.23
PT Raya Sawit Manunggal ("RSM") <sup>(2)</sup>	Indonesia	Oil palm plantation	81.23	81.23
<b>Held via SMS:</b>				
PT Gunajaya Harapan Lestari ("GHL") <sup>(2)</sup>	Indonesia	Oil palm plantation	81.23	–

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

(2) Audited by KAP Anwar & Rekan

(3) Not required to be audited by law in its country of incorporation.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 9. INVESTMENT IN SUBSIDIARIES (Continued)

### (a) Interest in subsidiaries with material Non-Controlling Interest ("NCI")

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit allocate to NCI during the year IDR million	Accumulated NCI at the end of reporting period IDR million	Dividends paid to NCI IDR million
<b>31 December 2016:</b>					
BGA	Indonesia	10%	101,342	360,061	1,643
<b>31 December 2015:</b>					
BGA	Indonesia	10%	51,309	253,741	21,419

*Summarised financial information about subsidiaries with material NCI.*

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

	BGA	
	2016 IDR million	2015 IDR million
<b>Current</b>		
Assets	3,821,762	3,467,618
Liabilities	(923,641)	(4,333,335)
Net current assets/(liabilities)	2,898,121	(865,717)
<b>Non-current</b>		
Assets	10,410,199	12,436,455
Liabilities	(8,091,424)	(6,123,096)
Net non-current assets	2,318,775	6,313,359
<b>Net assets</b>	<b>5,216,896</b>	<b>5,447,642</b>

*Summarised statement of comprehensive income*

	BGA	
	2016 IDR million	2015 IDR million
Revenue	6,302,603	5,417,388
Profit before taxation	1,610,635	798,770
Income tax expense	(318,031)	(166,519)
Profit for the year	1,292,604	632,251
Other comprehensive income for the year	1,926	(3,843)
<b>Total Comprehensive income for the year</b>	<b>1,294,530</b>	<b>628,408</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 9. INVESTMENT IN SUBSIDIARIES (Continued)

### (a) Interest in subsidiaries with material Non-Controlling Interest ("NCI") (Continued)

Other summarised information

	BGA	
	2016	2015
	IDR million	IDR million
Net cash flows from operations	1,649,688	566,335
Acquisition of property, plant and equipment	271,242	704,580

### (b) Acquisition of subsidiaries in 2016

On 3 February 2016, BSL together with PT Karya Manunggal Sawitindo ("KMS"), an associate of the Group's controlling shareholders, Dr. Lim Hariyanto Wijaya Sarwono and Mr Lim Gunawan Hariyanto, entered into a Sale and Purchase Agreement with the Lim Family (which include one of the Company's Controlling Shareholders, the Hariyantos) to acquire PT Sukses Manunggal Sawitindo ("SMS") for a total consideration of IDR 76,957 million. Upon completion of the acquisition, BSL and KMS own 95% and 5% of the issued and paid up share capital in SMS, respectively.

On 7 June 2016, BSL together with KMS acquired PT Langgeng Makmur Sejahtera ("LMS") from a third party for a total consideration of IDR 250 million. Upon completion of the acquisition, BSL and KMS own 95% and 5% of the issued and paid up share capital in LMS, respectively.

On 13 September 2016, BSL together with KMS acquired PT Gemilang Makmur Subur ("GMS") from Westbrook International Pte Ltd. for a total consideration of IDR 12,274 million. Upon completion of the acquisition, BSL and KMS own 95% and 5% of the issued and paid up share capital in GMS, respectively.

On 30 December 2016, BSL together with KMS acquired PT Damai Agro Sejahtera ("DAS") from a third party for a total consideration of IDR 250 million. Upon completion of the acquisition, BSL and KMS own 90% and 10% of the issued and paid up share capital in DAS, respectively.

During 2016, the Group through one of its subsidiary, BSL, together with KMS acquired several less material subsidiaries with total amount of purchase consideration of IDR 11,567 million.

No goodwill recognised upon acquisition of the above subsidiaries as the fair value of identifiable net assets are approximate the acquisition value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 9. INVESTMENT IN SUBSIDIARIES (Continued)

### (b) Acquisition of subsidiaries in 2016 (Continued)

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

	<b>Total IDR million</b>
Bearer plant (Note 11)	633,156
Property, plant and equipment (Note 12)	18,421
Land use rights (Note 13)	24,559
Other non-current assets	23,607
Plasma receivables	91,150
Inventories	10,031
Trade and other receivables	14,043
Prepaid expenses	2,027
Prepaid taxes	35,621
Deferred tax liabilities	(35,037)
Bank loan	(54,217)
Trade and other payables	(387,963)
Due to related parties	(258,457)
Other current liabilities	(15,632)
Total identifiable net assets at fair value	101,309
Non-controlling interest measured at the non-controlling interest's proportionate share net identifiable assets	(5,106)
<b>Consideration paid</b>	<b>96,203</b>

#### Impact of the acquisition on Group's profit or loss

From their acquisition dates, the acquired subsidiaries contributed revenue of IDR 70,065 million, and loss of IDR 26,153 million to the Group's revenue and profit for the year, respectively. Had the business combinations took place at the beginning of the financial year, the revenue from the operations would have been IDR 6,634,109 million and the Group's profit for the year would have been IDR 1,177,236 million.

### (c) Acquisition of subsidiaries in 2015

On 31 July 2015, LGI together with PT Karya Manunggal Sawitindo ("KMS"), an associate of the group's controlling shareholders, Dr. Lim Hariyanto Wijaya Sarwono and Mr Lim Gunawan Hariyanto, acquired PT Nabati Agro Subur ("NAS") from a third party for a total consideration of IDR 4,733 million. Upon completion of the acquisition, LGI and KMS own 95% and 5% of the issued and paid up share capital in NAS, respectively. As a result of the acquisition, the Group recognised IDR 590 million as provisional goodwill. The fair values of the assets and liabilities have subsequently been finalised and adjustment arising from the finalisation of such purchase price allocation was made during the year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 9. INVESTMENT IN SUBSIDIARIES (Continued)

### (c) Acquisition of subsidiaries in 2015 (Continued)

On 5 October 2015, BSL together with KMS acquired PT Inti Sawit Lestari ("ISL Group") and its subsidiaries from a third party for a total consideration of IDR 2,451 million. Upon completion of the acquisition, BSL and KMS own 95% and 5% of the issued and paid up share capital in ISL Group, respectively. No goodwill recognised upon acquisition of ISL Group as the acquisition has been accounted for as an acquisition of assets.

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

	<b>NAS IDR million</b>
Land use rights (Note 13)	8,106
Other receivables	2,250
Trade and other payables	(5,373)
Deferred tax liabilities	(621)
Total identifiable net assets at fair value	4,362
Non-controlling interest measured at the non-controlling interest's proportionate share of NAS' net identifiable assets	(219)
Provisional goodwill arising from acquisition (Note 14)	590
<b>Consideration paid</b>	<b>4,733</b>

For ISL Group, the fair value of identifiable assets and liabilities as at the date of acquisition is individually immaterial for presentation in the financial statements.

#### Consideration transferred for the acquisition of NAS and ISL Group

	<b>NAS IDR million</b>	<b>ISL Group IDR million</b>	<b>Total IDR million</b>
Cash paid	2,483	276	2,759
Deferred settlement	2,250	–	2,250
	<b>4,733</b>	<b>276</b>	<b>5,009</b>

#### Effect of the acquisition NAS and ISL Group on cash flows

	<b>NAS IDR million</b>	<b>ISL Group IDR million</b>	<b>Total IDR million</b>
Consideration transferred	4,733	276	5,009
Less: Deferred cash settlement	(2,250)	–	(2,250)
	<b>2,483</b>	<b>276</b>	<b>2,759</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 9. INVESTMENT IN SUBSIDIARIES (Continued)

### (c) Acquisition of subsidiaries in 2015 (Continued)

#### *Impact of the acquisition on profit or loss*

From their acquisition dates, NAS and ISL Group contributed revenue of IDR 9,285 million, and loss of IDR 4,708 million to the Group's revenue and profit for the year, respectively. Had the business combinations took place on 1 January 2015, there will be no change to the contribution of revenue and profit for the year ended 31 December 2015 to the Group as the acquired subsidiaries had no activities during the year prior to acquisition.

## 10. INVESTMENT IN ASSOCIATE COMPANIES

	Group		Company	
	2016	2015	2016	2015
	IDR million	IDR million	IDR million	IDR million
Balance as at 1 January	24,043	84,250	145,886	131,556
Additions	840	–	840	–
Share of post-acquisition reserve	(21,784)	(67,357)	–	–
Translation differences	(814)	7,150	(3,774)	14,330
<b>Balance as at 31 December</b>	<b>2,285</b>	<b>24,043</b>	<b>142,952</b>	<b>145,886</b>

Details of the associate companies are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2016	2015
			%	%
<b><i>Held through the Company:</i></b>				
PT Sawit Nabati Agro (“SNA”) <sup>(1)</sup>	Indonesia	Oil palm plantation	28.00	28.00
PT Berkas Agro Sawitindo (“BAS”) <sup>(1)</sup>	Indonesia	Oil palm plantation	28.00	28.00

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

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

	Group	
	2016 IDR million	2015 IDR million
<b>Assets and liabilities</b>		
Total assets	1,408,239	1,290,486
Total liabilities	1,978,520	1,769,614
<b>Results</b>		
Revenue	111,325	71,769
Loss for the year	(77,800)	(240,559)



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**11. BEARER PLANTS**

Bearer Plants are classified into mature plantations, immature plantations and nurseries.

	<b>Group</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>IDR million</b>	<b>IDR million</b>
		<b>(Restated)</b>
<b><i>Mature plantations</i></b>		
<b>Cost</b>		
Balance as at 1 January	4,217,361	3,390,483
Transfer from immature plantations	1,074,892	1,114,566
Transfer from a related party	176,546	118,551
Transfer to plasma receivables	(153,847)	–
Acquisition of subsidiaries (Note 9)	439,504	–
Disposals	–	(406,239)
<b>Balance as at 31 December</b>	<b>5,754,456</b>	<b>4,217,361</b>
<b>Accumulated depreciation</b>		
Balance as at 1 January	591,114	429,897
Additions	212,739	161,217
Transfer to plasma receivables	(26,653)	–
<b>Balance as at 31 December</b>	<b>777,200</b>	<b>591,114</b>
<b>Net carrying amount</b>	<b>4,977,256</b>	<b>3,626,247</b>
<b><i>Immature plantations</i></b>		
<b>Cost</b>		
Balance as at 1 January	2,368,556	2,613,762
Development costs	461,566	897,186
Transfer from a related party	–	54,554
Transferred from nurseries	50,250	45,084
Acquisition of subsidiaries (Note 9)	193,652	–
	3,074,024	3,610,586
Disposal	–	(127,474)
Transferred to mature plantations	(1,074,892)	(1,114,556)
Transfer to plasma receivables	(28,102)	–
<b>Balance as at 31 December</b>	<b>1,971,030</b>	<b>2,368,556</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 11. BEARER PLANTS (Continued)

	Group	
	31 Dec 2016	31 Dec 2015
	IDR million	IDR million
		(Restated)
<b>Nurseries</b>		
<b>Cost</b>		
Balance as at 1 January	96,610	140,283
Development costs	41,206	31,056
Deduction	(11,162)	(29,645)
	126,654	141,694
Transferred to immature plantations	(50,250)	(45,084)
Balance as at 31 December	<b>76,404</b>	<b>96,610</b>
<b>Total carrying amount</b>	<b>7,024,690</b>	<b>6,091,413</b>

The plantations of the Group have been insured against the risk of fire, covering an aggregate area of approximately 10,599 hectares (2015: 14,424 hectares) for up to approximately IDR 319 billion (2015: IDR 361 billion) as at 31 December 2015. Total nucleus planted area for the year ended 31 December 2016 accounted for approximately 128,966 hectares (2015: 119,679 hectares).

Depreciation of property, plant and equipment capitalised to immature plantations for the financial years ended 31 December 2016 and 2015 amounted to IDR 13,870 million and IDR 16,528 million, respectively (Note 12).

Borrowing costs capitalised to immature plantations for the financial years ended 31 December 2016 and 2015 amounted to IDR 86,957 million and IDR 94,054 million, respectively (Note 6).

In 2015, bearer plants with a net carrying amount of IDR 1,041,000 million were pledged to secure Group's bank loans (Note 24).

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## 12. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings IDR million	Renovation IDR million	Infrastructure IDR million	Machinery and equipment IDR million	Vehicles and heavy equipment IDR million	Furniture and fixtures IDR million	Assets under construction IDR million	Total IDR million
<b>Cost</b>								
Balance as at								
1 January 2015	1,092,333	2,551	526,773	930,397	441,551	98,166	515,367	3,607,138
Additions	65,165	–	47,892	106,933	23,581	16,288	445,799	705,658
Disposals	(16,892)	–	(21,969)	(2,127)	(23,173)	(1,598)	(57,238)	(122,997)
Reclassifications	218,690	–	40,038	215,813	43	26	(474,610)	–
Balance as at								
31 December 2015 and								
1 January 2016	1,359,296	2,551	592,734	1,251,016	442,002	112,882	429,318	4,189,799
Additions	44,952	–	54,574	49,070	12,911	7,262	128,558	297,327
Acquisition of subsidiaries								
(Note 9)	14,469	–	378	98	2,625	851	–	18,421
Disposals	(772)	–	–	–	(12,903)	–	–	(13,675)
Reclassifications	35,627	–	41,180	208,226	494	40	(285,567)	–
Balance as at								
31 December 2016	1,453,572	2,551	688,866	1,508,410	445,129	121,035	272,309	4,491,872
<b>Accumulated depreciation</b>								
Balance as at								
1 January 2015	204,297	2,551	55,348	183,732	236,205	59,196	–	741,329
Charge for the year	64,537	–	27,967	63,583	54,623	13,599	–	224,309
Disposals	(3,217)	–	(1,988)	(946)	(13,278)	(798)	–	(20,227)
Balance as at								
31 December 2015 and								
1 January 2016	265,617	2,551	81,327	246,369	277,550	71,997	–	945,411
Charge for the year	70,395	–	33,028	76,808	54,978	15,179	–	250,388
Disposals	(412)	–	–	–	(10,895)	–	–	(11,307)
Balance as at								
31 December 2016	335,600	2,551	114,355	323,177	321,633	87,176	–	1,184,492
<b>Net carrying amount</b>								
<b>Balance as at</b>								
<b>31 December 2015</b>	<b>1,093,679</b>	<b>–</b>	<b>511,407</b>	<b>1,004,647</b>	<b>164,452</b>	<b>40,885</b>	<b>429,318</b>	<b>3,244,388</b>
<b>Balance as at</b>								
<b>31 December 2016</b>	<b>1,117,972</b>	<b>–</b>	<b>574,511</b>	<b>1,185,233</b>	<b>123,496</b>	<b>33,859</b>	<b>272,309</b>	<b>3,307,380</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Renovations IDR million	Furniture and fixtures IDR million	Total IDR million
<b>Cost</b>			
Balance as at 1 January 2015	2,551	271	2,822
Additions	–	15	15
Balance as at 31 December 2015, 1 January 2016 and 31 December 2016	2,551	286	2,837
<b>Accumulated depreciation</b>			
Balance as at 1 January 2015	2,551	87	2,638
Charge for the year	–	59	59
Balance as at 31 December 2015 and 1 January 2016	2,551	146	2,697
Charge for the year	–	61	61
Balance as at 31 December 2016	2,551	207	2,758
<b>Net carrying amount</b>			
<b>Balance as at 31 December 2015</b>	<b>–</b>	<b>140</b>	<b>140</b>
<b>Balance as at 31 December 2016</b>	<b>–</b>	<b>79</b>	<b>79</b>

### Assets pledged as security

In 2015, the Group's property, plant and equipment with a net carrying amount of IDR 111,063 million were pledged to secured the Group's bank loans (Note 24).

### Depreciation

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

	Group	
	2016 IDR million	2015 IDR million
Cost of sales (Note 5)		
– FFB	93,037	82,553
– CPO and PK	108,633	93,297
– Biodiesel	5,196	4,715
General and administrative expenses (Note 6)	9,514	9,096
Immature plantations (Note 11)	13,870	16,528
Plasma receivables (Note 15)	20,138	18,120
<b>Total depreciation</b>	<b>250,388</b>	<b>224,309</b>

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## 13. LAND USE RIGHTS

	Group	
	2016	2015
	IDR million	IDR million
<b>Cost</b>		
Balance as at 1 January	626,274	492,365
Additions	179,424	132,426
Acquisition of subsidiaries (Note 9)	24,559	8,106
Disposals	–	(6,623)
Balance as at 31 December	830,257	626,274
<b>Accumulated amortisation</b>		
Balance as at 1 January	10,714	6,205
Amortisation for the year	4,509	4,509
Balance as at 31 December	15,223	10,714
<b>Net carrying amount</b>	<b>815,034</b>	<b>615,560</b>
Amounts to be amortised:		
– Not later than one year	4,509	4,509
– Later than one year but not more than five years	18,036	18,036
– Later than five years	792,489	593,015
	<b>815,034</b>	<b>615,560</b>

Land use rights represent the cost of land use rights owned by the Group and cost associated with the legal transfer or renewal for titles of land use rights such as, among others, legal fees, land survey and re-measurement fees, taxes and other related expenses. Land use rights are amortised on a straight line basis over their terms of 25 to 35 years. The terms can be extended up to a period of 25 years from the initial recognition, subject to agreement with the Government of Indonesia and payments of premium.

As at 31 December 2016, the land use rights have remaining tenure ranging from 20 years to 30 years (2015: 21 years to 30 years).

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

	Group	
	2016	2015
	IDR million	IDR million
Cost of sales (Note 5)	4,419	4,419
General and administrative expenses (Note 6)	90	90
	<b>4,509</b>	<b>4,509</b>

In 2015, the Group's land use rights with a net carrying amount of IDR 67,024 million were pledged to secure the Group's bank loans (Note 24).



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## 14. INTANGIBLE ASSETS

Group	Goodwill IDR million	Software IDR million	Total IDR million
<b>Cost</b>			
Balance as at 1 January 2015	174,464	16,398	190,862
Acquisition of subsidiaries (Note 9)	590	–	590
Additions	–	3,950	3,950
Balance as at 31 December 2015 and 1 January 2016	175,054	20,348	195,402
Additions	–	5,601	5,601
Adjustment arising from finalisation of purchase price allocation	(590)	–	(590)
Balance as at 31 December 2016	174,464	25,949	200,413
<b>Accumulated amortisation and impairment losses</b>			
Balance as at 1 January 2015	6,563	13,023	19,586
Amortisation for the year (Note 6)	–	2,515	2,515
Balance as at 31 December 2015 and 1 January 2016	6,563	15,538	22,101
Amortisation for the year (Note 6)	–	2,278	2,278
Balance as at 31 December 2016	6,563	17,816	24,379
<b>Net carrying amount</b>			
<b>Balance as at 31 December 2015</b>	<b>168,491</b>	<b>4,810</b>	<b>173,301</b>
<b>Balance as at 31 December 2016</b>	<b>167,901</b>	<b>8,133</b>	<b>176,034</b>

### Goodwill

#### Impairment testing of goodwill

Goodwill arising from business combinations is allocated to the individual cash-generating units (“CGU”) for the purpose of impairment testing. The CGUs relating to the goodwill as at 31 December are as follows:

	Group	
	2016 IDR million	2015 IDR million
Carrying values:		
– KMB	22,885	22,885
– LGI	48,809	48,809
– NKU	96,207	96,207
– NAS	–	590
	<b>167,901</b>	<b>168,491</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 14. INTANGIBLE ASSETS (Continued)

The recoverable amount of the CGUs as at 31 December 2016 and 2015 was determined based on value-in-use ("VIU") calculations using cash flow projections from financial budgets approved by Board of Directors. The calculations were based on the following key assumptions:

	2016	2015
Discount rate (pre-tax)	11.63%	13.85%
Inflation rate	3.41% – 5%	3.99% – 4.70%
Projected CPO price (IDR/Kg)	7,054 – 7,360	7,065 – 7,849

The VIU calculations applied a discounted cash flow model using cash flow projections and projected CPO price of IDR 7,054 – IDR 7,360 per kg (2015: IDR 7,065 – IDR 7,849 per kg). The cash flows calculated is based on a professional valuer's judgement with reference to monetary policy report published by Bank Indonesia, International Monetary Fund data and World Economic Outlook Database. The inflation rate in fifth year is projected at 5% and the cash flows beyond the projected periods are extrapolated using the inflation rate of 5%.

The calculations of VIU are most sensitive to the following assumptions:

*Pre-tax discount rate* – The discount rate applied to the cash flow projection is pre-tax and derived from the weighted average cost of capital of the oil palm plantation sectors.

*Inflation rate* – The inflation rate is based on the International Monetary Fund data and World Economic Outlook Database.

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

Based on the above analysis, management has assessed that the goodwill is not impaired as at 31 December 2016 and 2015.

Changes to the assumptions used by management to determine the recoverable amounts can have an 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 each CGU including goodwill to materially exceed their recoverable amount.

### Software

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 15. PLASMA RECEIVABLES

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

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

As the guarantors for the loan instalment, the Subsidiaries deduct plasma farmers' sales of FFB based on bank loan installments until the plasma farmers' loans to the bank are fully paid. The amount deducted will be paid by the Subsidiaries as the plasma farmers' loan installment to the bank. Deficits from difference between deductions from sales of FFB with bank loan installments, which must be paid by the Subsidiaries as guarantors of loan repayments, are recorded as plasma receivables until reimbursed by plasma farmers.

As of 31 December 2016 and 2015, the Company has developed plasma plantations through bank partnerships covering a total area of 46,277 hectares and 44,498 hectares, respectively.

Details of plasma plantation receivables as at 31 December 2016 and 2015 are as follows:

Group	Plasma plantation development costs IDR million	Investment credits IDR million	Net plasma plantation receivables IDR million
<b>KKPA</b>			
Balance as at 1 January 2016	2,514,031	(1,374,045)	1,139,986
Development costs net of plasma FFB purchased by the Group	256,832	–	256,832
Acquisition of subsidiaries	91,150	–	91,150
Additional credits	–	(814,206)	(814,206)
Depreciation expense capitalised (Note 12)	20,138	–	20,138
Payment of self financing of receivables from plasma plantation	–	531,677	531,677
<b>Balance as at 31 December 2016</b>	<b>2,882,151</b>	<b>(1,656,574)</b>	<b>1,225,577</b>
Less: Current portion of plasma receivables			(302,246)
Non-current portion of plasma receivables			<b>923,331</b>
Balance as at 1 January 2015	1,694,505	(909,843)	784,662
Development costs net of plasma FFB purchased by the Group	790,470	–	790,470
Additional credits	–	(699,736)	(699,736)
Depreciation expense capitalised (Note 12)	18,120	–	18,120
Interest paid on behalf	10,936	–	10,936
Payment of self financing of receivables from plasma plantation	–	235,534	235,534
<b>Balance as at 31 December 2015</b>	<b>2,514,031</b>	<b>(1,374,045)</b>	<b>1,139,986</b>
Less: Current portion of plasma receivables			(426,289)
Non-current portion of plasma receivables			<b>713,697</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 16. DUE FROM SUBSIDIARIES

	Company	
	2016	2015
	IDR million	IDR million
<b>Due from subsidiaries</b>	<b>8,041,210</b>	<b>8,280,592</b>

As at 31 December 2016, loan to subsidiaries include loans that are non-trade, bear interest at rates of 3.55% (2015: 3.55%) per annum above the one month London Interbank Offered Rate ("LIBOR"). The loans are unsecured and the settlement are neither planned nor likely to occur in the foreseeable future. The amount is, in substance, a part of the company's net investments in the subsidiaries. These amounts are denominated in USD.

## 17. LOAN TO AN ASSOCIATE COMPANY

Loan to an associate company is non-trade, bears interest at 5.0% (2015: 5.0%) per annum above the three months USD LIBOR, unsecured and is repayable at the end of the fifth anniversary from 20 March 2012. The amount is denominated in USD.

As of the date of the financial statements, the Company is in the progress of renewing its loan agreement with the associate company to extend its repayment period for another 5 years from 20 March 2017. The original terms and conditions contained in the loan agreement remained unchanged.

## 18. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Balance sheet			Income statement	
	Group			Group	
	2016	2015	2014	2016	2015
	IDR million	IDR million	IDR million	IDR million	IDR million
		(Restated)	(Restated)		(Restated)
<b>Deferred tax assets:</b>					
Property, plant and equipment	5,383	4,100	2,211	1,283	1,889
Unutilised tax losses	120,219	123,830	42,740	(3,611)	81,090
Bearer plants	59,264	–	–	59,264	–
Remeasurement on defined benefit plan (Note 28)	2,661	3,417	2,280	–	–
<b>Gross deferred tax assets, net</b>	<b>187,527</b>	<b>131,347</b>	<b>47,231</b>	<b>56,936</b>	<b>82,979</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 18. DEFERRED TAX (Continued)

	Balance sheet Group			Income statement Group	
	2016 IDR million	2015 IDR million (Restated)	2014 IDR million (Restated)	2016 IDR million	2015 IDR million (Restated)
<b>Deferred tax liabilities:</b>					
Property, plant and equipment	(20,851)	(19,143)	(11,200)	(1,708)	(7,943)
Bearer plants	(57,192)	(105,479)	(83,275)	(22,536)	(27,484)
Biological assets	(65,063)	(58,327)	(81,134)	(6,736)	22,807
Fair value adjustments on acquisition of subsidiaries	(59,796)	(25,379)	(24,758)	—	—
<b>Gross deferred tax liabilities, net</b>	<b>(202,902)</b>	<b>(208,328)</b>	<b>(200,367)</b>	<b>(30,980)</b>	<b>(12,620)</b>
Net deferred tax liabilities	(15,375)	(76,981)	(153,136)		
Deferred tax benefits				25,956	70,359
<b>Presented in balance sheet</b>					
Deferred tax assets	149,113	113,254	42,965		
Deferred tax liabilities	(164,488)	(190,235)	(196,101)		
	(15,375)	(76,981)	(153,136)		

### Unrecognised tax losses and tax credits

At the balance sheet date, the Group recognised deferred tax assets of IDR 120,219 million (2015: IDR 123,830 million) arising from unutilised tax losses as disclosed above. The Group has deferred tax on unutilised tax losses and tax credits of approximately IDR 11,148 million and IDR 505 million (2015: IDR 7,174 million and IDR Nil) respectively that are available for offset against future taxable profits of the companies in which these arose for which no deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses and tax credits are subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. If the Group was able to recognise all unrecognised unutilised tax losses and deferred tax credit, profit would increase by the same amount of the unutilised tax losses as described above.

### Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2015: Nil) has been recognised for taxes that would be payable on the undistributed earnings of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to approximately IDR 3,696,122 million (2015: IDR 3,900,189 million).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 19. BIOLOGICAL ASSETS

	2016 IDR million	Group 2015 IDR million (Restated)	2014 IDR million (Restated)
Biological assets	260,251	233,308	324,535

Biological assets comprise primarily fresh fruit bunches ("FFB"). The fair value of the Group's biological assets have been determined based on estimated FFB quantities and publicly available index price set by government.

As at 31 December 2016, the Group recognised a fair value gain of IDR 26,943 million (2015: fair value loss of IDR 91,227 million).

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

	2016	Group 2015	2014
<b>Nucleus volume (tonnes)</b>			
FFB	148,781	213,401	214,340
<b>Nucleus planted area (hectares)</b>			
Mature	104,970	89,211	77,177
Average FFB price (IDR/kg)	1,749	1,093	1,514

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

	Increase/ (decrease) IDR million	Changes in fair values IDR million
<b>2016</b>		
Index price	+10%	26,025
	-10%	(26,025)
<b>2015</b>		
Index price	+10%	23,331
	-10%	(23,331)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 20. INVENTORIES

	Group	
	2016	2015
	IDR million	IDR million
<b>Balance sheet:</b>		
<i>At lower of cost and net realisable value</i>		
Finished goods:		
CPO	156,186	285,659
PK	16,299	18,648
Biodiesel	22,627	7,018
	<u>195,112</u>	<u>311,325</u>
Raw materials:		
Fertilisers and chemicals	292,182	215,447
Spare parts and other consumables	120,514	123,111
Biodiesel materials	3,809	959
	<u>416,505</u>	<u>339,517</u>
<b>Total inventories</b>	<b><u>611,617</u></b>	<b><u>650,842</u></b>
<b>Income statement:</b>		
Inventories recognised as an expense:		
– in cost of sales (Note 5)	4,654,131	3,887,599
– in other expenses	–	1,184

## 21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	IDR million	IDR million	IDR million	IDR million
Trade and other receivables:				
Trade receivables	236,941	166,373	–	–
Other receivables	40,829	432,225	–	–
Total trade and other receivables	277,770	598,598	–	–
Due from subsidiaries (Note 16)	–	–	8,041,210	8,280,592
Loan to an associate company (Note 17)	68,084	327,686	68,084	327,686
Due from related companies (Note 22)	478	158,977	–	–
Dividend receivables	–	–	13,314	173,500
Cash and short-term deposits (Note 23(a))	517,097	598,797	23,700	22,603
<b>Total loans and receivables</b>	<b><u>863,429</u></b>	<b><u>1,684,058</u></b>	<b><u>8,146,308</u></b>	<b><u>8,804,381</u></b>

### Trade receivables

Trade receivables are non-interest bearing and are generally less than 30 days credit terms for CPO and PK. They are recognised at their original invoice amounts which represent their fair values on initial recognition. They are not secured by any collateral or credit enhancement. All trade receivables are denominated in IDR.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 21. TRADE AND OTHER RECEIVABLES (Continued)

### Receivables that are past due but not impaired

The Group has trade receivables as at 31 December 2016 amounting to IDR 98,112 million (2015: IDR 63,215 million), that are past due but not impaired. These receivables are unsecured and the analysis of their ageing at the balance sheet date is as follows:

	Group	
	2016	2015
	IDR million	IDR million
Trade receivables past due:		
Less than 30 days	68,455	48,498
30 to 60 days	14,697	7,824
More than 61 days	14,960	6,893
	<b>98,112</b>	<b>63,215</b>

There are no trade receivables that are impaired either individually or collectively as at the end of each reporting period.

### Other receivables

Other receivables are non-interest bearing, unsecured, repayable on demand, and are to be settled in cash. Included in other receivables as at 31 December 2015 was the amounts related to the disposal of business of subsidiaries in prior years.

Included in other receivables is an amount due from non-controlling interest of IDR 28,029 million (2015: Nil). These amounts are non-trade in nature, non-interest bearing, unsecured, repayable on demand, and are to be settled in cash.

## 22. DUE FROM RELATED COMPANIES

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

## 23. CASH AND SHORT-TERM DEPOSITS

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

	Group		Company	
	2016	2015	2016	2015
	IDR million	IDR million	IDR million	IDR million
Cash at bank and on hand	356,002	549,409	23,700	22,603
Time deposits	161,095	49,388	–	–
Total cash and short-term deposits	<b>517,097</b>	<b>598,797</b>	<b>23,700</b>	<b>22,603</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 23. CASH AND SHORT-TERM DEPOSITS (Continued)

### (a) Cash and short-term deposits (Continued)

Cash at bank earns interest at floating rates based on daily bank deposit rate. Time deposits are made for varying periods of not more than three months depending on the immediate cash requirements of the Group, and earn interest at the annual interest rates of 8% to 9.25% (2015: 2.75% to 2.90%).

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

	Group		Company	
	2016	2015	2016	2015
	IDR million	IDR million	IDR million	IDR million
USD	35,890	94,303	–	–
SGD	2,117	8,210	2,117	8,210
MYR	34	1,297	34	1,297
EUR	1,096	–	–	–

### (b) Cash flow from operating activities

	Group	
	2016	2015
	IDR million	IDR million
Profit before taxation	1,515,683	1,001,981
Adjustments:		
Depreciation and amortisation	435,907	356,610
Finance cost	163,344	155,476
Interest income	(182,223)	(145,566)
Post employment benefits	16,919	15,143
Foreign exchange (gain)/loss	(87,483)	415,568
Gain on disposal of business in a subsidiary	–	(5,749)
(Gain)/loss on disposal of property, plant, and equipment	(75)	118
Share of loss of associate companies	21,784	67,357
(Gain)/loss arising from fair value changes in biological assets	(26,943)	91,227
Operating cash flows before working capital changes	1,856,913	1,952,165
Decrease/(increase) in trade and other receivables	354,203	(7,661)
Decrease/(increase) in inventories	43,298	(140,437)
Decrease/(increase) in prepaid taxes	24,719	(149,996)
Decrease in prepayment and advances	69,551	1,018
Decrease/(increase) in deferred charges	2,767	(2,300)
(Decrease)/Increase in trade and other payables	(568,581)	157,435
Decrease in accrued operating expenses	(51,179)	(9,504)
Decrease in tax payable	(97,137)	–
Decrease in sales advances	(31,124)	(103,118)
Decrease in post employment benefits	–	(6,837)
Cash flows from operations	1,603,430	1,690,765
Corporate income tax paid	(231,207)	(356,376)
<b>Net cash resulting from operating activities</b>	<b>1,372,223</b>	<b>1,334,389</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 23. CASH AND SHORT-TERM DEPOSITS (Continued)

### (c) Notes to the consolidated statement of cash flows

The total addition in property, plant and equipment was IDR 297,327 million (2015: IDR 705,658 million) and the purchase of property, plant and equipment included in the statement of cash flows include payment for prior years addition of IDR 94,988 million (2015: Nil).

During the financial year, the addition to the land use rights was IDR 179,424 million of which IDR 125 million have not been paid. In the previous financial year, the addition to the land use rights was IDR 132,426 million of which IDR 4,509 million was paid in prior years.

## 24. LOANS AND BORROWINGS

	Group		Company	
	2016	2015	2016	2015
	IDR million	IDR million	IDR million	IDR million
<i>Current:</i>				
Revolving loan facilities	1,007,700	1,843,898	1,007,700	1,861,201
Term loan	–	139,769	–	–
	<u>1,007,700</u>	<u>1,983,667</u>	<u>1,007,700</u>	<u>1,861,201</u>
<i>Non-current:</i>				
Revolving loan facilities	868,634	343,933	868,634	343,933
<b>Loans and borrowings</b>	<b><u>1,876,334</u></b>	<b><u>2,327,600</u></b>	<b><u>1,876,334</u></b>	<b><u>2,205,134</u></b>

### Revolving loan facilities:

On 3 February 2015, the Company had entered into bilateral facility agreements with DBS Bank Ltd, United Overseas Bank Limited, OCBC Bank Ltd., Sumitomo Mitsui Banking Corporation Singapore branch, Maybank Berhad Singapore branch, and CIMB Bank Berhad Singapore branch. On 25 May 2016, the Company had entered into bilateral facility agreements with Taipei Fubon Commercial Bank Co Ltd Singapore branch. With this new facility, the Company has total of an aggregate principal amount up to USD 275 million comprises of both committed and uncommitted facilities. These facilities bear average interest rate of 1.98% per annum in 2016.

As at 31 December 2016, the aggregate outstanding balances of the facilities amounted to USD 140 million (or equals to IDR 1,876,334 million) of which USD 65 million (or equals to IDR 868,634 million) of these facilities was presented as a non-current liability comprises of portion which will not be due in 12 months.

### Term loan:

Loan from an Indonesian bank obtained by a subsidiary in 2012 for palm oil plantations purpose. The loan bore interest at 10.75% per annum. The loan was secured over certain of the subsidiary's assets. The loan was fully repaid in the current year.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 25. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	IDR million	IDR million	IDR million	IDR million
Trade and other payables:				
Trade payables	472,898	709,620	–	–
Other payables	99,131	225,810	13	13
Total trade and other payables	572,029	935,430	13	13
Loans and borrowings (Note 24)	1,876,334	2,327,600	1,876,334	2,205,134
Dividend payables	1,397	43,732	–	–
Accrued operating expenses (Note 26)	171,012	144,873	56,366	55,202
Islamic medium term notes (Note 27)	2,991,828	3,202,894	2,991,828	3,202,894
<b>Total financial liabilities carried at amortised cost</b>	<b>5,612,600</b>	<b>6,654,529</b>	<b>4,924,541</b>	<b>5,463,243</b>

### Trade and other payables

These amounts are non-interest bearing. Trade payables are normally settled within 30 to 90 (2015: 30 to 90) days from date of invoice while other payables have an average term of 6 (2015: 6) months. All trade and other payables are denominated in IDR.

## 26. ACCRUED OPERATING EXPENSES

	Group		Company	
	2016	2015	2016	2015
	IDR million	IDR million	IDR million	IDR million
Accrued salaries and wages	93,775	83,410	726	719
Accrued interests	60,655	52,317	50,475	51,982
Professional fees	5,435	5,894	755	1,221
Others	11,147	3,252	4,410	1,280
<b>Total accrued operating expenses</b>	<b>171,012</b>	<b>144,873</b>	<b>56,366</b>	<b>55,202</b>

## 27. ISLAMIC MEDIUM TERM NOTES

On 10 January 2014, the Company was granted approval by the Securities Commission of Malaysia to establish a Ringgit-denominated Islamic Medium Term Note Programme ("IMTN") of up to MYR 2 billion under the laws of Malaysia. Under the programme, the Group may issue IMTN from time to time in Malaysian Ringgit in various amounts and tenures of more than a year and up to a maximum tenure of fifteen years.

The first issuance amounting to MYR 500 million was completed on 18 March 2014 with 5-year tenure and coupon of 5.25% per annum.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 27. ISLAMIC MEDIUM TERM NOTES (Continued)

The second issuance amounting to MYR 500 million was completed on 2 September 2014 with 5-year tenure and coupon of 5.00% per annum.

The IMTNs are unsecured and will not be listed on any stock exchange.

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

	Maturity date	Distribution rate (per annum)	Group and Company	
			2016 IDR million	2015 IDR million
First issuance	18 March 2019	5.25%	1,498,053	1,604,825
Second issuance	2 September 2019	5.00%	1,498,053	1,604,825
			2,996,106	3,209,650
Issuance costs			(6,536)	(8,491)
			2,989,570	3,201,159
Accumulated amortisation			2,258	1,735
<b>Islamic medium term notes, net</b>			<b>2,991,828</b>	<b>3,202,894</b>

## 28. EMPLOYEE BENEFIT LIABILITY

### Defined benefit plans

The Group recognised post employment benefits for all its permanent employees in Indonesia pursuant to Indonesian Labor Law No. 13/2003 and the Group has set-up a plan assets. The provision for post employment benefits is based on the calculation of an independent actuary, using the "Projected Unit Credit" method. As at 31 December 2016, number of employees of 3,743 (2015: 3,999), were included in the computation.

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

	2016	2015
Normal Pension Age	55 years	55 years
Salary Increment Rate per annum	7.0 %	7.0 %
Discount Rate per annum	8.6 %	9.1 %
Mortality Rate	Indonesia – III	Indonesia – III
Resignation level per annum	3% of 18 – 44 years	3% of 18 – 44 years

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 28. EMPLOYEE BENEFIT LIABILITY (Continued)

### *Defined benefit plans (Continued)*

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

	Group	
	2016	2015
	IDR million	IDR million
Present value of defined benefit obligation	88,015	72,994
Assets at fair value	(48,933)	(47,770)
<b>Total post employment benefits</b>	<b>39,082</b>	<b>25,224</b>

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

	Group	
	2016	2015
	IDR million	IDR million
Actuarial (gain)/loss arising from changes in financial assumptions	(3,023)	4,549
Deferred tax effect from actuarial gain/(loss) (Note 18)	756	(1,137)
	<b>(2,267)</b>	<b>3,412</b>

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

Balance as at 1 January	72,994	53,062
Interest cost	6,632	4,136
Current service cost	13,650	13,431
Actuarial (gain)/loss arising from changes in assumptions	(5,914)	3,336
Past service cost	985	510
Benefits paid	(332)	(1,481)
<b>Balance as at 31 December</b>	<b>88,015</b>	<b>72,994</b>

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

Balance as at 1 January	47,770	40,693
Expected return on plan assets	4,339	3,590
Contribution during the year	–	6,606
Benefits paid	–	(1,249)
Actuarial loss on plan assets	(3,176)	(1,870)
<b>Balance as at 31 December</b>	<b>48,933</b>	<b>47,770</b>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

**28. EMPLOYEE BENEFIT LIABILITY** (Continued)*Defined benefit plans* (Continued)

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

	Group	
	2016 IDR million	2015 IDR million
Current service cost	13,650	13,431
Interest cost on defined benefit obligation	6,632	4,136
Expected return on plan assets	(4,339)	(3,590)
Past service cost	985	510
<b>Post employment benefits expense</b>	<b>16,928</b>	<b>14,487</b>

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

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

	Sensitivity analysis	
	Increase/ (decrease)	Changes in actuarial gain
<b>2016</b>		
Discount rates	+1%	(8,651)
	-1%	10,112
Salary increment rate per annum	+1%	10,122
	-1%	(8,801)
<b>2015</b>		
Discount rates	+1%	(7,469)
	-1%	8,884
Salary increment rate per annum	+1%	8,936
	-1%	(7,790)

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. DERIVATIVE FINANCIAL LIABILITIES

### Cross currency swaps

In 2014, the Company had entered into cross currency swap agreements with financial institutions for swapping its Ringgit-denominated IMTN indebtedness (Note 27) into USD 312 million. Based on the agreements, the financial institutions will swap the principal as well as the profit distribution amounts of the Company's IMTN from Malaysian Ringgit into United States Dollar. Cash flow hedge accounting has been applied to these cross currency swap agreements as they have been assessed by management to be effective hedging instruments. For the financial year ended 31 December 2016, fair value reserve adjustment of a gain of IDR 37,461 million (2015: fair value loss of IDR 22,690 million) had been included in other comprehensive income in respect of these contracts.

	Group and Company			
	2016		2015	
	Contract/ Notional Amount MYR million	Liabilities IDR million	Contract/ Notional Amount MYR million	Liabilities IDR million
Cross currency swaps	1,000	1,265,881	1,000	1,126,928

## 30. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	2016		2015	
	No. of shares	IDR million	No. of shares	IDR million
Issued and fully paid ordinary shares				
Balance as at 1 January and at 31 December	1,757,531,844	1,807,045	1,757,531,844	1,807,045

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

	Group and Company			
	2016		2015	
	No. of shares	IDR million	No. of shares	IDR million
Treasury shares as at 31 December	2,255,300	17,946	2,255,300	17,946

In 2015, the Company purchased a total of 2,255,300 ordinary shares from the public, and held them as treasury shares. Other than these buy backs, there were no other changes in the Company's share capital.



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## 31. OTHER RESERVES

Other reserves comprise:

	Group		Company	
	2016	2015	2016	2015
	IDR million	IDR million	IDR million	IDR million
Premium paid on acquisition of non-controlling interests	(184,938)	(184,938)	–	–
Fair value reserve from derivative financial liabilities	(69,996)	(32,535)	(69,996)	(32,535)
	<b>(254,934)</b>	<b>(217,473)</b>	<b>(69,996)</b>	<b>(32,535)</b>

The premium paid on acquisition of non-controlling interest represents the difference between the consideration paid/(received) and the carrying value of the additional/(reduction in) interest acquired/(disposed).

Fair value reserve from derivative financial liabilities resulted from mark-to-market foreign currency swap of IMTN as at 31 December 2016 and 2015.

## 32. FOREIGN CURRENCY TRANSLATION RESERVE

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

## 33. RELATED PARTY TRANSACTIONS

### (a) Sale and purchase of goods and services and other transactions

In addition to the related party transactions disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2016	2015
	IDR million	IDR million
<b>Non-trade:</b>		
Management fee from related companies	396	402
Rental fee to related parties	9,300	8,100

The Group has entered into office premise lease agreements with Mr. Gunardi Hariyanto Lim for an amount of IDR 2,400 million for the year ended 31 December 2016 (2015: IDR 2,400 million).

The Group has also entered into vessel lease agreement with PT Lima Srikandi Jaya, a related party, amounting to IDR 6,900 million for the year ended 31 December 2016 (2015: IDR 5,700 million).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 33. RELATED PARTY TRANSACTIONS (Continued)

### (b) Compensation of key management personnel

	Group	
	2016	2015
	IDR million	IDR million
Directors' fee	2,855	2,826
Short-term employee benefits	59,745	54,255
	<u>62,600</u>	<u>57,081</u>
Comprise amounts paid/payable to:		
Directors of the Company	22,917	20,206
Other key management personnel	39,683	36,875
	<u>62,600</u>	<u>57,081</u>

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

## 34. CONTINGENCIES AND COMMITMENTS

### (a) Contingent liabilities

In relation to agreements between PT Bank Mandiri (Persero) Tbk, PT Bank CIMB Niaga Tbk and several cooperatives, certain subsidiaries act as guarantors of plasma credits until full settlement of the outstanding credits.

As at 31 December 2016 and 2015, these credits are secured by land certificates held by the plasma farmers who participate in the plasma programme and certain subsidiaries' corporate guarantees of IDR 1,656,574 million and IDR 1,374,045 million, respectively. The harvested FFB will be sold to the Group and repayment of the credit facilities are through deduction of plasma farmers' sales of FFB to the Group (Note 15).

### (b) Lease commitments

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

	Group		Company	
	2016	2015	2016	2015
	IDR million	IDR million	IDR million	IDR million
Not later than one year	11,528	9,731	1,928	1,931
Later than one year but not more than five years	3,000	1,931	–	1,931
	<u>14,528</u>	<u>11,662</u>	<u>1,928</u>	<u>3,862</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 34. CONTINGENCIES AND COMMITMENTS (Continued)

### (b) Lease commitments (Continued)

Certain rentals include options to renew the rentals after the expiry of the initial tenure. Rental payments under these agreements are usually fixed for the entire initial tenure. There are no restrictions placed upon the lessee by entering into these rentals. Lease commitments represent rental payable by the Group for the rental of office premises. The lease commitments are for a lease term of less than five years.

Minimum lease payments, recognised as an expense in the Group's profit or loss for the financial years ended 31 December 2016 and 2015 amounted to IDR 10,716 million and IDR 9,205 million, respectively.

### (c) Purchase commitments

	Group	
	2016 tonnes	2015 tonnes
<b>Non-cancellable purchases:</b>		
Not later than one year	<u>4,950</u>	<u>3,276</u>

Purchase commitments relate to non-cancellable purchases of fertilisers based on committed tonnage and computed based on market prices as at 31 December 2016 and 2015.

### (d) Sales commitments

As at 31 December 2016, the Group has entered into non-cancellable sales commitments to deliver 81,111 metric tonnes and 8,375 metric tonnes (2015: 78,051 metric tonnes and 9,774 metric tonnes) of CPO and PK respectively based on their prevailing market prices at the date of delivery.

### (e) Capital commitments

Capital expenditure contracted for as at 31 December 2016 and 2015 but not recognised in the financial statements are as follows:

	Group	
	2016 IDR million	2015 IDR million
Capital commitment in respect of property, plant and equipment	<u>185,048</u>	<u>97,648</u>

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 35. FAIR VALUE OF ASSETS AND LIABILITIES

### (a) Fair value hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

### (b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

Group	Quoted prices in active market for identical instruments (Level 1) IDR million	Significant other observable inputs (Level 2) IDR million	Significant unobservable inputs (Level 3) IDR million	Total IDR million
<b>2016</b>				
<b>Asset measured at fair value</b>				
Non-financial assets:				
Biological assets	–	–	260,251	260,251
<b>Liabilities measured at fair value</b>				
Financial liabilities:				
Derivative financial liabilities	–	1,265,881	–	1,265,881
<b>2015</b>				
<b>Asset measured at fair value</b>				
Non-financial assets:				
Biological assets	–	–	233,308	233,308
<b>Liabilities measured at fair value</b>				
Financial liabilities:				
Derivative financial liabilities	–	1,126,928	–	1,126,928

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**35. FAIR VALUE OF ASSETS AND LIABILITIES** (Continued)**(b) Assets and liabilities measured at fair value** (Continued)

Company	Quoted prices in active market for identical instruments (Level 1) IDR million	Significant other observable inputs (Level 2) IDR million	Significant unobservable inputs (Level 3) IDR million	Total IDR million
<b>2016</b>				
<b>Liabilities measured at fair value</b>				
Financial liabilities:				
Derivative financial liabilities	—	1,265,881	—	1,265,881
<b>2015</b>				
<b>Liabilities measured at fair value</b>				
Financial assets:				
Derivative financial liabilities	—	1,126,928	—	1,126,928

**(c) Level 2 fair value measurements**

The following is a description of the valuation techniques and inputs used in the fair value measurement for liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives financial liabilities

Cross currency swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.



# NOTES TO THE FINANCIAL STATEMENTS

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## 35. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

### (d) Level 3 fair value measurements

#### *Information about significant unobservable inputs used in Level 3 fair value measurements*

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2016 IDR million	Valuation techniques	Unobservable inputs	Rate
<b>Recurring fair value measurements</b>				
Biological assets	260,251	Income approach	Projected harvested quantities Market price of FFB	148,781 Tonnes 1,372 – 1,824 IDR/kg
Description	Fair value at 31 December 2015 IDR million	Valuation techniques	Unobservable inputs	Rate
<b>Recurring fair value measurements</b>				
Biological assets	233,308	Income approach	Projected harvested quantities Market price of FFB	213,401 Tonnes 908 – 1,145 IDR/kg

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

#### *Movements in Level 3 assets measured at fair value*

The movements in biological assets measured at fair value are disclosed in Note 19.

#### *Valuation policies and procedures*

To determine the fair value of biological assets, the corporate finance team obtained the projected harvest quantities and the market price of the FFB from the publicly available index price set by government.

Significant changes in fair value measurements from period to period are evaluated by the corporate finance team for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

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**35. FAIR VALUE OF ASSETS AND LIABILITIES** (Continued)**(e) Assets and liabilities not carried at fair value but for which fair value is disclosed**

The following table shows an analysis of the assets and liabilities not measured at fair value but for which fair value is disclosed:

Fair value measurements at the end of the reporting period using					
	Quoted prices in active market for identical instruments (Level 1) IDR million	Significant other observable inputs (Level 2) IDR million	Significant unobservable inputs (Level 3) IDR million	Total IDR million	Carrying amount IDR million
<b>2016</b>					
<b>Group</b>					
<b>Liabilities</b>					
Islamic medium term notes	—	3,025,235	—	3,025,235	2,991,828
<b>Company</b>					
<b>Liabilities</b>					
Islamic medium term notes	—	3,025,235	—	3,025,235	2,991,828
<b>2015</b>					
<b>Group</b>					
<b>Liabilities</b>					
Islamic medium term notes	—	3,156,826	—	3,156,826	3,202,894
<b>Company</b>					
<b>Liabilities</b>					
Islamic medium term notes	—	3,156,826	—	3,156,826	3,202,894

Determination of fair value*Islamic medium term notes*

The fair value as disclosed in the table above is estimated by reference to the latest transacted prices at the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, market risk (including foreign currency risk and commodity price risk), credit risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks and provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy is that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

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

### (a) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

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

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

#### Sensitivity analysis for interest rate risk

At the balance sheet date, if interest rates had been 2% (2015: 2%) lower/higher with all other variables held constant, the Group's profit before taxation would have been IDR 750 million (2015: IDR 3,199 million) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

### (b) *Foreign currency risk*

The Group has transactional currency exposures arising from purchases that are denominated in a currency other than the respective functional currency of the Group's entities, Indonesian Rupiah ("IDR"). The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD") and Singapore Dollars ("SGD"). The Group does not consider foreign exchange risk from SGD to be significant to the Group.

As at 31 December 2016 and 2015, the Group's costs denominated in foreign currencies amounted to approximately 2.8% and 25.5%, respectively.

The Group is exposed to currency translation risk arising from its financial assets and liabilities that are denominated in currencies other than the respective functional currencies of the companies in the Group.

It is the Group's policy not to enter into forward contracts until a firm commitment is in place. The Group's policy is to negotiate the terms of the forward currency contracts to match the terms of the firm commitment to maximise hedge effectiveness. As at the respective balance sheet date, the Group did not enter into any forward currency contracts to hedge its foreign currency exposures for sales and purchases.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (b) Foreign currency risk (Continued)

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's increase/(decrease) in profit before taxation to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group, with all other variables held constant.

	2016 Profit before taxation IDR million	2015 Profit before taxation IDR million
IDR/USD		
– Strengthened by 5%	1,794	4,716
– Weakened by 5%	(1,794)	(4,716)

### (c) Commodity price risk

The Group's exposure to commodity price risk arises primarily from its purchases of raw materials and sales of palm based products. Prices of raw materials and palm based products may fluctuate significantly depending on the market situation and factors such as weather, government policy, level of demand and supply in the market and the global economic environment. During periods of unfavourable price volatility, the Group may enter into forward physical contracts with the suppliers and customers or use commodity futures, options and swap contracts in the conduct of business to manage our price risk.

#### Sensitivity analysis for commodity price risk

During the reporting period, had the average selling prices of palm based products been 10% higher/lower, ceteris paribus, profit before taxation for the financial year ended 31 December 2016 would have been IDR 631,891 million (2015: IDR 546,862 million) higher/lower.

### (d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group's exposure to credit risk arises primarily from trade and other receivables.

The Group only trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group conducts business by the requirement of payment in advance, cash on delivery terms or may grant customers credit terms, where appropriate. In addition, receivable balances are monitored on an ongoing basis to minimise the Group's exposure to bad debts.

For other financial assets (including restricted cash and cash and short-term deposits), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (d) Credit risk (Continued)

#### Exposure to credit risk

At the balance sheet date, the Group's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the balance sheets; and
- The nominal amount of financial guarantees provided by the Group for repayment of plasma farmers' loans to the banks (Note 34).

#### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual customers' outstanding balances on an ongoing basis.

As at 31 December 2016, approximately 52.4% (2015: 49.6%) of the Group's trade receivables were due from 3 major customers in 2016 (2015: 3 major customers) who are multi-industry conglomerates.

The Group's customers are concentrated in Indonesia.

#### Information on major customers

Revenues from 2 major customers of the Group contribute approximately 76.8% (2015: 77.5%) of the Group's total revenues for the year ended 31 December 2016.

#### Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good payment record with the Group. Restricted cash and cash and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

#### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.



# NOTES TO THE FINANCIAL STATEMENTS

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## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (e) Liquidity risk

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

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

As at 31 December 2016 and 2015, approximately 53.7% and 85.2% of the Group's total loans and borrowings (Note 24) will mature in less than one year based on the carrying amount reflected in the financial statements.

*Analysis of financial instruments by remaining contractual maturities*

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

	<b>1 year or less IDR million</b>	<b>More than 1 year to 5 years IDR million</b>	<b>Total IDR million</b>
<b>Group</b>			
<b>31 December 2016</b>			
<b>Financial assets:</b>			
Loan to an associate company	4,070	87,551	91,621
Trade and other receivables	277,770	–	277,770
Due from related companies	478	–	478
Cash and short-term deposits	517,097	–	517,097
Total undiscounted financial assets	799,415	87,551	886,966
<b>Financial liabilities:</b>			
Loans and borrowings	1,028,976	875,423	1,904,399
Islamic medium term notes	186,858	3,216,103	3,402,961
Trade and other payables	572,029	–	572,029
Accrued operating expenses	171,012	–	171,012
Dividends payable	1,397	–	1,397
Derivative financial liabilities	–	1,265,881	1,265,881
Total undiscounted financial liabilities	1,960,272	5,357,407	7,317,679
<b>Total net undiscounted financial liabilities</b>	<b>(1,160,857)</b>	<b>(5,269,856)</b>	<b>(6,430,713)</b>

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### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) **Liquidity risk** (Continued)

**Analysis of financial instruments by remaining contractual maturities** (Continued)

	1 year or less IDR million	More than 1 year to 5 years IDR million	Total IDR million
<b>Group</b>			
<b>31 December 2015</b>			
<b>Financial assets:</b>			
Loan to an associate company	18,152	331,669	349,821
Trade and other receivables	598,598	–	598,598
Due from related companies	158,977	–	158,977
Cash and short-term deposits	598,797	–	598,797
Total undiscounted financial assets	1,374,524	331,669	1,706,193
<b>Financial liabilities:</b>			
Loans and borrowings	1,747,144	345,480	2,092,624
Islamic medium term notes	170,597	3,609,823	3,780,420
Trade and other payables	935,430	–	935,430
Accrued operating expenses	144,873	–	144,873
Dividends payable	43,732	–	43,732
Derivative financial liabilities	–	1,126,928	1,126,928
Total undiscounted financial liabilities	3,041,776	5,082,231	8,124,007
<b>Total net undiscounted financial liabilities</b>	<b>(1,667,252)</b>	<b>(4,750,562)</b>	<b>(6,417,814)</b>
	1 year or less IDR million	More than 1 year to 5 years IDR million	Total IDR million
<b>Company</b>			
<b>31 December 2016</b>			
<b>Financial assets:</b>			
Loan to an associate company	4,070	87,551	91,621
Due from subsidiaries	341,922	8,356,214	8,698,136
Dividend receivables	13,314	–	13,314
Cash and short-term deposits	23,700	–	23,700
Total undiscounted financial assets	383,006	8,443,765	8,826,771
<b>Financial liabilities:</b>			
Trade and other payables	13	–	13
Loans and borrowing	1,028,476	875,423	1,903,899
Islamic medium term notes	186,858	3,216,103	3,402,961
Accrued operating expenses	56,366	–	56,366
Derivative financial liabilities	–	1,265,881	1,265,881
Total undiscounted financial liabilities	1,271,713	5,357,407	6,629,120
<b>Total net undiscounted financial assets</b>	<b>(888,707)</b>	<b>3,086,358</b>	<b>2,197,651</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (e) *Liquidity risk* (Continued)

*Analysis of financial instruments by remaining contractual maturities (Continued)*

Company	1 year or less IDR million	More than 1 year to 5 years IDR million	Total IDR million
<b>31 December 2015</b>			
<b>Financial assets:</b>			
Loan to an associate company	18,152	331,669	349,821
Due from subsidiaries	322,355	8,570,116	8,892,471
Dividend receivables	173,500	–	173,500
Cash and short-term deposits	22,603	–	22,603
Total undiscounted financial assets	536,610	8,901,785	9,438,395
<b>Financial liabilities:</b>			
Trade and other payables	13	–	13
Loans and borrowings	1,595,478	345,480	1,940,958
Islamic medium term notes	170,597	3,609,823	3,780,420
Accrued operating expenses	55,202	–	55,202
Derivative financial liabilities	–	1,126,928	1,126,928
Total undiscounted financial liabilities	1,821,290	5,082,231	6,903,521
<b>Total net undiscounted financial assets</b>	<b>(1,284,680)</b>	<b>3,819,554</b>	<b>2,534,874</b>

## 37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group's policy is to maintain the gearing ratio within the range of gearing ratios of leading companies in similar industry in order to secure access to finance at a reasonable cost. The Group includes within net debt, loans and borrowings, Islamic medium term notes, less restricted cash and cash and short-term deposits. Capital includes equity attributable to the owners of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 37. CAPITAL MANAGEMENT (Continued)

The Group's net debt to adjusted equity ratio at the end of the financial years ended 31 December 2016 and 2015 are as follows:

	Group	
	2016	2015
	IDR million	IDR million
Loans and borrowings (Note 24)	1,876,334	2,327,600
Islamic medium term notes (Note 27)	2,991,828	3,202,894
Less:		
Cash and short-term deposits (Note 23(a))	(517,097)	(598,797)
<b>Net debt</b>	<b>4,351,065</b>	<b>4,931,697</b>
<b>Equity attributable to owners of the Company</b>	<b>6,718,091</b>	<b>5,661,149</b>
<b>Gearing ratio</b>	<b>64.8%</b>	<b>87.1%</b>

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

## 38. DIVIDENDS

	Group and Company	
	2016	2015
	IDR million	IDR million
<b>Declared and paid during the financial year:</b>		
Dividend on ordinary shares:		
– Final tax exempt (one-tier) dividend for 2015 at SGD 0.005 per share		
(2015: Final tax exempt (one-tier) dividend for 2014 at SGD 0.015 per share)	<b>86,587</b>	<b>261,097</b>

## 39. ADOPTION OF AMENDMENTS TO FRS 16 AND 41

Under the amendments to FRS 16 Property, Plant and Equipment and FRS 41 Agriculture: Bearer Plants (the "Amendments") introduced, biological assets that meet the definition of bearer plants are no longer required to be accounted for at fair value under FRS 41 Agriculture. Instead, bearer plants are accounted for under FRS 16 Property, Plant and Equipment at accumulated costs before they mature, and using either the cost model or revaluation model after they mature. Agricultural produce growing on bearer plants continues to remain within the scope of FRS 41 and is measured at fair value less costs to sell.

Bearer plants are living plants used in the production or supply of agricultural produce; 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 are disclosed in Note 11.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 39. ADOPTION OF AMENDMENTS TO FRS 16 AND 41 (Continued)

Prior to the application of the Amendments, the Group has recognised the bearer plants together with the produce as biological assets (non-current) using the fair value model where changes to their fair value less costs to sell at each reporting date were recognized in profit or loss in the respective periods. Pursuant to the Amendments, the Group elected to account for its bearer plants using the cost model under FRS 16. Consequently, immature bearer plants and nurseries are accounted for at accumulated cost, while mature bearer plants are accounted for at cost less accumulated depreciation and impairment. Unharvested agriculture produce that grows on bearer plants are treated as biological assets within the scope of FRS 41 and are accounted for using the fair value model. The accounting policies for bearer plants and the produce are detailed in Notes 2.10 and 2.17.

The Group has applied the Amendments retrospectively on 1 January 2016 as required by its transitional provisions. Effects of prior years adjustments on balance sheet and consolidated income statement of the Group are as follows:

	As previously reported IDR million	Prior year adjustments IDR million	As restated IDR million
<b>Balance as at 1 January 2015</b>			
Biological assets	7,517,948	(7,193,413)	324,535
Bearer plants	–	5,714,631	5,714,631
Deferred tax assets	256,592	(213,627)	42,965
Deferred tax liabilities	(690,933)	494,832	(196,101)
Retained earnings	(4,889,062)	1,097,167	(3,791,895)
Non-controlling interests	(625,490)	100,410	(525,080)
<b>Balance as at 31 December 2015</b>			
Biological assets	8,016,549	(7,783,241)	233,308
Bearer plants	–	6,091,413	6,091,413
Deferred tax assets (Note 18)	392,732	(279,478)	113,254
Deferred tax liabilities (Note 18)	(780,080)	589,845	(190,235)
Retained earnings	(5,515,407)	1,274,141	(4,241,266)
Non-controlling interests	(653,213)	107,320	(545,893)
<b>For the year ended 31 December 2015</b>			
Cost of sales	(3,726,382)	(161,217)	(3,887,599)
Income tax expense	(219,079)	22,635	(196,444)
Loss arising from fair value change in biological assets	(45,925)	(45,302)	(91,227)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

### **40. SUBSEQUENT EVENTS**

Subsequent to the financial year end, the Company purchased a total of 1,564,400 ordinary shares with total value of IDR 11,800 million from the public and held as treasury shares.

### **41. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE**

The financial statements for the years ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 23 March 2017.



# SHAREHOLDERS' INFORMATION

AS AT 10 MARCH 2017

Class of shares	:	Ordinary Shares
Issued and fully paid-up capital (including Treasury Shares)	:	S\$255,242,545
Issued and fully paid-up capital (excluding Treasury Shares)	:	S\$252,667,201
Number of shares issued (including Treasury Shares)	:	1,757,531,844
Number of shares issued (excluding Treasury Shares)	:	1,754,312,144
Number/Percentage of Treasury Shares	:	3,219,700 (0.18%)
Voting rights (excluding Treasury Shares)	:	One vote for per share

## Distribution of Shareholdings

Size of Shareholding	No. of Shareholders	%	No. of Shares	%
1 – 99	7	0.48	154	0.00
100 – 1,000	174	11.88	161,426	0.01
1,001 – 10,000	733	50.07	4,420,926	0.25
10,001 – 1,000,000	527	36.00	35,914,609	2.05
1,000,001 and above	23	1.57	1,713,815,029	97.69
	1,464	100.00	1,754,312,144	100.00

## Twenty Largest Shareholders

No.	Name of Shareholders	No. of Shares	%
1.	Wellpoint Pacific Holdings Ltd	749,157,774	42.70
2.	Oakridge Investments Pte Ltd	535,050,070	30.50
3.	DBS Nominees Pte Ltd	174,185,590	9.93
4.	HSBC (Singapore) Nominees Pte Ltd	73,530,524	4.19
5.	Citibank Nominees Singapore Pte Ltd	48,759,317	2.78
6.	BNP Paribas Securities Services	23,428,300	1.34
7.	Lynwood Capital Resources Pte Ltd	21,622,000	1.23
8.	Raffles Nominees (Pte) Ltd	16,040,086	0.91
9.	DB Nominees (S) Pte Ltd	15,843,400	0.90
10.	OCBC Securities Private Ltd	11,771,800	0.67
11.	DBSN Services Pte Ltd	9,974,222	0.57
12.	UOB Kay Hian Pte Ltd	6,596,600	0.38
13.	DBS Vickers Securities (S) Pte Ltd	5,452,600	0.31
14.	Phillip Securities Pte Ltd	3,187,200	0.18
15.	Morgan Stanley Asia (S) Securities Pte Ltd	3,068,100	0.18
16.	CIMB Securities (Singapore) Pte Ltd	2,508,700	0.14
17.	United Overseas Bank Nominees Pte Ltd	2,197,000	0.13
18.	Maybank Kim Eng Securities Pte Ltd	2,154,346	0.12
19.	BNP Paribas Nominees Singapore Pte Ltd	2,138,700	0.12
20.	Ong Beng Ee	2,088,000	0.12
	Total	1,708,754,329	97.40

# SHAREHOLDERS' INFORMATION

AS AT 10 MARCH 2017

## Substantial Shareholders

	Direct Interest		Deemed Interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>
<b>Substantial Shareholders</b>				
Wellpoint Pacific Holdings Ltd <sup>(2)(4)</sup>	903,157,774	51.48	–	–
Lim Hariyanto Wijaya Sarwono <sup>(2)</sup>	–	–	903,157,774	51.48
Lim Gunawan Hariyanto <sup>(2)</sup>	–	–	903,157,774	51.48
Fortune Corp Limited <sup>(2)</sup>	–	–	903,157,774	51.48
Fortune Holdings Limited <sup>(2)</sup>	–	–	903,157,774	51.48
Oakridge Investments Pte Ltd <sup>(3)</sup>	535,050,070	30.50	–	–
IOI Corporation Berhad <sup>(3)</sup>	–	–	556,672,070	31.73
Vertical Capacity Sdn Bhd <sup>(3)</sup>	–	–	556,672,070	31.73
Progressive Holdings Sdn Bhd <sup>(3)</sup>	–	–	556,672,070	31.73
Tan Sri Dato' Lee Shin Cheng <sup>(3)</sup>	–	–	556,672,070	31.73
Puan Sri Datin Hoong May Kuan <sup>(3)</sup>	–	–	556,672,070	31.73
Dato' Lee Yeow Chor <sup>(3)</sup>	–	–	556,672,070	31.73
Lee Yeow Seng <sup>(3)</sup>	–	–	556,672,070	31.73

### Notes:

- (1) Percentages are based on the issued share capital of the Company of 1,754,312,144 Shares (excluding treasury shares) as at the Latest Practicable Date.
- (2) Each of Dr. Lim Hariyanto Wijaya Sarwono and Mr. Lim Gunawan Hariyanto is deemed to be interested in the Shares held by Wellpoint Pacific Holdings Ltd, a wholly owned subsidiary of Fortune Holdings Limited, by virtue of his joint interest in Fortune Holdings Limited and in Fortune Corp Limited, the fund management company that manages Fortune Holdings Limited. Dr. Lim Hariyanto Wijaya Sarwono and Mr. Lim Gunawan Hariyanto are the only directors of Fortune Corp Limited. Under the discretionary fund management mandate, Fortune Corp Limited is vested with the power to manage the voting rights of Fortune Holdings Limited. Fortune Holdings Limited is in turn deemed to be interested in the Shares held by Wellpoint Pacific Holdings Ltd by virtue of its 100% shareholding interest in Wellpoint Pacific Holdings Ltd.
- (3) Tan Sri Dato' Lee Shin Cheng, Puan Sri Datin Hoong May Kuan, Dato' Lee Yeow Chor and Lee Yeow Seng are immediate family members and are deemed to be interested in the Shares held by Oakridge Investments Pte Ltd (535,050,070 Shares) and Lynwood Capital Resources Pte Ltd (21,622,000 Shares), each a subsidiary of IOI Corporation Berhad, by virtue of their collective 100% shareholding interest in Progressive Holdings Sdn Bhd. Progressive Holdings Sdn Bhd is deemed to be interested in the Shares held by Oakridge Investments Pte Ltd and Lynwood Capital Resources Pte Ltd by virtue of its 100% shareholding interest in Vertical Capacity Sdn Bhd. Vertical Capacity Sdn Bhd is deemed to be interested in the Shares held by Oakridge Investments Pte Ltd and Lynwood Capital Resources Pte Ltd by virtue of its shareholding interest in IOI Corporation Berhad. IOI Corporation Berhad is in turn deemed to be interested in the Shares held by Oakridge Investments Pte Ltd and Lynwood Capital Resources Pte Ltd by virtue of its 100% shareholding interest in each of Oakridge Investments Pte Ltd and Lynwood Capital Resources Pte Ltd.
- (4) Includes 154,000,000 Shares which are held through bank nominees.

## Shareholdings held in the hands of public

Based on information available and to the best knowledge of the Company, as at 10 March 2017, approximately 16.76% of the total number of issued ordinary shares (excluding Treasury Shares) of the Company is held by the public. The Company is therefore in compliance with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of BUMITAMA AGRI LTD. (the “**Company**”) will be held at Raffles City Convention Centre, Mercury Room, Level 4, 80 Bras Basah Road, Singapore 189560 on Friday, 21 April 2017 at 10.00 am for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the year ended 31 December 2016 together with the Auditors’ Report thereon.

**(Resolution 1)**

2. To declare final dividend of S\$0.015 per share (one-tier tax exempt) for the year ended 31 December 2016 (2015: S\$0.005)

**(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Regulation 91 of the Company’s Constitution:

Mr. Lim Gunawan Hariyanto

Mr. Ong Chan Hwa

**(Resolution 3)**

**(Resolution 4)**

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

4. To approve the payment of Directors’ fees of S\$307,000 for the year ending 31 December 2017, to be paid quarterly in arrears. (2016: S\$291,000)

**(Resolution 5)**

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

**(Resolution 6)**

6. To transact any other ordinary business which may be transacted at an Annual General Meeting.

## NOTICE OF ANNUAL GENERAL MEETING

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

#### 7. RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH IOI CORPORATION AND ITS ASSOCIATES

That for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"):

- (a) approval be given for the renewal of the mandate for the Company, its subsidiaries and target associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out in Annexure I to the Appendix dated 6 April 2017 to the Annual Report in relation to the renewal of certain shareholders' mandates for interested person transactions (the "**Appendix**"), with any party who is of the class of Interested Persons described in Annexure I to the Appendix, provided that such transactions are carried out in the normal course of business, at arm's length and on normal commercial terms and in accordance with the guidelines of the Company for such Interested Person Transactions as set out in Annexure I to the Appendix (the "**Shareholders' Mandate for IOI Transactions**");
- (b) the Shareholders' Mandate for IOI Transactions shall, unless revoked or varied by the Company in general meeting, continue in force until the date that the next Annual General Meeting is held or is required by law to be held, whichever is earlier;
- (c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time; and
- (d) authority be given to the Directors to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate for IOI Transactions as they may think fit.

[See Explanatory Note (i)]

**(Resolution 7)**

## NOTICE OF ANNUAL GENERAL MEETING

### 8. RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH THE SNA GROUP

That for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"):

- (a) approval be given for the renewal of the mandate for the Company, its subsidiaries and target associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out in Annexure II to the Appendix dated 6 April 2017 to the Annual Report in relation to the renewal of certain shareholders' mandates for interested person transactions (the "**Appendix**") with any party who is of the class of Interested Persons described in Annexure II to the Appendix, provided that such transactions are carried out in the normal course of business, at arm's length and on normal commercial terms and in accordance with the guidelines of the Company for such Interested Person Transactions as set out in Annexure II to the Appendix (the "**Shareholders' Mandate for SNA Transactions**");
- (b) the Shareholders' Mandate for SNA Transactions shall, unless revoked or varied by the Company in general meeting, continue in force until the date that the next Annual General Meeting is held or is required by law to be held, whichever is earlier;
- (c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time; and
- (d) authority be given to the Directors to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate for SNA Transactions as they may think fit.

*[See Explanatory Note (i)]*

**(Resolution 8)**

## NOTICE OF ANNUAL GENERAL MEETING

### 9. SHARE ISSUE MANDATE

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

- (a) shares in the capital of the Company (whether by way of rights, bonus or otherwise); or
- (b) convertible securities; or
- (c) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or other capitalisation issues; or
- (d) shares arising from the conversion of convertible securities,

at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that:

- (i) the aggregate number of shares and convertible securities that may be issued shall not be more than 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;
- (ii) the aggregate number of shares and convertible securities that may be issued other than on a pro-rata basis to existing shareholders shall not be more than 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company, or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;
- (iii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (i) and (ii) above, the percentage of issued shares shall be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company as at the date the resolution approving the general mandate is passed after adjusting for new shares arising from the conversion, exercise or vesting of any convertible securities, employee share options or share awards in issue, outstanding or subsisting as at the date the resolution approving the general mandate is passed, and after adjusting for any subsequent bonus issue, consolidation or subdivision of the Company's shares; and
- (iv) unless earlier revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier.

*[See Explanatory Note (iii)]*

**(Resolution 9)**



# NOTICE OF ANNUAL GENERAL MEETING

## 10. RENEWAL OF SHARE BUYBACK MANDATE

That:

- (a) for the purposes of the Companies Act (Cap. 50) of Singapore and the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire the issued ordinary shares fully paid in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Prescribed Limit (as hereafter defined) during the Relevant Period, at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

- (i) on-market purchases (“**Market Purchases**”), transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (ii) off-market purchases (“**Off-Market Purchases**”) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act (Cap. 50) of Singapore and the Listing Manual of the SGX-ST,

and otherwise in accordance with all other provisions of the Companies Act (Cap. 50) of Singapore and the Listing Manual of the SGX-ST as may for the time being be applicable (the “**Share Buyback Mandate**”);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

- (i) the date on which the next Annual General Meeting of the Company is held or required by law or the Constitution of the Company to be held;
- (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or
- (iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the shareholders of the Company in a general meeting;

- (c) in this Resolution:

“**Prescribed Limit**” means that number of issued Shares representing 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution, unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act (Cap. 50) of Singapore at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered;

## NOTICE OF ANNUAL GENERAL MEETING

**“Relevant Period”** means the period commencing from the date on which the Annual General Meeting at which this Resolution is passed is held and expiring on the date the next Annual General Meeting is held or is required by law or the Constitution of the Company to be held, whichever is the earlier, after the date of this Resolution; and

**“Maximum Price”** in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase: 105% of the Average Closing Price;
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme: 120% of the Average Closing Price, where:

**“Average Closing Price”** means the average of the closing market prices of the Shares over the last five market days, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-market day period; and

**“day of the making of the offer”** means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

- (d) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

*[See Explanatory Note (iii)]*

**(Resolution 10)**

By Order of the Board

Yoo Loo Ping  
Chiang Wai Ming  
Company Secretaries

Singapore, 6 April 2017

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes on Resolutions to be passed:

- (i) The Ordinary Resolutions 7 and 8 proposed in items 7 and 8 above, respectively, if passed, will authorise the relevant Interested Person Transactions described in the Appendix dated 6 April 2017 to the Annual Report (in relation to the renewal of certain shareholders' mandate for interested person transactions) and recurring in the year and will empower the Directors to do all acts necessary to give effect to the Shareholders' Mandate for IOI Transactions and the Shareholders' Mandate for SNA Transactions, respectively. Such authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.
- (ii) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis.
- (iii) The Ordinary Resolution 10 proposed in item 10 above, if passed, will empower the Directors from the date of the above Meeting until the next Annual General Meeting to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten percent (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price. Information relating to this proposed Resolution is set out in the Appendix dated 6 April 2017 (in relation to the renewal of the share buyback mandate) attached.

## Notes:

- 1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
- 2. Any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
- 3. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
- 4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Anson Road #11-19, International Plaza, Singapore 079903, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

## Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



# BUMITAMA AGRI LTD.

(Incorporated in Singapore)

(Co. Reg. No: 200516741R)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT

1. A relevant intermediary may appoint one or more proxies to attend the Annual General Meeting and vote (please see Note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

\*I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of Bumitama Agri Ltd. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as \*my/our \*proxy/proxies to vote for \*me/us and on \*my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Raffles City Convention Centre, Mercury Room, Level 4, 80 Bras Basah Road, Singapore 189560 on Friday, 21 April 2017 at 10.00 am and at any adjournment thereof. \*I/We direct \*my/our \*proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the \*proxy/proxies will vote or abstain from voting at \*his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2016		
2	Payment of a final dividend		
3	Re-election of Mr. Lim Gunawan Hariyanto as Director		
4	Re-election of Mr. Ong Chan Hwa as Director		
5	Approval of Directors' fees amounting to S\$307,000 for the year ending 31 December 2017		
6	Re-appointment of Ernst & Young LLP as Auditors		
7	Renewal of Shareholders' Mandate for Interested Person Transactions with IOI Corporation and its Associates		
8	Renewal of Shareholders' Mandate for Interested Person Transactions with the SNA Group		
9	Share Issue Mandate		
10	Renewal of Share Buyback Mandate		

\* Delete where inapplicable

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s)/  
and Common Seal of Corporate Shareholder

## NOTES

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, (Cap 289)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this form of proxy or proxies will be deemed to relate to all the Shares held by you.
2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his/her behalf at the Meeting. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. Any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Anson Road #11-19, International Plaza, Singapore 079903, not less than forty-eight (48) hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

## PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2017.

## GENERAL

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



# CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	<b>Executive:</b> <b>Lim Gunawan Hariyanto</b> (Executive Chairman and Chief Executive Officer)  <b>Non-Executive &amp; Non-Independent:</b> <b>Dato' Lee Yeow Chor</b>  <b>Independent:</b> <b>Tan Boon Hoo</b> (Lead Independent Director) <b>Chua Chun Guan Christopher</b> <b>Ong Chan Hwa</b>
<b>AUDIT COMMITTEE</b>	<b>Tan Boon Hoo</b> (Chairman) <b>Chua Chun Guan Christopher</b> <b>Ong Chan Hwa</b>
<b>NOMINATING COMMITTEE</b>	<b>Ong Chan Hwa</b> (Chairman) <b>Tan Boon Hoo</b> <b>Chua Chun Guan Christopher</b>
<b>REMUNERATION COMMITTEE</b>	<b>Tan Boon Hoo</b> (Chairman) <b>Chua Chun Guan Christopher</b> <b>Ong Chan Hwa</b>
<b>CONFLICTS RESOLUTION COMMITTEE</b>	<b>Tan Boon Hoo</b> (Chairman) <b>Chua Chun Guan Christopher</b> <b>Ong Chan Hwa</b>
<b>COMPANY SECRETARIES</b>	<b>Yoo Loo Ping, FCIS</b> <b>Chiang Wai Ming, ACIS</b>
<b>REGISTERED OFFICE</b>	10 Anson Road #11-19 • International Plaza • Singapore 079903 Tel: (65) 6222 1332 • Fax: (65) 6222 1336 <a href="http://www.bumitama-agri.com">www.bumitama-agri.com</a>
<b>SHARE REGISTRARS</b>	<b>B.A.C.S. Private Limited</b> 8 Robinson Road • #03-00 ASO Building • Singapore 048544
<b>AUDITOR</b>	<b>Ernst &amp; Young LLP</b> 1 Raffles Quay • #18-01, North Tower • Singapore 048583
<b>PARTNER-IN-CHARGE</b>	<b>Low, Bek Teng</b> (with effect from the financial year ended 2016)
<b>INVESTOR RELATIONS</b>	<b>Christina Lim • <a href="mailto:clim@bumitama-agri.com">clim@bumitama-agri.com</a></b> <b>Glenn Ho • <a href="mailto:glenn.ho@bumitama-agri.com">glenn.ho@bumitama-agri.com</a></b>



**Bumitama Agri Ltd.**

**PRINCIPAL OFFICE**

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

**REGISTERED OFFICE**

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Tel: (65) 6222 1332 | Fax: (65) 6222 1336

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