IndoAgri

BUILDING ON CORE BUSINESS DRIVING FUTURE GROWTH

Annual Report 2018

at a glance

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

OUR VISION

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

OUR VALUES

With **discipline** as the basis of our way of life; we conduct our business with **integrity**; we treat our stakeholders with **respect**; and together we **unite** to strive for **excellence** and continuous **innovation**.

OUR MISSION

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

To continuously improve our people, processes and technology.

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

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

To continuously increase stakeholders' value.

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Tea plantation at West Java

corporate structure

(as at 31 December 2018)

IndoAgri

- 73.5% SIMP
  - 59.5% LONSUM
- 35.0% CMAA
- 50.0% USINA CANÁPOLIS
- 18.9% RHi

Notes:

- *IndoAgri is 62.8% effectively owned by PT Indofood Sukses Makmur Tbk (PT ISM)*
- *Shareholding percentage is calculated based on total number of issues shares (excluding treasure shares of the Company)*

our milestones

2007
- Completed a reverse takeover and listed on the SGX-ST
- Acquired plantation land in South Sumatra and Kalimantan
- Acquired a 58.8% stake in PT PP London Sumatra Indonesia Tbk (Lonsum)

2008
- Diversified into sugar business via 60% stake in PT Laju Perdana Indah (PT LPI)
- Acquired plantation land in South Sumatra and Central Kalimantan

2009
- Acquired plantation land in South Sumatra

2010
- Divested an 8% stake in Lonsum, of which 3.1% was sold PT Salim Ivomas Pratama Tbk (PT SIMP)

2011
- Listed PT SIMP on the IDX

2012
- Acquired a 26.4% stake in Heliae, a development-stage algae technology solutions company

2013

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

2014

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

2015

- Increased ISPO-certified CPO to 180,000 tonnes

2016

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

2017

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

2018

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

geographical presence

INDONESIA

251,112

hectares of oil palm

INDONESIA

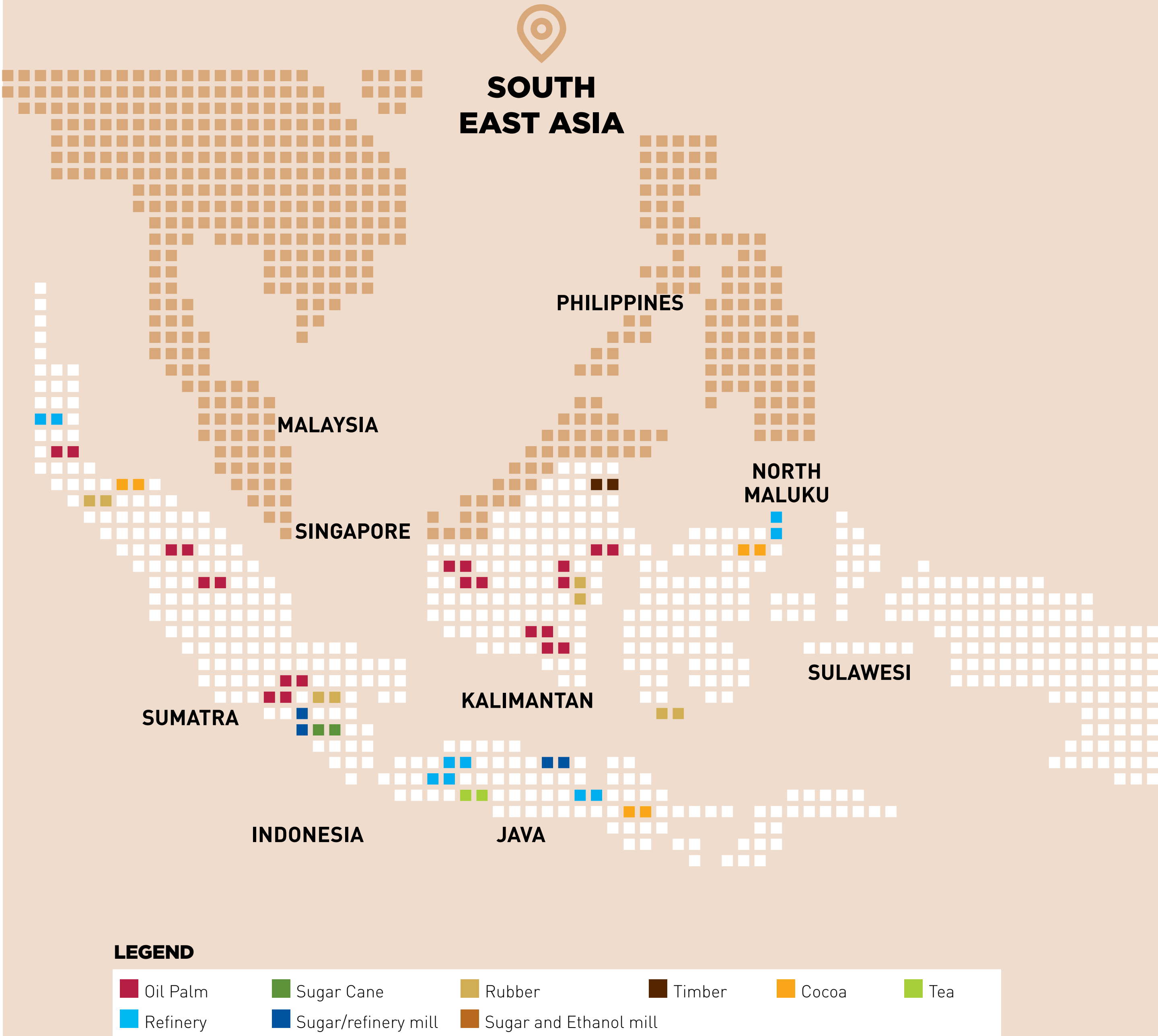
16,678

hectares of rubber

INDONESIA

13,595

hectares of sugar cane



INDONESIA

20,336

hectares of other crops

BRAZIL

79,268

hectares of sugar cane

OUR PLANTATIONS AND REFINERIES

Indonesia

IndoAgri owns strategically located estates and production facilities across Indonesia. The Group's planted area occupies 301,721 hectares. Oil palm is the dominant crop, followed by sugar cane, rubber and other crops. Our plantations are largely located in Sumatra and Kalimantan, while our refineries are mainly sited at major cities including Jakarta, Medan, Surabaya and Bitung.

Brazil

IndoAgri has a 35% interest in CMAA. CMAA has 79,268 hectares of planted sugar cane in Brazil, of which 44% are company-owned and 56% belong to third parties.

Philippines

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

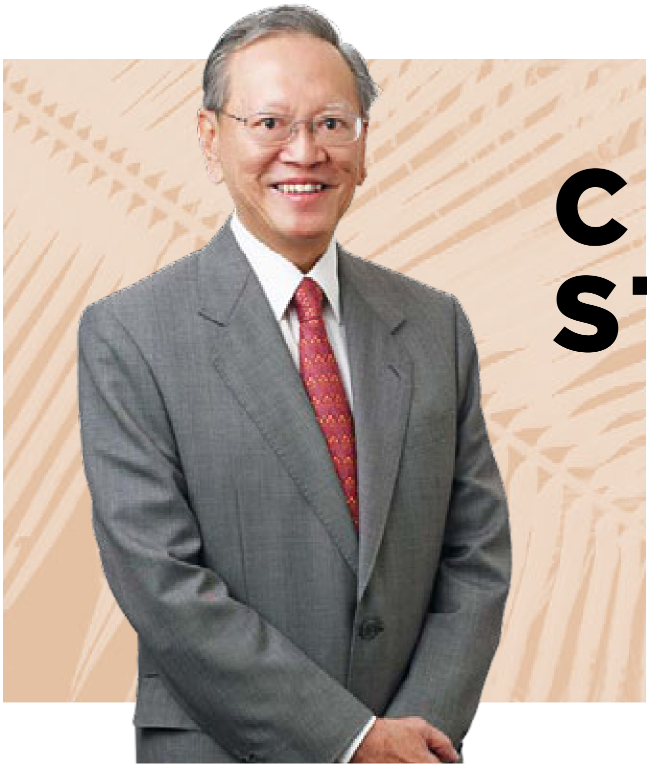
PRODUCTION
FACILITIES IN INDONESIA

Harvesting of fresh fruit bunches (FFB)

26
Palm Oil Mills
Annual FFB processing capacity – 6.8M tonnes

5
Refineries
Annual CPO processing capacity – 1.7M tonnes

2
Sugar Mills/Refineries
Annual cane crushing capacity – 2.2M tonnes



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board, it is my pleasure to present to you our annual report for the financial year ended 31 December 2018.

The global political economy is in a state of flux. It has presented us with both challenges and opportunities. We have taken a proactive approach in tackling the issues and seizing the opportunities to enhance our assets and operations. We have been steadfast in pursuing our goals of sustainability, better economic performance and effective governance. Our agenda is underpinned by the emphasis we have placed on creating value for our company and stakeholders. Along the way, we have nimbly adjusted our strategy to adapt to rapidly changing situations.

2018 was a bountiful year for oil palm and sugar cane production. In Indonesia, we harvested 9% more nucleus fresh fruit bunches, and in Brazil 37%, more sugar cane crushing than the previous year following the acquisition of UVP. However, CPO prices have been negatively impacted by the dip in the closely-related soybean prices. Chinese tariffs on US imports, coupled with lower crude oil prices in 4Q 2018, were contributory factors. These developments as well as increased CPO production in Indonesia exerted significant downward pressure on palm oil prices.

We have performed very well in the edible oils and fats segment. Sales of our branded cooking oils and margarine products improved, as did our market share. We are confident that with the momentum in urbanisation and the broadening of the middle class in Indonesia, the sale of our branded cooking oils and margarine will experience even stronger growth.

In Brazil, while CMAA's production had gone up, the substantial increase in cane production in India, and to a lesser extent Thailand and the EU, acted as a dampener on global sugar prices. We took the opportunity to fine-tune our strategy when domestic ethanol prices in Brazil were selling at a premium to sugar, and switched our mills to a 41%-59% sugar-ethanol mix in contrast to a 52%-48% in 2017.

Another opportunity presented itself in Brazil last year. Acting in concert with our like-minded partner, we acquired more sugar assets at competitive prices. The purchase of more arable land and two additional mills was in line with our strategy to enhance capacity while capitalising on the synergy between sugar and ethanol production. Our milling capacity was boosted from 5.8 million tonnes to 8.3 million tonnes. All three mills are located in close proximity to each other in the state of Minas Gerais. By scaling up and making our operations more cost-effective, we are now in an even better position to compete.

We have built strong foundations. Our prudence in capital management and strategic asset acquisition have produced encouraging results by creating value and delivering stable and sustainable returns to our shareholders. At the same time, the Group has maintained a healthy balance sheet. A dividend of 0.7 Singapore cents per share was announced for 2018 and distributed to the shareholders.

We pride ourselves as a responsible agribusiness that take seriously our commitment to sustainability. We have developed programmes to address environmental and social issues in line with ISPO, ISO14001, the Global Sustainable Development Goals and other Indonesian regulations.

Over the years, IndoAgri has worked closely with local governments and communities to ensure fair and safe employment. We protect the environment as we plant and replant. Through these collective efforts, we have created more than 40,000 jobs and supported smallholders in Indonesia by improving their incomes and standards of living.

The management team has done well in managing the business and plantations. They have mitigated the risks of operations in tune with corporate governance guidelines. I am pleased to report that at the Singapore Corporate Awards 2018, IndoAgri won the Bronze Award for the Best Annual Report in the category of companies with S$300 million to S$1 billion market capitalisation. We are honoured to have received this recognition.

Agribusiness is a complex undertaking. We take a long-term view of the business. We are steadily increasing plantings and milling capacity in Indonesia and Brazil, two emerging markets with large, young populations. We will continue to strengthen our fundamentals and not allow global convulsions to detract us from achieving our goals. Nor will we be discouraged by the ebb and flow of demand and pricing. Shunning complacency, we will strive to improve margins and productivity by introducing technological competencies and innovations, translating these buzz words into real actions.

I will like to express my profound thanks to my fellow directors for their active participation and contribution; the management team for making IndoAgri the resilient agribusiness it is today; our employees, smallholders, business partners for their unwavering support. A special note of appreciation to our shareholders who have stood behind us in facing the current global uncertainties. Their trust and confidence will carry the company to greater heights.

Edward Lee
Chairman

We are committed to uphold high standards of environmental, social and governance processes and practices.

CEO'S STATEMENT

DEAR SHAREHOLDERS,

2018 was a mixed year for our plantation business. On one hand, we had a strong 9% growth in palm oil production in Indonesia, and on the other, weak commodity prices that negated the volume growth, with 4Q 2018 recording the lowest CPO price since 2008. However, we had a very strong year for our edible oils and fats business, driven by increased sales volume of our key cooking oils and margarine brands.

On the world stage, the ongoing US-China tariff dispute disrupted the US supply of soybean to China, which accounted for 60% of US soybean exports, and caused the soybean price to crash in 2018. This was further compounded by the effects of lower crude oil prices in 4Q 2018 and put the CPO price under pressure, as it fell by 16% from an average of USD717 per tonne CIF Rotterdam in 2017 to USD601 per tonne in 2018.

Rubber sales were also affected by the ongoing trade tension, which slowed demand and drove the average price of rubber down to below USD1,300 per tonne in end-2018 versus USD2,001 per tonne in end-2017. Raw sugar price was the weakest among the agricultural commodities, falling 21% year-on-year from 15 US cents per pound in 2017 to 12 US cents per pound in 2018. This was caused by a global surplus of sugar due to high production output from India, Thailand and the EU that even with Brazil's prioritisation of ethanol over sugar production could not offset.

The weak commodity prices put a toll on IndoAgri's 2018 financial results, as our plantation business in Indonesia and sugar operations in Brazil registered lower revenue and profitability. Despite higher CPO production and a solid year for our edible oils and fats business, we made a core loss of Rp186 billion in 2018 versus a core profit of Rp657 billion last year.

The Group's FFB nucleus and CPO production expanded year-on-year by 9% to 3,375,000 tonnes and 921,000 tonnes respectively. The growth was mainly contributed by crops from young trees coming into maturity in Kalimantan and South Sumatra, as well as improved field and operation conditions. Rubber production was reduced by 12% to 9,600 tonnes as our rubber estates in East Kalimantan was being converted into oil palm plantations. In South Sumatra and Central Java, our sugar cane plantations harvested a total of 1.0 million tonnes of sugar cane to produce 74,000 tonnes of sugar.

In Brazil, CMAA increased ethanol production and adjusted the sugar-ethanol mix to 41%-59% ethanol as compared with 52%-48% sugar-ethanol last year. This was in response to the sustained low sugar prices, with ethanol trading domestically at a premium to sugar throughout the year. A record 5.6 million tonnes of cane were crushed in 2018 following the acquisition of UVP, which was a 37% increase from 2017, to produce 291,000 tonnes of raw sugar, 290,000 m^3 of ethanol and 305,000 MWh of electricity in 2018.

Building scale through capacity expansion

In Indonesia, a new 45-tonnes-per-hour FFB mill is under construction in Kalimantan, which will be completed in 2019. The refineries in Surabaya and Jakarta have been working at full capacity in recent years. To serve the increasing domestic demand for edible oils and fats, we increased the processing capacity of the Surabaya refinery by an additional 300,000 tonnes per annum in 2018.

Global sugar demand continued to grow steadily between 1.2% and 1.4% each year. To capture this growth potential, we expanded our production capacity in Brazil with the acquisition of two new sugar operations, namely Canápolis, which operates a sugar and ethanol mill and owns 6,048 hectares of land, and UVP, which operates a sugar and ethanol mill. Together with CMAA's existing mill in Vale do Tijuco (UVT), we have increased the total crushing capacity in Brazil to 8.3 million tonnes of cane per year, an increase of 276% since CMAA started operation in 2013.

All three mills are located within proximity of one another in Minas Gerais and formed a synergistic cluster for optimal operation and management. Our priority is to complete the cane planting in Canápolis and to restore the mill for operation by 2020. Together with our cane suppliers, we are working towards cultivating 27,000 hectares of sugar cane in Canápolis.

Capitalising on consumption growth

Our ongoing efforts to extract greater economic value downstream from our vertically integrated operations have yielded encouraging results. We have developed a range of black and white teas that are retailed locally under the *Kahuripan* brand; retail-sized sugar packs sold under *IndoSugar*; and new dark chocolate bar products that have gone onto the shelves of retail outlets. We also have a separate joint venture with Japan's Daitocacao to make industrial chocolate for premium snacks and ice creams, and the commercial production will start in 2019.

We had a strong year for edible oils and fats in 2018 with strong sales growth in branded cooking oils and margarine. *Bimoli*, in particular, gained market share with a more competitive pricing strategy, supported by Indofood's strong distribution network. Consumer response has been positive, and we are confident of growing the demand for *Bimoli* as well as *Delima*, which we will be investing to grow it into our second top EOF brand. Our margarine products also did well with continued growth in export sales. We will continue to focus on Indonesia as our primary market for EOF products.

Leveraging new technologies

A critical aspect of agribusiness is the real-time visibility on the health and yield of the crops to develop site-specific agronomic strategies for optimal production. Considering the size and location of our estates, this is a resource-intensive and time-consuming effort involving many man hours to compile and analyse huge amounts of field data from different sources, including satellite images, drones, sensors and handheld devices. We are making full use of new technologies to improve the efficiency of such laborious tasks as well as the accuracy of the analyses and reports.

In 2018, we embarked on a pilot programme to use artificial intelligence and machine learning in the analysis of geospatial data for the early detection of pests and diseases. The early results were encouraging. We were able to accurately ascertain the condition of each tree on the plantation. More work is still required to validate the analysis against ground conditions and to provide the information to the plantation managers in a timely and useful manner. We will focus on developing this capability as it can potentially improve plantation management and increase crop yields sustainably without having to cultivate more land.

CMAA's UVT sugar and ethanol mill

In the area of R&D, we are developing high-yield, disease-tolerant and drought-resistant oil palm seeds, some of which were the results of cross-breeding between our two R&D centres. We have created a pipeline of new seed varieties that were undergoing rigorous testing before they would be used for internal planting. The R&D centres also conducted research on innovative ways to improve plantation management and agronomy.

Maintaining our sustainability drive

We are committed to uphold high standards of environmental, social and governance processes and practices. The Group's Sustainability Policy establishes the fundamentals from which we conduct our plantation operations in a traceable and responsible manner by adhering to the following key commitments:

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

Sustainability is a core part of our business strategy that is consistently practiced across all our operations. For our oil palm plantations, we have proactively adopted both the Indonesian ISPO and RSPO standards and taken steps to support our smallholders and FFB suppliers to be RSPO-certified.

In 2016, after RSPO received a complaint containing allegations of human and labour rights violations at one of our North Sumatra operations, we fully cooperated with the RSPO complaints process to address the allegations, including conducting an independent audit by RSPO-approved auditors in 2018. Yet, the RSPO Complaints Panel proceeded to suspend the North Sumatra mill in end-2018 without taking into consideration the substantive evidence we had provided that categorically demonstrated our compliance to RSPO-standards.

Despite repeated requests, we were denied a meeting with RSPO Complaints Panel to clarify the audit findings, which we had found to be materially different from the previous 23 RSPO audits that were conducted on our North Sumatra mills between 2016 and 2018, certifying the estates to be fully RSPO-compliant. Regrettably, RSPO's refusal to engage us and explain the material differences between the verification audit in 2018 and the 23 prior audits showed a lack of openness, transparency and fairness in RSPO's complaint resolution process. In early 2019, we made the decision to withdraw PT SIMP and Lonsum operations from the voluntary RSPO certification and to focus on the mandatory ISPO certification, which is closely aligned with the industry best practices on sustainable palm oil.

A full account of our sustainability efforts in 2018 can be found in pages 32 to 34 of this report as well as in the online Sustainability Report on IndoAgri's website.

Driving future growth

With the prevailing uncertainties surrounding global trade and the US-China trade tensions, we can expect continued pressure on agricultural commodity prices. In Indonesia, palm oil demand will follow the lead of the government's effort to increase biodiesel consumption following the execution of the B20 biodiesel mandate in September 2018, and the government's plan to accelerate the programme further with a new B30 biodiesel mandate in 2019. Indonesia's biodiesel demand is expected to increase by another 2.5 million tonnes of CPO in 2019 and will have increasingly supportive impact on CPO prices in the future.

As a diversified and vertically integrated agribusiness with a dominant presence in Indonesia, our operations continue to be supported by a positive domestic economic outlook and the increase in domestic palm oil consumption. The expansion of the Surabaya refinery allows us to capture growing domestic demand for branded cooking oils and margarine products in both consumer and industrial markets.

The theme of this year's Annual Report, "*Building on Core Business, Driving Future Growth*", neatly encapsulates our strategy for the year ahead. In line with the emphasis, we intend to replant older palms in North Sumatra and Riau, and new plantings with our latest high-yielding palm seed variety. We will continue to strengthen our fundamentals and improve margins through better yielding crops, cost control measures and other innovations to increase productivity. Together with the Surabaya refinery expansion, these efforts will enable us to drive future volume growth.

Accolades and acknowledgements

It takes strong teamwork and commitment to rally together in a challenging year. I am proud that we have done that, as our efforts continued to be recognised by the industry in Singapore and Indonesia. We were awarded Bronze for the Best Annual Report under the $300 million to $1 billion in market capitalisation category at the Singapore Corporate Awards 2018. We received the Indonesia Best Brand (Triple Platinum), The Indonesia Living Legend Brands, one of the Indonesia Most Valuable Brand, Halal Top Brand and Indonesia WOW Brand in 2018.

In closing, I will like to thank my fellow Board members for their leadership and guidance, the management and staff of IndoAgri for their loyal contributions, and all our shareholders and customers for their continued trust and support.

Mark Julian Wakeford
Chief Executive Officer and Executive Director

GROUP PERFORMANCE REVIEW

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

We have a total planted area of 301,721 hectares under our diversified business portfolio. This includes 251,112 hectares of oil palm, 16,678 hectares of rubber, 13,595 hectares of sugar cane and 20,336 hectares of other crops.

The Plantation Division is IndoAgri's principal business. It owns and operates 26 palm oil mills, four crumb rubber processing facilities, three sheet rubber processing facilities, two sugar mills and refineries, a cocoa factory and one tea factory.

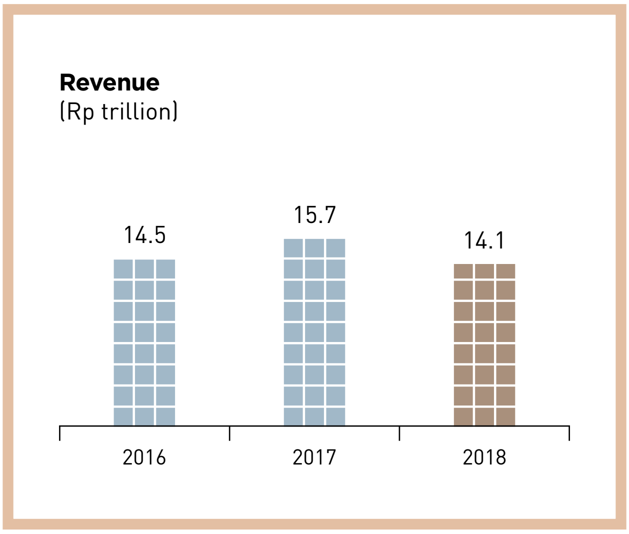
The Plantation Division is also engaged in sugar operations outside Indonesia through CMAA and Canápolis in Brazil, as well as RHI in the Philippines.

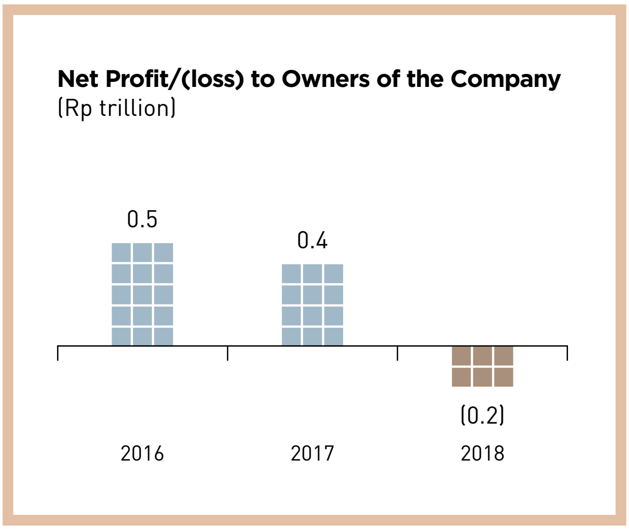
The Group's EOF Division owns and operates five CPO refineries across Indonesia, to produce a range of branded cooking oils, margarine, shortening and speciality fats.

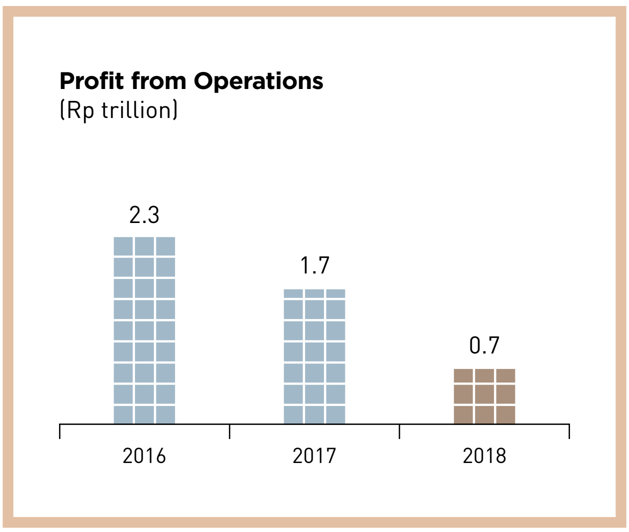
FINANCIAL HIGHLIGHTS

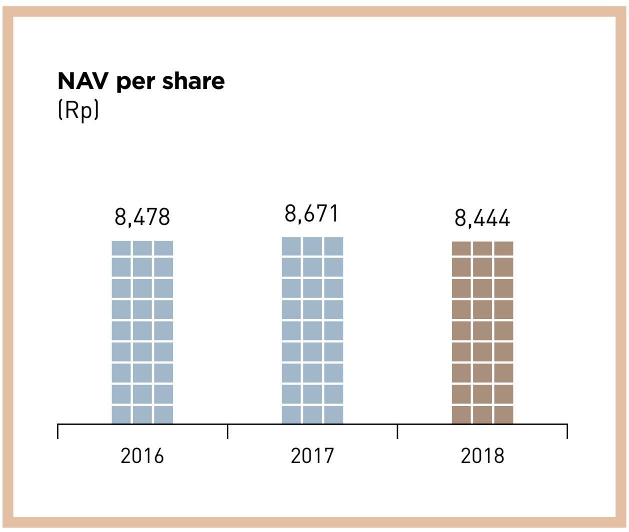
The Group's FFB nucleus and CPO production grew by 9% in 2018 to reach 3,375,000 tonnes and 921,000 tonnes respectively. However, the greater outputs were unable to translate into higher revenue growth as agricultural commodity prices tumbled in the year with prices of CPO and PK falling by 15% and 21% respectively from 2017. Despite a solid performance by the EOF Division and increased production, the Group reported lower result in 2018 due to significantly lower sales and profit by the Plantation Division. The consolidated revenue fell by 11% to Rp14.1 trillion in 2018.

The Group's performance was further affected by foreign currency losses due to a weakened Indonesian Rupiah, loss on deemed disposal for investment in a joint venture arising from business combination under common control using book value instead of fair value for the acquisition of UVP mill, lower profit contribution from joint ventures









New Palm Oil Mill in South Sumatra

and fair value loss on biological assets arising from weak commodity prices. In 2018, the Group also incurred higher financial expenses due to higher working capital facilities, and higher blended interest rate in line with the interest rate hikes by the US Fed and the Bank of Indonesia.

As a result of these negative effects, the Group reported a net loss after tax of Rp427 billion as compared with the net profit after tax of Rp653 billion in 2017. Core loss, excluding forex, biological assets, plasma receivables and one-off impact, was Rp186 billion in 2018 versus a core profit of Rp657 billion last year.

FINANCIAL POSITION

The Group reported total non-current assets of Rp30.4 trillion as of 31 December 2018, compared to Rp30.0 trillion in the previous year. The slight increase was mainly due to the following activities:

(i) Investment in a joint venture, Canápolis, at approximately USD7.3 million (Rp100 billion), partly offset by a loss on deemed disposal of investment in a joint venture of Rp87 billion arising from business combination under common control using book value instead of fair value for the acquisition of UVP mill;
(ii) Investment in an associate, Daitocacao, at Rp105 billion;
(iii) Higher advances for plasma plantation projects; and
(iv) Higher claims for tax refund, partly offset by lower deferred tax assets.

As of 31 December 2018, total current assets stood at Rp7.1 trillion, below Rp7.4 trillion reported in 2017. This was due to the lower cash levels, as a result of increased operational and working capital requirements. This was partially offset by higher CPO and palm kernel oil inventories, prepaid VAT, and trade and other receivables from EOF sales.

Total current liabilities increased to Rp9.0 trillion in end-2018 as compared with Rp6.4 trillion in end-2017. This was attributable to a net drawdown of Rp0.5 trillion of short-term facilities for working capital, higher portion long-term facilities falling due within the next 12 months amounting to Rp1.7 trillion, and an accrual of expenses and payables to third parties at Rp0.2 trillion.

The Group reported net current liabilities of Rp1.9 trillion as at 31 December 2018 as a number of long-term facilities would fall due within the next 12 months. These facilities would be rolled over or refinanced accordingly.

The maturity of certain long-term facilities and payment of loan instalments had led to a 21% decline in total non-current liabilities from Rp9.6 trillion in end-2017 to Rp7.6 trillion in end-2018.

CASH FLOW

The Group generated lower net cash flows of Rp1.0 trillion from our operations in 2018 mainly due to soft operating results.

The net cash flows used in investment activities was Rp2.1 trillion in 2018 compared to Rp1.7 trillion in 2017. The increase was mainly due to the addition of Rp322 billion worth of properties, plants and equipment and higher plasma projects amounting to Rp134 billion. This was partially offset by lower investment in associate companies compared to last year.

The net cash flows generated by financing activities was Rp338 billion. These were mainly related to proceeds from interest-bearing loans and borrowings to fund the operations.

Overall, the Group's cash levels decreased from Rp2.9 trillion in 2017 to Rp2.2 trillion in 2018 mainly due to the usage of funds for capital expenditures and investments in a joint venture and associate companies during the year. We will continue to review our financing options to lower the cost of borrowing, as well as tighten the collection of receivables and minimise inventories to improve cash flow.

FINANCIAL HIGHLIGHTS

	In Rp billion			In SGD million *		
	2016 Actual	2017 Actual	2018 Actual	2016 Actual	2017 Actual	2018 Actual
Revenue	14,531	15,725	14,059	1,373	1,486	1,329
Gross profit	3,489	3,061	2,198	330	289	208
Gain/(loss) arising from changes in fair value of biological assets	219	35	(31)	21	3	(3)
Profit from operations	2,263	1,678	656	214	159	62
Net profit/(loss) after tax	792	653	(427)	75	62	(40)
Profit/ (loss) attributable to owners of the Company	507	447	(222)	48	42	(21)
EPS (in Rp)/(in SGD 'cents)	363	320	(159)	3.4	3.0	(1.5)
Current assets	6,754	7,375	7,129	637	696	672
Fixed assets	21,722	21,492	21,542	2,049	2,027	2,032
Other assets	8,028	8,548	8,843	757	806	834
Total assets	36,504	37,415	37,514	3,443	3,529	3,538
Current liabilities	4,650	6,380	9,044	439	602	853
Non-current liabilities	10,975	9,612	7,617	1,035	907	718
Total liabilities	15,625	15,992	16,661	1,474	1,508	1,571
Shareholders' equity	11,835	12,104	11,788	1,116	1,142	1,112
Total equity	20,878	21,423	20,853	1,969	2,020	1,967
Total debt	10,027	10,530	11,190	946	993	1,055
Cash	2,405	2,930	2,229	227	276	210

In Percentage (%)			
Sales growth/(decline)	5.0%	8.2%	(10.6%)
Gross profit margin	24.0%	19.5%	15.6%
Profit from operations margin	15.6%	10.7%	4.7%
Net profit/(loss) after tax margin	5.5%	4.2%	(3.0%)
Profit/(loss) attributable to owners of the Company margin	3.5%	2.8%	(1.6%)
Return on assets [1]	6.2%	4.5%	1.7%
Return on equity [2]	4.3%	3.7%	(1.9%)
Current ratio (times)	1.5	1.2	0.8
Net debt to equity ratio (times) [3]	0.37	0.35	0.43
Total debt to total assets ratio (times)	0.27	0.28	0.30

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

* *For ease of reference, 2016 to 2018 Income Statement and Balance Sheet items are converted at exchange rates of Rp10,582/SGD1 and Rp10,603/SGD1, respectively.*

OPERATIONAL HIGHLIGHTS

The table below relates to business operations in Indonesia. For sugar operations outside Indonesia, please refer to page 23 of this annual report.

In Hectares (unless otherwise stated)	2016	2017	2018
Planted Area – Nucleus			
Oil Palm	**247,430**	**247,630**	**251,112**
Mature	203,501	209,817	211,707
Immature	43,929	37,813	39,405
Rubber	**20,115**	**19,869**	**16,678**
Mature	16,761	16,973	14,373
Immature	3,354	2,896	2,305
Sugar Cane	**13,249**	**12,618**	**13,595**
Others	**19,742**	**20,270**	**20,336**
Mature	16,801	16,828	15,734
Immature	2,941	3,442	4,602
Planted Area – Plasma			
Oil Palm and Rubber	**90,463**	**89,441**	**89,662**
Age Maturity of Oil Palm Trees			
Immature	43,929	37,813	39,405
4 – 6 years	11,557	10,944	4,326
7 – 20 years	121,318	117,346	125,728
Above 20 years	70,626	81,527	81,653
Total	247,430	247,630	251,112
Distribution of Planted Areas – Nucleus			
Riau	56,464	54,766	55,919
North Sumatra	38,753	39,182	38,985
South Sumatra	96,077	95,751	96,927
West Kalimantan	26,729	26,788	26,978
East Kalimantan	65,041	65,309	63,398
Central Kalimantan	9,263	10,067	11,068
Java	2,929	3,214	3,260
Sulawesi	5,280	5,310	5,187
Total	300,536	300,387	301,721
Production Volume ('000 Tonnes)			
Total Fresh Fruit Bunches (FFB)	3,964	4,043	4,424
FFB Nucleus	2,981	3,109	3,375
Crude Palm Oil (CPO)	833	842	921
Palm Kernel (PK)	201	205	221
Rubber	15	11	10
Sugar [1]	65	54	56
Sales Volume ('000 Tonnes)			
CPO [2]	826	880	881
PK and PK Related Products [3]	194	211	194
Rubber	13	12	10
Sugar	66	50	57
Oil Palm Seeds ('million)	10	11	11

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

2018 OIL PALM PRODUCTION IN INDONESIA

Our palm oil mill in South Sumatra


THRESHER
3
THRESHER
4
Total FFB
4.4M
tonnes
CPO
0.9M
tonnes

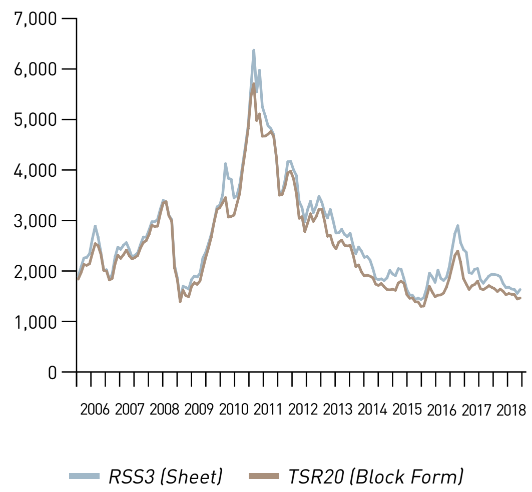
PLANTATION REVIEW – OIL PALM AND OTHER CROPS

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

The Division has 251,112 hectares of nucleus oil palm estates in Indonesia, of which 16% are immature estates. The average age of oil palms on our estates is 15 years. The FFB harvested from the plantations are processed by 26 mills across our estates, with a combined capacity of 6.8 million tonnes.

The rubber estates are located in North and South Sumatra, East Kalimantan and Sulawesi. The nucleus rubber estates occupied 16,678 hectares, of which 14% are immature estates. The average age of our rubber trees is 16 years. The Division operates four crumb rubber and three sheet rubber processing facilities.

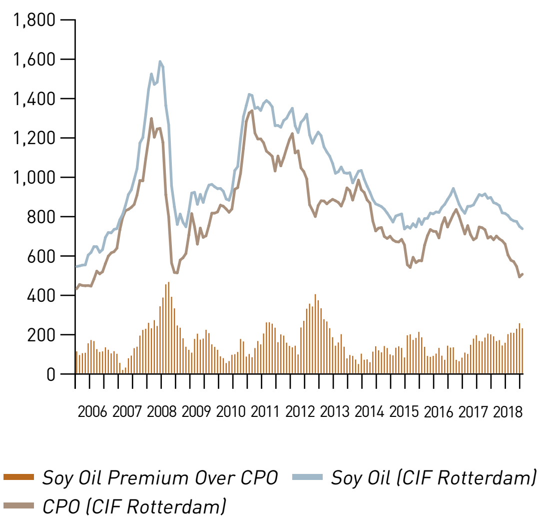
Rubber Prices
USD/tonne



2018 REVIEW

Amid the ongoing US-China trade tension, Chinese tariffs on US soybeans had caused soybean prices to tumble, and along with higher production and year-end stocks and a weakened global palm oil demand, put CPO prices under pressure. CPO prices CIF Rotterdam declined by 16% to average USD601 per tonne in 2018 as compared to USD717 per tonne in 2017. Rubber sales were also affected by the uncertainty of the US-China trade tension, causing SICOM RSS3 rubber future prices to fall by 22% to USD1,552 per tonne from USD2,001 per tonne last year.

CPO vs Soy Oil Prices
USD/tonne



It was a good year of production for our oil palm plantations in Indonesia. However, despite the higher production, the total plantation revenue dropped by 15% to Rp8.6 trillion mainly due to weak commodity prices partially affected by the timing in stock realisation, and the lower prices significantly dampened the profitability of the Plantation Division.

The total FFB nucleus production went up by 9% to 3,375,000 tonnes, mainly contributed by newly matured areas and improved field operations, and partly offset by replantings in Riau. Correspondingly, the total CPO production increased by 9% to 921,000 tonnes, at an oil extraction rate of 22%.

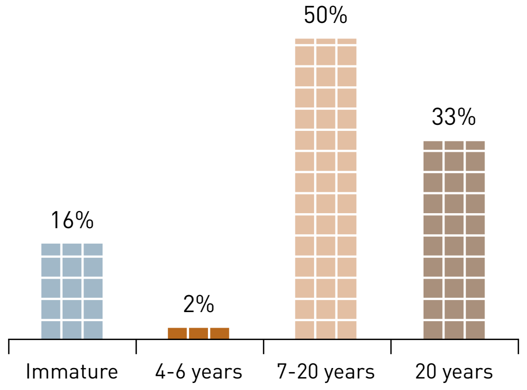
Rubber production fell by 12% to 9,600 tonnes with the conversion of some rubber estates into oil palm plantations in East Kalimantan. 54% of rubber products, comprising sheet rubber and crumb rubber, were sold in Indonesia, and the rest were exported.

In 2018, our tea plantation in West Java launched new tea bag products under the *Kahuripan* brand, adding to the existing range of black and white tea products. The new tea bag products were introduced in original black tea classic and black tea classic vanilla flavours. This is to elevate the experiences of customers who enjoy our high quality tea products. We continue to promote *Kahuripan* brand in the domestic consumer market.

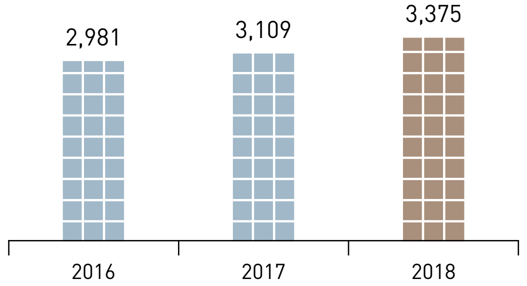
2019 OUTLOOK

The ongoing economic uncertainties arising from US-China trade tensions is putting tremendous price pressure on agricultural commodities. Prices will remain volatile with

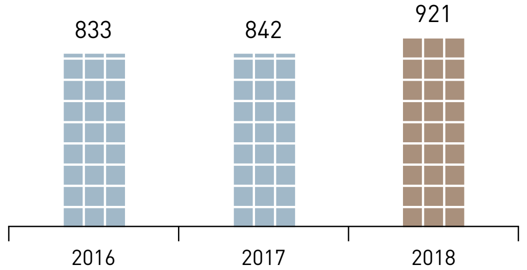
Oil Palm Plantation
Age Profile (251,112 hectares)



FFB Production (Nucleus)
(in '000 tonnes)



CPO Production
(in '000 tonnes)



lower demand projected from key import markets, like China and India. The prices of crude oil, which affects biodiesel demand, and soybean will also have an impact on the direction of CPO prices.

Oil Palm: According to Oil World, Indonesia is the world's largest palm oil consumption market, consuming some 11.8 million tonnes or 16% of the 72 million tonnes of CPO produced globally in 2018. Indonesia's demand for palm oil was supported by its B20 biodiesel programme, which mandated 20% locally produced biodiesel content in diesel used in machinery, as a measure to reduce gasoil imports, and the demand for US dollar. With the positive response from the biodiesel industry, the government has announced its plan to increase the biodiesel content to 30% with a new B30 biodiesel programme in 2019.

We are progressively developing the immature estates and replanting older oil palm trees in North Sumatra and Riau. In anticipation of the higher FFB harvested at the newly mature estates, we have expanded the CPO storage at the bulking station and constructing a 45-tonnes-per-hour mill in Kalimantan that will be ready for operation in 2019.

Rubber: The rubber acreage has declined with the conversion of some rubber estates in East Kalimantan for oil palm planting. Rubber prices are expected to remain subdued due to a surplus of supply from areas planted in 2010-2012 maturing in 2018. This situation will eventually reverse, however we still expect a surplus in 2019, subject to weather conditions.

Other operations: The construction of a chocolate factory in West Java is underway and is expected to start commercial production in 2019. The factory is part of the joint venture between IndoAgri and Japan's Daitocacao, an industrial chocolate manufacturer, to produce products such as chocolate chunks and coatings for Indonesian confectioneries.

Initiatives/cost controls: As a low-cost agricultural commodity producer, we have to continually optimise the value chain, increase agricultural outputs, improve cost control and raise plantation productivity. Through diligent crop management and productivity enhancements, we have been able to increase FFB yields and maximise asset utilisation. Our practices and processes are benchmarked against industry standards for quality assurance and operational excellence.

We are progressively using more advanced technologies on the estates to support plantation and crop management. These include the use of drones, satellite images and GPS tracking devices to monitor and manage crop yield, as well as data analytics to improve supply chain efficiency. We are also driving workplace productivity through greater process automation and paperless workflows using the SAP enterprise resource planning system, as well as improving standard operating procedures and KPIs to achieve the desired behaviours and performance in our operations.

2018 SUGAR & ETHANOL PRODUCTION

Mechanised harvesting operations at South Sumatra

Indonesia Cane Crushed

1.0M

tonnes

Sugar 74,000 tonnes

Brazil Cane Crushed

5.6M

tonnes

Sugar 291,000 tonnes

Ethanol 290,000 m^3

PLANTATION REVIEW – SUGAR IN INDONESIA

The Plantation Division has two sugar cane operations in Indonesia to meet domestic sugar demand. The South Sumatra operation has 13,595 hectares of cane plantings, integrated with an 8,000 tonnes of cane per day (TCD) sugar mill and refinery that has an annual crushing capacity of 1.44 million tonnes of cane. The Central Java operation purchases cane from smallholder farmers and operates a 4,000-TCD sugar mill with an annual crushing capacity of 720,000 tonnes of cane.

The Indonesian government regulates commodity prices through strict import quotas on key commodities which include sugar. When the domestic price of a regulated commodity falls below the threshold set by the Indonesian government. In 2018, the threshold was at Rp9,100 per kilogramme of sugar. A maximum retail price of Rp12,500 per kilogramme of white sugar was also imposed on modern trade outlets since 2017 in an effort to curb inflation. Both limits have kept Indonesian sugar price above international rates in the year.

2018 REVIEW

A total of 1.0 million tonnes of sugar cane were harvested and 74,000 tonnes of sugar produced by our sugar cane operation in South Sumatra and smallholders in Central Java.

The total planted area in South Sumatra was 13,595 hectares, of which 3,830 hectares were new plantings or replantings. In 2018, a total of 649,000 tonnes of cane were harvested and processed into 46,000 tonnes of sugar.

In Central Java, sugar cane was produced on 6,393 hectares of sugar estates owned and managed by 589 smallholder farmers, most of whom had established supply agreements with us. Under these supply agreements, credits are extended to the smallholder farmers for the purchase of seed cane, fertilisers and agrochemicals, with the amounts deducted from their shares of sugar processed from the sugar cane they deliver to the factory. In 2018, a total of 366,000 tonnes of cane were harvested by the smallholders and processed at our factory into 28,000 tonnes of sugar, of which 10,000 tonnes was our share.

Overall, sugar revenue of our Indonesian cane estates grew by 11% to Rp587 billion due to higher sales volume. Sugar sales contributed to 7% of the Plantation Division's total revenue in 2018.

Operational Highlights

	Unit	2016	2017	2018
Own Plantation:				
Planted Area	Hectares	13,249	12,618	13,595
Harvested Area	Hectares	10,778	11,482	12,161
Sugar Cane Harvested	'000 tonnes	861	639	649
Sugar Production Volume:				
From sugar cane				
South Sumatra	'000 tonnes	58	44	46
Java (PT LPI's share)	'000 tonnes	7	10	10
Total Production	'000 tonnes	**65**	**54**	**56**

2019 OUTLOOK

Sugar consumption in food and beverages in Indonesia is expected to rise by 8% to 3.6 million tonnes in 2019. The strong demand potential, coupled with better yielding crops, enhanced productivity, and the government's efforts to expand sugar cane plantations, is expected to keep the domestic sugar industry buoyant in the years ahead.

The Indonesian government has imposed price ceilings on locally produced sugar and retail white sugar to keep sugar prices affordable for consumers. In response to this policy, we will improve the yield of our sugar cane plantations, especially in South Sumatra, by planting higher yielding seed cane varieties and improving our fertiliser and agronomy management. We will also increase operational efficiency by mechanising the harvesting fleet and using drones to monitor cane growth and support cane ripening.

MANUFACTURING PROCESS FOR SUGAR

PLANTATION REVIEW – SUGAR IN BRAZIL

In Brazil, the sugar and ethanol operation is held and managed through our joint ventures Canápolis and CMAA with the JF Family. JF Family is a leading Brazilian orange producer.

2018 REVIEW

In 2018, we expanded our sugar production capacity with the acquisition of two sugar and ethanol mills (UVP and Canápolis mills), giving us a combined cane crushing capacity of 8.3 million tonnes annually. The proximity of the mills to one another in Minas Gerais will provide operational and management synergies. Canápolis mill is expected to be operational in 2020.

JV entity/ % of shareholding	Date of investment	Name of mill	Capacity (million tonnes)
1) CMAA (35%)	June 2013	UVT mill	4.0
2) Canápolis (50%)	February 2018	Canápolis mill	1.8
3) CMAA (35%)	July 2018	UVP mill	2.5
Total			**8.3**

In 2018, the total planted sugar cane area under CMAA was 79,267 hectares. A record total of 5.6 million tonnes of sugar cane was processed to produce 291,000 tonnes of raw sugar, 290,000 m^3 of ethanol and 305,000 MWh of electricity. The combined utilisation rate was 86%.

CSCE Sugar No. 11 contract prices fell by 21% to average 12 US cents/lb in 2018, caused by a global surplus of sugar due to high production from India, Thailand and the EU. India's sugar surplus, contributed by two years of bumper crops and government subsidies, pushed sugar prices to a three-year low of 10 US cents/lb in September 2018. The price only recovered marginally to 12 US cents/lb at year-end because of a potential deficit in the upcoming season due to lower production forecasts in key production countries like India, Thailand and Europe. Falling sugar prices led to CMAA reporting a lower profit in 2018. This was partially offset by a higher contribution from ethanol as CMAA produced more profitable ethanol in the year and reduced the sugar mix from 52% for the last crop to 41% in 2018. In local currency terms, IndoAgri's share of CMAA's profit was Rp29 billion, a 79% drop from Rp139 billion in 2017.

Operational Highlights – CMMA

Year Ended March	Unit	2016/ 2017	2017/ 2018	2018/ 2019 *
Planted Area #	Hectares	53,826	49,204	79,267
Harvested Area	Hectares	45,953	47,022	71,325
Cane Crushing	'000 tonnes	3,690	4,092	5,619
Production Volume:				
VHP	'000 tonnes	266	316	291
Ethanol	'000 m^3	136	154	290
Energy	'000 MWh	339	392	305

* *Full crop production data*
\# *44% of planted area are leased and planted by CMAA. The balance 56% belong to third parties*

CMAA's UVT operating unit achieved Bonsucro certification for 869,000 tonnes of sugar cane harvested from 13,390 hectares, representing 100% of the area available for certification. Moving forward, it will start the Bonsucro certification process at CMAA's UVP operating unit.

Bonsucro is a multi-stakeholder not-for-profit organisation to promote sustainable sugar cane
www.bonsucro.com

2019 OUTLOOK

Global demand for sugar is expected to grow between 1% and 1.4% annually. The price movement in 2019 will be dominated by India's sugar subsidies and volume of exports, and Brazil's sugar production, which will be driven by ethanol parity. At our mills, we have the flexibility to produce both sugar and ethanol, and we will optimise our production mix depending on the relative prices.

In 2019, we will focus on expanding the cane area of our new UVP mill, as we still have additional capacity in this mill. At Canápolis, we will rehabilitate the mill in 2019 for operation in 2020, and increase cane plantings for harvesting in 2020. We will continue to tap into CMAA's deep expertise and advanced techniques in cane cultivation to improve the efficiency of our sugar operations in Indonesia.

Bah Lias R&D centre at North Sumatra

PLANTATION REVIEW – R&D

The Plantation Division manages two oil palm R&D centres, namely SumBio at Bah Lias, North Sumatra, and PT SAIN at Pekanbaru, Riau. We have a strong team of agronomists and researchers in Indonesia actively conducting R&D programmes on crop yield, crop resilience, pest and disease control, and estate management practices.

The centres are also certified palm seed producers. Our oil palm seeds are sought after by palm producers for their premium quality, strong disease resistance and high yield. We also maintain an R&D team for sugar cane in South Sumatra and another for EOF in Jakarta.

Over the years, both R&D centres have developed numerous useful applications that contributed to sustainable crop production in Indonesia and ensured IndoAgri's long-term competitiveness as an integrated agribusiness. These included high-yielding and disease-tolerant oil palm seeds, block-base farming, soil conservation using Vetiver systems and reuse of EFB and POME as soil mulch and nutrient substitute. Many of these programmes are ongoing.

2018 REVIEW

We sold 11.3 million oil palm seeds in 2018 to oil palm producers. We also set aside 200 seeds per hectare for our new plantings and replantings. The volume of seed production was below our average capacity due to lower demand from a slowdown of new plantings in Indonesia.

New varieties of high-yield, disease-tolerant and drought-resistant oil palm seeds were produced under ongoing crossbreeding programmes at PT SAIN and SumBio. At SumBio, the genetic composition of the seeds was improved by hybridising PT SAIN's Ghana materials with a range of Ghana pollen sources. This broadened the genetic base of the breeding population while retaining the original genetic background and branding of our seeds in the improved varieties. To protect our customers from bootlegged seeds, the centres developed a process to authenticate and tag cane seeds using laser and UV printing.

With seeds that produce higher yields per hectare and that are more tolerant to diseases and the elements, our plantations and oil palm producers who bought our seeds can make more productive use of the limited land resources.

Similar R&D efforts in cane breeding were carried out. Since 2017, we had started commercial planting of high-yield cane varieties developed by our R&D. Other varieties were also developed, and these would be planted commercially when the yields from trial batches could exceed those of existing commercial plantings. Currently, we do not sell any of these new cane varieties to third parties.

There were several ongoing studies on reducing the use of chemical pesticide on plantations. The R&D centres studied the effects of planting beneficial plants along estate roads to cultivate a symbiotic ecosystem of natural predators and parasitoids to oil palm pests, like bagworms and nettle caterpillars. We also deployed entomopathogenic agents such as fungi, bacteria and viruses as biopesticides, and use UV light traps to prevent leaf-eating caterpillars.

Crop protection efforts were intensified on the plantations. In addition to the spatiotemporal analysis of pest attacks using census data collected in SAP, we used drones for real-time monitoring of the agronomic conditions in the field. The drone images were combined with other data feeds from the geographic information system, ground GPS and unmanned aerial vehicles to provide comprehensive and accurate feedback on the estate conditions. The information enabled us to quickly take remedial actions. By proactively preventing potential agronomic issues, we optimised resources, cost and efficiency.

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

The R&D centres were actively involved in the development of EOF consumer products to meet the growing demand and discerning taste of Indonesians. Customised formulations of cooking oils and speciality fats were developed for F&B manufacturers and patisseries. The centres also collaborated with Indofood to design cost-effective and environmentally friendly packaging materials.

2019 OUTLOOK

The slowdown in new oil palm plantings in Indonesia has seen an increase in replanting activities, which is expected to increase seed demand in the year ahead.

Within the Group, there is a growing demand for R&D support in the plantations, estate management and product development as we innovate and respond to changing market and environmental conditions. We will continue our study of the soil hydrology of the plantations using 3D topographic maps and the use of mechanisation to streamline work processes further. Our R&D efforts will largely focus on the cultivation of premium, high-yielding oil palm and cane seeds, effective biocontrol, and precision agronomy practices to improve crop management and planting densities.

The SAP enterprise resource planning system has been progressively upgraded to capture more data points for a comprehensive oversight of the plantation operations and conditions. We will explore integrating these insights with information collected from other sources, like drones and satellite images, using data analytics, artificial intelligence and machine learning as we strive towards precision agriculture.

Collectively, these programmes are expected to contribute towards sustainable farming in terms of higher yields per hectare, lower cost of production, and better land health.

EDIBLE OILS & FATS

Our finished products - cooking oil and margarine


Bimoli
Spesial*
MINYAK GORENG
SAWIT
Minyak Goreng Sawit
Delima
Happy
Soya Oil
ソヤオイル
100% MINYAK KEDELAI
8 Vitamin
PALMIA
MARGARIN SERBAGUNA
Formula Baru
Aroma Lebih Harum
Royal
PALMIA
BUTTER MARGARINE
Mentega

EDIBLE OILS & FATS REVIEW

The EOF Division makes and markets IndoAgri's downstream products, which include cooking oils, margarine, shortening and other by-products from the refining and fractionation of CPO. The Division operates five refineries that are strategically located near deep water ports in Indonesia. Following an expansion of the Surabaya refinery in 2018, which added another 300,000 tonnes of capacity, the total annual processing capacity of the refineries has increased to 1.7 million tonnes of CPO.

The Division's consumer cooking oil products are marketed domestically under the leading brands of *Bimoli*, *Bimoli Spesial*, *Delima* and *Happy*, while consumer margarine and shortening products are packed and sold under the brands *Palmia*, *Royal Palmia* and *Amanda*. *Bimoli* is a well-established household brand that continues to win accolades every year including the Indonesia Best Brand (Triple Platinum), The Indonesia Living Legend Brands, one of the Indonesia Most Valuable Brand, Halal Top Brand and Indonesia WOW Brand in 2018.

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

Sales and distribution of the EOF products are supported by Indofood's Distribution Group, which has an extensive network of local and national channels of more than 600,000 registered outlets in both traditional and modern trades across Indonesia.

2018 REVIEW

A total of 928,000 tonnes of CPO was sourced in the year, of which 77% came from our own plantations, to be processed into cooking oils, margarine and shortening. Small amounts of palm-based derivatives, including RBD palm stearin and palm fatty acid distillate, were also produced and sold in the year.

In 2018, the total revenue grew by 3% to Rp10.6 trillion on higher sales volume due to more competitive pricing and marketing efforts especially in the modern trade channels. Notably, *Delima* cooking oil had done well with its popular one-litre pack and contributed to the volume growth. Overall, the EOF Division contributed 76% of the Group's external sales in 2018. 85% of our products were sold domestically and the rest were exported to 25 countries in Asia, Africa and Europe.

2019 OUTLOOK

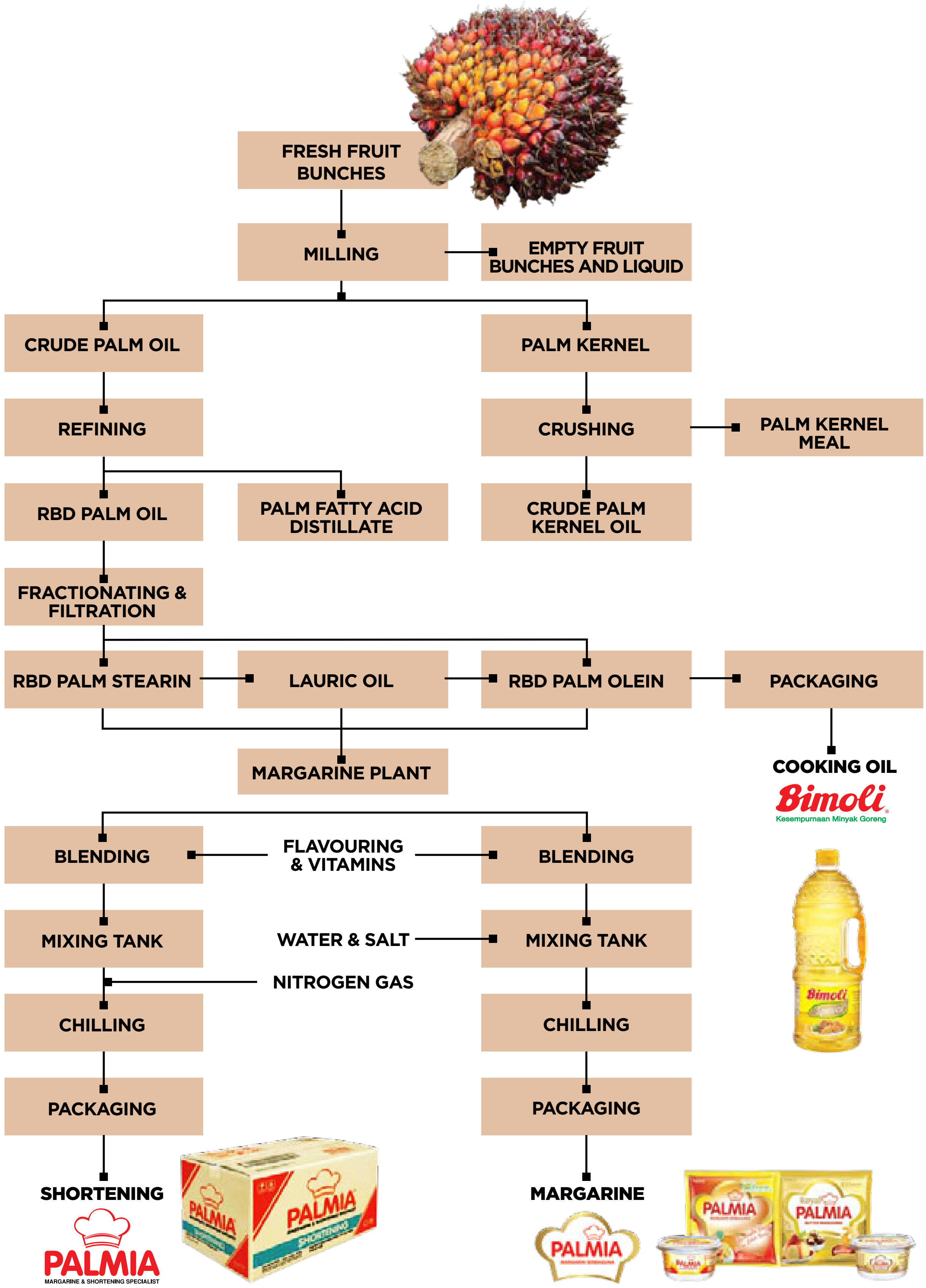
With the growing demand for EOF consumer products, we plan to increase the utilisation of downstream assets and production capacity to broaden the range of EOF products and to capitalise on the success of the one-litre pouch to grow *Delima* into our second top brand targeting the more affordable market segment. For the industrial margarine and shortening, we will be launching *Palmia Prime* to target the middleclass segment.

With the growing trend of online shopping, we are expanding into e-commerce platforms, which offer new growth opportunities that will complement our current distribution network and increase the market penetration of our products.

We will continue to innovate and offer new products at competitive price points, improve customer service, enhance product labelling and packaging, and increase efficiency through process automation. Supply chain management will be strengthened to ensure the smooth and unimpeded flow of raw materials, and the distribution network expanded to widen market coverage and penetration in Indonesia and overseas.

Our branded cooking oil brand, Bimoli

MANUFACTURING PROCESS FROM FFB TO CONSUMER PRODUCTS



Halcyon smyrnensis (Cekakak Belukar), a bird species in our South Sumatra estate

ISPO-Certified CPO

62%

or 458,000 tonnes

Occupational Health & Safety

41

sites

SUSTAINABILITY AT INDOAGRI

IndoAgri is committed to meeting global demands for edible oils and fats in a sustainable and traceable manner. As an agribusiness, the Group is exposed to various environmental, social, and governance (ESG) factors that impact our oil palm plantation operations. At the same time, we believe that when grown responsibly, oil palms allow the efficient use of scarce land resources, provide a source of livelihood for local communities, and contribute to economic growth. We strive to achieve these objectives through innovation, research and development (R&D), and by managing our plantation operations efficiently.

Core to our business strategy is our Sustainable Palm Oil Policy, which establishes the fundamentals for managing our plantation operations in a traceable and responsible manner. The Policy is underpinned by the following key commitments:

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

In 2016, the RSPO received a complaint containing allegations of human and labour rights violations at one of our North Sumatra operations. IndoAgri had cooperated fully with the RSPO throughout its complaints process to address the allegations, including conducting an independent audit by RSPO-approved auditors in 2018. Despite the provision of substantive evidences by IndoAgri that categorically demonstrated the Group's compliance to RSPO standards, the RSPO Complaints Panel had proceeded to suspend the North Sumatra mill at the end of 2018.

We were also denied a meeting with the RSPO Complaints Panel to clarify the audit findings, which we had found to be materially different from the previous 23 RSPO audits that were conducted on our North Sumatra mills between 2016 and 2018, which certified the estates to be fully RSPO-compliant. Despite repeated requests, the RSPO's refusal to engage with us and to explain the material differences between the verification audit in 2018 and the 23 prior audits showed a lack of openness, transparency and fairness in RSPO's complaint resolution process.

In early 2019, IndoAgri made the decision to withdraw PT SIMP and Lonsum operations from the voluntary RSPO certification and focus on the mandatory ISPO certification, which is closely aligned with industry best practice on sustainable palm oil. An RSPO audit report for another Lonsum mill in North Sumatra was subsequently issued in February 2019 and corroborated Lonsum's full compliance with the RSPO Principles and Criteria. IndoAgri has nevertheless maintained the decision to withdraw from RSPO due to our disappointment with the way the RSPO Complaints Panel has handled the case.

A briefing after harvesting

KEY SUSTAINABILITY PERFORMANCE IN 2018

- **Certified CPO in Indonesia**
  - 458,000 tonnes of ISPO-certified CPO, representing 62% of total nucleus CPO production in 2018

- **Certified Sugarcane in Brazil**
  - 869,000 tonnes of Bonsucro-certified production, harvested from 13,390 hectares, representing 100% of the area available for certification at CMAA's UVT operating unit.

- **Occupational Health and Safety (OHS)**
  - Complete elimination of paraquat from all operations in 2018
  - 41 sites certified to SMK3 (Occupational Health and Safety Management System), with 34 sites (30 in Palm Oil) achieving the SMK3 Gold award
  - Four work-related fatalities in palm oil operations

- **Energy and Water Consumption**
  - 10% reduction in energy consumption and 4% reduction in water consumption at refineries (2017 baseline)

- **Worker welfare**
  - Strict compliance with minimum wage regulations
  - No registered IndoAgri worker below 18 years old
  - Seasonal workers contracts comply with government regulations

- **Smallholders**
  - Achieved RSPO certification at eight smallholder cooperatives producing 86,168 tonnes of FFB since the start of the smallholder programme with IDH
  - 10 training days delivered to participant growers

KEY SUSTAINABILITY TARGETS

- ISPO certification for all palm oil production by end of 2019
- 100% product traceability and sustainable palm oil sourcing by 2020
- Zero fatality in 2019 and reduce accident frequency rate by 10% by 2020 (2018 baseline)
- Certify 25 palm oil mills and 10 factories (including refineries) to ISO 14001 certification by end of 2020
- Certify 25 palm oil mills and 10 factories (including refineries) to SMK3 certification by end of 2020

SUSTAINABILITY MANAGEMENT

The Group's Sustainable Palm Oil Policy is consistently executed across all IndoAgri operating units. The Policy is also applicable to our plasma smallholders and other third parties from whom we purchase CPO supplies. The Policy has continued to guide our efforts in achieving responsible and traceable supplies. This includes our approach to the risks and opportunities arising from the ESG factors, as well as our interactions with the different stakeholder groups.

SYSTEMATIC APPROACH

In responding to risks and opportunities related to the environment, communities and stakeholders, we have equipped our personnel through relevant training, established formal management processes, instilled a culture of accountability, and supported partnership programmes with our stakeholders.

Commitment – Guided by our mission and values, our sustainability team comprises well-trained professionals who manage our material sustainability topics and impacts.

Planning – The Group accounts for wider trends and risks using an Enterprise Risk Management system, in addition to sound corporate governance and established internal controls. We apply innovation and R&D to invigorate assets and to drive growth in domestic and international markets.

Action – Local teams are appointed at the respective sites to implement and enforce the Group's sustainability policies, commitments and programmes. We use management systems and standard operating procedures to maintain quality and drive improvements in areas such as R&D, personal safety, food safety, environmental management and information control. We have established six Sustainability Programmes to deliver improvements across a range of key material issues. The sustainability team coordinates the initiatives underlying the achievement of certifications such as ISPO and PROPER.

Assess and report – Our SAP enterprise data system and the sustainability information system are used to collate data for monitoring the progress and targets of the sustainability programmes. Evaluation is carried out via regular audits, performance trends and stakeholder feedback.

SUSTAINABILITY GOVERNANCE

IndoAgri's Board actively considers the Group's sustainability issues, reviews the material ESG topics, and oversees the management and reporting processes. The Board is updated on a quarterly basis through the Audit & Risk Management Committee on matters relating to material sustainability risks and concerns.

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

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

STAKEHOLDER ENGAGEMENT

Regular collaboration with our stakeholders has been integral to the development of our Policy, the delivery of our commitments, and our success in sustainable palm oil production. Our key stakeholder groups are employees, customers, investors, government and civil organisations, and local communities. We connect, engage and collaborate with them to strengthen mutual interests and establish common goals. While Free, Prior and Informed Consent (FPIC) is at the heart of our Policy, customer engagement activities that include audits, public seminars, and customer satisfaction surveys are core initiatives for product safety management. As we strive to achieve our targeted ISPO-certified production, regular contact with our suppliers, customers, grower cooperatives, and government ministries continue to be an integral part of the process.

As an agribusiness in Indonesia, our operations are vital to the livelihoods of local communities and we aim to advance the socio-economic development of the people living in the vicinity of our operations. Our community engagement includes fire control awareness, but at its heart is our Solidarity Programme, which covers a range of education, health, infrastructure, micro-enterprise, farmer training, culture, and humanitarian programmes. An important objective of our engagement is to improve the resilience of these communities.

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


Housing for employees in South Sumatra

Board of Directors

1 MR LEE KWONG FOO, EDWARD
CHAIRMAN AND LEAD INDEPENDENT DIRECTOR

2 MR LIM HOCK SAN
VICE CHAIRMAN AND INDEPENDENT DIRECTOR

3 MR MARK JULIAN WAKEFORD
CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

4 MR MOLEONOTO TJANG
EXECUTIVE DIRECTOR AND HEAD OF FINANCE AND CORPORATE SERVICES

5 MR SUAIMI SURIADY
EXECUTIVE DIRECTOR AND HEAD OF EOF DIVISION

6 MR TJHIE TJE FIE
NON-EXECUTIVE DIRECTOR

7 MR AXTON SALIM
NON-EXECUTIVE DIRECTOR

8 MR GOH KIAN CHEE
INDEPENDENT DIRECTOR

9 MR HENDRA SUSANTO
INDEPENDENT DIRECTOR

1 MR LEE KWONG FOO, EDWARD
CHAIRMAN AND LEAD INDEPENDENT DIRECTOR

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

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

In 2007, the Indonesian Government awarded him the highest civilian honour, the Bintang Jasa Utama (First Class).

Mr Lee has spent the last 13 years since his retirement from the diplomatic service as an independent director of some listed and non-listed companies.

Mr Lee holds a Masters of Arts degree from Cornell University.

2 MR LIM HOCK SAN
VICE CHAIRMAN AND INDEPENDENT DIRECTOR

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

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

3 MR MARK JULIAN WAKEFORD
CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Mr Wakeford is the President Director of PT SIMP and PT Lajuperdana Indah, and Director of Lonsum and CMAA. He started his career with Kingston Smith & Co, a Chartered Accounting firm in London, England.

Mr Wakeford has been in the plantation industry since 1993, working with plantation companies in Indonesia, Papua New Guinea, Soloman Islands and Thailand. He started his plantation career in Indonesia as the Finance Director of Lonsum in 1993, before moving to Papua New Guinea as the CFO of Pacific Rim Plantations Limited (PRPOL) from 1995 to 1999. In 1999, Mr Wakeford became CEO and Executive Director of PRPOL. PRPOL was sold to Cargill in 2005, Mr Wakeford spent one year with Cargill, before joining the Company in January 2007. He became CEO of the Company in August 2007 and is concurrently a member of Rabobank's Asia Food and Agribusiness Advisory Board.

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

4 MR MOLEONOTO TJANG
EXECUTIVE DIRECTOR AND HEAD OF FINANCE AND CORPORATE SERVICES

Mr Tjang is a Director of PT Indofood Sukses Makmur Tbk since 2009, where he heads the Plantation Division. He is concurrently a Commissioner of PT Indofood CBP Sukses Makmur Tbk, Vice President Director of PT SIMP and President Commissioner of Lonsum. He started his career in 1984 with Drs. Hans Kartikahadi & Co., a public accounting firm in Jakarta. Before joining the Plantations Division of the Indofood Group as CFO, he has held various management positions in the Plantations Division of the Indofood Group and Salim Plantations Group.

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

5 MR SUAIMI SURIADY
EXECUTIVE DIRECTOR AND HEAD OF EOF DIVISION

Mr Suriady is a Director of PT Indofood CBP Sukses Makmur Tbk since 2009, where he heads the Snack Foods Division. He concurrently serves as Director of PT SIMP. He began his career with an automotive battery distributor, PT Menara Alam Teknik at Astra Group and moved on to join consumer goods manufacturer, Konica Film and Paper.

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

Board of Directors

6 MR TJHIE TJE FIE
NON-EXECUTIVE DIRECTOR

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

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

7 MR AXTON SALIM
NON-EXECUTIVE DIRECTOR

Mr Axton Salim is a Director of PT Indofood Sukses Makmur Tbk since 2009. He is also a Director of PT Indofood CBP Sukses Makmur Tbk, where he heads the Dairy Division. He is concurrently a Commissioner of PT SIMP and Lonsum and Non-Executive Director of Gallant Venture Ltd. He also serves as Global Co-chair of Scaling Up Nutrition (SUN) Business Advisory Group and Director of Art Photography Centre Ltd.

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

8 MR GOH KIAN CHEE
INDEPENDENT DIRECTOR

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

Mr Goh started his career as an audit trainee with Goldblatt & Co (UK). He joined American International Assurance Pte Ltd in 1981 as an Accounting Supervisor. In 1982, he became a Regional Internal Auditor in Mobil Oil Singapore Pte Ltd and rose to the position of Regional Credit and Insurance Manager in 1987. In 1990, he was seconded to Mobil Petrochemicals International Ltd where he served as Regional Accounting Manager and later, as the Controller of the Asia Pacific region till 2000. Mr Goh was the Regional Vice President & Controller as well as an Executive Director of John Hancock International Pte Ltd from 2000 to 2004. He was a Consultant at the National University of Singapore's Centre For The Arts from 2005 to 2018. He was also an Independent Director of China Minzhong Food Corporation Limited from 2013 to 2017.

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

9 MR HENDRA SUSANTO
INDEPENDENT DIRECTOR

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

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

CORPORATE INFORMATION

DIRECTORS

Chairman and Lead Independent Director
Lee Kwong Foo, Edward

Vice Chairman and Independent Director
Lim Hock San

Chief Executive Officer and Executive Director
Mark Julian Wakeford

Executive Director and Head of Finance and Corporate Services
Moleonoto Tjang

Executive Director and Head of EOF Division
Suaimi Suriady

Non-Executive Director
Tjhie Tje Fie

Non-Executive Director
Axton Salim

Independent Director
Goh Kian Chee

Independent Director
Hendra Susanto

EXECUTIVE COMMITTEE

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Goh Kian Chee (Chairman)
Lim Hock San
Hendra Susanto

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTRAR

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

REGISTERED OFFICE

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

COMPANY SECRETARIES

Lee Siew Jee, Jennifer
Mak Mei Yook

AUDITORS

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

AUDIT PARTNER

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

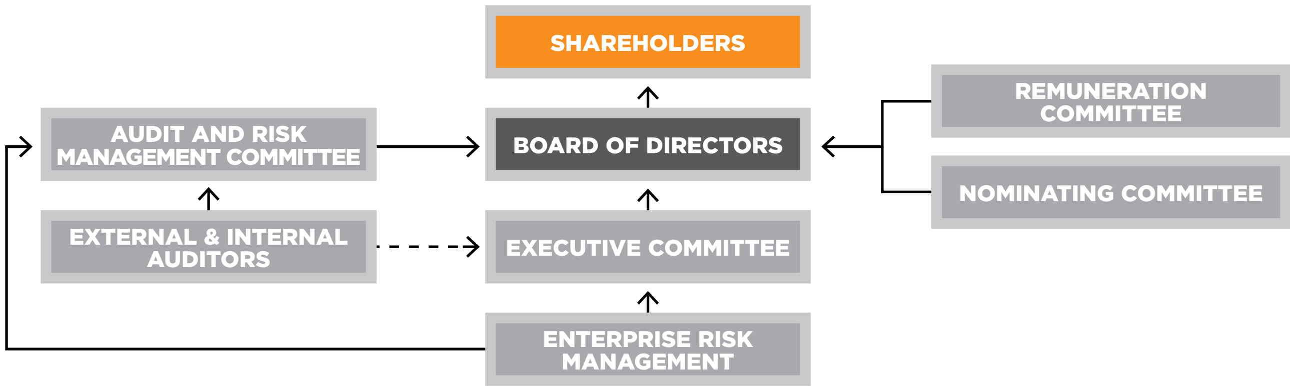
Transportation of FFB at our estate in South Sumatra

CORPORATE GOVERNANCE

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

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

CORPORATE GOVERNANCE FRAMEWORK



BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

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

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

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

Directors' Duties and Obligations: All the Directors shall always exercise due care and independent judgement, and objectively discharge their duties and responsibilities in the best interest of the Company. This is one of the performance criteria for self and peer assessments in the NC's annual evaluation on the effectiveness of the Directors. Directors who are in a conflict-of-interest position on certain issues shall recuse themselves from discussions and decisions involving those issues. Based on the assessments for 2018, all the Directors have satisfactorily discharged their duties.

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

Director Orientation and Training: The Board recognises the importance of professional development for the Directors in order for them to contribute effectively during the Board and Committee meetings. All newly appointed Directors are briefed by the Chairman of the Board as well as any Board Committees they are appointed to regarding their roles, duties and responsibilities. They will also attend an orientation programme conducted by the Management to familiarise them with the Group's organisation, business operations, strategic directions, industry trends, corporate developments and corporate governance practices as well as their statutory duties and other responsibilities as Directors. In 2018, there was no new Director appointed to the Board.

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

In 2018, some of the Directors participated in the following seminars and training programmes:

16 Jan 2018	ACRA-SGX-SID Audit Committee Seminar 2018 – Rebooting Corporate Governance by SID
03 Apr 2018	Launch of Women on Board : Making a Real Difference and the ASEAN CG Scorecard 2018 by SID
18 May 2018	Singapore Dialogue on Sustainable World Resources (SDSWR) by Singapore Institute of International Affairs (SIIA).
23 May 2018	SID AC Chapter Pit-Stop Series : The AC's Role in Crisis Management by SID
09 Jul 2018	ACRA's Audit Quality Indicators (AQI) Disclosure Framework by SID
16 Aug 2018	Director's Continual Training : (i) Innovation in the Marketplace: Emerging Trends and Insights and (ii) Ethical Standards and Culture: The role of the Board by KPMG LLP
23 Aug 2018	SID Board Risk Committee Chairmen's Conversation seminar by SID
07 Sep 2018	SID Directors Conference 2018 by SID
13 Sep 2018	Oil Palms: Market Outlook, Environmental Sustainability, and Social Landscape by ISEAS by Yusof Ishak Institute
24 Sep 2018	Global Corporate Governance Conference: Is Corporate Governance In Step With Business – Help or Hindrance? by Securities Investors Association (Singapore)
03 Oct 2018	Launch of 2018 Singapore Directorship Report & Corporate Governance Guides by SID
16 Oct 2018	Enterprise & Entrepreneur Series – Transforming Industries – Creating Value by EDB Society
16 Oct 2018	Corporate Governance Code Briefing by SID & SGX
22 Oct 2018	5th Annual Sustainability Forum for Hong Leong Group – Unlocking the Business Value of Sustainability by Hong Leong Group
11 Dec 2018	Indofood BOD Digital Training by Ogilvy

Conflict of Interest: All Directors are required to declare if they have conflict of interest in any of the corporate transactions, and to voluntarily recuse themselves from all decisions pertaining to those transactions.

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

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

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

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

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

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

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

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

The attendance at the Board and Board Committee meetings, and AGM in 2018 is as follows:

Description	Board	AC & RMC	NC	RC	AGM
Number of meetings held in 2018	**6**	**8**	**1**	**1**	**1**
Name of directors			Number of meetings attended		
Lee Kwong Foo, Edward	6	–	1	–	1
Lim Hock San	4	5	1	1	1
Mark Julian Wakeford	6	–	–	–	1
Moleonoto Tjang	6	–	–	–	1
Suaimi Suriady	5	–	–	–	1
Tjhie Tje Fie	5	–	1	1	1
Axton Salim	5	–	–	–	1
Goh Kian Chee	6	8	–	1	1
Hendra Susanto	6	8	1	–	1

Chairman

"–" refers to not applicable

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

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

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

As at 31 March 2019, the Board was made up of nine Directors, comprising three EDs, two NEDs and four IDs. All the Directors were male, between 40 and 70 years old, had each served on the Board for more than nine years. Three of the Directors were Singaporeans and other six were either Singapore permanent residents or foreigners.

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

The Directors possess a wide range of skills and experience in operations management, banking, finance, accounting, risk management and industry knowledge. Three of the Directors, namely the CEO, Mr Mark Julian Wakeford, and the EDs, Messrs Moleonoto Tjang and Suaimi Suriady, are deemed to have extensive experience in plantation management and downstream refinery operations in Indonesia. The biographies of the Directors are provided on pages 36 to 38 of this Annual Report.

In 2018, the Board was satisfied that given the scope and nature of the Group's operations, the current composition and size of the Board were adequate in facilitating constructive discussions and effective governance of the Company.

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

Annual Review of Directors' Independence

In 2018, the NC conducted an annual review of the independence of the Directors based on their self-declaration in the Directors' Independence Checklist as well as their performances in the Board and Board Committee meetings. The NC was satisfied that the Company had complied with Rules 210(5)(c), 210(5)(d)(i) and (ii) of the SGX-ST Listing Rules, which required at least one third of the Board to be made up of IDs. None of the IDs or their immediate family members was employed by the Company or any of its related corporations. The IDs did not own shares of the Company and were not in foreseeable situations that could compromise their independence of thought and decision.

The Board has four IDs, Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto, all of whom have served on the Board for more than 10 years. The NC was of the view that the four IDs had fulfilled their obligations as IDs. They had consistently demonstrated independent and sound judgements in the best interest of the Company at the Board and Board Committee meetings and would continue to contribute to the Board with their extensive experience and deep knowledge of the industry. The Board concurred with the NC's assessment on the independence of the IDs in ensuring an objective and effective Board.

With effective from 1 January 2022, in order to continue to remain Independent and in compliance with Rule 210(5)(d)(iii) of the SGX-ST Listing Rule, Directors who have served more than 9 years on the Board will have to seek the approval of (a) all shareholders; and (b) shareholders, excluding the Directors and the CEO of the Company, and their associates.

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

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

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

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

PRINCIPLE 3: THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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

Mr Edward Lee is the Chairman of the Board as well as the Lead ID. This is compliant with Rule 1207(10A) of the SGX Listing Rule as Mr Edward Lee is unrelated to the CEO or members of the Management. As the Chairman, Mr Edward Lee bears the responsibility for the proper functioning of the Board and the effectiveness of its governance processes. The Chairman works closely with the CEO to develop the agenda for the Board meetings and to ensure that the Company Secretaries disseminate the Board papers and materials to the Directors in a timely manner to prepare them for the Board meetings. During the Board meetings, the Chairman shall facilitate open and objective discussions among the Directors to encourage active participation, and to ensure that all issues on the agenda are carefully deliberated before arriving at a decision. The Chairman also plays an important role to facilitate the smooth and constructive communication among the shareholders, the Directors and the Management at the AGM and shareholder meetings.

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

PRINCIPLE 4: BOARD MEMBERSHIP

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

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

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

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

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

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

Retirement by Rotation at the 2019 AGM: Messrs Suaimi Suriady, Moleonoto Tjang and Axton Salim will retire by rotation at the 2019 AGM according to Regulation 111 of the Constitution of the Company. They will continue to serve as members of the Board upon their successful re-election.

Annual Assessment of the Director's Independence: The Company has put in place a process to ensure the continuous monitoring of the independence of the Directors whereby the Directors must immediately report any changes in their external appointments that could affect their independence on the Board. In February 2019, the NC reviewed the independence of the NEDs in accordance to the SGX Listing Rule and the 2018 Code, and deemed Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto to be independent.

Director's Commitment: For Directors serving on the board of other public-listed companies, the NC will review the number of their board representation against their commitments to our Board, such as attendance and the level of participation and contribution at the Board and Board Committee meetings, in assessing whether they will be able to effectively carry out their fiduciary duties as Directors of the Company. The NC was satisfied that in 2018, all the Directors had devoted sufficient time to attend the Board and Board Committee meetings. They had adequately discharged their duties as Directors and provided objective views to the Board and the Management. As the number of directorships held by the Directors will depend on their individual capacity, all the Directors are required to submit an annual affirmation that they will allocate sufficient time and efforts to carry out their Board duties and responsibilities. The Board does not see a need at present to limit the number of board representations for the Directors.

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

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

PRINCIPLE 5: BOARD PERFORMANCE

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

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

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

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

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

In 2018, the Board reviewed and endorsed the NC's report which had found the Directors to be effective and met the performance objectives for the year.

REMUNERATION MATTERS

PRINCIPLE 6: PROCEDURES IN DEVELOPING REMUNERATION POLICIES

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

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

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

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

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

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

Remuneration for the IDs and the NEDs: The RC adopts a Base Fee Remuneration model for the IDs. The director's fee is benchmarked against various factors, including prevailing market practices and industry norms as well as the roles and responsibilities of the IDs in the Board and Board Committees. IDs who chair the Board and Board Committees are paid higher fees in view of their greater responsibilities, and those are involved in Board Committees are paid additional fees for their services. Non-independent NEDs do not receive any Director's fees or any other forms of remuneration.

When a NED is required to travel for Company business, the Company will reimburse all his travel-related expenses and provide a prescribed daily allowance.

Remuneration for the EDs and the Key Management Personnel ("KMP"): The RC establishes the remuneration framework for the EDs and the KMP in consultation with the controlling shareholders. The RC shall exercise full discretion and independent judgment to determine the right level and mix of compensations for the long-term success of the Company while upholding the shareholders' interest.

The remuneration of the EDs and the KMP comprises an annual fixed cash component that includes an annual basic salary and fixed allowances, and annual variable cash incentives. In determining the fixed cash component, the RC will consider the individual performances, regulatory guidelines on wages, economic inflation and market surveys on executive compensations. The annual variable cash incentives, including salary increments and bonuses, are linked to the Group's financial and non-financial performance as well as the individual performance through Key Performance Indicators ("**KPI**") that cover the six key areas of crop, cost, condition, people, processes and products underlying the Group's strategic objectives. The RC will also ensure that key criteria, like profitability, competitiveness, reasonableness, and linkage to performance, are duly considered during the review of the remuneration packages for the EDs and the KMP.

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

The RC was satisfied that the remunerations awarded to the EDs and the KMP in 2018 were aligned with their respective performances.

PRINCIPLE 8: DISCLOSURE ON REMUNERATIONS

The 2018 Code requires the level and mix of remunerations for the Directors and the KMP to be disclosed by name, amount and breakdown of the remuneration. After careful considering of the competitive nature of the industry and the steep competition for talent, the Board and the Management decided not to disclose the remuneration details of the CEO, Mr Mark Julian Wakeford, and an ED, Mr Moleonoto Tjang. The director's fee for the IDs are disclosed in the table below.

Remunerations for the Directors and the CEO: The remunerations for the Directors and the CEO that were paid by the Company and its subsidiaries for the financial year ended 31 December 2018 are as follows:

Name of Directors	Fixed/Variable Salary	Director's Fees
Above S$1,250,000		
Mark Julian Wakeford	100%	–
Moleonoto Tjang [1]	100%	–
Below S$250,000		
Lee Kwong Foo, Edward	–	100%
Lim Hock San	–	100%
Goh Kian Chee	–	100%
Hendra Susanto	–	100%
Tjhie Tje Fie [2]	–	–
Axton Salim [2]	–	–
Suaimi Suriady [2]	–	–

[1] *Remuneration paid by the subsidiary, PT Salim Ivomas Pratama Tbk.*

[2] *Remuneration paid by parent company, PT ISM or by other companies in the PT ISM Group.*

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

Fees Framework (in S$)	Board	AC & RMC	NC	RC	
Chairman	75,000	30,000	15,000	15,000	
Member	50,000	15,000	10,000	10,000	
Name of Directors	**Board**	**AC & RMC**	**NC**	**RC**	**Total (S$)**
Lee Kwong Foo, Edward	Chairman	–	Chairman	–	90,000
Lim Hock San	Member	Member	Member	Chairman	90,000
Goh Kian Chee	Member	Chairman	–	Member	90,000
Hendra Susanto	Member	Member	Member	–	75,000
Total Fees paid to Independent Directors					**345,000**

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

Remuneration Band	Number of Executives
S$250,000 – S$500,000	4
S$1,000,000 – S$1,250,000	1

The total aggregate remuneration paid to the KMP for the financial year ended 31 December 2018 was S$2,465,000. The Board was of the view that it would not be in the Company's best interest to disclose the remunerations of it's the KMP, as it would undermine the Company's recruitment and talent retention efforts. Instead, the remunerations of the KMP are disclosed in bands of $250,000.

There was no pay-out for termination, retirement or post-employment benefits granted to any of the Directors or KMP in 2018.

Remunerations for employees who are immediate family members of a Director, the CEO or a substantial shareholder: There was no employee of the Company or its subsidiaries who was an immediate family member of a Director, the CEO or a substantial shareholder and whose remuneration exceeded S$100,000 for the financial year ended 31 December 2018.

ACCOUNTABILITY AND AUDIT

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The AC & RMC meets with internal and external auditors four times a year, and at least one of these meetings is conducted without the Management present. It also meets with the Enterprise Risk Management ("**ERM**") team four times a year, and reports to the Board every quarter on its findings on the material impacts and recommendations on risk mitigation measures.

For the financial year ended 31 December 2018, the AC & RMC reviewed the Group's quarterly and full-year financial statements before tabling to the Board for approval. It also reviewed key findings from the Internal Audit Department ("**IAD**"), ERM team and the external auditor as well as the actions recommended by the Management to rectify the discrepancies. The AC & RMC was kept abreast of changes to accounting standards and the impacts on financial reporting by the external auditor.

Both the ERM team and IAD worked closely to manage high-risk areas, ensure accuracy of the risk assessment reports, and enforce risk mitigation controls and strategies. IAD performed independent reviews of the risks and controls identified by the ERM team to ensure adequate monitoring and resolution. In 2018, the AC & RMC was satisfied that effective internal controls were put in place, and supported by a rigorous internal audit process and a comprehensive ERM framework to identify, monitor, manage and report material risks in key areas, including strategy, operations, governance and finance.

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

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

In 2018, key audit matters, listed below, were discussed between the Management and the external auditor, and subsequently reviewed by the AC & RMC. The AC & RMC was satisfied that the key audit matters were appropriately addressed and disclosed in the financial statements.

Key Audit Matters	Key Considerations and Decisions made by the AC & RMC
Impairment assessment of goodwill	The AC & RMC considered and evaluated the methodology applied by the independent valuer engaged by the Management to determine the recoverable value for the assessment of goodwill impairment using the income approach. The AC & RMC reviewed the appropriateness and reasonableness of the underlying assumptions applied in determining the recoverable value of the goodwill impairment as well as the audit findings report presented by the external auditor during the year-end meeting. The AC & RMC concurred with the Management's assessment on goodwill impairment for the financial year ended 31 December 2018.
Recoverability of deferred tax assets arising from tax losses carried forward	The AC & RMC considered and reviewed the methodology and key assumptions used by the Management to determine the amount of future taxable profits for the next five years for deferred tax assets recognition. The AC & RMC reviewed the financial projections to assess the appropriateness of the methodology and reasonableness of the assumptions made as well as the audit findings report presented by the external auditor during the year-end meeting. The AC & RMC concurred with the Management on the assessment of the recoverability of deferred tax assets arising from tax losses carried forward for the financial year ended 31 December 2018.

The key audit matters were listed in the external auditor's report for the financial year ended 31 December 2018, together with a detailed description of the audit procedures adopted on pages 59-60 of this Annual Report.

PRINCIPLE 10: AUDIT COMMITTEE

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

Powers and Duties of the AC & RMC

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

The terms of reference of the AC & RMC include:

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

Audit Activities Performed in 2018

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

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

The Company obtained the shareholders' approval in the Addendum dated 8 April 2019 to enter into IPT with individuals who fall within the approved categories of Interested Persons, provided such transactions are entered into according to the review procedures set out in the Addendum. The IPT Mandate was last approved by the shareholders at the 2018 AGM. The list of IPTs is disclosed on page 153 of this annual report.

The AR & RMC did not engage an independent financial adviser for the renewal of the IPT Mandate as the guidelines, methods and review procedures to determine the transaction prices of IPTs had remained unchanged since the last shareholders' approval of the IPT Mandate at the 2018 AGM; and the review procedures were deemed sufficient to ensure the IPTs were carried out on fair commercial terms and without prejudice to the interest of the Company or the minority shareholders.

External Audit

The Board will recommend the appointment of a new external auditor or the re-appointment of the incumbent external auditor to the shareholders for approval at the AGM. In the case of the re-appointment of the incumbent external auditor, the AC & RMC will assess the performance of the external auditor based on a combination of inputs, including ACRA's Audit Quality Indicators, feedback from the Management, and the objectivity and conduct of the external auditor during the audit proper. If the performance of the external auditor is found to be satisfactory, the AC & RMC will recommend to the Board for the external auditor to be re-appointed, provided the external auditor has not been appointed for a maximum of five consecutive annual audits according to the SGX-ST regulation.

Ernst & Young LLP was the external auditor appointed by the Company in 2018. In accordance with Rule 1207(6)(a) of the SGX-ST Listing Manual, the audit and non-audit fees paid to the external auditor for the financial year ended 31 December 2018 are disclosed on page 99 of this Annual Report.

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

The Board and the AC & RMC were also satisfied with the performance of the external auditors engaged by the Company's subsidiaries, associated companies and joint ventures and were of the opinion that the Company had complied with Rules 712 and 716 of the SGX-ST Listing Manual. These external auditors are disclosed on pages 116, 118 and 121 of this Annual Report.

Internal Audit

IAD is an independent unit that operates separately from the business and corporate activities. Its operations are governed by the framework set out in the Internal Audit Charter and Code of Ethics approved by the AC & RMC and the Management. IAD is headed by Mr Rogers H. Wirawan who reports directly to the AC & RMC Chairman on all internal audit matters. IAD had 79 staff as at 31 December 2018.

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

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

In 2018, IAD adopted a risk-based auditing approach that focused on material internal controls to identify and audit high-risk areas of strategic business units. The mitigation measures were subsequently proposed by the Management in consultation with IAD. The findings and recommendations of the internal audit as well as quarterly update on the progress of the rectification measures were presented to the AC & RMC. The AC & RMC was satisfied that IAD had adequately monitored and managed the key risks and internal controls for the Company.

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

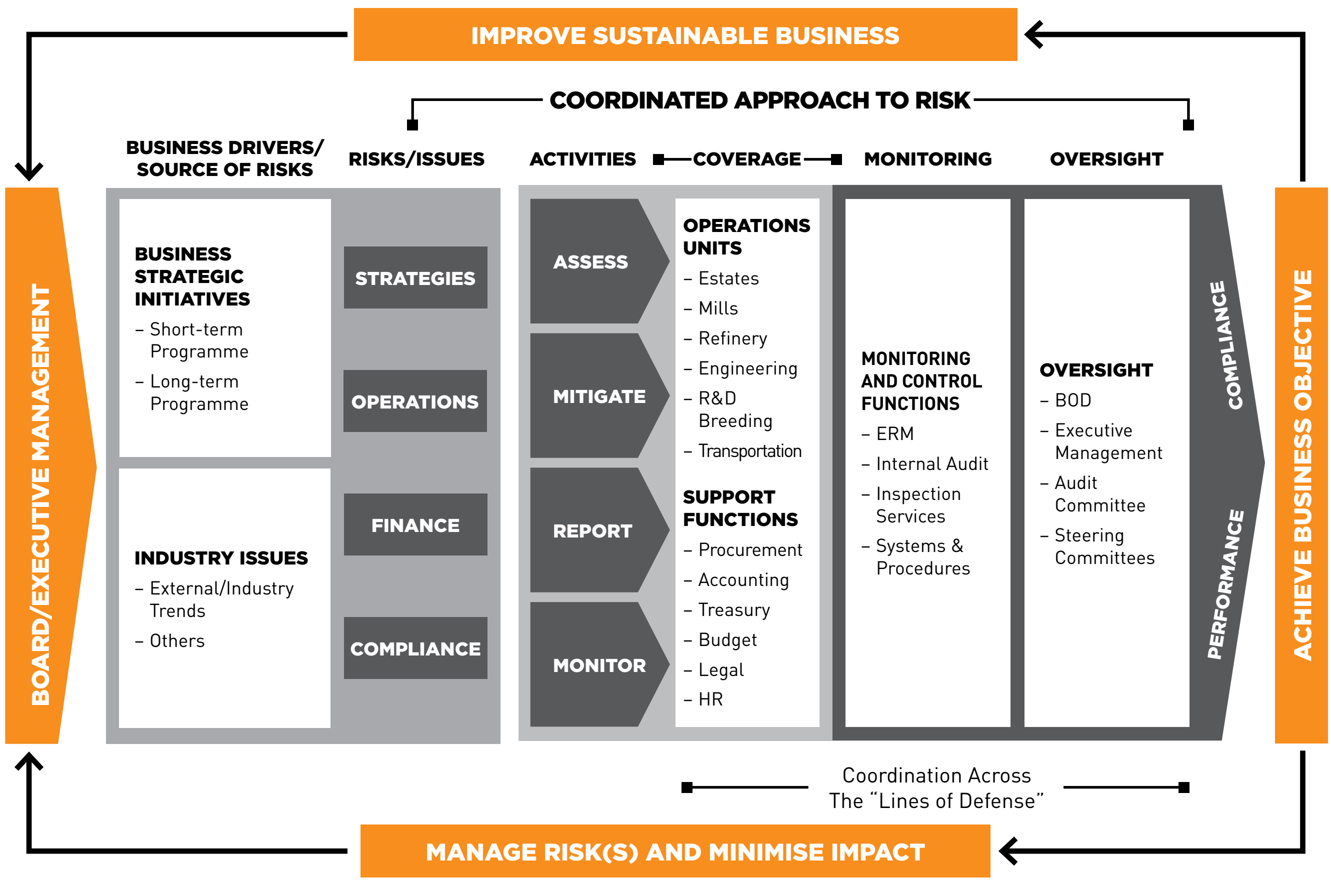
Whistle-Blowing Policy

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

Enterprise Risk Management

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

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



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

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

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

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

In 2018, the following risks were identified, managed and monitored:

1) Strategic Risks

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

2) Operational Risks

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

3) Compliance Risks

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

4) Financial Risks

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

SHAREHOLDER RIGHTS AND ENGAGEMENT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS
PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

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

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

In 2018, a total of 173 meetings and conference calls were made to engage the analysts and shareholders and to share the Group's business strategies, operational and financial results and business outlook with them. These engagements were attended by selected members of the Board and the Management. Key analysts and major shareholders were also invited to site visits at the North Sumatra plantation.

Dividend Policy

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

Conduct of the Annual General Meetings

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

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

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

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

At the AGM held in April 2018, the CEO presented the Company's performance and strategies to the shareholders. The Board and the Management were present to address queries from the shareholders, as well as to gather their feedback on specific issues. The external auditor and Company lawyer also attended the AGM to take questions on the audit report and changes to the Constitution respectively.

Dealing in The Company's Securities

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

MANAGING STAKEHOLDER RELATIONSHIP

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

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

In line with the Board's commitment to maintain high ethical standards consistent with the Company's corporate identity and good standing in local communities in which it operates, the Company has declared the following three corporate policies:

1) Code of Conduct and Company Culture

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

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

2) Sustainable Palm Oil Policy

This policy on producing sustainable palm oil shall apply to all the Company's palm oil operations, plasma smallholders and other third parties from which the Company will purchase CPO for its refineries. The key commitments under this policy are as follows:

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

3) Responsible Supplier Guidelines

This policy that enforces the traceability of raw materials and supports sustainable palm oil along the Company's supply chain shall apply to all the Company's CPO and FFB suppliers. All CPO refined by the Company is traceable to supplier mills, with about 77% of the CPO coming from the Company's own mills. All the FFBs processed by the Company's mills are traceable to the nucleus plantations and plasma farms.

Indofood Agri Resources Ltd. & its subsidiaries

Financial Statements

FINANCIALS

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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 Indofood Agri Resources Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2018.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance of the business, changes in equity and cash flows of the Group for the financial year ended on that date; and

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

DIRECTORS

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

Lee Kwong Foo, Edward	Chairman
Lim Hock San	Vice Chairman
Mark Julian Wakeford	Chief Executive Officer
Moleonoto Tjang	
Suaimi Suriady	
Tjhie Tje Fie	
Axton Salim	
Goh Kian Chee	
Hendra Susanto	

In accordance with Regulation 111 of the Company's Constitution, Suaimi Suriady, Moleonoto Tjang and Axton Salim retire and, being eligible, offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

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

OPTIONS

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

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

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

AUDIT COMMITTEE

The Audit Committee carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50. The functions performed by the Audit Committee are described in the Report on Corporate Governance.

AUDITOR

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

On behalf of the Board of Directors,

Mark Julian Wakeford
Director

Moleonoto Tjang
Director

Singapore
22 March 2019

INDEPENDENT AUDITOR'S REPORT
to the members of Indofood Agri Resources Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Indofood Agri Resources Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the consolidated statement of changes in equity, the consolidated statement of comprehensive income, and the consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

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

We have identified the following matters as key audit matters:

(i) Impairment assessment of goodwill

SFRS(I) 1-36 – Impairment of Assets requires goodwill to be tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. This annual goodwill impairment assessment is significant to our audit because the goodwill balance of Rp3,245.3 billion, which arose largely from the acquisition of PT Perusahaan Perkebunan London Sumatra Indonesia ("Lonsum"), is material to the financial statements and the recoverable value of the goodwill and the underlying assets associated with the acquired entities are determined by a value-in-use calculation using income approach which are complex, highly judgemental and subjective. Management engaged an independent valuer to determine the recoverable value of the goodwill only for Lonsum's integrated plantation estates. The plantation estates under Lonsum are identified as a single cash generating unit ("CGU") for impairment testing. The recoverable amount of other goodwill from other acquisitions were determined internally by management.

Under the income approach, the expected future cash flows are discounted to the present value by using a discount rate. The estimation of future cash flows requires the use of a number of other significant operational and predictive assumptions, such as fresh fruit bunch yield rate, extraction rate, projected selling price, inflation rate, exchange rate and also factors in the terminal value after the implicit period of 5 years.

Key audit matters (cont'd)

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

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

We also reviewed the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The Group's disclosures about goodwill are in Note 15 to the financial statements, which explain that changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future.

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

SFRS(I) 1-12 – Income Taxes allows the recognition of deferred tax asset on operating losses if it is probable that there will be sufficient taxable profits in future against which the tax losses can be utilised. The recognition of deferred tax asset is significant to our audit because the Group has recognised deferred tax asset of Rp1,125.0 billion which is material to the financial statements, of which Rp826.3 billion relates to unutilised tax losses carried forward. Additionally, certain subsidiaries continue to report net losses which raises doubt on whether the related deferred tax assets can be fully recovered in the future years as the tax losses in Indonesia generally expire after 5 years.

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

The Group's disclosures on deferred tax assets are in Note 17 to the financial statements.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
22 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 Rp million	2017 Rp million
Revenue	4	14,059,450	15,725,304
Cost of sales	5	(11,861,526)	(12,663,858)
Gross profit		2,197,924	3,061,446
Selling and distribution expense		(525,014)	(509,354)
General and administrative expense		(884,577)	(945,863)
Foreign exchange loss		(118,034)	(14,450)
Other operating income	6	77,946	82,323
Other operating expense	7	(81,878)	(151,989)
Share of results of associate companies		(7,792)	(17,915)
Share of results of joint ventures		28,704	138,654
(Loss)/gain arising from changes in fair value of biological assets	13	(30,882)	34,839
Profit from operations	8	656,397	1,677,691
Loss on deemed disposal on investment in a joint venture	20	(87,049)	–
Finance income	9	104,199	107,505
Finance expense	10	(719,960)	(647,043)
(Loss)/profit before tax		(46,413)	1,138,153
Income tax expense	11	(380,102)	(485,268)
Net (loss)/profit for the year		(426,515)	652,885
(Loss)/profit for the year attributable to:			
Owners of the Company		(221,764)	447,314
Non-controlling interests		(204,751)	205,571
		(426,515)	652,885
Other comprehensive income ("OCI"):			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(38,590)	(469)
Items that will not be reclassified to profit or loss			
Unrealised loss for available-for-sales investment		(3,350)	–
Re-measurement gain/(loss) of employee benefits liability	28	228,304	(184,821)
Income tax effect related to re-measurement (gain)/loss of employee benefits liability	11	(57,076)	46,206
Share of OCI of an associate company and a joint venture		(52,995)	(14,100)
Other comprehensive income for the year, net of tax		76,293	(153,184)
Total comprehensive income for the year		(350,222)	499,701
Total comprehensive income attributable to:			
Owners of the Company		(214,673)	349,356
Non-controlling interests		(135,549)	150,345
Total comprehensive income for the year		(350,222)	499,701
Earnings per share (in Rupiah)	12		
– basic		(159)	320
– diluted		(159)	320

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

BALANCE SHEETS
As at 31 December 2018

	Note	Group 31 December 2018 Rp million	Group 31 December 2017 Rp million	Group 1 January 2017 Rp million	Company 31 December 2018 Rp million	Company 31 December 2017 Rp million	Company 1 January 2017 Rp million
Non-current assets							
Biological assets	13	328,500	313,305	325,102	–	–	–
Property, plant and equipment	14	21,213,418	21,178,399	21,396,796	36,400	39,986	43,576
Goodwill	15	3,245,317	3,245,837	3,253,637	–	–	–
Claims for tax refund	16	284,779	126,732	178,704	–	–	–
Deferred tax assets	17	1,125,003	1,346,976	1,240,194	–	–	–
Investment in subsidiary companies	18	–	–	–	10,633,423	10,533,516	10,533,516
Investment in associate companies	19	1,469,721	1,358,774	1,002,247	551,139	551,139	551,139
Investment in joint ventures	20	809,373	874,911	751,850	–	–	–
Amount due from a subsidiary	21	–	–	–	1,150,000	730,000	730,000
Advances and prepayments	21	476,077	385,116	425,917	–	–	–
Other non-current receivables	21	1,433,224	1,209,487	1,174,662	10	10	9
Total non-current assets		30,385,412	30,039,537	29,749,109	12,370,972	11,854,651	11,858,240
Current assets							
Inventories	22	2,428,365	2,204,549	2,270,749	–	–	–
Trade and other receivables	23	1,395,471	1,200,404	1,122,774	93,424	76,172	78,142
Advances and prepayments	23	181,652	188,330	240,215	169	228	197
Prepaid taxes		336,031	273,845	251,107	–	–	–
Biological assets	13	516,656	536,821	464,722	–	–	–
Asset held for sale	14	41,795	41,795	–	–	–	–
Cash and cash equivalents	24	2,228,869	2,929,674	2,404,838	153,545	664,267	532,896
Total current assets		7,128,839	7,375,418	6,754,405	247,138	740,667	611,235
Total assets		37,514,251	37,414,955	36,503,514	12,618,110	12,595,318	12,469,475
Current liabilities							
Trade and other payables and accruals	25	1,810,233	1,631,014	1,499,716	114,796	104,739	14,843
Advances and other payables	25	234,699	194,703	453,672	–	–	–
Interest-bearing loans and borrowings	26	6,971,649	4,462,704	2,481,405	1,085,351	–	–
Income tax payable		27,609	91,731	215,515	9	18	–
Total current liabilities		9,044,190	6,380,152	4,650,308	1,200,156	104,757	14,843
Net current (liabilities)/ assets		(1,915,351)	995,266	2,104,097	(953,018)	635,910	596,392

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

		Group			Company		
	Note	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
		Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Non-current liabilities							
Interest-bearing loans and borrowings	26	4,218,271	6,067,793	7,545,936	–	1,013,390	1,002,997
Amounts due to related parties and other payables	27	427,859	364,106	569,779	–	–	–
Provisions	27	32,007	34,149	31,086	–	–	–
Employee benefits liabilities	28	2,323,955	2,361,278	1,980,219	–	–	–
Deferred tax liabilities	17	614,776	784,827	848,134	7,942	–	–
Total non-current liabilities		7,616,868	9,612,153	10,975,154	7,942	1,013,390	1,002,997
Total liabilities		16,661,058	15,992,305	15,625,462	1,208,098	1,118,147	1,017,840
Net assets		20,853,193	21,422,650	20,878,052	11,410,012	11,477,171	11,451,635
Equity attributable to owners of the Company							
Share capital	29	3,584,279	3,584,279	3,584,279	10,912,411	10,912,411	10,912,411
Treasury shares	29	(390,166)	(390,166)	(390,166)	(390,166)	(390,166)	(390,166)
Revenue reserves	30	8,075,562	8,303,290	8,025,765	743,615	810,774	785,238
Other reserves	30	517,935	606,963	614,757	144,152	144,152	144,152
		11,787,610	12,104,366	11,834,635	11,410,012	11,477,171	11,451,635
Non-controlling interests		9,065,583	9,318,284	9,043,417	–	–	–
Total equity		20,853,193	21,422,650	20,878,052	11,410,012	11,477,171	11,451,635

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Treasury shares	Other reserves	Revenue reserves	Total reserves		
		Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
At 1 January 2018 (FRS Framework)		3,584,279	(390,166)	582,329	8,327,924	8,910,253	9,318,284	21,422,650
Cumulative effects of adopting SFRS(I)		–	–	24,634	(24,634)	–	–	–
At 1 January 2018 (SFRS(I) Framework)		3,584,279	(390,166)	606,963	8,303,290	8,910,253	9,318,284	21,422,650
Net loss for the year		–	–	–	(221,764)	(221,764)	(204,751)	(426,515)
Other comprehensive income		–	–	(89,658)	96,749	7,091	69,202	76,293
Total comprehensive income for the year		–	–	(89,658)	(125,015)	(214,673)	(135,549)	(350,222)
Contributions by and distribution to owners:								
Dividend payments by subsidiary companies		–	–	–	–	–	(168,152)	(168,152)
Dividend payment to Company's shareholders	30(c)	–	–	–	(102,713)	(102,713)	–	(102,713)
Additional capital contributions from non-controlling shareholder to subsidiary companies		–	–	–	–	–	51,000	51,000
Share of an associate's employee share based compensation reserve		–	–	630	–	630	–	630
Total transactions with owners in their capacity as owners		–	–	630	(102,713)	(102,083)	(117,152)	(219,235)
Balance at 31 December 2018		3,584,279	(390,166)	517,935	8,075,562	8,593,497	9,065,583	20,853,193

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

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

	Note	Attributable to owners of the Company						
		Share capital Rp million	Treasury shares Rp million	Other reserves Rp million	Revenue reserves Rp million	Total reserves Rp million	Non-controlling interests Rp million	Total equity Rp million
At 1 January 2017 (FRS Framework)		3,584,279	(390,166)	590,123	8,050,399	8,640,522	9,043,417	20,878,052
Cumulative effects of adopting SFRS(I)		–	–	24,634	(24,634)	–	–	–
At 1 January 2017 (SFRS(I) Framework)		3,584,279	(390,166)	614,757	8,025,765	8,640,522	9,043,417	20,878,052
Net profit for the year		–	–	–	447,314	447,314	205,571	652,885
Other comprehensive income		–	–	(14,794)	(83,164)	(97,958)	(55,226)	(153,184)
Total comprehensive income for the year		–	–	(14,794)	364,150	349,356	150,345	499,701
Contributions by and distribution to owners:								
Dividend payments by subsidiary companies		–	–	–	–	–	(154,147)	(154,147)
Dividend payment to Company's shareholders	30(c)	–	–	–	(86,554)	(86,554)	–	(86,554)
Additional capital contributions from non-controlling shareholder to subsidiary companies		–	–	–	–	–	260,483	260,483
Acquisition of non-controlling interest		–	–	(12,883)	(71)	(12,954)	12,954	–
Share of changes in an associate's other reserves		–	–	12,117	–	12,117	–	12,117
Share of an associate's employee share based compensation reserve		–	–	77	–	77	–	77
Gain on deemed disposal of an associate company		–	–	7,689	–	7,689	5,232	12,921
Total transactions with owners in their capacity as owners		–	–	7,000	(86,625)	(79,625)	124,522	44,897
Balance at 31 December 2017		3,584,279	(390,166)	606,963	8,303,290	8,910,253	9,318,284	21,422,650

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

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

	Note	2018 Rp million	2017 Rp million
Cash flows from operating activities			
(Loss)/profit before taxation		(46,413)	1,138,153
Adjustments for:			
Depreciation and amortisation	8	1,488,895	1,430,421
Realisation of deferred costs		150,871	149,373
Unrealised foreign exchange loss		145,613	14,065
Loss/(gain) arising from changes in fair value of biological assets	13	30,882	(34,839)
Impairment loss of financial assets		–	41,394
Gain on disposal of property, plant and equipment	6	(4,466)	(6,504)
Write-off of property, plant and equipment		362	869
Provision for unrecoverable advances	7	–	38,952
Changes in allowance for decline in market value and obsolescence of inventories	5,22	3,058	5,163
Changes in provision for asset dismantling costs	7,27	(2,142)	3,063
Changes in estimated liability for employee benefits	28	328,308	349,017
Effective interest rate amortisation of financial assets		30,007	21,608
Share of results of associate companies		7,792	17,915
Share of results of joint ventures		(28,704)	(138,654)
Loss on deemed disposal on investment in a joint venture	20	87,049	–
Impairment of goodwill	15	520	7,800
Finance income	9	(104,199)	(107,505)
Finance expense	10	719,960	647,043
Operating cash flows before changes in working capital		2,807,393	3,577,334
Changes in working capital:			
Increase in other non-current receivables		(56,905)	(131,487)
(Increase)/decrease in inventories		(226,874)	61,037
Increase in trade and other receivables		(188,714)	(73,537)
(Increase)/decrease in advances to suppliers		(843)	51,462
Decrease in prepaid taxes, advances and other payable		(24,148)	(306,122)
Increase/(decrease) in trade and other payables and accruals		32,116	(11,857)
Cash flows from operations		2,342,025	3,166,830
Interest received		105,313	106,910
Interest paid		(708,227)	(632,229)
Income tax paid		(742,803)	(710,866)
Net cash flows from operating activities		996,308	1,930,645

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

	Note	2018 Rp million	2017 Rp million
Cash flows from investing activities			
Additions to property, plant and equipment		(1,486,288)	(1,164,738)
Additions to biological assets	13	(10,074)	(4,481)
Increase in plasma receivables		(268,583)	(135,183)
Proceeds from disposal of property, plant and equipment		27,107	23,227
Advances for projects and purchases of fixed assets		(117,959)	(76,954)
Investment in associate companies		(109,323)	(349,350)
Investment in a joint venture		(99,984)	–
Net cash flows used in investing activities		(2,065,104)	(1,707,479)
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		4,464,981	3,128,000
Repayment of interest-bearing loans and borrowings		(3,983,434)	(2,662,474)
Proceeds from amount due to related parties		76,200	12,000
Dividend payments by subsidiaries to non-controlling interests		(168,152)	(154,147)
Dividend payment to the Company's shareholders	30(c)	(102,713)	(86,554)
Capital contributions from non-controlling interests		51,000	58,043
Net cash flows from financing activities		337,882	294,868
Net (decrease)/increase in cash and cash equivalents		(730,914)	518,034
Effect of changes in exchange rates on cash and cash equivalents		30,109	6,802
Cash and cash equivalents at the beginning of the financial year		2,929,674	2,404,838
Cash and cash equivalents at the end of the financial year	24	2,228,869	2,929,674

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

1. CORPORATE INFORMATION

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

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

These activities are carried out through the Company's subsidiaries, associates and joint ventures. The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries, associates and joint ventures are disclosed in Note 18 to 20 to the financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on the effect of adopting SFRS(I).

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

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)")

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the exemption in which cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of Rp24,634 million was adjusted against the opening retained earnings as at 1 January 2017.

The following is the reconciliations of the impact arising from first-time adoption of SFRS(I) on 1 January 2017, 31 December 2017 and 1 January 2018 to the balance sheet of the Group:

As at 1 January 2017:

Balance sheet	Reported under FRS Rp million	SFRS(I) 1 adjustments Rp million	Reported under SFRS(I) Rp million
Equity attributable to owners of the Company:			
Share capital	3,584,279	–	3,584,279
Treasury shares	(390,166)	–	(390,166)
Revenue reserves	8,050,399	(24,634)	8,025,765
Other reserves	590,123	24,634	614,757
	11,834,635	–	11,834,635
Non-controlling interest	9,043,417	–	9,043,417
Total equity	20,878,052	–	20,878,052

As at 31 December 2017 and 1 January 2018:

Balance sheet	Reported under FRS Rp million	SFRS(I) 1 adjustments Rp million	Reported under SFRS(I) Rp million
Equity attributable to owners of the Company:			
Share capital	3,584,279	–	3,584,279
Treasury shares	(390,166)	–	(390,166)
Revenue reserves	8,327,924	(24,634)	8,303,290
Other reserves	582,329	24,634	606,963
	12,104,366	–	12,104,366
Non-controlling interest	9,318,284	–	9,318,284
Total equity	21,422,650	–	21,422,650

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

There were no material adjustments to the Group's Consolidated cash flow statement and Consolidated total comprehensive income arising from the transition from FRS to SFRS(I).

There were no material impact to the Company's balances on adoption of SFRS(I).

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 Financial Instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

(a) Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments, depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criterial of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. The Group holds its current financial assets to collect contractual cash flows, and accordingly measured at amortised cost when it applies SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at FVPL, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

New accounting standards effective on 1 January 2018 (cont'd)

SFRS(I) 9 *Financial Instruments (cont'd)*

(a) Classification and measurement (cont'd)

The Group elected to measure its available-for-sale unquoted equity at FVOCI. Any subsequent changes in fair value of the available-for-sale will be recognised to other comprehensive income without recycling to profit or loss.

For financial assets held by the Group and the Company on 1 January 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under SFRS(I) 9. Reclassifications resulting from management's assessment are as follows:

Group

As at 1 January 2018	SFRS(I) 9 measurement category			
	FVPL	Amortised cost	FVOCI	Total
FRS 39 measurement category				
Loans and receivables				
Trade receivables	–	1,073,859	–	1,073,859
Other receivables	–	140,448	–	140,448
Plasma receivables	–	1,176,145	–	1,176,145
Available for sale				
Unquoted equity investment	–	–	19,439	19,439

Company

As at 1 January 2018	SFRS(I) 9 measurement category			
	FVPL	Amortised cost	FVOCI	Total
FRS 39 measurement category				
Loans and receivables				
Other receivables	–	806,182	–	806,182

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

New accounting standards effective on 1 January 2018 (cont'd)

(b) Impairment

SFRS(I) 9 requires the Group to record expected credit losses ("ECL") on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group applies the simplified approach using provision matrix to assess the ECL on all trade receivables. The Group has assessed and concluded that the ECL is nil for the trade receivables due from related parties in view of the risk of default it low or remote. As for the trade receivables due from third parties, there are either covered by letter of credit or credit insurance, hence, management has assessed that the probability of default is low and no ECL is provided.

The Group and the Company applies general approach for financial assets that contain significant financing component such as the Group's plasma receivables and the Company's amount due from subsidiary companies. Under this approach, the Group and the Company assessed if there are any significant changes in credit risk of the receivables to determine whether to provide ECL based on 12-month or lifetime basis.

For plasma receivables and amount due from subsidiary companies, management has assessed that there was no significant decline in credit risk since initial recognition, therefore, determine the ECL be assessed based on 12-month basis. Management has assessed and concluded that no credit loss is required to be recognised as the probability of default is nil.

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018. SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group is a vertically-integrated agribusiness group, with its principal activities comprising research and development, oil palm seed breeding, cultivation of oil palm plantations, production and refining of crude palm oil ("CPO"), cultivation of rubber, sugar cane, cocoa, tea and industrial timber plantations, and marketing and selling these end products. The Group's business segments are (i) Plantations and (ii) Edible Oils and Fats ("EOF").

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

New accounting standards effective on 1 January 2018 (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers (cont'd)*

Certain contracts with customers within the respective business segments provide cash incentives and rights of return for edibles oils and fats products, volume discount for palm seeds and pricing change due to CPO quality. The amount of revenue recognised is based on the contractual price, net of volume discounts, good returns and adjustment for product quality. Such provisions give rise to variable consideration under SFRS(I) 15.

Except the reclassification of cash incentives from selling and distribution expenses to a deduction in revenue, there is no material impact on the financial statements in the year of initial application.

The comparatives have been restated with the following impact:

For the financial year ended 31 December 2017:

Statement of comprehensive income	Reported under FRS Rp million	SFRS(I) 15 adjustments Rp million	Reported under SFRS(I) Rp million
Revenue	15,826,648	(101,344)	15,725,304
Selling and distribution expense	(608,223)	101,344	(506,879)

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or*
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1- 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

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

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

SFRS (I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019

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

The Group has performed preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognised right-of-use assets of Rp123 billion and lease liabilities of Rp129 billion for its leases previously classified as operating leases, with a corresponding decrease in the opening retained earnings of Rp7 billion before tax impact as of 1 January 2019. In addition, the Group will present land use rights of Rp1,850 billion as right-of-use assets as of 1 January 2019.

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.

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

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

(a) Basis of consolidation (cont'd)

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

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

(b) Business combinations

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

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

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

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

<u>Business Combination of Entities Under Common Control</u>

As the transaction of business combination involving entities under common control does not result in a change of the economic substance of the ownership of businesses which are exchanged, the said transaction is recognised at its carrying amount using the pooling-of-interest method. In applying the pooling-of-interest method, the components of the financial statements of the combining entity, for the year during which the business combination of entities under common control occurred and for the comparative year, are presented in such a manner as if the combination has occurred since the beginning of the year of the combining entity are under common control. Difference in value of considerations transferred in a business combination of entities under common control or considerations received when disposal of business of entities under common control, if any, with its carrying amount is recognised as part of equity in the consolidated statement of financial position.

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

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

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

2.7 Property, plant and equipment

(a) Bearer plants

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

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

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

2.7 Property, plant and equipment (cont'd)

(a) Bearer plants (cont'd)

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

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

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

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

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

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

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

(b) Other property, plant and equipment

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

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

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

• Land use rights	10 to 44 years
• Buildings and improvements	10 to 25 years
• Plant and machinery	4 to 20 years
• Heavy equipment, transportation equipment and vessel	5 to 30 years
• Furniture, fixtures and office equipment	4 to 10 years

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

2.7 Property, plant and equipment (cont'd)

(b) Other property, plant and equipment (cont'd)

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

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

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

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

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

2.8 Biological assets

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

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

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

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

2.9 Plasma receivables

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

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

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

2.9 Plasma receivables (cont'd)

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

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

Plasma receivables are classified as financial assets held at amortised cost under SFRS(I) 9. The accounting policy for financial instruments is set out in Note 2.15.

2.10 Intangible assets

(a) Goodwill

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

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

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

(b) Other intangible assets

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

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

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

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised.

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

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

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

2.10 Intangible assets (cont'd)

(c) Research and development costs

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

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

2.11 Impairment of non-financial assets

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

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

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

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

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

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

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

2.12 Subsidiaries

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

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

2.13 Joint arrangements

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

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

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

(a) Joint operations

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

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

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

(b) Joint ventures

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

2.14 Joint ventures and associates

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

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

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

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

2.14 Joint ventures and associates (cont'd)

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

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

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

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

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

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

2.15 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

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

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

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

Investments in debt instruments

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

(i) Amortised cost

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

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

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

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

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

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

Investment in equity instruments

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

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

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

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

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Derecognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Derecognition

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

2.16 Impairment of financial assets

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

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

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

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

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

2.16 Impairment of financial assets (cont'd)

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

2.17 Cash and cash equivalents

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

Cash and cash equivalents carried in the consolidated balance sheet are classified and accounted for as financial assets held at amortised cost under SFRS(I) 9. The accounting policy for this category of financial assets is stated in Note 2.15.

2.18 Inventories

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

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

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

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

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

2.19 Provisions

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

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

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

2.20 Financial guarantee

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of ECL determined in accordance with the policy set out in Note 2.16 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 Employee benefits

(a) Defined contribution plans

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

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

(b) Defined benefit plans

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

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

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

2.22 Employee benefits (cont'd)

(b) Defined benefit plans (cont'd)

Defined benefit costs comprise the following:

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

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

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

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

2.23 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

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

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

2.23 Leases (cont'd)

(b) As lessor

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

(c) Land use rights

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

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

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term ranging from 10 to 44 years.

2.24 Assets held for sale

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

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

2.25 Revenue

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

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

(a) Sale of goods

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

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

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

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

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

2.25 Revenue (cont'd)

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental and storage income

Rental and storage income is recognised on a straight-line basis over the lease terms on an ongoing basis. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) Dividend income

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

2.26 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

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

2.26 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

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

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

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

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

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

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

2.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 Share capital and share issuance expenses

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

2.29 Treasury shares

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

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

2.30 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Judgements made in applying accounting policies

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

(a) Provision for ECL of trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in Note 34(d).

The carrying amount of trade receivables as at 31 December 2018 is Rp1,282.6 billion (2017: Rp1,073.9 billion).

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

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

(b) Provision for ECL of plasma receivables

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

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

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

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

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

The gross carrying amount of the Group's plasma receivables before the provision of ECL and the adjustments of EIR amortisation as at 31 December 2018 is Rp1,847.7 billion (2017: Rp1,592.3 billion).

3.2 Key sources of estimation uncertainty

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

(a) Goodwill impairment

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

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

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

The carrying amount of the Group's goodwill as at 31 December 2018 is Rp3,245.3 billion (2017: Rp3,245.8 billion). Further details are disclosed in Note 15.

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

3.2 Key sources of estimation uncertainty (cont'd)

(b) Pension and employee benefits

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

The carrying amount of the Group's employee benefits liabilities as at 31 December 2018 is Rp2,324.0 billion (2017: Rp2,361.3 billion). The key assumptions applied in the determination of pension and employee benefits liabilities including a sensitivity analysis, are disclosed and further explained in Note 28.

(c) Depreciation of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 4 to 44 years. These are common life expectancies applied in the industries where the Group conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Group's property, plant and equipment as at 31 December 2018 is disclosed in Note 14.

(d) Biological assets

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

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

The amount of changes in fair values would differ if there are changes to the assumptions used. Any changes in fair values of these agriculture produces would affect the Group's profit or loss and equity. The carrying amount of the Group's biological assets as at 31 December 2018 (under Non-current assets and Current assets) is Rp845.2 billion (2017: Rp850.1 billion). The key assumptions applied in the determination of fair value of biological assets including a sensitivity analysis, are disclosed and further explained in Note 13.

(e) Income tax

Significant judgement is involved in determining provision for income tax. Uncertainties exist with respect to the interpretation of tax regulations, changes in tax laws, and the amount and timing of future taxable income which requires future adjustments to tax income and expense already recorded. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected income tax issues based on estimates of whether additional income taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax in the year in which such decision is made by the taxation authority. The carrying amount of the Group's tax payables as at 31 December 2018 is Rp27.7 billion (2017: Rp91.7 billion).

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

3.2 Key sources of estimation uncertainty (cont'd)

(e) Income tax (cont'd)

Claims for tax refund

The management exercises judgement to record the amount of recoverable and refundable tax claims by the Tax Office based on the interpretations of current tax regulations. The carrying amount of the Group's claims for tax refund and tax assessments under appeal as of 31 December 2018 was Rp284.8 billion (2017: Rp126.7 billion). Further details are disclosed in Note 16.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that there will be sufficient taxable profit within the next 5 years against which the tax losses can be utilised. Significant management estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying amount of the Group's deferred tax assets as at 31 December 2018 is Rp1,125.0 billion (2017: Rp1,347.0 billion). Further details are disclosed in Note 17.

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

Allowance for decline in market value of inventories and obsolescence of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to be incurred for their sales. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Group's inventories as at 31 December 2018 is Rp2,428.4 billion (2017: Rp2,204.5 billion). Further details are disclosed in Note 22.

4. REVENUE

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

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

(a) Disaggregation of revenue

	Plantations		**Edible Oils and Fats**		**Others/ eliminations**		**Total**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Sales channel								
Third party	3,462,558	5,440,797	10,596,892	10,284,507	–	–	14,059,450	15,725,304
Inter-segment	5,121,957	4,696,763	12,018	28,842	(5,133,975)	(4,725,605)	–	–
	8,584,515	10,137,560	10,608,910	10,313,349	(5,133,975)	(4,725,605)	14,059,450	15,725,304

4. REVENUE (CONT'D)

(a) Disaggregation of revenue (cont'd)

	Plantations		Edible Oils and Fats		Others/ eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Primary geographical markets								
Indonesia	8,471,816	9,977,705	8,973,690	9,109,602	(5,133,975)	(4,725,605)	12,311,531	14,361,702
Outside Indonesia	112,699	159,855	1,635,220	1,203,747	–	–	1,747,919	1,363,602
	8,584,515	10,137,560	10,608,910	10,313,349	(5,133,975)	(4,725,605)	14,059,450	15,725,304
Major product lines								
CPO	6,131,149	7,232,153	–	–	(5,002,331)	(4,579,932)	1,128,818	2,652,221
Palm kernel & related products	1,102,326	1,527,529	–	–	(119,626)	(116,831)	982,700	1,410,698
Edible oils and fats	–	–	10,608,910	10,313,349	(12,018)	(28,842)	10,596,892	10,284,507
Others	1,351,040	1,377,878	–	–	–	–	1,351,040	1,377,878
	8,584,515	10,137,560	10,608,910	10,313,349	(5,133,975)	(4,725,605)	14,059,450	15,725,304

During the financial years ended 31 December 2018 and 2017, the details of sales from customers with individual cumulative amount each exceeding 10% of the total consolidated sales are as follows:

	2018		2017	
	Rp million	% of Total Revenue	Rp million	% of Total Revenue
PT Indofood CBP Sukses Makmur Tbk ("PT ICBP")	1,676,038	12%	1,784,573	11%
PT Indomarco Adi Prima	1,548,848	11%	1,532,954	10%
Total	3,224,886	23%	3,317,527	21%

(b) Estimating variable consideration for sale of products

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

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

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

5. COST OF SALES

	Note	Group 2018 Rp million	Group 2017 Rp million
Raw materials used		4,069,811	5,297,782
Harvesting, upkeep and cultivation costs		2,670,965	2,332,662
Manufacturing and other overhead expenses		3,916,054	3,450,222
Cost of inventories recognised as expenses	22	1,201,638	1,578,029
Changes in allowance for decline in market value and obsolescence of inventories	22	3,058	5,163
Total		11,861,526	12,663,858

6. OTHER OPERATING INCOME

	Group 2018 Rp million	Group 2017 Rp million
Sundry sales of oil palm seedlings	2,688	3,777
Management fee income	6,990	10,168
Sale of green palm certificates	11,397	8,319
Rental income	4,547	4,871
Gain on disposal of property, plant and equipment	4,466	6,504
Sale of scraps	2,076	1,613
Sale of palm kernel shells	6,436	12,399
Others	39,346	34,672
Total	77,946	82,323

7. OTHER OPERATING EXPENSE

	Note	Group 2018 Rp million	Group 2017 Rp million
Impairment loss of an available-for-sale asset		–	40,957
Provision for unrecoverable advances		–	38,952
EIR amortisation of financial assets		30,007	21,608
Write-off of property, plant and equipment		362	869
Amortisation of deferred charges		13,025	9,981
Changes in provision for assets dismantling costs	27	(2,142)	3,063
Others		40,626	36,559
Total		81,878	151,989

8. PROFIT FROM OPERATIONS

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

	Note	Group 2018 Rp million	Group 2017 Rp million
Depreciation of property, plant and equipment	14	1,426,764	1,366,683
Amortisation of other non-current assets		62,131	63,738
Employee benefits expense	28	3,362,216	3,129,471
Research and development costs		37,066	35,251
Operating lease rentals	31(b)	56,825	37,118
Audit fees:			
Auditors of the Company		2,088	1,906
Other auditors		15,677	12,910
Non-audit fees:			
Auditors of the Company		32	29
Other auditors		95	104

9. FINANCE INCOME

	Group 2018 Rp million	Group 2017 Rp million
Interest on current accounts and short-term deposits	103,534	106,411
Others	665	1,094
Total	104,199	107,505

10. FINANCE EXPENSE

	Group 2018 Rp million	Group 2017 Rp million
Interest expense on:		
– Bank loans	688,177	609,192
– Others	12,859	23,303
Bank charges	18,924	14,548
Total	719,960	647,043

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	**2017**
	Rp million	Rp million
Consolidated statement of comprehensive income:		
Current income tax		
– Current year income tax	371,029	587,110
– Adjustments in respect of previous years	20,865	22,042
	391,894	609,152
Deferred income tax (Note 17)		
– Current year deferred income tax	(270,957)	(273,834)
– Adjustments in respect of previous years	259,165	149,950
	(11,792)	(123,884)
Total	380,102	485,268

	Group	
	2018	**2017**
	Rp million	Rp million
Charged to other comprehensive income		
Deferred tax related to items recognised in other comprehensive income:		
Re-measurement (gain)/loss of employee benefits liability	(57,076)	46,206

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows:

	Group	
	2018	**2017**
	Rp million	Rp million
(Loss)/profit before tax as per consolidated statement of comprehensive income	(46,413)	1,138,153
Tax at the Singapore tax rate of 17% (2017: 17%)	(6,185)	169,831
Effect of tax rates in foreign jurisdictions	(9,655)	30,740
Income already subjected to final tax	(27,233)	(26,297)
Income not subject to taxation	(529)	(16,810)
Non-deductible expenses	143,674	155,812
Adjustments in respect of previous years	280,030	171,992
Income tax expense recognised in the consolidated statement of comprehensive income	380,102	485,268

For the financial years ended 31 December 2018 and 2017, the corporate tax rates for companies in Singapore and Indonesia were 17% and 25% respectively.

11. INCOME TAX EXPENSE (CONT'D)

A subsidiary in Indonesia applies 20% (2017: 20%) tax rate instead of the normal tax rate of 25% (2017: 25%) in computing its income tax expense for the reporting period due to its fulfilment to qualify for a reduced corporate income tax rate.

Adjustments in respect of previous years largely related to the under provision of corporate income tax in respect of previous years and provision/write-off of unutilised tax losses carried forward in which deferred tax assets were recognised.

12. EARNINGS PER SHARE

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

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

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

	Group	
	As at 31 December 2018 Rp million	**As at 31 December 2017** Rp million
(Loss)/profit attributable to owners of the Company	(221,764)	447,314
	No. of shares	**No. of shares**
Weighted average number of ordinary shares for basic earnings per share computation*	1,395,904,530	1,395,904,530

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

There were no dilutive potential ordinary shares as at 31 December 2018 and 2017.

13. BIOLOGICAL ASSETS

Biological assets primarily comprise of timber plantations, and the unharvested agriculture produce of bearer plants. The carrying amount of the Group's biological assets as at 31 December 2018 is Rp845.2 billion (2017: Rp850.1 billion).

Fair values of biological assets

Biological assets under Non-current assets – Timber Plantations

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

13. BIOLOGICAL ASSETS (CONT'D)

The key assumptions applied are as follows:

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

The movements for timber plantations are as follows:

	Group	
	As at 31 December 2018	**As at 31 December 2017**
	Rp million	Rp million
Timber		
At fair value		
At 1 January	313,305	325,102
Additions	10,074	4,481
Decreases due to harvest	(1,035)	(3,994)
Gain/(loss) arising from changes in fair value of biological assets	6,156	(12,284)
At 31 December	328,500	313,305

Biological assets under Current assets – Agriculture produce of bearer plants

The Group adopted the income approach to measure the fair value of the unharvested agriculture produce of bearer plants which mainly comprise of FFB, oil palm seeds, latex and sugar cane. For the valuation of unharvested produce of oil palm and rubber, the Group has further applied the actual harvest data subsequent to year end to derive the fair value of unharvested produce of oil palm and rubber at year end.

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

(i) Estimated volume of subsequent harvest as of reporting date.

(ii) Selling price of FFB and latex based on the market price at year end.

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

(i) Cane tree is available for annual harvest for 12 months after initial planting, and subsequently up to 3 more annual harvests.

(ii) Discount rate used represents the asset specific rate for the cane produce which is applied in the discounted future cash flows calculation.

(iii) The projected selling price of sugar over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank, but not exceeding the highest retail price imposed by the Ministry of Trade of Indonesia.

13. BIOLOGICAL ASSETS (CONT'D)

The key assumption applied on the fair value of oil palm seeds is as follow:

(i) Estimated volume of 6 months subsequent harvest as at reporting date.

(ii) Discount rate used represents the asset specific rate for the seed produce which is applied in the discounted future cash flows calculation.

(iii) The projected selling price of palm seeds over the projection period are based on the extrapolation of historical selling prices.

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

	Group	
	As at 31 December 2018	**As at 31 December 2017**
	Rp million	Rp million
At fair value		
At 1 January	536,821	464,722
Additions	207,282	211,807
Decreases due to harvest	(190,409)	(186,831)
	553,694	489,698
(Loss)/gain arising from changes in fair value of biological assets	(37,038)	47,123
At 31 December	516,656	536,821

Key inputs to valuation on biological assets

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

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

Inputs	Sugar cane	Oil palm seeds	Timber
Discount rate	12.60% (2017:13.48%)	12.46%	12.78% (2017: 11.98%)
Selling price of processed agriculture produce	Rp634,273/tonne (2017: Rp578,370/tonne)	Rp8,640/pieces	Rp542,053 to Rp2,086,101/m^3 (2017:Rp489,486 to Rp1,429,571/m^3)
Average production yield of agriculture produce	63 tonnes/hectare (2017: 65 tonnes/hectare)	1,059 pieces/bunch	91 m^3/hectare (2017: 112 m^3/hectare)
Exchange rate	Rp15,000/US$1 (2017: Rp13,400/US$1)	–	Rp14,200 to Rp15,000/US$1 (2017: Rp13,400 to Rp13,700/US$1)
Inflation rate	3.50% (2017: 3.50%)	–	3.00% – 3.50% (2017:3.50%)

13. BIOLOGICAL ASSETS (CONT'D)

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

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

Areas of the Group's biological assets:

The Group has timber plantation concession rights of 72,875 hectares (2017: 72,875 hectares) which are valid until 2035 and 2049. The total area of planted timber plantations as of 31 December 2018 is 16,135 hectares (2017: 16,357 hectares) (unaudited).

Physical quantities of agriculture produce:

Agriculture produce harvested during the financial year	Bearer plants from which produce harvested	Unit of measurement	2018 (unaudited)	2017 (unaudited)
FFB	Oil palm	'000 tonnes	3,375	3,109
Oil palm seeds	Mother palm	in million	13.7	15.5
Latex	Rubber	'000 tonnes	10	11
Sugar cane	Cane	'000 tonnes	649	639

14. PROPERTY, PLANT AND EQUIPMENT

	Land use rights Rp million	Bearer plants Rp million	Buildings and improvements Rp million	Plant and machinery Rp million	Heavy equipment, transportation equipment and vessels Rp million	Furniture, fixtures and office equipment Rp million	Total Rp million
Group							
Cost							
At 31 December 2016 and 1 January 2017	2,624,109	13,972,568	7,125,274	5,366,847	1,929,469	381,630	31,399,897
Additions	32,050	733,867	213,296	236,637	84,174	18,234	1,318,258
Reclassification	(81,432)[1]	(52,338)	(77,422)	72,993	4,490	(44)	(133,753)
Disposals and write-off	–	(17,985)	(3,233)	(3,945)	(7,275)	(622)	(33,060)
At 31 December 2017 and 1 January 2018	2,574,727	14,636,112	7,257,915	5,672,532	2,010,858	399,198	32,551,342
Additions	81,258	816,019	319,984	164,067	128,461	22,935	1,532,724
Reclassification	4,611	(43,685)	(10,279)	8,561	416	1,287	(39,089)
Disposals and write-off	–	(27,834)	(2,005)	(6,846)	(11,697)	(4,421)	(52,803)
At 31 December 2018	2,660,596	15,380,612	7,565,615	5,838,314	2,128,038	418,999	33,992,174
Accumulated depreciation							
At 31 December 2016 and 1 January 2017	705,575	3,827,384	1,637,960	2,337,713	1,189,548	304,921	10,003,101
Depreciation charge for the year	73,011	452,880	352,421	307,493	144,113	36,765	1,366,683
Reclassification	(39,637)[1]	–	14,135	29,684	14,160	284	18,626
Disposals and write-off	–	(3,249)	(1,637)	(3,591)	(6,407)	(583)	(15,467)
At 31 December 2017 and 1 January 2018	738,949	4,277,015	2,002,879	2,671,299	1,341,414	341,387	11,372,943
Depreciation charge for the year	71,972	474,767	366,564	338,901	145,397	29,163	1,426,764
Reclassification	–	–	1,785	4,971	2,065	27	8,848
Disposals and write-off	–	(6,234)	(1,277)	(11,897)	(6,032)	(4,359)	(29,799)
At 31 December 2018	810,921	4,745,548	2,369,951	3,003,274	1,482,844	366,218	12,778,756
Net carrying amount							
At 31 December 2017	1,835,778	10,359,097	5,255,036	3,001,233	669,444	57,811	21,178,399
At 31 December 2018	1,849,675	10,635,064	5,195,664	2,835,040	645,194	52,781	21,213,418

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

[1] *Reclassification to "Asset held for Sale" account in the balance sheet amounting to Rp41.8 billion.*

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

	Buildings and improvements Rp million	Furniture, fixtures and office equipment Rp million	Total Rp million
Company			
Cost			
At 1 January 2017	74,049	572	74,621
Additions	–	69	69
Write-off	–	(157)	(157)
At 31 December 2017 and 1 January 2018	74,049	484	74,533
Additions	61	31	92
At 31 December 2018	74,110	515	74,625
Accumulated depreciation			
At 1 January 2017	30,507	538	31,045
Depreciation charge for the year	3,629	28	3,657
Write-off	–	(155)	(155)
At 31 December 2017 and 1 January 2018	34,136	411	34,547
Depreciation charge for the year	3,638	40	3,678
At 31 December 2018	37,774	451	38,225
Net carrying amount			
At 31 December 2017	39,913	73	39,986
At 31 December 2018	36,336	64	36,400

Assets under construction

Property, plant and equipment of the Group as at 31 December 2018 included immature bearer plants in the course of cultivation, and building and machinery in the course of construction amounting to Rp4,089.0 billion (2017: Rp4,067.6 billion).

Bearer plants

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

Asset held for sale

On 21 December 2017, a subsidiary, Lonsum entered into a Sale and Purchase Agreement with an entity under common control, PT ICBP for the sale of a parcel of its land with an area approximately of 125 hectares at the Province of Banten. This parcel of land was classified as "Asset held for sale" considering that the sale process has not been completed as of 31 December 2017.

In January 2018, Lonsum received cash advances from PT ICBP amounting to Rp40 billion. This transaction is still in progress due to the administrative procedures with the authority that is beyond Lonsum's control. The disposal process is therefore extended.

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

Fully depreciated assets still in use

As at 31 December 2018, the cost of the Group's property, plant and equipment that have been fully depreciated but still in use amounting to Rp2,177.0 billion (2017: Rp1,749.3 billion), which mainly comprise of bearer plants, buildings and improvements, plant and machinery, heavy equipment and transportation equipment.

Capitalisation of borrowing costs

During the year ended 31 December 2018, borrowing costs capitalised by certain subsidiaries to their immature bearer plants under cultivation, and building and machineries under constructions amounted to Rp98.2 billion (2017: Rp109.3 billion) based on capitalisation rates ranging from 4.41% to 9.17% (2017: 5.30% to 9.80%).

Assets under finance lease

Land use rights

The Group has land use rights with terms ranging from 10 to 44 years which will expire between 2018 to 2051. The cost incurred in obtaining the land use rights are depreciated in a manner that reflects the benefits to be derived from them. Based on past experience, management believes that these land use rights can be renewed/extended upon expiration.

The Group's bearer plants are planted and managed on the area which have obtained Rights to Cultivate (Hak Guna Usaha or the HGU), or have obtained location permits and in the process of obtaining HGU.

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

		Group	
	2018	**2017**	**1 Jan 2017**
	Rp million	Rp million	Rp million
Amount to be amortised			
– Not later than one year	57,496	61,941	69,371
– Later than one year but not later than five years	220,053	239,050	277,326
– Later than five years	1,572,126	1,534,787	1,571,837
	1,849,675	1,835,778	1,918,534

Assets under insurance coverage

As at 31 December 2018, the fixed assets are covered by insurance against losses from fire and other risks under a policy package with combined coverage amounting to about Rp15.2 billion, US$16.6 million and S$7.8 million.

15. GOODWILL

	Group	
	2018	**2017**
	Rp million	Rp million
At 1 January	3,245,837	3,253,637
Impairment of goodwill	(520)	(7,800)
At 31 December	3,245,317	3,245,837

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

Integrated plantation estates of Lonsum	2,909,757	2,909,757
Plantation estates of PT GS	8,055	8,055
Plantation estates of PT MPI	2,395	2,395
Plantation estates of PT SBN	234	234
Plantation estates of PT KGP	29,140	29,140
Integrated plantation estates of PT CNIS	7,712	7,712
Plantation estates of PT LPI	37,230	37,230
Plantation estates and research facility of PT SAIN	113,936	113,936
Plantation estates of PT RAP	3,388	3,388
Plantation estates of PT JS	1,533	1,533
Integrated plantation estates of PT MISP	34,087	34,087
Plantation estates of PT IBP	–	520
Plantation estates of PT SAL	86,996	86,996
Plantation estates of PT WKL	4,750	4,750
Plantation estates of PT MLI	6,104	6,104
Total	3,245,317	3,245,837

Goodwill was tested for impairment as at 31 October 2018 and 2017. As at 31 December 2018 and, there was no significant change in the assumptions used by management that could have significant impact in determining the recoverable value of the goodwill.

No impairment loss was recognised as at 31 October 2018 and 2017 as the recoverable amounts of the goodwill were in excess of their respective carrying values, except as disclosed in the following paragraph.

As of 31 October 2018 and 2017, CGU of PT IBP, which is a part of Plantations Segment, was impaired by Rp0.5 billion and Rp7.8 billion respectively as the recoverable amount of the CGU was lower than the carrying amount.

The summary of impairment testing on the goodwill is disclosed in the succeeding paragraphs. Except for goodwill allocated to the plantation estates of Lonsum, PT LPI and PT SBN, the recoverable value of the goodwill allocated to all other plantation estates as at 31 October 2018 was determined based on fair value less costs of disposal ("FVLCD"), using discounted cash flow method. The FVLCD derived is categorised under Level 3 of the fair value hierarchy.

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

15. GOODWILL (CONT'D)

The following key assumptions had been used:

Cash generating units	Carrying amount of goodwill	Pre-tax discount rate 31 October 2018	Pre-tax discount rate 31 October 2017	Growth rate after forecast period 31 October 2018	Growth rate after forecast period 31 October 2017
Recoverable amount assessment based on value-in-use					
Integrated plantation estates of Lonsum	2,909,757	13.76%	15.03%	5.20%	5.40%
Plantation estates of PT LPI	37,230	13.37%	14.85%	5.20%	5.40%
Plantation estates of PT SBN	234	14.81%	15.52%	5.20%	5.40%
Sub-total	2,947,221				
Recoverable amount assessment based on FVLCD					
Plantation estates of PT GS	8,055	15.51%	16.44%	5.20%	5.40%
Plantation estates of PT MPI	2,395	15.28%	16.25%	5.20%	5.40%
Plantation estates of PT KGP	29,140	16.20%	17.75%	5.20%	5.40%
Integrated plantation estates of PT CNIS	7,712	15.09%	15.91%	5.20%	5.40%
Plantation estates and research facility of PT SAIN	113,936	15.27%	16.87%	5.20%	5.40%
Plantation estates of PT RAP	3,388	15.45%	16.15%	5.20%	5.40%
Plantation estates of PT JS	1,533	14.95%	15.71%	5.20%	5.40%
Integrated plantation estates of PT MISP	34,087	15.34%	16.33%	5.20%	5.40%
Plantation estates of PT SAL	86,996	12.36%	11.52%	5.20%	5.40%
Plantation estates of PT WKL	4,750	12.56%	12.11%	5.20%	5.40%
Plantation estates of PT MLI	6,104	13.66%	15.81%	5.20%	5.40%
Sub-total	298,096				
Grand total	3,245,317				

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

The primary selling prices used in the cashflow model are projected prices of CPO, rubber, sugar and logs. The projected prices of the CPO are based on the World Bank forecasts for the projection period. The projected prices of rubber (RSS1 and other rubber products of the Group) over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank. The sugar prices used in the projection are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank, but not exceeding the highest retail price imposed by the Ministry of Trade of Indonesia. The projected prices of logs are based on the actual domestic price of the produce which are extrapolated based on changes of plywood log price published by the World Bank.

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

15. GOODWILL (CONT'D)

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

CGU	Reasonably possible changes on key assumptions that would cause the CGU starts to be impaired	Impairment loss: Further change in key assumptions	Impairment loss: Further impairment loss to be recognised for the assigned change of key assumptions
Plantation estate of KGP	CPO price: 3.6% lower	0.1%	Rp 2.1 billion

Management believes that there were no indicators of impairment existed on the above-mentioned goodwill for the year ended 31 December 2018 that required the Group to perform impairment tests of goodwill other than the annual tests.

16. CLAIMS FOR TAX REFUND

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

17. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group		
	2018	**2017**	**1 Jan 2017**
	Rp million	Rp million	Rp million
Temporary tax differences:			
Property, plant and equipment	(982,639)	(992,693)	(997,443)
Biological assets	(173,184)	(178,673)	(145,073)
Withholding tax on unremitted interest	(7,942)	–	–
Withholding tax on undistributed profit of foreign subsidiaries	–	(15,051)	(15,819)
Adjustments of EIR amortisation of plasma receivables	106,574	103,070	97,372
Allowance for employees benefit expenses	25,261	29,730	40,862
Allowance for decline in market value and obsolescence of inventories	91,811	86,962	27,326
Provision for unrecoverable advance	14,677	14,677	4,939
Employee benefits liabilities	570,332	579,201	486,457
Deferred inter-company profits	31,230	76,886	68,887
Tax losses carry forward	826,291	857,564	823,883
Others	7,816	476	669
Total	510,227	562,149	392,060
Classified as:			
Deferred tax assets	1,125,003	1,346,976	1,240,194
Deferred tax liabilities	(614,776)	(784,827)	(848,134)

17. DEFERRED TAX (CONT'D)

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

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

The Company recognised deferred tax liabilities of Rp7.9 billion during the financial year in respect of unremitted foreign interest income arising from cash at banks, short-term deposits and shareholder loan to its subsidiary.

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

		Group	
	2018	**2017**	**1 Jan 2017**
	Rp million	Rp million	Rp million
Deferred income tax movements:			
Property, plant and equipment	(9,868)	(4,750)	(11,070)
Biological assets	(9,526)	33,600	113,293
Adjustments of EIR amortisation of plasma receivables	(3,504)	(5,698)	(1,774)
Write-back for allowance of decline in market value and obsolescence of inventories	(772)	(59,636)	(16,253)
Employee benefits liabilities	(48,208)	(46,539)	(57,286)
Deferred inter-company profits	45,656	(7,999)	(27,159)
Provision for employee benefits expense	4,469	11,132	3,196
Allowance for unrecoverable advances	–	(9,738)	(4,939)
Tax losses carry forward	31,273	(33,681)	206,817
Withholding tax on distributable profit of foreign subsidiaries	–	(768)	8,047
Others	(21,312)	193	129
Net deferred tax benefit reported in the consolidated statement of comprehensive income (Note 11)	(11,792)	(123,884)	213,001

Unrecognised tax losses

At the end of the reporting period, the Group has total tax losses amounting to Rp4,391.4 billion (2017: Rp4,503.3 billion) that are available for offset against future taxable profits for up to five years from the date the losses were incurred as the tax losses in Indonesia generally expire after 5 years. Deferred tax benefits of Rp270.8 billion (2017: Rp267.4 billion) attributable to Rp1,083.0 billion (2017: Rp1,069.7 billion) of these tax losses were not recognised as the recoverability was considered not probable.

Unrecognised temporary differences relating to investments in subsidiaries

The Group has not recognised a deferred tax liability of Rp659.0 billion (2017: Rp659.5 billion) as at 31 December 2018 in respect of undistributed profits of subsidiaries as the distribution is controlled and there is currently no intention for the profits to be remitted to Singapore.

Unrecognised temporary differences relating to unremitted foreign-sourced interest income

The Group has not recognised deferred tax liability of Rp109.5 billion (2017: Rp109.5 billion) as at 31 December 2018 in respect of unremitted foreign-sourced interest income as the Group has control over the remittance and this foreign-sourced interest income will be retained for future expansionary plans and capital injection in overseas markets and will not be remitted into Singapore in the foreseeable future. The potential deferred tax liabilities are before taking into account the foreign tax credit claim on the Indonesia withholding tax suffered by the Company on the interest income (if applicable).

18. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2018 Rp million	2017 Rp million	1 Jan 2017 Rp million
Shares, at cost	10,533,516	10,533,516	10,533,516
Issuance of shares for additional investment in a subsidiary	99,907	–	–
	10,633,423	10,533,516	10,533,516

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

(a) Composition of the Group

The Group has the following investment in subsidiaries:

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2018	2017	Principal activities
Name (Abbreviated name)				
Held by the Company				
PT Salim Ivomas Pratama Tbk (PT SIMP) [2]	Indonesia	73.46	73.46	Ownership of oil palm plantations, mills and production of cooking oil, margarine, shortening, and other related products
IFAR Brazil Pte. Ltd. [1]	Singapore	100.00	100.00	Investment holding
IndoAgri Brazil Participações Ltda*	Brazil	100.00	100.00	Investment holding
Held by PT Salim Ivomas Pratama Tbk				
IndoInternational Green Energy Resources Pte. Ltd. (IGER) [1]	Singapore	44.08	44.08	Investment holding
PT Indoagri Inti Plantation (PT IIP) [2]	Indonesia	72.73	72.73	Investment holding, management services and transportation
Silveron Investments Limited (SIL) *	Mauritius	73.46	73.46	Investment holding
PT Kebun Mandiri Sejahtera (PT KMS) [3]	Indonesia	71.89	71.89	Ownership of rubber and oil palm plantations
PT Manggala Batama Perdana (PT MBP) *	Indonesia	73.46	73.46	Non-operating
PT Sarana Inti Pratama (PT SAIN) [3]	Indonesia	73.45	73.45	Investment, research, management and technical services, oil palm seed breeding, and ownership of oil palm plantations

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2018	2017	Principal activities
Held by PT Salim Ivomas Pratama Tbk (cont'd)				
PT Mentari Subur Abadi (PT MSA) [3]	Indonesia	39.65	39.65	Investment and ownership of oil palm plantations
PT Mega Citra Perdana (PT MCP) [4]	Indonesia	21.83	21.83	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN) [3]	Indonesia	43.20	42.67	Ownership of oil palm plantations
PT Lajuperdana Indah (PT LPI) [2]	Indonesia	22.44	22.44	Ownership of sugar cane plantations and sugar mills/ refineries
PT Mitra Inti Sejati Plantation (PT MISP) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill
PT PP London Sumatra Indonesia Tbk (Lonsum) [2]	Indonesia	43.72	43.72	Business of breeding, planting, milling and selling of oil palm products, rubber and other crops
PT Cakra Alam Makmur (PT CAM) [3]	Indonesia	73.46	73.46	Ownership of bulking facilities
PT Hijaupertiwi Indah Plantations (PT HPIP) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Cangkul Bumisubur (PT CBS) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Samudera Sejahtera Pratama (PT SSP) [3]	Indonesia	73.46	73.46	Transportation service
PT Kebun Ganda Prima (PT KGP) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill
PT Riau Agrotama Plantation (PT RAP) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill
PT Citra Kalbar Sarana (PT CKS) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Jake Sarana (PT JS) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Pelangi Inti Pertiwi (PT PIP) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Mentari Pertiwi Makmur (PT MPM) [7]	Indonesia	58.53	58.53	Investment holding
PT Citranusa Intisawit (PT CNIS) [3]	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2018	2017	Principal activities
Held by IndoInternational Green Energy Resources Pte. Ltd.				
PT Mentari Subur Abadi (PT MSA) [3]	Indonesia	4.42	4.42	Investment and ownership of oil palm plantations and mill
PT Mega Citra Perdana (PT MCP) [4]	Indonesia	22.25	22.25	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN) [3]	Indonesia	0.88	1.40	Ownership of oil palm plantations
PT Lajuperdana Indah (PT LPI) [2]	Indonesia	22.72	22.72	Ownership of sugar cane plantations and sugar mills/ refineries
Held by PT Indoagri Inti Plantation				
PT Gunung Mas Raya (PT GMR) [2]	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT Indriplant (PT IP) [2]	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT Serikat Putra (PT SP) [2]	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT Cibaliung Tunggal Plantations (PT CTP) [2]	Indonesia	72.00	72.00	Ownership of oil palm plantations
Held by PT Serikat Putra				
PT Intimegah Bestari Pertiwi (PT IBP) [2]	Indonesia	72.01	72.01	Ownership of oil palm plantations
PT Kencana Subur Sejahtera (PT KSS) [8]	Indonesia	72.01	72.01	Macronutrients mix fertilizer industry
PT Pratama Citra Gemilang (PT PCG) [8]	Indonesia	72.01	72.01	Prefabrication industry
Held by Silveron Investments Limited				
Asian Synergies Limited (ASL) [3]	British Virgin Islands	73.46	73.46	Investment holding
Held by PT Mentari Subur Abadi				
PT Agro Subur Permai (PT ASP) [3]	Indonesia	44.07	44.07	Ownership of oil palm plantations

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2018	2017	Principal activities
Held by PT Mega Citra Perdana				
PT Gunta Samba (PT GS) [4]	Indonesia	44.07	44.07	Ownership of oil palm plantations and mill
PT Multi Pacific International (PT MPI) [4]	Indonesia	44.08	44.08	Ownership of oil palm plantations and mill
Held by PT PP London Sumatra Indonesia Tbk				
PT Multi Agro Kencana Prima (PT MAKP) [5]	Indonesia	43.71	43.71	Rubber mill and trading
Lonsum Singapore Pte. Ltd. (LSP) [6]	Singapore	43.72	43.72	Trading and marketing
PT Tani Musi Persada (PT TMP) [5]	Indonesia	43.68	43.68	Ownership of oil palm plantations
PT Sumatra Agri Sejahtera (PT SAS) [5]	Indonesia	43.71	43.71	Ownership of oil palm plantations
PT Tani Andalas Sejahtera (PT TAS) [5]	Indonesia	39.35	39.35	Ownership of oil palm plantations
Agri Investment Pte. Ltd. (AIPL) [6]	Singapore	43.72	43.72	Investment holding
PT Wushan Hijau Lestari (PT WHL) [3]	Indonesia	28.41	28.41	Agriculture, forestry, fishing and trading
Held by PT Mentari Pertiwi Makmur				
PT Sumalindo Alam Lestari (PT SAL) [7]	Indonesia	58.64	58.53	Development of industrial timber plantations
Held by PT Sumalindo Alam Lestari and PT Mentari Pertiwi Makmur				
PT Wana Kaltim Lestari (PT WKL) [7]	Indonesia	58.64	58.53	Development of industrial timber plantations
Held by Lonsum Singapore Pte. Ltd.				
Sumatra Bioscience Pte. Ltd. (SBPL) [*]	Singapore	43.72	43.72	Trading, marketing and research

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2018	2017	Principal activities
Held by PT Lajuperdana Indah				
PT Madusari Lampung Indah (PT MLI) [8]	Indonesia	45.16	45.16	Ownership of sugar cane plantations
Held by PT Wushan Hijau Lestari				
PT Perusahaan Perkebunan, Perindustrian dan Perdagangan Umum Pasir Luhur (PT PL) [3]	Indonesia	28.41	28.41	Trading, agricultural, industrial and agency/ representative

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

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

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

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest %	Profit allocated to NCI during the year Rp million	Accumulated NCI at the end of the year Rp million	Dividends paid to NCI Rp million
31 December 2018:					
PT SIMP	Indonesia	26.54	(174,931)	3,814,740	127,357
31 December 2017:					
PT SIMP	Indonesia	26.54	87,686	4,027,278	113,276

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

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

	PT SIMP[1]	
	As at 31 December 2018	**As at 31 December 2017**
	Rp million	Rp million
Summarised balance sheet		
Current		
Assets	6,970,825	6,703,938
Liabilities	(7,865,954)	(6,282,923)
Net current (liabilities)/assets	(895,129)	421,015
Non-current		
Assets	28,606,920	28,191,303
Liabilities	(8,761,177)	(9,313,711)
Net non-current assets	19,845,743	18,877,592
Net assets	18,950,614	19,298,607
Summarised statement of comprehensive income		
Revenue	14,059,450	15,725,304
Profit before income tax	82,689	1,000,036
Income tax expense	(368,606)	(464,927)
(Loss)/profit after tax	(285,917)	535,109
Other comprehensive income	169,294	(138,057)
Total comprehensive income	(116,623)	397,052
Other summarised information		
Net cash flows from operations	999,802	1,828,562

[1] *The financial information of PT SIMP is based on the International Financial Reporting Standards ("IFRS") consolidated financial statements of PT SIMP and its subsidiaries. The list of subsidiaries held under PT SIMP is disclosed in Note 18(a).*

19. INVESTMENT IN ASSOCIATE COMPANIES

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

	Group 2018 Rp million	Group 2017 Rp million	Group 1 Jan 2017 Rp million
Associate companies which are strategic to the Group activities			
FP Natural Resources Limited (FPNRL)	502,718	503,335	509,219
Asian Assets Management Pte Ltd (AAM)	743,702	743,951	487,244
PT Prima Sarana Mustika (PT PSM)	11,861	6,050	5,784
PT Indoagri Daitocacao (Daitocacao)	211,440	105,438	–
	1,469,721	1,358,774	1,002,247

	Group 2018 Rp million	Group 2017 Rp million	Group 1 Jan 2017 Rp million
Cost of investment, at cost	1,504,176	1,394,853	1,045,503
Cumulative share of results and other comprehensive income	(140,165)	(108,037)	(98,146)
Foreign currency translation	92,789	59,037	54,890
Gain from deemed disposal	12,921	12,921	–
Carrying value of investment in associate companies	1,469,721	1,358,774	1,002,247

Name of associate	Country of incorporation	Effective percentage of equity held % 2018	Effective percentage of equity held % 2017	Principal activities
Held by the Company				
FPNRL [i]	British Virgin Islands	30.00	30.00	Investment holdings
Held by Lonsum				
AAM [ii]	Singapore	10.92*	10.92*	Investment holdings
Held by PT SIMP				
PT PSM [iii]	Indonesia	29.38	29.38	Construction services, rental of heavy equipment and trading of agriculture equipment
Daitocacao [iv]	Indonesia	36.00	36.00	Manufacture and marketing of chocolate for industrial use.

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

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

19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

FPNRL

FPNRL is an investment holding company, incorporated in British Virgin Islands in July 2013. It is a 30%:70% joint venture between the Company and its ultimate holding company, First Pacific Company Limited. FPNRL in turn owns 62.9% (2017: 62.9%) in Roxas Holdings Inc ("RHI") and 100% (2017:100%) interest in First Coconut Manufacturing Inc.("FCMI") respectively. RHI is engaged in processing of sugar cane for the production and marketing of sugar and ethanol in the Philippines.

AAM

In June 2015, Lonsum and a subsidiary of PT ISM, PT ICBP jointly invested 100% equity interest in AAM, whereby each entity subscribed for 56,700,000 of new shares representing 50.00% equity interest in AAM for S$56.7 million (approximately Rp519.3 billion). AAM became a 50% associate company of Lonsum. AAM is a private limited company incorporated and domiciled in Singapore, which in turn owns 100% equity interest in PT Aston Inti Makmur, an Indonesian-incorporated company engages in the property business and operates an office building.

In March 2016, AAM reduced its capital by S$6.6 million (approximately Rp61.9 billion) and returned the funds to Lonsum and PT ICBP in proportion to their 50%:50% shareholdings in AAM.

In May and July 2017, Lonsum, PT ICBP and its parent company, PT ISM injected additional capital in AAM, in which Lonsum's capital contribution was S$25.1 million (approximately Rp244.8 billion). Post this capital injections, AAM is 24.98%, 50.00% and 25.02% owned by Lonsum, PT ICBP and PT ISM respectively. As Lonsum's shareholding was diluted from 50.00% to 24.98%, it recorded a gain on deemed disposal of AAM of Rp12.9 billion in equity. The carrying value of the investment in AAM as at 31 December 2018 is Rp743.7 billion (2017: Rp744.0 billion).

Daitocacao

On 7 February 2017, PT SIMP and Daitocacao Co. Ltd. in Japan entered into an Agreement, to establish a 49%:51% entity, Daitocacao under the laws of Indonesia. The Company made the first and second capital contributions on 5 April 2017 and 8 June 2018 respectively with the total amount of Rp209.0 billion (approximately US$15.7 million). Daitocacao is still in its development stage at year end.

19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

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

Summarised balance sheet

	FPNRL			AAM			Daitocacao	
	2018	**2017**	**1 Jan 2017**	**2018**	**2017**	**1 Jan 2017**	**2018**	**2017**
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Current assets	3,884,861	1,863,162	1,769,011	1,468,601	140,702	92,153	93,431	98,796
Non-current assets	3,577,806	5,135,098	5,094,206	3,204,268	3,228,653	954,899	360,731	119,016
Total assets	7,462,667	6,998,260	6,863,217	4,672,869	3,369,355	1,047,052	454,162	217,812
Current liabilities	4,605,190	2,670,812	2,111,736	14,147	5,810	6,571	22,676	2,656
Non- current liabilities	134,586	1,655,417	2,048,520	1,681,102	384,929	65,993	–	–
Total liabilities	4,739,776	4,326,229	4,160,256	1,695,249	390,739	72,564	22,676	2,656
Net assets	2,722,891	2,672,031	2,702,961	2,977,620	2,978,616	974,488	431,486	215,156
Proportion of the Group's ownership	30.00%	30.00%	30.00%	24.98%	24.98%	50.00%	49.00%	49.00%
Group's share of net assets	816,868	801,609	810,888	730,781	731,030	487,244	211,428	105,426
Foreign currency translation	(314,150)	(298,274)	(301,669)	–	–	–	12	12
Deemed disposal gain	–	–	–	12,921	12,921	–	–	–
Carrying amount of the investment	502,718	503,335	509,219	743,702	743,951	487,244	211,440	105,438

Summarised statement of comprehensive income

	FPNRL		AAM		Daitocacao	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Revenue	4,315,237	3,392,316	–	–	–	–
(Loss)/profit after tax	(10,132)	(43,741)	(1,924)	(3,873)	3,064	1,868
Other comprehensive income for the year	(82,568)	(3,310)	–	–	–	–

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

	Group	
	2018	**2017**
	Rp million	Rp million
Share of profit after tax and other comprehensive income	1,061	50

20. INVESTMENT IN JOINT VENTURES

The Group has two jointly-controlled entities, it owns 35% (2017: 50%) interest in Companhia Mineira de Açúcar e Álcool Participações ("CMAA") and 50% (2017: nil) in Canápolis Holding S.A. ("Canápolis"). These two entities are held through the Company's wholly-owned subsidiaries, IFAR Brazil Pte Ltd and IndoAgri Brazil Participações Ltda ("IndoAgri Brazil").

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

Canápolis

In February 2018, IndoAgri Brazil and its joint venture partner, JF Investimentos S.A. ("JF") jointly invested in Canápolis. Each partner contributed an initial capital of BRL 23.6 million (approximately US$7.2 million). Following the capital injection by both parties, Canápolis will become a 50%:50% joint venture between IndoAgri Brazil and JF.

Canápolis was incorporated in November 2017. In December 2017, Canápolis acquired a sugar mill located in Minas Gerais, Brazil with an annual cane crushing capacity of 1.8 million tonnes and 6,048 hectares of land through a court auction process due to the bankruptcy of the previous owner. The acquisition price for the Assets is approximately BRL 137.8 million (approximately US$42.0 million) to be paid in four installments, of which the final payment will be due in June 2019.

CMAA

In July 2018, the Company's 50%:50% joint venture with Ápia SP Participações S.A ("JF Family"), CMAA entered into an arrangement with JFLIM Participações S/A ("JFLIM"), whereby JFLIM will transfer its 100%-owned subsidiary, Vale do Pontal Açucar e Alcool Ltda ("UVP") to CMAA. JFLIM is a 50%:50% joint venture between JF Family and Rio Grande Investment Pte. Ltd. ("Rio Grande"), a member of the Salim group. UVP operates a refinery factory located in Minas Gerais, Brazil with a total cane crushing capacity of 2.5 million tonnes per year.

In consideration for the transfer of UVP, CMAA issued new shares with a value of BRL 75.9 million (approximately US$19.7 million) to the seller, JFLIM. Post the issuance of new shares, CMAA is 35% each owned by the Company and JF Family, and 30% by JFLIM.

The Group will continue to adopt equity accounting as CMAA is jointly controlled by these 3 shareholders through the contractual shareholder agreement. At CMAA Group, pooling of interest method is applied for business combination involving entity under common control. This is also consistent with the Group's policy and therefore, book value is used in computing the deemed disposal gain/loss arising from the dilution instead of fair value. As a result, the Company recognised a loss of Rp87.0 billion on the dilution from 50% to 35% in Consolidated statement of comprehensive income.

	Group	
	Rp million	Rp million
Carrying amount of investment in joint ventures before the deemed disposal		747,825
Cost of deemed disposal of 15%	(224,348)	
Share of contribution from UVP at book value	161,098	
Reduction in carrying amount of investment in joint venture	(63,250)	(63,250)
Reclassification of CMAA's OCI to profit or loss	(23,799)	
Loss on deemed disposal	(87,049)	
Carrying amount of investment in joint ventures after the deemed disposal in July 2018		684,575

20. INVESTMENT IN JOINT VENTURES (CONT'D)

	Group 2018 Rp million	2017 Rp million	1 Jan 2017 Rp million
Cost of investment in joint ventures (including acquisition related costs)	978,598	878,614	878,614
Cumulative share of results and other comprehensive income of joint ventures	64,290	63,615	(65,109)
Loss on deemed disposal on investment in a joint venture	(87,049)	–	–
Foreign currency translation	(146,466)	(67,318)	(61,655)
Carrying value of investment in joint ventures	809,373	874,911	751,850

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

Summarised balance sheet

	Group			
	CMAA			Canápolis
	2018 Rp million	2017 Rp million	1 Jan 2017 Rp million	2018 Rp million
Cash and cash equivalents	1,074,178	448,969	124,343	53,050
Other current assets	2,073,289	1,851,743	1,222,495	16,420
Current assets	3,147,467	2,300,712	1,346,838	69,470
Non-current assets	2,633,152	2,253,364	2,444,326	598,626
Total assets	5,780,619	4,554,076	3,791,164	668,096
Current liabilities	(2,086,951)	(1,921,090)	(2,104,562)	(141,324)
Total non-current liabilities	(2,511,963)	(1,793,397)	(1,084,013)	(378,518)
Total liabilities	(4,598,914)	(3,714,487)	(3,188,575)	(519,842)
Net assets	1,181,705	839,589	602,589	148,254
Proportion of the Group's ownership	35.0%	50.0%	50.0%	50.0%
Group's share of net assets	413,597	419,795	301,295	74,127
Acquisition costs capitalised	52,405	52,405	52,405	–
Goodwill on acquisition	298,336	298,336	298,336	–
Loss on deemed disposal on investment in a joint venture	(87,049)	–	–	–
Foreign currency translation	55,491	104,375	99,814	2,466
Carrying value of the investment	732,780	874,911	751,850	76,593

20. INVESTMENT IN JOINT VENTURES (CONT'D)

Summarised statement of comprehensive income

	Group			
	CMAA			Canápolis
	2018	2017	1 Jan 2017	2018
	Rp million	Rp million	Rp million	Rp million
Revenue	2,968,531	2,672,835	2,352,246	(65)
Depreciation and amortisation	(275,868)	(312,187)	(318,124)	4
Interest income	1,062,862	756,755	456,818	38
Interest expense	(1,388,120)	(1,044,959)	(1,004,260)	(14,189)
Other operating expenses	(2,242,248)	(1,724,444)	(1,591,499)	(9,736)
Profit/(loss) before tax	125,157	348,000	(104,819)	(23,948)
Income tax benefit/(expense)	23,811	(56,035)	29,360	(5)
Profit/(loss) after tax	148,968	291,965	(75,459)	(23,953)
Other comprehensive income	44,764	35,069	(15,619)	–
Total comprehensive income	193,732	327,034	(91,078)	(23,953)

21. OTHER NON-CURRENT ASSETS

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Non-current:						
Non-financial assets						
Advances	219,583	169,239	308,133	–	–	–
Prepayments	3,495	9,796	10,829	–	–	–
Others	252,999	206,081	106,955	–	–	–
Total advances and prepayments	476,077	385,116	425,917	–	–	–

	Note	Group			Company		
		2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
		Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Financial assets							
Amount due from a subsidiary		–	–	–	1,150,000	730,000	730,000
Loans to employees		14,638	16,070	26,361	–	–	–
Available-for-sale financial asset	33(a)	16,311	19,439	60,027	–	–	–
Plasma receivables	31(a)	1,383,640	1,158,659	1,064,600	–	–	–
Deposits		18,635	15,319	23,674	10	10	9
Total other non-current receivables		1,433,224	1,209,487	1,174,662	1,150,010	730,010	730,009
Total other non-current assets		1,909,301	1,594,603	1,600,579	1,150,010	730,010	730,009

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

Amount due from a subsidiary

Amount due from a subsidiary of Rp800 billion is non-trade related, unsecured, bears interest at long-term commercial lending rates, repayable in November 2020. In June 2018, there is an additional credit facility of Rp350 billion to the same subsidiary which is repayable in July 2023. The amounts due from this subsidiary is to be settled in cash on the respective due dates.

Available-for-sale financial asset

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

The fair value of available-for-sale financial asset is determined by using a discounted cash flow model. The Group recognised the fair value change of Rp3.3 billion (2017: impairment loss of Rp41.0 billion in profit or loss) in other comprehensive income without recycling to profit or loss.

Advances and deposits

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

Loans to employees

The Group provides non-interest bearing loans to officers and employees subject to certain terms and criteria. Such loans, which are being collected through monthly salary deductions over five years, from the date of the loan, are carried at amortised cost using effective interest method, with discount rate of 7.97% (2017: 5.98%) per annum.

22. INVENTORIES

		Group	
	2018	**2017**	**1 Jan 2017**
	Rp million	Rp million	Rp million
Balance sheet:			
Raw materials	816,486	828,065	694,957
Finished goods	1,118,706	941,141	1,164,560
Spare parts and factory supplies	493,173	435,343	411,232
Total inventories at the lower of cost and net realisable value	2,428,365	2,204,549	2,270,749

		Group	
	Note	**2018**	**2017**
		Rp million	Rp million
Consolidated statement of comprehensive income:			
Inventories recognised as an expense in cost of sales, net	5	1,201,638	1,578,029
Inclusive of the following charges:			
– Allowance for decline in market value and obsolescence of inventories		11,142	8,732
– Reversal of decline in market value and obsolescence of inventories		(8,084)	(3,569)
	5	3,058	5,163

23. RECEIVABLES

	Note	Group 2018 Rp million	Group 2017 Rp million	Group 1 Jan 2017 Rp million	Company 2018 Rp million	Company 2017 Rp million	Company 1 Jan 2017 Rp million
Current:							
Financial assets							
Trade receivables							
Third parties		700,189	502,589	506,916	–	–	–
Related parties		582,406	571,323	505,154	–	–	–
Provision for impairment of trade receivables		–	(53)	(53)	–	–	–
Other receivables							
Plasma receivables	31(a)	18,444	17,486	14,412	–	–	–
Loans to employees		6,031	7,481	8,637	–	–	–
Subsidiary companies		–	–	–	92,939	73,965	75,712
Related parties		2,449	2,110	1,568	–	–	–
Tax recoverable		–	–	12,516	–	–	–
Others		85,952	99,468	73,624	485	2,207	2,430
Total trade and other receivables		1,395,471	1,200,404	1,122,774	93,424	76,172	78,142
Non-financial assets							
Advances and prepayments							
Advances to suppliers		169,903	169,060	220,522	–	–	–
Prepayments		11,749	19,270	19,693	169	228	197
Total advances and prepayments		181,652	188,330	240,215	169	228	197
Total receivables		1,577,123	1,388,734	1,362,989	93,593	76,400	78,339

Trade receivables are unsecured, non-interest bearing and are generally on 1 to 35 days' terms. All trade receivables will be settled in cash. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group's trade receivables relate to a large number of diversified customers, there is no concentration of credit risk.

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

23. RECEIVABLES (CONT'D)

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

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

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

	Group			Company		
	2018	**2017**	**1 Jan 2017**	**2018**	**2017**	**1 Jan 2017**
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
US Dollars	181,008	95,650	57,741	70,935	67,153	65,359
Others	246	457	715	1,474	1,339	4,560

Receivables that are past due but not impaired

The Group has trade receivables amounting to Rp417.8 billion (2017: Rp417.4 billion) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period are as follows:

	Group		
	2018	**2017**	**1 Jan 2017**
	Rp million	Rp million	Rp million
Overdue but not impaired:			
1 – 30 days	263,123	283,725	272,779
31 – 60 days	65,080	69,447	17,243
61 – 90 days	27,068	31,837	13,111
More than 90 days	62,523	32,387	35,038
	417,794	417,396	338,171

Advances to suppliers

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

	Group		
	2018	**2017**	**1 Jan 2017**
	Rp million	Rp million	Rp million
Raw materials	61,094	65,681	173,108
Factory supplies, spare parts and others	108,809	103,379	47,414
	169,903	169,060	220,522

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

24. CASH AND CASH EQUIVALENTS

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Cash at bank and in hand	564,340	874,904	756,456	7,567	81,481	4,927
Short term deposits	1,664,529	2,054,770	1,648,382	145,978	582,786	527,969
Cash and cash equivalents	2,228,869	2,929,674	2,404,838	153,545	664,267	532,896

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

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
US Dollars	461,590	722,576	414,941	1,973	228,717	1,432
Singapore Dollars	5,737	9,223	2,723	5,156	8,377	2,078
Others	7,981	3,789	2,903	–	–	–

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

Short term deposits denominated in US dollars and Rupiah earned interest at annual rates between 1.50% to 3.25% (2017: 1.00% to 2.10%) per annum and 4.00% to 8.50% (2017: 4.00% to 8.75%) per annum, respectively.

25. PAYABLES

	Group			Company		
	2018	2017	1 Jan2017	2018	2017	1 Jan2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Current						
Financial liabilities						
Trade payables						
Third parties	827,669	587,172	570,760	–	–	–
Related parties	54,021	34,377	26,218	–	–	–
Other payables and accruals						
Other payables						
Third parties	299,913	356,121	284,292	87	315	451
Due to a parent company	61,331	66,692	39,048	–	–	–
Related parties	104,921	113,605	7,970	92,678	86,707	
Accrued operating expenses	462,378	473,047	571,428	22,031	17,717	14,392
Total trade and other payables and accruals	1,810,233	1,631,014	1,499,716	114,796	104,739	14,843
Non-financial liabilities						
Advances from customers	181,100	143,062	426,469	–	–	–
Taxes payable	53,599	51,641	27,203	–	–	–
Total advances and other payables	234,699	194,703	453,672	–	–	–
Total payables	2,044,932	1,825,717	1,953,388	114,796	104,739	14,843

Trade payables are normally settled on 1 to 60 days credit payment terms. These amounts are unsecured and will be settled in cash. The carrying amounts of the Group's trade payables, other payables and accruals approximate their fair values.

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

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

Advances from customers represent advance payments relating to future sales of finished goods. These advances are trade in nature, unsecured, interest-free, and the obligations to the customers are expected to be fulfilled within the next 12 months.

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

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
US Dollars	103,824	97,705	12,434	92,678	86,707	–
Euro	5,983	3,995	1,326	–	–	–
Singapore Dollars	23,918	20,863	19,692	22,118	18,032	14,843
Others	3,612	3,717	2,411	–	–	–

26. INTEREST-BEARING LOANS AND BORROWINGS

Current loans and borrowings

Description of credit facilities	End of availability period	Amount 2018 Rp million	2017 Rp million	1 Jan 2017 Rp million
Rupiah				
Subsidiaries				
Unsecured facility from PT Bank Mandiri (Persero) Tbk	June 2019	2,177,000	1,250,000	900,000
Unsecured facility from PT Bank Central Asia Tbk	December 2018	1,165,000	745,000	325,000
Unsecured facilities from PT Bank Rabobank International Indonesia[1]	July 2019	–	20,000	–
Unsecured facility from PT Bank DBS Indonesia	September 2019	415,000	250,000	–
Secured facilities from PT Bank Rabobank International Indonesia[1] [2]	July 2019	157,600	157,600	157,600
Secured facility from PT Bank DBS Indonesia[2]	September 2019	425,000	680,000	700,000
Secured facilities from PT Bank Central Asia Tbk[2]	June 2019	542,000	354,000	103,000
Sub-total		4,881,600	3,456,600	2,185,600
US Dollar				
The Company				
Loans for refinancing and investment				
Unsecured facility from Sumitomo Mitsui Banking Corporation, Singapore	May 2019	1,085,351	–	–
Total short-term loans		5,966,951	3,456,600	2,185,600
Current portion of long-term loans		1,004,698	1,006,104	295,805
Total		6,971,649	4,462,704	2,481,405

1) These credit facilities are denominated in US Dollar currency but can be drawdown in Rupiah currency.
2) Corporate guarantee from PT SIMP in proportion to its equity ownership in the respective subsidiary.

Effective interest rates

The short-term loans denominated in Rupiah bear yearly interest rates ranging from 4.75% to 9.10% (2017: 4.75% to 9.25%) per annum for the year ended 31 December 2018. The short-term loans denominated in US Dollar bear interest rates ranging from 2.65% to 3.84% (2017: nil) per annum for the year ended 31 December 2018.

Covenants

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

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

Compliance with loan covenants

As at 31 December 2018 and 2017, the Group has complied with all of the covenants of the above-mentioned short-term loans as stipulated in the respective loan agreements.

Non-current loans and borrowings

Description of credit facilities	Schedule of instalment and maturities	Amount 2018 Rp million	2017 Rp million	1 Jan 2017 Rp million
Rupiah				
Subsidiaries				
Loans for working capital				
Unsecured facility PT Bank Sumitomo Mitsui Indonesia	March 2019	–	300,000	–
Loan for refinancing, investment and working capital				
Secured facility from PT Rabobank International Indonesia[1)]	–	–	–	50,000
Unsecured facility from PT Bank Permata Tbk	–	–	2,295	7,201
Secured facility from PT Bank Sumitomo Mitsui Indonesia[1)]	March 2019	700,000	700,000	700,000
Secured facilities from PT Bank Central Asia Tbk[1)]	Quarterly until August 2028	4,567,928	4,125,182	4,434,187
Secured facility from PT Bank Rakyat Indonesia (Persero) Tbk	–	–	3,746[2)]	9,746
Sub-total		5,267,928	5,131,223	5,201,134
US Dollar				
The Company				
Loans for refinancing and investment				
Unsecured facility from Sumitomo Mitsui Banking Corporation, Singapore	May 2019	–	1,013,390	1,002,997
Subsidiaries				
Loans for refinancing, investment and working capital				
Unsecured facility from Sumitomo Mitsui Banking Corporation, Singapore	November 2019	–	677,400	1,343,600
Secured facility from PT Bank UOB Indonesia [1)]	Quarterly until November 2019	–	304,830	362,772
Sub-total		–	1,995,620	2,709,369
Total		5,267,928	7,126,843	7,910,503
Less deferred charges on bank loan		44,959	52,946	68,762
Less current portion		1,004,698	1,006,104	295,805
Total		4,218,271	6,067,793	7,545,936

1) Corporate guarantee from the PT SIMP in proportion to its equity ownership in the subsidiary.
2) This loan will be offset with the related plasma receivables when the plasma plantations are handed over to the plasma farmers.

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

Effective interest rates

The long-term loans denominated in Rupiah bear yearly interest rates ranging from 5.45% to 10.00% (2017: 5.25% to 10.00%) per annum for the year ended 31 December 2018. The long-term loans denominated in US Dollar bear interest rates ranging from 2.65% to 5.45% (2017: 2.13% to 4.47%) per annum for the year ended 31 December 2018.

Covenants

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

Compliance with loan covenants

As at 31 December 2018 and 2017, the Group has complied with all of the covenants of the above-mentioned short-term loans as stipulated in the respective loan agreements or obtained necessary waivers as required by respective loan agreement.

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

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

			Non-cash changes			
	31 December 2016	**Cash Flows**	**Foreign exchange movement**	**Amortisation of deferred charges**	**Other**	**31 December 2017**
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Current:						
Interest-bearing loans and borrowings	2,481,405	975,195	–	–	1,006,104	4,462,704
Non-Current:						
Interest-bearing loans and borrowings	7,545,936	(509,669)	21,814	15,816	(1,006,104)	6,067,793
Total	10,027,341	465,526	21,814	15,816	–	10,530,497

The "Other" column relates to reclassification of non-current portion to current due to passage of time and the reclassification to plasma receivables for temporary funding under plasma scheme.

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

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

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

As at 31 December 2018 and 2017, the Company has not issued any Notes under the programme.

27. OTHER NON-CURRENT PAYABLES

		Group	
	2018 Rp million	**2017** Rp million	**1 Jan 2017** Rp million
Non-current:			
Financial liabilities			
Due to related parties	427,859	351,659	542,099
Others	–	12,447	27,680
Total amount due to related parties and other payables	427,859	364,106	569,779
Non-financial liabilities			
Provision for assets dismantling costs	32,007	34,149	31,086
Total other non-current payables	459,866	398,255	600,865

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

Provision for assets dismantling costs

Provision for assets dismantling costs represents estimated liabilities for the costs to dismantle, remove and restore the sites of refinery, fractionation and margarine plants located in Jakarta and Surabaya, Indonesia. Gain/(loss) arising from changes in estimates of provision for asset dismantling costs are presented as part of "Other Operating Expense" accounts in the profit or loss, as shown in Note 7.

The movement in provision for assets dismantling costs is:

		Group	
	Note	**2018** Rp million	**2017** Rp million
Balance at 1 January		34,149	31,086
Changes in present value due to the passage of time and discount rates	7	(2,142)	3,063
Balance at 31 December		32,007	34,149

28. EMPLOYEE BENEFITS

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

The Group's contributions to the funds are computed at 10.0% and 7.0% of the basic pensionable income for staff and non-staff employees, respectively.

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

		Group	
	Note	**2018**	**2017**
		Rp million	Rp million
Employee benefits expenses (including directors):			
Wages and salaries		2,949,302	2,692,291
Provision for employee benefits		329,318	349,017
Contribution to defined contribution pension plan		18,161	25,753
Training and education		65,435	62,410
	8	3,362,216	3,129,471

As at 31 December 2018, the balance of the related actuarial liability for employee benefits is presented as "Employee benefits liabilities" in the consolidated balance sheet.

Changes in the employee benefit obligations are as follows:

	Group	
	2018	**2017**
	Rp million	Rp million
Benefit obligation at 1 January	2,361,278	1,980,219
Benefits paid	(137,327)	(152,779)
Changes charged to profit or loss		
Current service cost	175,716	180,104
Interest cost on benefit obligations	159,998	168,319
Net actuarial loss recognised during the year	(4,112)	3,430
Gains on curtailments and settlements	(3,294)	(2,836)
Sub-total	328,308	349,017
Re-measurement (gain)/loss in other comprehensive income		
Actuarial changes arising from changes in financial assumptions	(200,790)	201,688
Experience adjustments	(27,514)	(16,867)
Sub-total	(228,304)	184,821
Benefit obligation at 31 December	2,323,955	2,361,278

28. EMPLOYEE BENEFITS (CONT'D)

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

Annual discount rate	:	8.4% (2017: 6.7% and 6.9%)
Future annual salary increase	:	8.5% (2017: 8.0%)
Annual employee turnover rate	:	6.0% (2017: 6.0%) for employees under the age of 30 years and linearly decrease until 0% at the age of 52 years
Disability rate	:	10% (2017: 10%) from mortality rate
Retirement age	:	55 years old
Mortality rate reference	:	Indonesian Mortality Table ("IMT") 2011 (2017: IMT 2011)

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

	Quantitative sensitivity analysis	
Assumptions	**Increase/(decrease)**	**(Decrease)/increase in the net employee benefits liabilities** Rp million
<u>31 December 2018</u>		
Annual discount rate	100/ (100) basis points	(177,001)/ 202,837
Future annual salary increase	100/ (100) basis points	208,889/ (184,592)
<u>31 December 2017</u>		
Annual discount rate	100/ (100) basis points	(193,332)/ 223,405
Future annual salary increase	100/ (100) basis points	227,565/ (199,711)

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

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

		Group	
	2018	**2017**	**1 Jan 2017**
	Rp million	Rp million	Rp million
Within the next 12 months	169,811	150,413	93,548
Between 1 and 2 years	158,758	133,857	170,630
Between 2 and 5 years	389,354	323,122	297,723
Beyond 5 years	20,483,958	16,585,217	16,518,745
Total expected payments	21,201,881	17,192,609	17,080,646

The average duration of the employee benefit plan obligation at the end of the reporting period is 11.7 years (2017: 11.8 years).

29. SHARE CAPITAL AND TREASURY SHARES

(a) *Share capital*

	Group			
	2018		2017	
	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	1,447,782,830	3,584,279	1,447,782,830	3,584,279

	Company			
	2018		2017	
	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	1,447,782,830	10,912,411	1,447,782,830	10,912,411

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

(b) *Treasury shares*

	Company			
	2018		2017	
	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	51,878,300	390,166	51,878,300	390,166

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

30. RESERVES

(a) *Revenue reserves*

	Company	
	2018	2017
	Rp million	Rp million
Retained earnings :		
Balance at 1 January	810,774	785,238
Dividends	(102,713)	(86,554)
Profit for the year	35,554	112,090
Balance at 31 December	743,615	810,774

(b) *Other reserves*

	Company	
	2018	2017
	Rp million	Rp million
Other reserves:		
Balance at 1 January and 31 December	144,152	144,152

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

Movement in the reserves of the Group are shown in the Consolidated statement of changes in equity.

30. RESERVES (CONT'D)

(c) Dividends

	Company 2018 Rp million	Company 2017 Rp million
Declared and paid during year:		
Dividends on ordinary shares:		
– Final tax exempt (one-tier) dividend for 2017: 0.70 Singapore cents (2016: 0.65 Singapore cents) per share	102,713	86,554
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the forthcoming AGM:		
– Final tax exempt (one-tier) dividend for 2018: 0.25 Singapore cents (2017: 0.70 Singapore cents) per share	37,002	99,023

31. COMMITMENTS AND CONTINGENCIES

(a) Plasma receivables

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

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

The loans advanced by the banks under the Plasma Scheme are secured by the sales proceeds of FFB of the respective plasma plantations and corporate guarantees from certain subsidiary companies for a maximum amount of Rp695.0 billion (2017: Rp719.0 billion) as at 31 December 2018.

The Group recorded an allowance for uncollectible plasma receivables in its consolidated balance sheet amounting to Rp445.6 billion (2017: Rp416.2 billion). Based on a review of the plasma receivables of each project as at 31 December 2018, management believes that the above-mentioned allowance for uncollectible plasma receivables is sufficient to cover possible losses arising from the uncollectible plasma receivables.

31. COMMITMENTS AND CONTINGENCIES (CONT'D)

(a) Plasma receivables (cont'd)

An analysis of the movement in adjustments of EIR amortisation of plasma receivables are as follows:

	Group	
	2018	**2017**
	Rp million	Rp million
At 1 January	416,201	393,769
(Reversal)/charge for the year	(1,202)	437
Write-off	(756)	(384)
Adjustments of EIR amortisation	31,400	22,379
At 31 December	445,643	416,201

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

		Group	
	Note	**2018**	**2017**
		Rp million	Rp million
Balance at 1 January		1,176,145	1,079,012
Adjustments of EIR amortisation		(30,198)	(22,816)
Additional net investment		256,137	135,183
Reclassifications		–	(15,234)
Balance at 31 December	21,23	1,402,084	1,176,145

(b) Operating lease commitments

As lessee

The Group has entered into commercial leases to lease land and buildings, equipment and transportation equipment. These non-cancellable operating leases have remaining lease terms from 1 to 3 years. Operating lease payments recognised in the statement of comprehensive income in 2018 amounted to Rp56.8 billion (2017: Rp37.1 billion).

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

	2018	**2017**	**1 Jan 2017**
	Rp million	Rp million	Rp million
Within one year	54,229	57,139	15,117
After one year but not more than five years	93,099	138,998	241
	147,328	196,137	15,358

31. COMMITMENTS AND CONTINGENCIES (CONT'D)

(c) *Sales commitments*

As at 31 December 2018, the Group has sales commitments to deliver the following products to local and overseas customers within one month after the reporting date:

	Unit of measurement	2018	2017	1 Jan 2017
Palm products	Tonnes	25,139	6,363	37,053
Rubber	Tonnes	1,633	544	1,143
Tea	Tonnes	30	79	137
Cocoa	Tonnes	38	37	129
Oil palm seeds	Unit	245,234	10,500	122,225
Seedlings	Unit	56,198	–	–

(d) *Commitments for capital expenditures*

As of 31 December 2018, capital expenditure contracted for but not recognised in the financial statements relating to purchase of property, plant and equipment as well as development of plantations amounting to Rp630 billion, US$10,400 and RM2.0 million (2017: Rp347 billion, US$3.4 million, and EUR 152,500).

(e) *Contingent liabilities*

As of 31 December 2018, there are no claims against the Group that are possible to cause material losses in the future.

32. RELATED PARTY TRANSACTIONS

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

Nature of transactions	Year	A shareholder of the Group Rp million	Related companies Rp million	Other related parties Rp million
Sales of goods	2018	583	3,429,707	1,724,271
	2017	1,207	3,533,385	1,462,725
Purchases of packaging materials	2018	–	139,242	–
	2017	–	116,139	–
Purchases of services, transportation equipment and spare parts	2018	–	7,859	70,512
	2017	–	8,306	61,363
Royalty fee expenses	2018	5,413	–	–
	2017	4,746	–	–
Pump services expenses	2018	–	–	7,416
	2017	–	–	8,901
Rental expenses	2018	–	–	61,646
	2017	–	–	57,847
Insurance expenses	2018	–	–	30,881
	2017	–	–	29,590
Other operating income	2018	–	6,409	–
	2017	–	2,123	–

32. RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel of the Group

	2018 Rp million	2017 Rp million
Salaries and short-term employee benefits	200,201	201,242
Termination benefits	33,959	40,275
Post-employment benefits	10,876	20,326
Total compensation paid to the key management personnel	245,036	261,843

33. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

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

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

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other 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.

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

	Quoted prices in active markets for identical assets (Level 1) Rp million	Significant other observable inputs (Level 2) Rp million	Significant unobservable inputs (Level 3) Rp million
As at 31 December 2018			
Recurring fair value measurements			
Biological assets- timber plantations (Note 13)	–	–	328,500
Biological assets- agriculture produce (Note 13)	–	148,856	367,800
Available-for-sale financial asset at FVOCI (Note 21)	–	–	16,311
As at 31 December 2017			
Recurring fair value measurements			
Biological assets- timber plantations (Note 13)	–	–	313,305
Biological assets- agriculture produce (Note 13)	–	220,729	316,092
Available-for-sale financial asset at FVOCI (Note 21)	–	–	19,439

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

(a) Fair value hierarchy (cont'd)

	Quoted prices in active markets for identical assets (Level 1) Rp million	Significant other observable inputs (Level 2) Rp million	Significant unobservable inputs (Level 3) Rp million
As at 1 January 2016			
Recurring fair value measurements			
Biological assets- timber plantations (Note 13)	–	–	325,102
Biological assets- agriculture produce (Note 13)	–	217,837	246,885
Available-for-sale financial asset at FVOCI (Note 21)	–	–	60,027

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

(b) Valuation policy

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

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

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

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

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

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

Plasma receivables and long-term loans to employees are carried at amortised cost using the effective interest method and the discount rates used are the current market incremental lending rate for similar types of lending. The effective yearly interest rates were ranging from 7.97% to 10.71% (2017: 5.98% to 12.00%) per annum for the year ended 31 December 2018.

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

The significance of the unobservable inputs used in the fair value measurement of available-for-sale financial asset is categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2018 and 2017 are as shown below:

		Sensitivity Analysis	
Unobservable Inputs	**Quantitative Inputs**	**Sensitivity Used**	**Effect to Fair Value** Rp million
31 December 2018			
Discount rate	15.59%	50 basis points	(2,541)/ 2,774
Growth rate after forecast period	2.2%	5 basis points	198/ (197)
31 December 2017			
Discount rate	13.10%	50 basis points	(4,141)/ 4,592
Growth rate after forecast period	1.8%	5 basis points	346/ (343)

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

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

(a) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

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

Variable	**Increase/ (decrease)**	**2018 Increase/(decrease) in loss before tax** Rp million	**2017 (Decrease)/increase in profit before tax** Rp million
Floating interest rate	50/(50) basis points	Rp9,818/(Rp9,818)	(Rp8,928)/Rp8,928

(b) Foreign currency risk

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

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

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

Variable	**Increase/ (decrease)**	**2018 Increase/(decrease) in loss before tax** Rp million	**2017 (Decrease)/increase in profit before tax** Rp million
Exchange rate of Rupiah against US Dollar	10%/(10%)	Rp47,207/(Rp47,207)	(Rp120,795)/Rp120,795

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

(c) Commodity price risk

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

During 2018 and 2017, it is, and has been, the Group's policy that no hedging in financial instruments shall be undertaken.

The Group's policy is to minimise the risks of its raw material costs arising from the fluctuations in the commodity prices by increasing self-sufficiency in CPO for the refinery operations (through the purchase of CPO from the Group's own plantations).

(d) Credit risk

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

The Group has credit risk arising from the credit granted to its customers and plasma farmers and placement of current accounts and deposits in the banks. At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

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

Cash and cash equivalents

Credit risk arising from placements of current accounts and deposits is managed in accordance with the Group's policy. Such limits are set to minimise the concentration of credit risk and therefore mitigate financial loss through potential failure of the banks.

Trade receivables

The Group has policies in place to ensure that sales of products are made only to creditworthy customers with proven track record or good credit history. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. For export sales, the Group requires cash against the presentation of documents of title. For domestic sales, the Group may grant its customers credit terms from 1 to 35 days from the issuance of invoice. The Group has policies that the limit amount of credit exposure to any particular customer, such as, requiring sub-distributors to provide bank guarantees. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts.

When a customer fails to make payment within the credit terms granted, the Group will contact the customer to act on the overdue receivables. If the customer does not settle the overdue receivable within a reasonable time, the Group will proceed to commence legal proceedings. Depending on the Group's assessment, specific provisions may be made if the debt is deemed uncollectible. To mitigate credit risk, the Group will cease the supply of all products to customers in the event of late payment and/or default.

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

(d) Credit risk (cont'd)

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type, payment terms and due date) as follows:

Categories	**Risk level**	**Provision rate**
Related Parties		
Entities under common control	No risk	0%
External Parties		
Amount is covered by letter of credit	No risk	0%
Under credit insurance	No risk	0%
More than 90 days past due	Probable risk	1%

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 21 and 23. The Group does not hold collateral as security or letters of credit and other forms of credit insurance. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in dispersed locations and industries.

Plasma Receivables

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

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

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

An impairment analysis is performed at each reporting date as disclose in Note 3 to measure ECL. The Group evaluates the concentration of risk with respect to plasma receivables as low, as the cooperatives are dispersed in accordance with the locations of the subsidiaries.

The Group's gross carrying amount of plasma receivables and the exposure to credit risk is as follows:

31 December 2018

	Gross carrying amount		
	12-month ECL	**Lifetime ECL**	**Total**
	Rp million	Rp million	Rp million
Total	257,874	1,589,853	1,847,727

31 December 2017

	Gross carrying amount		
	12-month ECL	**Lifetime ECL**	**Total**
	Rp million	Rp million	Rp million
Total	240,329	1,352,017	1,592,346

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

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of maturities in its financial assets and liabilities. The Group manages its liquidity profile to be able to finance its capital expenditure and service its maturing debts by maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and borrowings and equity market issues.

The table below summarises the maturity profile of the Group's financial liabilities at the end of reporting period based on contractual undiscounted repayment obligations:

	One year or less Rp million	**One to five years** Rp million	**More than 5 years** Rp million	**Total** Rp million
Group				
As at 31 December 2018				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	31,078	3,411,909	2,326,520	5,769,507
Other non-current payables	26,969	427,933	–	454,902
Trade and other payables and accruals	1,810,233	–	–	1,810,233
Current interest-bearing loans and borrowings	7,562,945	–	–	7,562,945
Total undiscounted financial liabilities	9,431,225	3,839,842	2,326,520	15,597,587
As at 31 December 2017				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	118,645	4,007,919	2,736,791	6,863,355
Other non-current payables	17,876	369,535	–	387,411
Trade and other payables and accruals	1,631,014	–	–	1,631,014
Current interest-bearing loans and borrowings	4,914,344	1,013,390	–	5,927,734
Total undiscounted financial liabilities	6,681,879	5,390,844	2,736,791	14,809,514

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

(e) *Liquidity risk (cont'd)*

	One year or less Rp million	One to five years Rp million	More than 5 years Rp million	Total Rp million
Group				
As at 1 January 2017				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	117,914	5,180,930	3,627,536	8,926,380
Other non-current payables	31,139	604,377	–	635,516
Trade and other payables and accruals	1,499,716	–	–	1,499,716
Current interest-bearing loans and borrowings	3,047,763	1,002,997	–	4,050,760
Total undiscounted financial liabilities	4,696,532	6,788,304	3,627,536	15,112,372

Undiscounted loans and borrowings with floating rates had been determined with reference to the applicable rates as at balance sheet dates.

	One year or less Rp million	One to five years Rp million	More than 5 years Rp million	Total Rp million
Company				
As at 31 December 2018				
Financial liabilities:				
Trade and other payables and accruals	114,796	–	–	114,796
Current interest-bearing loans and borrowings	1,096,595	–	–	1,096,595
Total undiscounted financial liabilities	1,211,391	–	–	1,211,391
As at 31 December 2017				
Financial liabilities:				
Trade and other payables and accruals	104,739	–	–	104,739
Non-current interest-bearing loans and borrowings	8,375	1,013,390	–	1,021,765
Total undiscounted financial liabilities	113,114	1,013,390	–	1,126,504

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

(e) *Liquidity risk (cont'd)*

	One year or less Rp million	**One to five years** Rp million	**More than 5 years** Rp million	**Total** Rp million
Company				
As at 1 January 2017				
Financial liabilities:				
Trade and other payables and accruals	14,843	–	–	14,843
Non-current interest-bearing loans and borrowings	6,368	1,002,997	–	1,009,365
Total undiscounted financial liabilities	21,211	1,002,997	–	1,024,208

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

Certain subsidiary companies are required to comply with loan covenants imposed by their lenders, such as maintaining the level of existing share capital. This externally imposed requirement has been complied with by the relevant subsidiary companies for the financial year ended 31 December 2018 and 2017. Additionally, certain subsidiary companies in Indonesia are required by the Corporate Law to maintain a non-distributable reserve until it reaches 20% of the issued and paid share capital. This externally imposed capital requirement will be complied by the relevant subsidiary companies by their next annual general meeting.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

The Group monitors capital using gearing ratios, by dividing net loans and borrowings with total equity. The Group's policy is to keep the gearing ratio within the range of gearing ratios of leading companies in similar industry in Indonesia in order to secure access to finance at a reasonable cost.

Capital managed by the management includes equity attributable to the majority shareholders of the Company and non-controlling interests.

35. CAPITAL MANAGEMENT (CONT'D)

	Group		
	2018	2017	1 Jan 2017
	Rp million	Rp million	Rp million
Non-current interest-bearing loans and borrowings	4,218,271	6,067,793	7,545,936
Current interest-bearing loans and borrowings	6,971,649	4,462,704	2,481,405
	11,189,920	10,530,497	10,027,341
Less: Cash and cash equivalents	(2,228,869)	(2,929,674)	(2,404,838)
Net debts	8,961,051	7,600,823	7,622,503
Total equity	20,853,193	21,422,650	20,878,052
Gearing ratio	43%	35%	37%

36. SEGMENT INFORMATION

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

Plantations segment

Plantations segment is mainly involved in the development and maintenance of oil palm, rubber and sugar cane plantations and other business activities relating to palm oil, rubber and sugar cane processing, marketing and selling. This segment is also involved in the cultivation of cocoa, tea and industrial timber plantations.

Edible Oils and Fats segment

Edible Oils and Fats segment produces, markets and sells edible oil, margarine, shortening and other related products and its derivative products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income), foreign exchange gain/loss and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between business segments are based on terms agreed between the parties. Segment revenues, segment expenses and segment results include transfers between business segments. Those transfers are eliminated for purposes of consolidation.

Others/eliminations for segment assets and liabilities relates primarily to eliminations between inter-segment receivables and payable, and the Company's asset and liabilities.

36. SEGMENT INFORMATION (CONT'D)

The following table presents revenue and profit and certain asset and liability information regarding the Group's business segments:

Business segments

	Plantations Rp million	Edible Oils and Fats Rp million	Others/ eliminations Rp million	Total Rp million
Year ended 31 December 2018				
Revenue				
Sales to external customers	3,462,558	10,596,892	–	14,059,450
Inter-segment sales	5,121,957	12,018	(5,133,975)	–
Total sales	8,584,515	10,608,910	(5,133,975)	14,059,450
Share of results of associate companies	2,241	–	(10,033)	(7,792)
Share of results of joint ventures	–	–	28,704	28,704
Segment results	194,811	407,479	151,229	753,519
Net finance expense				(615,761)
Foreign exchange loss				(118,034)
Loss on deemed disposal on investment in a joint venture				(87,049)
Loss before tax				(46,413)
Income tax expense				(380,102)
Net loss for the year				(426,515)
Assets and liabilities				
Segment assets	28,309,768	4,199,420	13,933	32,523,121
Goodwill	3,245,317	–	–	3,245,317
Prepaid taxes				336,031
Deferred tax assets				1,125,003
Claims for tax refund				284,779
Total assets				37,514,251
Segment liabilities	3,838,643	1,952,817	(1,455,214)	4,336,246
Unallocated liabilities				11,682,427
Deferred tax liabilities				614,776
Income tax payable				27,609
Total liabilities				16,661,058
Other segment information:				
Investment in associate companies	967,003	–	502,718	1,469,721
Capital expenditure	1,609,144	88,834	92	1,698,070
Depreciation and amortisation	1,373,220	111,996	3,679	1,488,895
Loss from changes in fair value of biological assets	(30,882)	–	–	(30,882)
Provision for employee benefits	275,554	53,764	–	329,318

36. SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

	Plantations Rp million	Edible Oils and Fats Rp million	Others/ eliminations Rp million	Total Rp million
Year ended 31 December 2017				
Revenue				
Sales to external customers	5,440,797	10,284,507	–	15,725,304
Inter-segment sales	4,696,763	28,842	(4,725,605)	–
Total sales	10,137,560	10,313,349	(4,725,605)	15,725,304
Share of results of associate companies	140	–	(18,055)	(17,915)
Share of results of a joint venture	–	–	138,654	138,654
Segment results	1,588,331	116,651	(133,580)	1,571,402
Net finance expense				(539,538)
Foreign exchange loss				(14,450)
Profit before tax				1,138,153
Income tax expense				(485,268)
Net profit for the year				652,885
Assets and liabilities				
Segment assets	27,415,649	4,120,777	885,139	32,421,565
Goodwill	3,245,837	–	–	3,245,837
Prepaid taxes				273,845
Deferred tax assets				1,346,976
Claims for tax refund				126,732
Total assets				37,414,955
Segment liabilities	3,359,564	1,746,542	(589,124)	4,516,982
Unallocated liabilities				10,598,765
Deferred tax liabilities				784,827
Income tax payable				91,731
Total liabilities				15,992,305
Other segment information:				
Investment in associate companies	855,439	–	503,335	1,358,774
Capital expenditure	1,277,919	200,775	69	1,478,763
Depreciation and amortisation	1,309,337	117,428	3,656	1,430,421
Gain from changes in fair value of biological assets	34,839	–	–	34,839
Provision for employee benefits	291,086	57,931	–	349,017

36. SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

	Plantations Rp million	Edible Oils and Fats Rp million	Others/ eliminations Rp million	Total Rp million
Year ended 1 January 2017				
Assets and liabilities				
Segment assets	27,418,240	3,683,555	478,077	31,579,872
Goodwill	3,253,637	–	–	3,253,637
Prepaid taxes				251,107
Deferred tax assets				1,240,194
Claims for tax refund				178,704
Total assets				36,503,514
Segment liabilities	3,223,751	1,897,839	(856,219)	4,265,371
Unallocated liabilities				10,296,442
Deferred tax liabilities				848,134
Income tax payable				215,515
Total liabilities				15,625,462
Other segment information:				
Investment in associate companies	493,028	–	509,219	1,002,247
Capital expenditure	1,546,081	39,714	31	1,585,826
Depreciation and amortisation	1,280,543	117,957	3,687	1,402,187
Gain from changes in fair value of biological assets	219,000	–	–	219,000
Provision for employee benefits	256,354	50,663	–	307,017

Geographical segments

The following table presents sales to customers based on the geographical location of the customers:

	2018 Rp million	2017 Rp million
Region		
Indonesia	12,311,531	14,361,702
Singapore	606,267	170,284
China	617,001	522,846
Nigeria	147,361	107,072
Malaysia	49,073	112,617
Philippines	50,101	50,063
Timor Leste	69,709	88,486
South Korea	32,516	109,115
Others (each below Rp50.0 billion)	175,891	203,119
Segment revenue	14,059,450	15,725,304

The Group's capital expenditure and segment assets are primarily incurred and located in Indonesia.

37. EVENT OCCURRING AFTER THE REPORTING PERIOD

In January 2019, a subsidiary, Lonsum subscribed for 328,250 shares of PT Aston Inti Makmur, a related party for a consideration of Rp328.25 billion, representing 9.30% interest.

38. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 22 March 2019.

INTERESTED PERSON TRANSACTIONS

Interested person transactions ("IPT') carried out during the financial year ended 31 December 2018 pursuant to the Shareholders' Mandate obtained under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") by the Group are as follows:

Name of Interested Person	Aggregate value of all IPT during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) USD million	Aggregate value of all IPT conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) Rp billion
PT ISM Group		
• Sales of cooking oil, margarine and others	–	3,437
• Purchase of goods, services and assets	–	157
Salim Group		
• Sales of cooking oil, seeds and material	–	1,752
• Purchases of goods and services	–	878
• Shareholder loans	–	836
• Corporate guarantees	–	3,033
• Investment in assets (50% of UVP)	10	–

PLANTATION LOCATIONS

No	Company	Estate Name	District	Province	Description
1	Salim Ivomas Pratama Tbk	Kayangan	Rokan Hilir	Riau	Oil Palm Estate & Mill
		Kencana	Rokan Hilir	Riau	Oil Palm Estate
		Sungai Dua	Rokan Hilir	Riau	Oil Palm Estate & Mill
		Balam	Rokan Hilir	Riau	Oil Palm Estate & Mill
2	Cibaliung Tunggal Plantations	Cibaliung	Rokan Hilir	Riau	Oil Palm Estate
3	Gunung Mas Raya	Sungai Rumbia 1	Rokan Hilir	Riau	Oil Palm Estate
		Sungai Rumbia 2	Rokan Hilir	Riau	Oil Palm Estate
		Sungai Bangko	Rokan Hilir	Riau	Oil Palm Estate & Mill
4	Indriplant	Napal	Indragiri Hulu	Riau	Oil Palm Estate & Mill
5	Serikat Putra	Lubuk Raja	Pelalawan	Riau	Oil Palm Estate & Mill
		Bukit Raja	Pelalawan	Riau	Oil Palm Estate
6	Mentari Subur Abadi	Muara Merang	Musi Banyuasin	South Sumatra	Oil Palm Estate & Mill
		Mangsang	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Karang Agung	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Hulu Merang	Musi Banyuasin	South Sumatra	Oil Palm Estate
7	Swadaya Bhakti Negaramas	Pulai Gading	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Muara Medak	Musi Banyuasin	South Sumatra	Oil Palm Estate
8	Sarana Inti Pratama	Lindai	Kampar	Riau	Oil Palm Estate (Breeding)
9	Citranusa Intisawit	Kedukul	Sanggau	West Kalimantan	Oil Palm Estate & Mill
10	Kebun Ganda Prima	Kembayan	Sanggau	West Kalimantan	Oil Palm Estate & Mill
11	Riau Agrotama Plantation	Nanga Silat	Kapuas Hulu	West Kalimantan	Oil Palm Estate & Mill
		Kapuas	Kapuas Hulu	West Kalimantan	Oil Palm Estate
12	Citra Kalbar Sarana	Sepauk	Sintang	West Kalimantan	Oil Palm Estate
13	Jake Sarana	Sekubang	Sintang	West Kalimantan	Oil Palm Estate
14	Agrosubur Permai	Manis	Kapuas	Central Kalimantan	Oil Palm Estate
15	Kebun Mandiri Sejahtera	Mariango	Pasir Utara	East Kalimantan	Oil Palm Estate & Mill, Rubber Estate
		Penajam	Pasir Utara	East Kalimantan	Oil Palm & Rubber Estate
16	Hijaupertiwi Indah Plantations	Lupak Dalam	Kapuas	Central Kalimantan	Oil Palm Estate & Mill
		Bunga Tanjung	Kapuas	Central Kalimantan	Oil Palm Estate
		Kuala Kapuas	Kapuas	Central Kalimantan	Oil Palm Estate
17	Cangkul Bumisubur	Bumi Subur	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Bukit Indah	Musi Banyuasin	South Sumatra	Oil Palm Estate
18	Pelangi Intipertiwi	Mancang	Musi Banyuasin	South Sumatra	Oil Palm Estate
19	Intimegah Bestari Pertiwi	Sungai Ampalau	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Megah Abadi	Musi Banyuasin	South Sumatra	Oil Palm Estate
20	Gunta Samba	Ampanas	Kutai Timur	East Kalimantan	Oil Palm Estate & Mill
		Pengadan	Kutai Timur	East Kalimantan	Oil Palm Estate & Mill
		Elang	Kutai Timur	East Kalimantan	Oil Palm Estate
21	Multi Pacific International	Peridan	Kutai Timur	East Kalimantan	Oil Palm Estate
		Kerayaan	Kutai Timur	East Kalimantan	Oil Palm Estate
		Cipta Graha	Kutai Timur	East Kalimantan	Oil Palm Estate & Mill
		Muara Bulan	Kutai Timur	East Kalimantan	Oil Palm Estate
		Baay	Kutai Timur	East Kalimantan	Oil Palm Estate
22	Mitra Intisejati Plantation	Bengkayang	Sambas	West Kalimantan	Oil Palm Estate & Mill
23	PP London Sumatra Indonesia Tbk	Begerpang	Deli Serdang	North Sumatra	Oil Palm Estate & Mill
		Sei Merah	Deli Serdang	North Sumatra	Oil Palm Estate
		Rambong Sialang	Serdang Bedagai	North Sumatra	Oil Palm Estate
		Bungara	Langkat	North Sumatra	Oil Palm Estate
		Turangie	Langkat	North Sumatra	Oil Palm Estate & Mill
		Pulo Rambong	Langkat	North Sumatra	Oil Palm Estate
		Bah Lias	Simalungun	North Sumatra	Oil Palm Estate & Seed Breeding
		Bah Bulian	Simalungun	North Sumatra	Oil Palm Estate

No	Company	Estate Name	District	Province	Description
23	PP London Sumatra Indonesia Tbk	Dolok	Batubara	North Sumatra	Oil Palm Estate & Mill
		Gunung Malayu	Asahan	North Sumatra	Oil Palm Estate & Mill
		Sibulan	Serdang Bedagai	North Sumatra	Oil Palm Estate
		Sei Rumbiya	Labuhan Batu Selatan	North Sumatra	Oil Palm Estate, Rubber Estate & Factory
		Tirta Agung	Musi Banyuasin	South Sumatra	Oil Palm Estate & Mill
		Budi Tirta	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Suka Damai	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Sei Punjung	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Suka Bangun	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Bangun Harjo	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Riam Indah	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Sei Lakitan	Musi Rawas & Musi Rawas Utara	South Sumatra	Oil Palm Estate & Mill
		Sei Gemang	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Gunung Bais	Musi Rawas	South Sumatra	Oil Palm Estate & Mill
		Pering Permai	Musi Rawas	South Sumatra	Oil Palm Estate
		Mentari Kulim	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Kelingi Lestari	Musi Rawas	South Sumatra	Oil Palm Estate
		Sei Kepayang	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Ketapat Bening	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Belani Elok	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Batu Cemerlang	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Bukit Hijau	Musi Rawas Utara	South Sumatra	Oil Palm Estate & Mill
		Terawas Indah	Musi Rawas	South Sumatra	Oil Palm Estate & Mill
		Arta Kencana	Lahat	South Sumatra	Oil Palm Estate & Mill
		Kencana Sari	Lahat	South Sumatra	Oil Palm Estate & Mill
		Tulung Gelam	Ogan Komering Ilir	South Sumatra	Rubber Estate & Factory
		Kubu Pakaran	Ogan Komering Ilir	South Sumatra	Rubber Estate
		Bebah Permata	Ogan Komering Ilir	South Sumatra	Rubber Estate
		Mesuji/MAKP Rubber Factory	Ogan Komering Ilir	South Sumatra	Rubber Factory
		Isuy Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate & Mill
		Pahu Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate & Mill
		Kedang Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Jelau Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Seniung Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Tanjung Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Balombissie	Bulukumba	South Sulawesi	Rubber Estate
		Palang Isang	Bulukumba	South Sulawesi	Rubber Estate & Factory
		Pungkol	Minahasa	North Sulawesi	Cocoa Estate
		Treblasala	Banyuwangi	East Java	Cocoa Estate & Cocoa Factory
		Kertasarie	Bandung	West Java	Tea Estate & Tea Factory
24	Lajuperdana Indah	Komering Sugar	Ogan Komering Ulu Timur	South Sumatra	Sugar Cane Estate, Mill & Refinery
		Pakis Baru Sugar Mill and Refinery	Pati	Central Java	Sugar Mill & Refinery
25	Madusari Lampung Indah	Madusari	Ogan Komering Ulu Timur	South Sumatra	Sugar Cane Estate
26	Sumalindo Alam Lestari	–	Berau	East Kalimantan	Industrial Timber Plantation
		–	Kutai Timur	East Kalimantan	Industrial Timber Plantation
27	Wana Kaltim Lestari	–	Berau	East Kalimantan	Industrial Timber Plantation

STATISTICS OF SHAREHOLDINGS
AS AT 15 MARCH 2019

Number of Issued Shares	:	1,447,782,830
Number of Issued Shares (excluding Treasury Shares)	:	1,395,904,530 ordinary shares
Number/Percentage of Treasury Shares	:	51,878,300 (3.58%)
Class of Shares	:	Ordinary Shares
Voting Rights (excluding Treasury Shares)	:	1 vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size Of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	17	0.23	291	0.00
100 – 1,000	673	9.06	435,869	0.03
1,001 – 10,000	3,952	53.21	23,336,514	1.67
10,001 – 1,000,000	2,761	37.18	154,851,643	11.09
1,000,001 and above	24	0.32	1,217,280,213	87.21
TOTAL	7,427	100.00	1,395,904,530	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of Shares	%**
1	UOB KAY HIAN PRIVATE LIMITED	1,022,503,130	73.25
2	CITIBANK NOMINEES SINGAPORE PTE LTD	50,115,967	3.59
3	DBS NOMINEES (PRIVATE) LIMITED	28,326,061	2.03
4	HSBC (SINGAPORE) NOMINEES PTE LTD	22,504,273	1.61
5	RAFFLES NOMINEES (PTE.) LIMITED	21,938,362	1.57
6	OCBC SECURITIES PRIVATE LIMITED	8,676,045	0.62
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	8,347,837	0.60
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	8,298,870	0.59
9	SCS TRUST PTE LTD	6,000,000	0.43
10	MORPH INVESTMENTS LTD	5,320,000	0.38
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,223,100	0.37
12	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,678,970	0.34
13	PHILLIP SECURITIES PTE LTD	4,553,191	0.33
14	CILIANDRA FANGIONO OR FANG ZHIXIANG	3,848,000	0.28
15	RHB SECURITIES SINGAPORE PTE. LTD.	3,629,100	0.26
16	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,076,800	0.22
17	CHUA KEE TEE	1,600,000	0.11
18	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	1,590,107	0.11
19	TAN CHONG MENG	1,500,000	0.11
20	OH HEE HWEE	1,197,300	0.09
	TOTAL	**1,212,927,113**	**86.89**

** *Percentage is calculated based on 1,395,904,530 shares (excluding treasury shares of the Company).*

LIST OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

Name of Substantial Shareholder	Number of shares held			
	Direct Interest	Deemed Interest	Total Interest	Shareholding % **
Indofood Singapore Holdings Pte. Ltd. ("**ISHPL**")	998,200,000	–	998,200,000	71.51
PT Indofood Sukses Makmur Tbk ("**PT ISM**")[1]	39,560,830	998,200,000	1,037,760,830	74.34
First Pacific Investment Management Limited ("**FPIML**")[2]	–	1,037,760,830	1,037,760,830	74.34
First Pacific Company Limited ("**First Pacific**")[2]	–	1,037,760,830	1,037,760,830	74.34
First Pacific Consumer Products Investments Limited ("**FPCPIL**")[3]	–	1,037,760,830	1,037,760,830	74.34
First Pacific Consumer Products Limited ("**FPCP**")[4]	–	1,037,760,830	1,037,760,830	74.34
First Pacific Investments Limited ("**FPIL**")[5]	1,125,344	1,037,760,830	1,038,886,174	74.42
First Pacific Investments (B.V.I.) Limited ("**FPIL BVI**")[5]	882,444	1,037,760,830	1,038,643,274	74.41
Salerni International Limited ("**Salerni**")[5] [6]	–	1,038,643,274	1,038,643,274	74.41
Asian Capital Finance Limited ("**ACFL**")[7]	–	1,038,886,174	1,038,886,174	74.42
Anthoni Salim[8]	–	1,039,768,618	1,039,768,618	74.49

Notes:

** *Percentage is calculated based on 1,395,904,530 shares (excluding treasury shares of the Company).*

[1] *PT ISM is a holding company of ISHPL with an interest of approximately 83.84% of the total number of issued shares in ISHPL. Accordingly, PT ISM is deemed to be interested in the Shares held by ISHPL.*

[2] *FPIML, a sister subsidiary indirectly wholly owned by First Pacific, had acquired an approximate 50.1% interest in PT ISM from CAB Holdings Limited on 29 March 2018. Accordingly, both FPIML and First Pacific are deemed to be interested in the Shares held by ISHPL and PT ISM.*

[3] *FPCPIL owns 100% of the issued share capital of FPIML. Accordingly, FPCPIL is deemed to be interested in the Shares held by ISHPL and PT ISM.*

[4] *FPCP owns 100% of the issued share capital of FPCPIL. Accordingly, FPCP is deemed to be interested in the Shares held by ISHPL and PT ISM.*

[5] *FPIL, together with FPIL BVI and Salerni, collectively own not less than 20% of the issued share capital of First Pacific. Accordingly, FPIL, FPIL BVI and Salerni are deemed to be interested in the Shares held by ISHPL and PT ISM.*

[6] *Salerni owns 100% of the issued share capital of FPIL BVI. Accordingly, Salerni is deemed to be interested in the Shares held by ISHPL, PT ISM and FPIL BVI.*

[7] *ACFL owns more than 50% of the issued share capital of FPIL. Accordingly, ACFL is deemed to be interested in the Shares held by ISHPL, PT ISM and FPIL.*

[8] *Mr Anthoni Salim owns 100% of the issued share capital of Salerni and ACFL. Accordingly, Mr Anthoni Salim is deemed interested in the Shares held by ISHPL, PT ISM, FPIL and FPIL BVI.*

PUBLIC FLOAT

Based on the information available to the Company as at 15 March 2019, approximately 25.48% of the issued ordinary shares of the Company is held by the public. Therefore, the public float requirement under Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Suntec Singapore Convention and Exhibition Centre, 1 Raffles Boulevard, Level 3, Room 303 & 304, Suntec City, Singapore 039593, on Thursday, 25 April 2019 at 3.00 p.m., to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' statement and audited financial statements for the year ended 31 December 2018 and the Auditors' Report thereon. **[Resolution 1]**

2. To declare a first and final tax-exempt (one-tier) dividend of 0.25 Singapore cents per share for the year ended 31 December 2018 (2017: 0.70 Singapore cents per share). **[Resolution 2]**

3. To approve the Directors' Fees of S$345,000 (2017: S$345,000) for the year ended 31 December 2018. **[Resolution 3]**

4. To re-elect the following Directors who retires under Regulation 111 of the Constitution of the Company:

   4(a) Mr Suaimi Suriady **[Resolution 4a]**
   4(b) Mr Moleonoto Tjang **[Resolution 4b]**
   4(c) Mr Axton Salim **[Resolution 4c]**

   Detailed information on directors nominated for re-election required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found in Explanatory Notes 4(a) – (c).

5. To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **[Resolution 5]**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Resolutions Nos. 6 to 8 as Ordinary Resolutions:

6. That authority be and is hereby given to the directors of the Company to:

   (i) (aa) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (bb) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the directors may, in their absolute discretion, deem fit; and

   (ii) issue Shares in pursuance of any Instrument made or granted by the directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Resolution),

   Provided that:

   (iii) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 50% of the total number of issued Shares, excluding treasury shares and subsidiary holdings in each class (as calculated in accordance with paragraph (iv) below), and provided further that where Shareholders are not given the opportunity to participate in the same on a pro-rata basis ("**non pro-rata basis**"), then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20% of the total number of issued Shares excluding treasury shares and subsidiary holdings in each class (as calculated in accordance with paragraph (iv) below);

(iv) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")) for the purpose of determining the aggregate number of the Shares and convertible securities that may be issued under paragraph (iii) above, the total number of issued Shares shall be based on the total number of issued Shares of the Company excluding treasury shares and subsidiary holdings at the time such authority was conferred, after adjusting for:

(aa) new Shares arising from the conversion or exercise of any convertible securities;

(bb) new Shares arising from exercising share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and

(cc) any subsequent bonus issue, consolidation or subdivision of the Shares;

and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;

(v) in this Resolution, "**subsidiary holdings**" shall refer to Shares of the Company held by any subsidiary of the Company in accordance with the provisions of the Companies Act, Chapter 50 (the "**Companies Act**"); and

(vi) (unless revoked or varied by the Company in general meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

[Resolution 6]

7. The proposed renewal of the shareholders' mandate on Interested Person Transactions

That approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company and its subsidiaries and associated companies (if any) which are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions as set out in the Company's Addendum to Shareholders dated 8 April 2019 (being an addendum to the Annual Report of the Company for the financial year ended 31 December 2018) (the "**Addendum**"), with any party who is of the class of Interested Persons described in the Addendum, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such Interested Person Transactions as set out in the Addendum (the "**Proposed IPT Mandate**");

That the Proposed IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier;

That the Audit & Risk Management Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of the procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time; and

That the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may in their discretion deem necessary, desirable or expedient in the interests of the Company to give effect to the Proposed IPT Mandate and/or this Resolution.

[Resolution 7]

8. The proposed renewal of the Share Purchase Mandate
That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, as may be amended or modified from time to time, the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors of the Company pursuant to the Share Purchase Mandate in paragraph (a) of this Resolution may be exercised by the directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next annual general meeting of the Company is held; or

(ii) the date by which the next annual general meeting of the Company is required by law to be held; or

(iii) the date on which purchases or acquisitions of Shares are carried out to the full extent mandated;

(c) in this Resolution:

"**Prescribed Limit**" means 10% of the total number of issued Shares of the Company (excluding subsidiary holdings in each class and any Shares which are held as treasury shares) as at the date of the passing of this Resolution; and

"**Maximum Price**", in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase, 110% of the Average Closing Price (as defined hereinafter),

where:

"**Average Closing Price**" means the average of the Closing Market Prices of the Shares over the last five Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase or, as the case may be, the date of the making of the offer (as hereinafter defined) pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after such five-Market Day period;

"**Closing Market Price**" means the last dealt price for a Share transacted through the SGX-ST's trading system as shown in any publication of the SGX-ST or other sources;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

"**subsidiary holdings**" shall refer to Shares of the Company held by any subsidiary of the Company in accordance with the provisions of the Companies Act; and

(d) the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may in their discretion deem necessary, desirable or expedient in the interests of the Company to give effect to the transactions contemplated by this Resolution.

[Resolution 8]

9. To transact any other routine business.

By Order of the Board

MAK MEI YOOK
LEE SIEW JEE, JENNIFER
Company Secretaries

Singapore
Date: 8 April 2019

NOTES:

1) Each of the resolutions to be put to the vote of members at the Annual General Meeting (and at any adjournment thereof) will be voted on by way of poll.

2) (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

3) A proxy need not be a member of the Company.

4) The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the registered office of the Company at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818 not less than 72 hours before the time appointed for holding the Meeting. The sending of a proxy form by a member does not preclude him/her from attending and voting in person if he/she finds that he/she is able to do so. In such event, the relevant proxy forms will be deemed to be revoked.

EXPLANATORY NOTE TO RESOLUTION 4(a):

Mr. Suaimi Suriady, 55 years old, an Indonesian citizen, was first appointed as a Director on 08 October 2007 with the latest re-appointment in 28 April 2016. Please refer to his biography on page 37 of the Company's 2018 Annual Report. He has no other principal commitments or directorships other than those disclosed in his biography.

He has no affiliation with the members of the Board or the substantial shareholder of the Company. He does not own any shares or interests in the Company and its subsidiaries. The Company has procured the undertaking from him as required by Rule 720(1) of the Listing Manual.

The re-election of Mr Suriady as Executive Director and as a member of the Board was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his extensive experience in the Edible Oils and Fats (EOF) Division and his contribution to the Group, as well as his attendance, participation and contribution at the Board.

EXPLANATORY NOTE TO RESOLUTION 4(b):

Mr Moleonoto Tjang, 56 years old, an Indonesian citizen, was first appointed as a Director on 08 December 2006 with the latest re-appointment in 28 April 2016. Please refer to his biography on page 37 of the Company's 2018 Annual Report. He has no other principal commitments or directorships other than those disclosed in his biography.

He has no affiliation with the members of the Board or the substantial shareholder of the Company. He does not own any shares or interests in the Company and its subsidiaries. The Company has procured the undertaking from him as required by Rule 720(1) of the Listing Manual.

The re-election of Mr Tjang as Executive Director and as a member of the Board was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his extensive experience in finance and plantation operation and his contribution to the Group, as well as attendance, participation and contribution at the Board.

EXPLANATORY NOTE TO RESOLUTION 4(c):

Mr. Axton Salim, 40 years old, an Indonesian citizen, was first appointed as a Director on 08 October 2007 with the latest re-appointment in 28 April 2016. Please refer to his biography on page 38 of the Company's 2018 Annual Report. He has no other principal commitments or directorships other than those disclosed in his biography.

He is related to Mr. Anthoni Salim who is the Company's substantial shareholder. He does not own any shares or interests in the Company and its subsidiaries. The Company has procured the undertaking from him as required by Rule 720(1) of the Listing Manual.

The re-election of Mr Salim as Non-executive Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Salim's contribution to the Group, as well as his attendance, participation and contribution at the Board.

Note: For all three directors above seeking re-election have individually given a negative confirmation on each of the items (a) to (k) set out in Appendix 7.4.1 under Rule 720(6) of the Listing Manual.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:

The ordinary resolution proposed in item (6) above, if passed, will empower the directors of the Company from the date of the above Meeting until the next Annual General Meeting, to issue shares and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50 per cent, with a sub-limit ("**Sub-Limit**") of 20 per cent. for issues other than on a pro rata basis to all Shareholders, provided that the aggregate number of Shares which may be issued pursuant to the resolution (6) above shall not exceed 50% of the total number of issued shares in the capital of the Company (excluding treasury Shares and subsidiary holdings in each class) at the time that the Resolution in passed. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time that the resolution (6) above is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that the resolution (6) is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Shareholders should note that presently, the controlling shareholders of the Company include First Pacific Company Limited and PT Indofood Sukses Makmur Tbk, which are listed on the Hong Kong Stock Exchange Limited and the Indonesia Stock Exchange (Bursa Efek Indonesia), respectively. Prior to any exercise of the authority conferred upon them by the ordinary resolution in item (6) above, the directors of the Company intend to take into account, inter alia, any approval that may be required from any such controlling shareholders and/or their respective shareholders and/or from such stock exchanges.

For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the offering documents for the issue of shares and Instruments pursuant to such authority may NOT be despatched to Shareholders with registered addresses outside Singapore as at the applicable books closure date and who have not, by the stipulated period prior to the books closure date, provided to The Central Depository (Pte) Limited or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents.

The ordinary resolution proposed in item (7) above, if passed, will empower the directors of the Company to enter into Interested Person Transactions, more information of which is set out in the Addendum. Such authority will, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company and Shareholders' approval will be sought for its renewal at every Annual General Meeting of the Company.

The ordinary resolution proposed in item (8) above, if passed, will empower the directors of the Company to make purchases (whether by way of market purchases or off-market purchases on an equal access scheme) from time to time of up to 10 per cent. of the total number of issued Shares as at the date of the above Meeting at the price up to but not exceeding the Maximum Price (as defined in the Resolution). The rationale for the Share Purchase Mandate, the source of funds to be used for the Share Purchase Mandate, the impact of the Share Purchase Mandate on the Company's financial position, the implications arising as a result of the Share Purchase Mandate under The Singapore Code on Take-overs and Mergers and on the listing of the Company's Shares on the SGX-ST, as well as the number of Shares purchased by the Company in the previous twelve months are set out in the Addendum.

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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) 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 or service providers) to comply with any applicable laws, listing rules, take-over 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 or service providers), 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 or service providers) 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.

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PROXY FORM

INDOFOOD AGRI RESOURCES LTD.
(Company Registration No. 200106551G)
(Incorporated in the Republic of Singapore)

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore, may appoint more than two (2) proxies to attend, speak and vote at the Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares of Indofood Agri Resources Ltd., this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. 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 8 April 2019.

I/We ______________________________ (Name) ______________________________ (NRIC/Passport/Co. Reg No.)

of ____ (Address)

being a *member/members of Indofood Agri Resources Ltd., hereby appoint:

Name	Address	NRIC/Passport Number	Number of Shares Represented	Proportion of Shareholdings (%)

and/or (delete as appropriate)

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Suntec Singapore Convention and Exhibition Centre, 1 Raffles Boulevard, Level 3, Room 303 & 304, Suntec City, Singapore 039593 on Thursday, 25 April 2019 at 3.00 p.m., and at any adjournment thereof.

The proxy is required to vote as indicated with an "X" on the resolutions set out in the Notice of Meeting and summarised below. If no specific direction as to voting is given, the proxy/proxies may vote or abstain at his discretion.

No.	Resolution	For	Against
ORDINARY BUSINESS			
1.	To receive and adopt the Directors' statement and audited financial statements for the year ended 31 December 2018 and the Auditor's Report thereon.		
2.	To declare a first and final tax-exempt (one-tier) dividend of 0.25 Singapore cents per share for the year ended 31 December 2018 (2017: 0.70 Singapore cents per share).		
3.	To approve the Directors' Fees of S$345,000/– (2017: S$345,000/–) for the year ended 31 December 2018.		
4a.	To re-elect Mr Suaimi Suriady, the Director who retires under Regulation 111 of the Company's Constitution.		
4b.	To re-elect Mr Moleonoto Tjang, the Director who retires under Regulation 111 of the Company's Constitution.		
4c.	To re-elect Mr Axton Salim, the Director who retires under Regulation 111 of the Company's Constitution.		
5.	To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
6.	To approve the general mandate for issues of shares.		
7.	To approve the proposed renewal of the Mandate for Interested Person Transactions.		
8.	To approve the proposed renewal of the Share Purchase Mandate.		

Signed this ____________________ day of ____________________ 2019

____
Signature(s) of Member(s)/Common Seal

NOTES:

a) A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.

b) A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

c) A proxy need not be a member of the Company.

d) A member appointing the Chairman of the Meeting as his/her proxy, must indicate how he/she wishes the Chairman to vote on his/her behalf for Resolution No. 7. Otherwise, the Chairman shall abstain from voting on this resolution.

e) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, under its common seal or under the hand of its attorney. A body corporate which is a member may also appoint an authorised representative or representatives in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore, to attend and vote for and on behalf of such body corporate.

f) The instrument appointing a proxy must be deposited at the registered office of the Company at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818 not less than 72 hours before the time appointed for holding the meeting. The sending of a proxy form by a member does not preclude him/her from attending and voting in person if he/she finds that he/she is able to do so. In such event, the relevant proxy forms will be deemed to be revoked.

g) The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By attending the Annual General Meeting of the Company and/or any adjournment thereof or 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 8 April 2019.

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INDOFOOD AGRI RESOURCES Ltd.
8 Eu Tong Sen Street,
#16-96/97 The Central, Singapore 059818
Tel: +65 6557 2389   Fax: +65 6557 2387
Company Reg. No. 200106551G

a subsidiary of:

Indofood
THE SYMBOL OF QUALITY FOODS