IndoAgri

STAYING RESILIENT IN GLOBAL CHALLENGES

ANNUAL REPORT 2021

AT A GLANCE

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

OUR VISION

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

OUR VALUES

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

OUR MISSION

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

To continuously improve our people, processes and technology.

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

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

To continuously increase stakeholders' value.

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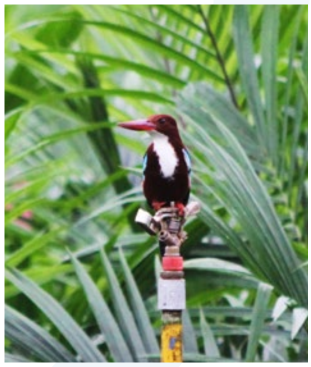

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OUR MILESTONES

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- Reverse takeover and listing on SGX
- Acquisition of plantation land in South Sumatra and Kalimantan
- Acquisition of 58.8% stake in PT PP London Sumatra Indonesia Tbk (Lonsum)

08

- Diversification into sugar business with 60% stake in PT Laju Perdana Indah
- Acquisition of plantation land in South Sumatra and Central Kalimantan

09

- Acquisition of plantation land in South Sumatra

10

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

11

- Listing of PT SIMP on IDX

12

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

13

- Acquisition of 79.7% interest in PT Mentari Pertiwi Makmur, an industrial timber plantation company
- Acquisition of 50.0% stake in Companhia Mineira de Açúcar e Álcool Participações (CMAA), a sugar and ethanol company in Brazil
- Formation of FP Natural Resources Limited, a 30:70 JV to invest 34% in Roxas Holdings Inc. (Roxas), an integrated sugar business in the Philippines
- 7% of nucleus Crude Palm Oil (CPO) production was Indonesian Sustainable Palm Oil (ISPO)-certified

14

- Formation of PT Prima Sarana Mustika, a 40:60 JV for road construction and leasing of heavy equipment
- Expansion of sugar business via the acquisition of PT Madusari Lampung Indah

15

- 24% of nucleus CPO production was ISPO-certified

16

- Acquisition of PT Pasir Luhur, a tea plantation company
- 39% of nucleus CPO production was ISPO-certified

17

- Formation of PT Indoagri Daitocacao, a 49:51 JV to manufacture and market chocolate products
- 57% of nucleus CPO production was ISPO-certified

18

- Formation of Canápolis Holding S.A. (Canápolis), a 50:50 JV to acquire a second sugar and ethanol mill in Brazil
- Acquisition of Vale do Pontal Açucar e Alcool Ltda (UVP), a sugar and ethanol mill operator in Brazil, and turning CMAA into a 35:35:30 JV
- 62% of nucleus CPO production was ISPO-certified

19

- Commencement of operations at the newly completed chocolate factory
- 71% of nucleus CPO production was ISPO-certified

20

- Restructuring of sugar operations in Brazil, with IndoAgri owning 36.21% of CMAA and Bússola
- 78% of nucleus CPO production was ISPO-certified

21

- 86% of nucleus CPO production was ISPO-certified

GEOGRAPHICAL PRESENCE

INDONESIA

Palm Oil Mills		CPO Refineries		Sugar Mills/Refineries	
	Capacity		Capacity		Capacity
27 Mills	7.2M Tonnes FFB Per Year	5 Refineries	1.7M Tonnes CPO Per Year	2 Mills & Refineries	2.2M Tonnes Cane Crushing Per Year

INDONESIA

IndoAgri owns strategically located estates and production facilities across Indonesia. The Group's planted area occupies 300,749 hectares. Oil palm is the dominant crop, followed by sugar cane, rubber and other crops. Our plantations are largely located in Sumatra and Kalimantan, while our refineries are mainly sited at major cities including Jakarta, Medan, Surabaya and Bitung.

Planted Area (Ha)

Oil Palm	Sugar Cane	Rubber	Other crops
250,615	14,411	16,228	19,495

BRAZIL

Sugar and Ethanol Mills

3
Mills

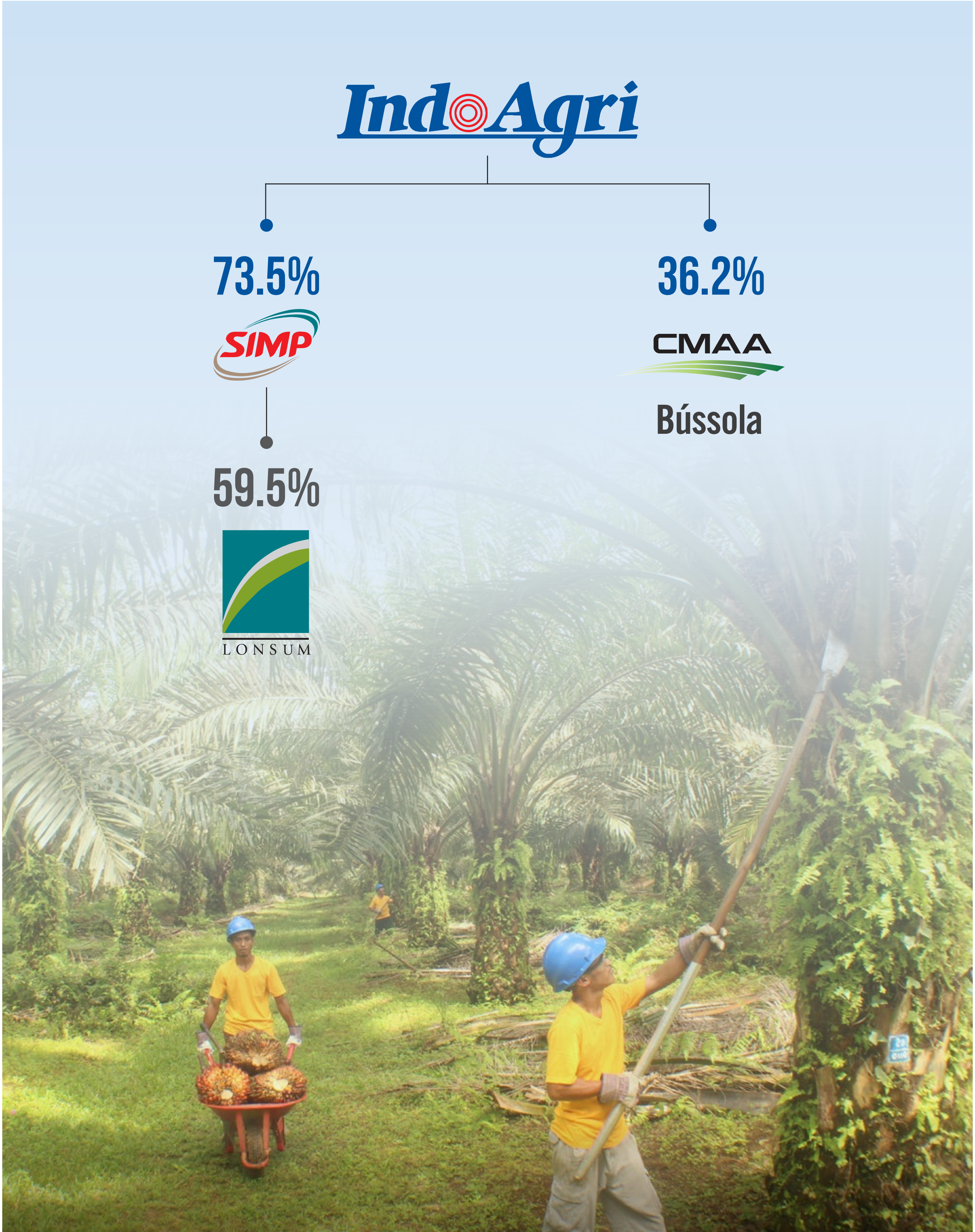
Capacity
9.5M
Tonnes Cane Crushing Per Year

BRAZIL

IndoAgri has 36.21% in CMAA, which operates three sugar and ethanol mills.

CORPORATE STRUCTURE

(AS AT 31 DECEMBER 2021)



Notes:

- *IndoAgri is 71.9% effectively owned by PT Indofood Sukses Makmur Tbk (PT ISM)*
- *Shareholding percentage is calculated based on total number of issued shares (excluding treasury shares of the Company)*

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to report that our company has achieved another year of steady and sustainable growth. Positive indicators are reflected in areas such as revenue, profits, yield per hectare, productivity and demand for our products.

First and foremost, I would like to salute our employees for their immeasurable support to the company. Our top concern has always been their health and safety. They are vital to the success of the company. In 2021, as vaccination gathered momentum across the vast archipelago, the infection rate has subsided. While we are in a better position than the previous year, we must not be complacent.

Mother nature and climate change are among the key factors that affect the production of our two main crops, palm and sugar cane. Adverse weather conditions last year led to a decline in global supply resulting in higher prices. It was a welcome turnaround.

Throughout the year, we were alert to challenges related to pandemic-related disruptions. Fortunately, we were able to secure uninterrupted supply lines of both raw materials and finished products. We optimised the comparative advantages of the integrated nature of our business. This year, capitalising on the higher prices and improved profitability, we aim to strengthen our cash flow position and reduce our loan obligations. With an eye on the future, we will continue our planting and replanting programmes, increasing the output per hectare and our CPO production.

Meanwhile, we are focussed on better plantation management and innovation. Our R&D division in Indonesia has been developing high-yield and disease-resistant seeds. System digitisation, including the more extensive use of data analytics and satellite imagery, has enhanced our agronomic practices. In Brazil, we will continue to increase the crushing capacity of sugar cane and expand our ethanol storage capacity. We are well-positioned to press on with our journey towards higher productivity and profits.

Edible oils and fats (EOF) Division is on a rising trajectory despite higher purchasing costs of CPO and a higher export tax in 2021. Our calibrated marketing strategy is founded on a realistic assessment of the challenges and opportunities. Overall, demand across the wide range of our products has gone up. More people are cooking at home, a spillover effect of the pandemic. In the longer term, broad-based urbanisation and the expansion of the middle class are ominous developments. So is Indonesia's demographic dividend. A more efficient logistics and distribution network, bolstered by the government's infrastructure investments, will help us meet this increasing demand. We can expect more robust growth in this sector.

In 2021, we attained 498,000 tonnes of ISPO-certified CPO – around 86% of our total nucleus CPO production. We are on track to meet our target in ISPO-certifying all our plantations and mills in Indonesia by 2023. In Brazil, we are participating in a similar scheme, Bonsucro, for sustainable sugar cane production. That endeavour is showing significant progress.

IndoAgri is dedicated to environmental, social and governance (ESG) best practices. To protect and promote the interests of all stakeholders, we consult regularly with them to reduce the operational impact on the environment and improve the welfare of local communities. The details of these programmes are documented in our Sustainability Report.

We can be cautiously optimistic about the coming year. The gradual retreat of COVID-19 and the reopening of the world economy promise new frontiers and opportunities. Financially strong, operationally efficient and strategically agile, we are poised to take advantage of this congruence of changes. We can anticipate a virtuous cycle of growth and consolidation in the coming years even as we equip ourselves to tackle the occasional headwinds.

I would like to thank our shareholders, stakeholders, Management, Board and colleagues working in the fields, offices or at home for their strong support, dedication and hard work. All of you have made a difference.

Edward Lee
Chairman

CEO'S MESSAGE

DEAR SHAREHOLDERS,

Palm oil producers saw another profitable year in 2021, as soaring commodity prices continued to compensate for lower crop production due to adverse weather. In 2021, CPO prices (CIF Rotterdam) reached a new daily peak of USD1,456 per tonne, before settling at USD1,210 per tonne on average for the year, compared to USD719 per tonne in 2020.

In Indonesia, the government revamped the CPO export tax structure to a progressive rate (from a fixed rate) in December 2020 to support the domestic biodiesel mandate. This has prevented local producers from reaping the full extent of the global price increase. Nevertheless, the increase in domestic prices was buoyed by demand growth from Indonesia's large population base and high B30 blending policy. The global shortage in palm production caused by adverse weather conditions and previous years' low fertiliser application was not compensated by soft oils, with low soyabean oil production due mainly to weak Chinese meal demand. This resulted in very tight global vegetable oil stocks and hence, higher prices.

According to Oil World, the increase in total global CPO production volumes to 76.4 million tonnes in 2021 had been lower than expected, vis-à-vis 74.5 million tonnes produced in the previous year. Harvesting activities were impeded due to wet weather in the early part of the 2021, exacerbated by labour shortages (especially harvesters) and flooding in Malaysia, and movement restrictions as the COVID-19 pandemic extended into its second year.

Over in Brazil, sugar farmers faced their worst drought in 90 years in the first half of 2021. The dry spell was followed by not one, but two extreme frosts, all within the same sugar season. These events put a dent in the global sugar supply, about half of which comes from Brazil. The shortfalls drove an increase in sugar prices, and sugar maintained its premium over ethanol as the dry season affected Brazil's hydroelectric production, triggering higher electricity demand and prices.

In Indonesia, our sugar operation recorded 4% growth in sugar production over last year.

Weather risks are but one among other uncertainties inherent to farming and agriculture. Minimising the impact of such emergencies, while building a high level of resilience within the organisation to carry on business as usual in times of distress, has been the key to IndoAgri's success. As a vertically integrated agribusiness, we have full control over each step of an extensive value chain — from seed breeding and farming, to milling, refining and production of our edible oil products. We have also been able to draw on our large-scale operations to lower production costs and maximise profitability. The theme of "Staying Resilient in Global Challenges" is a reflection of IndoAgri's business management approach.

DELIVERING RESILIENT PERFORMANCE

Despite the continued impact of COVID-19 on the global economy, the Group's consolidated revenue in 2021 increased by 36% to Rp19.7 trillion, mainly due to higher selling prices of palm and EOF products, as well as higher sales volume of EOF products. Gross profit also improved by 74% to Rp5.1 trillion, supported by higher selling prices and partly offset by higher CPO purchase costs by the downstream refinery operation.

Net profit rose from Rp164 billion in 2020 to Rp1,280 billion, driven by a strong turnaround in the Plantation Division and steady performance of the EOF Division. Likewise, the Group's profit attributable to the owners of the Company for 2021 improved significantly to Rp755 billion, in comparison to Rp20 billion in 2020.

FOCUSED ON IMPROVED PLANTATION OPERATIONS

The Plantation Division's total nucleus FFB production contracted by 8% to 2,761,000 tonnes in 2021 due to lower nucleus output and replanting activities. CPO production decreased by 7% to 687,000 tonnes, at an oil extraction rate of 21%.

After a year of delay due to COVID-19 safety regulations, the construction of a 45 tonnes FFB per hour palm oil mill in East Kalimantan was completed in June 2021. The new mill will provide us the additional capacity to cope with higher volumes from the newly developed areas, as well as immature trees reaching their productive years.

Overcoming the harsh weather conditions in Brazil, our sugar operation at CMAA crushed 7.8 million tonnes of sugar cane, a slight improvement over the 7.7 million tonnes a year ago. This was used to produce 570,000 tonnes of raw sugar, 312,000 m^3 of ethanol and 373,000 MWh of electricity. Our three sugar and ethanol mills in Brazil have given us higher flexibility to optimise our sugar-ethanol production mix in response to market prices.

As a producer of cooking oils and essential food crops, the Group had priority access to the purchase of government-allocated COVID-19 vaccines for our employees and workers. As at 31 December 2021, about 66% and 87% of our workforce have received two doses and one dose of the COVID-19 vaccine respectively. This has been vital to keeping our people safe, first and foremost, while ensuring business continuity across our estates and factories. We have been conscientious with the practice of the safe management regimes, many of which we already observe as part of food safety and good manufacturing practices. Once again, the movement of personnel into and within the estates was restricted to essential maintenance workers, while other employees had to adapt to working remotely and online.

We heightened our focus on productivity and cost efficiency initiatives, with key efforts ranging from the digitalisation and streamlining of work process, to preventive maintenance and mechanisation strategies. The R&D Division contributed towards our productivity goal by enhancing the planting densities, developing better crop management techniques, and providing high quality seed material with selective traits to elevate FFB yields. Without the chance to conduct physical sampling across our plantation sites, pilot R&D programmes such as the one on predictive analytics for diagnosing plant health have been challenging to implement on full scale. We have continued to leverage satellite imagery to assess the nutrient status of the trees to further improve the usage of fertilisers.

Barn Owls (Tyto alba) to control rats at Bah Lias Estate, North Sumatra

CEO'S MESSAGE

Oil Palm Plantation

EXPANDING OUR MARKET SHARE FOR BRANDED COOKING OILS

Downstream, the EOF Division did well in 2021, as the escalation of cooking and dining at home drove demand for cooking oils and margarines. However, the ability to get products swiftly to market remains the key lever to capturing demand growth. Our advantage comes from having the full support of Indofood's nationwide distribution network. With over 1,300 stock points across the Indonesian archipelago and direct access to a growing number of traditional and modern trade outlets, we were able to overcome various logistical challenges of moving products from one province to another, and to serve our customers in a timely manner.

To maintain our leadership position in the market for branded cooking oils and margarines, the Division has a competitive marketing strategy where the focus is to drive profitability through higher sales volumes. The strategy has been proven through yet another year of strong EOF profits, despite higher CPO purchase costs. To grow our market share for branded EOF products, we used a mix of both traditional and digital advertising. TV campaigns were targeted at mothers, while brand activations like recipe contests and cooking demonstrations were conducted in-store or promoted via social media.

Meanwhile, demand for established brands of cooking oils has elevated as consumers pay closer attention to factors like health and product safety in recent years. To provide Indonesians with added shopping convenience, we ensured high product availability and visibility on the retail shelves, while maintaining a strong presence on all major e-commerce platforms.

The Bimoli brand remains a top-selling brand of household cooking oil in Indonesia.

DEEPENING OUR SUSTAINABILITY COMMITMENT

We embrace the need for sustainable plantation operations, and are committed to advancing sustainability in the palm oil industry. We do not regard the COVID-19 lockdowns as a setback in our sustainability efforts. Rather we have used this time to improve our capacity building programmes and sharpen our focus on the material sustainability topics, whilst preparing for ISPO audits. As at end-2021, the Group's ISPO-certified output of 498,000 tonnes represents 86% of our total nucleus CPO production.

We have adopted the precautionary principle in managing our ESG topics in accounting for our sustainability actions. In 2021, our key sustainability achievements included energy and water efficiency improvements and lower GHG emissions. Over 98% of the fuel used in our mills is derived from renewable sources.

Over at CMAA, we achieved Bonsucro certification for 2.6 million tonnes of sugar cane, a 31% improvement over the previous year, representing 69% of our own cane production.

The sustainability chapter on page 26 of this annual report sets out our sustainability targets, performance highlights and management approaches for the year, while the full sustainability report can be downloaded from our website at www.indofoodagri.com.

LOOKING AHEAD

An expansion programme for our main CPO refinery in Tanjung Priok is now underway, with completion scheduled for 2023. The boost in EOF production capacity will enable us to better capture the growing domestic demand. Action plans are also being made to replace some of our margarine production lines with newer and more efficient machinery.

From a macro perspective, the global economic recovery continues even as the pandemic resurges, but uncertainty has increased due to geopolitical risks, supply chain disruptions and worsening pandemic dynamics, coupled with erratic weather patterns. This will continue to have an impact on crop production and commodity prices. In addition, we expect global vegetable oil prices to be underpinned by demand growth, biodiesel mandates and the slowdown in supply growth, especially palm oil.

Amidst the volatile commodity price environment, we will continue to prioritise our capital investment on the replanting of older oil palm trees in Riau and North Sumatra, and on critical infrastructure. Other initiatives will include improving FFB yields through active crop management, bolstering our cost control strategies, and pursuing relevant innovations and mechanisation to raise plantation productivity.

ACCOLADES AND ACKNOWLEDGEMENT

I take this opportunity to thank my fellow Directors for their leadership and insights as we steer IndoAgri through increasingly complex market cycles. I also wish to thank my colleagues in Indonesia, Brazil and Singapore for their loyal contributions, as well as all shareholders, smallholders, business partners and customers who have been our raison d'être for staying resilient in global challenges.

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 R&D, seed breeding, oil palm cultivation and milling, to the manufacturing and marketing of cooking oils, margarine and shortening. The Group also engages in the cultivation of sugar cane, rubber and other crops as part of its diversified portfolio.

As of 31 December 2021, the Group's total planted acreage of 300,749 hectares comprises 250,615 hectares of oil palm, 14,411 hectares of sugar cane, 16,228 hectares of rubber and 19,495 hectares of other crops.

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

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

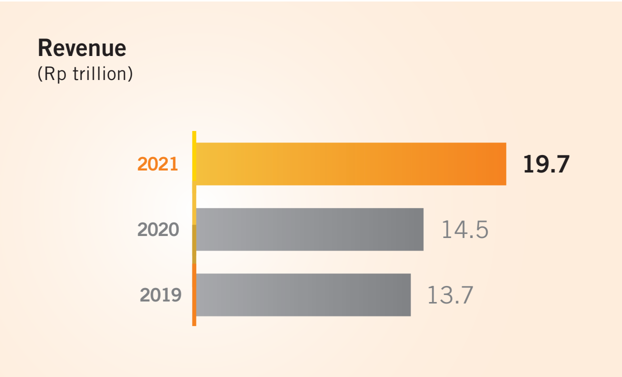
FINANCIAL HIGHLIGHTS

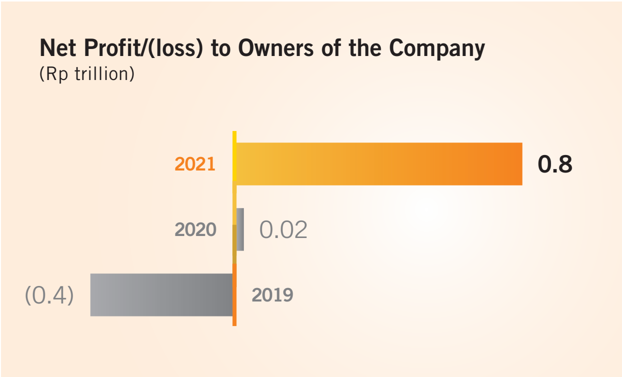
In 2021, the Group's consolidated revenue increased by 36% to Rp19.7 trillion despite the continued impact of COVID-19 on the global economy. The sales improvement was mainly due to higher selling prices of both palm and EOF products, as well as higher sales volume of EOF products.

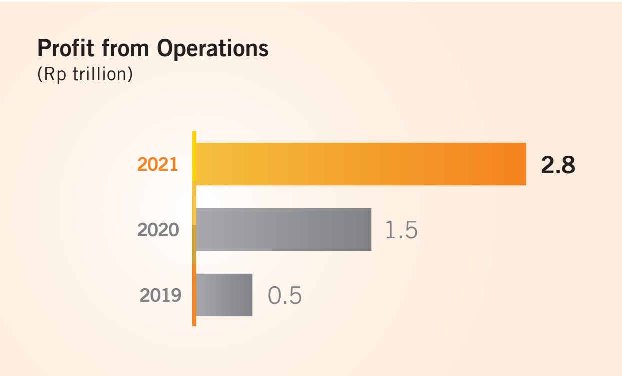
The Group reported a higher gross profit of Rp5.1 trillion as compared to Rp2.9 trillion in 2020, supported by higher selling prices. This was partly offset by higher CPO purchase costs by the EOF Division.

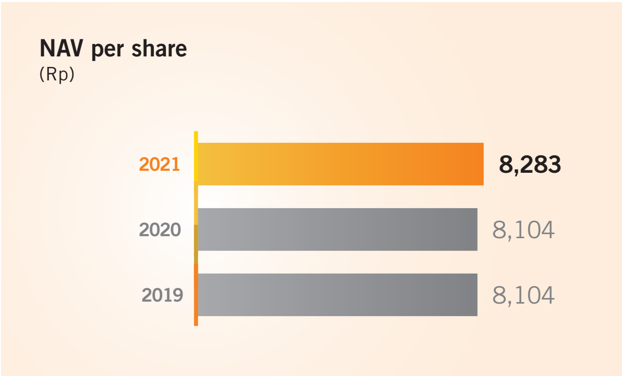
The Group's net profit improved significantly to Rp1,280 billion from Rp164 billion in 2020. This was largely due to higher gross profit, partly offset by higher export duty and levy in the EOF Division, impairment and write-off of property, plant and equipment, higher provision for plasma receivables and higher income tax expenses.

The attributable profit to equity holders was Rp755 billion compared to Rp20 billion in 2020.









New Palm Oil Mill in East Kalimantan

FINANCIAL POSITION

As of 31 December 2021, the Group's total non-current assets was Rp28.1 trillion compared to Rp29.7 trillion in the previous year. The decrease was mainly due to lower property, plant and equipment arising from depreciation during the year and impairment loss recognised, lower deferred tax assets, lower carrying value of investments in associates and joint ventures, and lower plasma receivables.

The Group's total current assets of Rp9.5 trillion increased from Rp7.8 trillion in the previous year, due to higher cash levels arising from improved operating cash flows, higher trade receivables and higher advances for the purchase of raw materials.

Total current liabilities increased to Rp10.0 trillion from Rp9.2 trillion in 2020 due to higher current maturities of long-term interest-bearing loans and borrowings, as well as higher advances and higher income tax payables. The Group reported net current liabilities of Rp0.4 trillion as at 31 December 2021 compared to Rp1.4 trillion a year ago, mainly due to higher cash.

Total non-current liabilities decreased to Rp6.3 trillion from Rp7.8 trillion in 2020. This was mainly due to the reclassification of current maturities of long-term interest-bearing loans and borrowings to current liabilities.

The Group's net debt-to-equity ratio decreased to 0.31 times as at 31 December 2021, due to the combined effects of higher cash and lower gross debts, as compared with 0.44 times in the previous year.

CASH FLOWS

The Group generated higher net cash flows of Rp3.7 trillion from operations compared to Rp2.5 trillion in 2020, largely due to improved operational results.

Net cash flow in investment activities was Rp1.3 trillion as compared with Rp1.6 trillion in 2020, due to lower additions of property, plant and equipment. Higher net cash outflow in financing activities of Rp1.1 trillion compared to Rp0.3 trillion in 2020 was mainly from the repayment of loans.

Overall, the effects of higher cash flows from operations and lower additions of property, plant and equipment have raised the Group's cash level to Rp3.8 trillion from Rp2.4 trillion in 2020.

GROUP PERFORMANCE REVIEW

Financial Highlights

	In Rp billion			In SGD million *		
	2019 Actual	2020 Actual	2021 Actual	2019 Actual	2020 Actual	2021 Actual
Revenue	13,650	14,475	19,659	1,282	1,359	1,846
Gross profit	2,026	2,919	5,073	190	274	476
Gain arising from changes in fair value of biological assets	190	3	113	18	0	11
Profit from operations	507	1,479	2,819	48	139	265
Net (loss)/profit after tax	(710)	164	1,280	(67)	15	120
(Loss)/profit attributable to owners of the Company	(411)	20	755	(39)	2	71
EPS (in Rp)/(in SGD 'cents)	(295)	14	541	(2.8)	0.1	5.1
Current assets	6,812	7,808	9,550	647	741	907
Fixed assets	19,557	19,374	18,527	1,857	1,839	1,759
Other assets	11,244	10,308	9,574	1,067	979	909
Total assets	37,613	37,490	37,651	3,571	3,559	3,574
Current liabilities	9,172	9,204	9,970	871	874	947
Non-current liabilities	8,277	7,839	6,311	786	744	599
Total liabilities	17,449	17,043	16,281	1,656	1,618	1,546
Shareholders' equity	11,312	11,312	11,562	1,074	1,074	1,098
Total equity	20,163	20,447	21,370	1,914	1,941	2,029
Total debt	11,552	11,356	10,334	1,097	1,078	981
Cash	1,787	2,446	3,764	170	232	357

In Percentage (%)			
Sales (decline)/growth	(2.9%)	6.0%	35.8%
Gross profit margin	14.8%	20.2%	25.8%
Profit from operations margin	3.7%	10.2%	14.3%
Net (loss)/profit after tax margin	(5.2%)	1.1%	6.5%
(Loss)/profit attributable to owners of the Company margin	(3.0%)	0.1%	3.8%
Return on assets [1]	1.3%	3.9%	7.5%
Return on equity [2]	(3.6%)	0.2%	6.5%
Current ratio (times)	0.7	0.8	1.0
Net debt to equity ratio (times) [3]	0.48	0.44	0.31
Total debt to total assets ratio (times)	0.31	0.30	0.27

[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, 2019 to 2021 Income Statement and Balance Sheet items are converted at exchange rates of Rp10,652/SGD1 and Rp10,534/SGD1, respectively.*

Operational Highlights

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

In Hectares **Planted Area – Nucleus**	**2019** **Actual**	**2020** **Actual**	**2021** **Actual**
Oil Palm	**251,819**	**253,061**	**250,615**
Mature	210,548	211,626	214,053
Immature	41,271	41,435	36,562
Rubber	**16,796**	**15,976**	**16,228**
Mature	14,745	13,976	14,270
Immature	2,051	2,000	1,958
Sugar Cane	**13,543**	**14,153**	**14,411**
Others	**20,214**	**19,959**	**19,495**
Mature	15,881	15,825	16,289
Immature	4,333	4,134	3,206
Planted Area – Plasma			
Oil Palm and Rubber	**89,930**	**90,325**	**90,229**
Age Profile of Oil Palm Trees – Nucleus			
Immature	41,271	41,435	36,562
4 – 6 years	3,585	5,129	5,715
7 – 20 years	126,492	123,332	122,210
Above 20 years	80,471	83,165	86,128
Total	251,819	253,061	250,615
Distribution of Planted Areas – Nucleus			
Riau	56,094	56,359	56,307
North Sumatra	38,142	37,990	38,236
South Sumatra	97,309	97,979	98,088
West Kalimantan	25,967	26,650	26,845
East Kalimantan	65,044	64,225	61,453
Central Kalimantan	11,236	11,329	10,987
Java	3,288	3,229	3,263
Sulawesi	5,292	5,388	5,570
Total	302,372	303,149	300,749
Production Volume ('000 Tonnes)			
Total FFB	4,148	3,710	3,455
FFB - Nucleus	3,300	2,986	2,761
CPO	840	737	687
Palm Kernel (PK)	206	178	168
Rubber	8.2	7.8	6.2
Sugar [1]	67	55	57
Sales Volume ('000 Tonnes)			
CPO [2]	882	748	698
PK and PK Related Products [3]	220	183	162
Rubber	8.7	7.8	5.6
Sugar	67	57	60
Oil Palm Seeds ('million)	5.5	5.9	6.3

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

PLANTATION REVIEW

OPERATION IN INDONESIA

The Plantation Division manages the plantations, and production and sale of CPO, PK, crumb and sheet rubber, sugar, tea, cocoa and other products, mainly for domestic consumption.

The Division operates 250,615 hectares of nucleus oil palm estates across Indonesia, of which 15% are immature estates, with average tree age of 17 years old. FFBs are harvested and processed by 27 mills across our estates, with a total annual capacity of 7.2 million tonnes. Rubber estates are located in North and South Sumatra and Sulawesi. The nucleus rubber estates occupy 16,228 hectares, of which 12% are immature estates, with average tree age of 17 years old. Rubber is processed by three crumb rubber and two sheet rubber facilities. An additional 90,229 hectares of oil palm and rubber estates are managed under the plasma programme. It also operates 19,495 hectares of other crops with one factory each for the production of tea, cocoa and industrial chocolate products.

The Division manages 14,411 hectares of cane plantings in Indonesia. It also operates an 8,000 tonnes of cane per day (TCD) sugar mill and refinery in South Sumatra, and a 4,000 TCD sugar mill and refinery in Central Java.

2021 REVIEW

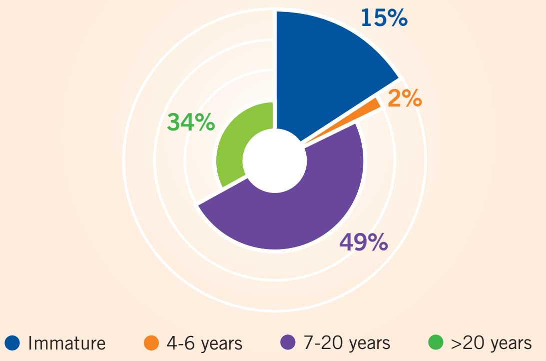
2021 remained a challenging year for agribusinesses despite the recovery across global economies. Market uncertainties were exacerbated by the emergence of new COVID-19 variants of concern and supply disruptions, while weather patterns – in particular heavy rainfalls in Indonesia at the beginning and end of the year – had an impact on harvesting activities and crop production.

Other than the inefficiency of farming, refining and transporting activities due to the movement restrictions in Indonesia, there was no other material impact on our plantation operations during the year. Rather, the shortfall in palm production, coupled with demand growth for edible oils, has driven an increase in CPO prices.

The Plantation Division's revenue for 2021 grew by 25% on the back of higher selling prices of palm products, partly offset by lower sales volume of palm products in line with lower production. About 90% of the revenue was contributed by palm products. Operating profit increased to Rp2.7 trillion from Rp1.2 trillion in 2020. The significant profit improvement was attributable to higher selling prices of palm products, and partly helped by improved productivity and cost control measures.

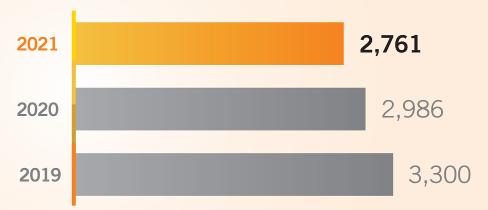
Oil Palm Plantation at Riau

Oil Palm Age Profile (Nucleus)
Total Planted Area: 250,615 hectares
Average Age: 17 years



CPO Production
(in '000 mt)

FFB Production (Nucleus)
(in '000 mt)



Productivity and cost efficiency initiatives remained a key priority for the Division, with efforts ranging from the streamlining of processes, improvements in fertiliser application through nutrient analysis, preventive maintenance strategies, mechanisation programmes, and higher usage of renewable energy sources. These efforts have helped with cost reductions.

To safeguard our employees and plantation workers from COVID-19, we continued to enforce safe distancing and other precautionary measures. Essential visits to the mills and plantations were kept to a minimal, and the movement of goods and raw materials between mills, factories and refineries were closely managed and monitored.

Transportation of latex to a rubber factory at South Sulawesi

We ensured that the Division's business continuity plans were adequate and well implemented, while remaining fully committed to our sustainability and ESG goals. Materiality issues were rigorously tracked and planned sustainability programmes were rolled out. During the year, the Group's ISPO-certified production increased by 2% to 498,000 tonnes, representing 86% of total nucleus CPO production. The modest progress was due to audit delays during the lockdowns.

Oil palm: CPO prices recovered strongly from a low in mid-2020 following the onset of a La Nina event that reduced CPO supply. The production shortfall was coupled with improved CPO demand and tighter supply of soft oils, such as soy oil and sunflower oil. CPO prices (CIF Rotterdam) rose to an average of USD1,210 per tonne in 2021, compared to USD719 per tonne in 2020.

Our total nucleus FFB production declined by 8% to 2,761,000 tonnes due to lower nucleus output as a result of adverse weather conditions and replanting activities. CPO production decreased by 7% to 687,000 tonnes, on lower FFB nucleus and purchase from external parties.

PLANTATION REVIEW

OPERATION IN INDONESIA

Integrated Sugar Cane Plantations and Sugar Production Facility at South Sumatra

Anticipating higher FFB production from the newly developed areas, the construction of a 45 tonnes FFB per hour palm oil mill in East Kalimantan was completed in June 2021. This would provide the additional capacity required to cope with production volumes when trees from newly planted areas come into maturity.

Rubber: Rubber prices (RSS3 SICOM) increased to an average of USD2,082 per tonne in 2021 as compared with USD1,761 per tonne in 2020. The increase was driven by demand recovery and supply shortage post-lockdown, as the prolonged low-price environment in natural rubber had driven smallholder farmers to switch to alternative cash crops. This, together with the resurgence of COVID-19 cases, has disrupted rubber operations in key producing countries.

In 2021, our rubber production fell by 21% to 6,200 tonnes due to weather impacts and replanting activities. 29% of total rubber products sales volume, comprising sheet rubber and crumb rubber, were sold domestically, and the rest were exported.

Sugar: In 2021, our sugar cane plantation in South Sumatra produced 54,000 tonnes of sugar, increasing 6% over last year. In Central Java, our factory produced 19,000 tonnes of sugar, of which 4,000 tonnes were our share.

2022 OUTLOOK

We expect commodity prices to remain volatile amid the uncertainties in global developments and geopolitical conflicts. Trade tensions between the US and China may affect the import of competing crops like soybean, while higher biodiesel blending mandates could strengthen the demand for alternative fuels like biodiesel. Supply chain and logistic disruptions could significantly increase international shipping costs and delay the movement of commodities to consuming markets. Changing weather patterns may severely impact plantation operations and crop production, while a resurgence in COVID-19 cases could affect global CPO demand recovery, particularly in China.

In 2022, the Division will continue with its focus on cost control improvements, pursuing innovations that elevate plantation productivity, and prioritising capital investments on growth areas. We aim to broaden our mechanisation strategy, conduct further research on available and feasible mechanisation tools, and implement solutions that are proven to be effective. We will also continue to drive greater efficiency through digitalisation and streamlining of work processes.

The replanting programmes planned for the Riau and North Sumatra estates will continue, with crop management activities focused on raising FFB yields. For the sugar cane plantations in South Sumatra, our goal is to leverage higher-yielding seed cane varieties as well as improved fertiliser and agronomic management techniques.

PLANTATION REVIEW

OPERATION IN BRAZIL

CMAA's UVT sugar mill and ethanol plant in Brazil

The Plantation Division's sugar and ethanol operations in Brazil are held and managed through IndoAgri's 36.21% investments in CMAA and Bússola. CMAA operates three sugar and ethanol mills in Brazil with a combined annual cane crushing capacity of 9.5 million tonnes.

2021 REVIEW

During the 2021/2022 season, Brazilian sugar crops were negatively impacted by extreme weather conditions of dry spells and frost. The reduction in cane volumes, combined with higher fuel prices and the recovery in demand, drove a spike in sugar and ethanol prices. The weakening Brazilian Real BRL further supported the increase in local sugar prices.

Our sugar operation at CMAA was faced with the worst drought in 90 years, followed by two extreme frosts during the sugar season. Despite these challenging weather conditions, CMAA crushed 7.8 million tonnes of sugar cane in 2021 compared to 7.7 million tonnes in the last season. In turn, the harvested cane produced 570,000 tonnes of raw sugar, 312,000 m^3 of ethanol and 373,000 MWh of electricity. The Company's share of JVs' profit was Rp104 billion from Rp127 billion in 2020 mainly due to higher production costs and interest expenses, despite higher prices of ethanol and energy.

In terms of sustainable production, CMAA achieved the Bonsucro certification for 2.6 million tonnes of sugar cane in 2021, a 31% improvement over 2020.

2022 OUTLOOK

Over the next 12 months, the movement of global sugar prices will be driven by Brazil's crop prospects and sugar production, which is dependent on ethanol parity, crude oil prices and the Brazilian Real. Prices will also be driven by India's sugar subsidies and export volumes, as well as its biofuel policy. Looking ahead, demand for sugar global is expected to continue to grow, albeit at a moderate pace.

Meanwhile, uncertainty in Brazil's political situation due to the upcoming general elections is likely to add to its economic challenges of tightening market liquidity, weakening Brazilian Real and rising interest rates. Notwithstanding these uncertainties, our goal at CMAA will be to optimise the sugar-ethanol production mix to maximise profitability, whilst continuing to expand our operations and increasing productivity and efficiency.

PLANTATION REVIEW

R&D IN INDONESIA

The Plantation Division operates two oil palm R&D centres – SumBio in Bah Lias, North Sumatra, and PT SAIN in Pekanbaru, Riau. Both centres are certified palm seed producers whose premium seeds are highly demanded by oil palm producers for their high-yielding, disease-resistant and drought-tolerant qualities. The R&D centres are operated by a professional team of agronomists and researchers that conduct extensive R&D in various areas, including crop yield, crop resilience, pest and disease control and estate management practices. The Division also runs an R&D facility for sugar cane and EOF in South Sumatra and Jakarta, respectively.

Besides developing premium seeds, the R&D centres are looking for ways to make more productive and sustainable use of limited land resources. We have developed useful innovations that contributed to sustainable oil palm in Indonesia and supported IndoAgri's long term competitiveness as an integrated agribusiness. Some of these innovations included block-based farming, soil conservation using Vetiver systems, and recycling of by-products, like EFB and POME, into soil mulch and nutrient substitutes. We also support the R&D efforts of our parent company, Indofood, in areas such as product development and packaging.

2021 REVIEW

We continued our work on developing new high-yielding varieties, disease-tolerant and unique traits oil palm under ongoing crossbreeding programmes at SumBio and PT SAIN. SumBio succeeded in discovering the molecular marker that would differentiate between virescens and nigrescens fruits of oil palm in the Tanzanian population with a 95% accuracy.

SumBio also planted tenera clones with unique characteristics. This clone has combined traits for virescens with a long stalk that would allow the fruits to be more efficiently harvested using mechanisation.

To protect our customers from poor quality and illegal imitations seeds, all our seeds are authenticated with UV markers. In 2021, we sold a total of 6.3 million oil palm seeds to plantation companies and farmers and set aside seeds for new planting and replanting programmes. This year's sales volume was lower than previous years, reflecting the dramatic slowdown in new planting in Indonesia.

Sumbio continues to improve the quality of the fertiliser mix using by-products, such as compost, to substitute organic fertilisers and apply controlled release fertilisers on immature oil palms.

We started the commercial planting of high-yield sugar cane varieties developed in by our sugar research team. The planting of other newly developed varieties would be progressively carried out in phases after the trial batch has demonstrated commercial viability over existing strains.

Other R&D efforts in the year included the reduced use of chemical pesticides in our plantations and setting up symbiotic ecosystems of natural predators and parasitoids to counter oil palm pests, like bagworms, hairy worms, and nettle caterpillars. We intensified crop protection efforts in the plantations by deploying entomo-pathogenic agents (fungi, bacteria, and viruses) that acted as biopesticides, and UV light traps to control leaf-eating caterpillars. Drones were used for real-time monitoring of the agronomic conditions in the field. The images taken by the drones were combined with other data sources, like the Geographic Information System and ground GPS, to provide accurate feedback on the condition of the oil palms in the plantations.

We are using spatiotemporal analysis for effective pest control and estate risk management. By correlating agronomic parameters with aerial data on occurrences of Ganoderma, for instance, we hoped to study the spread of palm diseases, like basal and upper stem rot diseases, in our estates, and be able to extrapolate and remedy the situation. The proactive management of potential agronomic issues allows us to achieve higher productivity and cost-saving for the plantations.

Our growing experience and success in integrating advanced technology in conventional farming have allowed us to pioneer the use of drones in other areas, like the chemical ripening of cane in our sugar estate which led to improved productivity and cost-efficiency. We supported product development for the EOF Division and were involved in projects to improve the nutritional value of products to suit the dietary needs of Indonesian consumers and customise industrial oil and fat formulas for F&B producers and patisseries. We also designed packaging using more environmental-friendly materials for Indofood.

2022 OUTLOOK

Seed demand is expected to be affected by slowdown of planting activities in recent years. We will continue the study of soil hydrology and block-planning of plantations using 3D topographic maps, and the mechanisation of planting processes to improve productivity. Our current WebGIS development allows the integration of data from various sources, like spreadsheets, tables, and thematic maps to support remote decision-making. We are now exploring the use of satellite images to determine the right level of fertilisation by individual plots. This approach is expected to save us considerable ground sampling costs.

Our R&D efforts will largely concentrate on the cultivation of premium quality and high-yield oil palm and cane seeds, bio-controls, and precision agronomy practices to improve crop management and planting densities. We will explore collaborations with universities and research institutions to accelerate key R&D programmes, like the Ganoderma research.

The progressive upgrade of the SAP system will enable better oversight of plantation operations and crop conditions. We will apply data analytics and machine learning to integrate different data sources to improve precision agriculture and sustainable farming methods. This will eventually help us, as well as our producer communities, to achieve higher yields per hectare, lower cost of production and sustainable land use.

Oil Palm Tree Data Recording

EDIBLE OILS & FATS REVIEW

Cooking with branded cooking oil, Bimoli


Bimoli
MINYAK GORENG BERMUTU
2 L
Bimoli
MINYAK GORENG BERMUTU
STABIL PANASNYA*
MATANG LUAR DALAM*

EDIBLE OILS & FATS REVIEW

OPERATION IN INDONESIA

The Edible Oils & Fats (EOF) Division produces palm oil products and small quantities of palm-based derivatives in the forms of RBD palm stearin and palm fatty acid distillate for consumer and industrial markets. EOF operates five refineries with a total annual processing capacity of 1.7 million tonnes of CPO.

The consumer cooking oils are retailed under *Bimoli*, *Bimoli Spesial*, *Delima*, *Amanda* and *Happy*, and the consumer margarine under *Amanda*, *Palmia* and *Royal Palmia*. For the industrial market, cooking oils are supplied directly to Indofood and other food manufacturers, while the margarine and shortening are marketed to confectioneries, bakeries, and food manufacturers under *Amanda*, *Delima*, *Malinda*, *Palmia* and *Simas*.

Sales and distribution of EOF products are supported by Indofood's Distribution Group, which has an extensive network across Indonesia. More than 81% of EOF products are sold domestically and the rest are exported to countries across Asia, Africa, Middle East, and Australia.

2021 REVIEW

Despite higher CPO purchase costs and prevailing COVID-19 challenges in Indonesia, the EOF Division achieved a steady performance with higher sales volume of EOF products and maintained its profitability during the year.

Cartons of Bimoli cooking oil being prepared for distribution across Indonesia

Revenue grew by 42% to Rp16.3 trillion on the back of higher selling prices and sales volume of EOF products, while segment operating profit came in at Rp476 billion, around the same level as last year. The strong results were bolstered by strong demand growth driven by home consumption, and access to Indofood's extensive distribution network.

As an integrated operation, the Division enjoys a secure internal supply of raw materials. In 2021, CPO was purchased and processed into cooking oils, margarine and shortening, of which 70% was sourced from our plantations.

To stay ahead of the competition, the Division has a competitive marketing strategy for its branded cooking oils. Product pricing is carefully reviewed and adjusted throughout the year to ensure profitability. Our advertising and promotional campaigns are targeted at Indonesian mothers, who are typically the decision-makers when it comes to cooking oils. TV commercials remain a crucial platform for marketing, although brand activations like promotions and recipe contests are frequently conducted through social media.

Bimoli continues to be among the leading brands of household cooking oil in Indonesia, having been consistently ranked and recognised through coveted industry awards for top FMCG players each year.

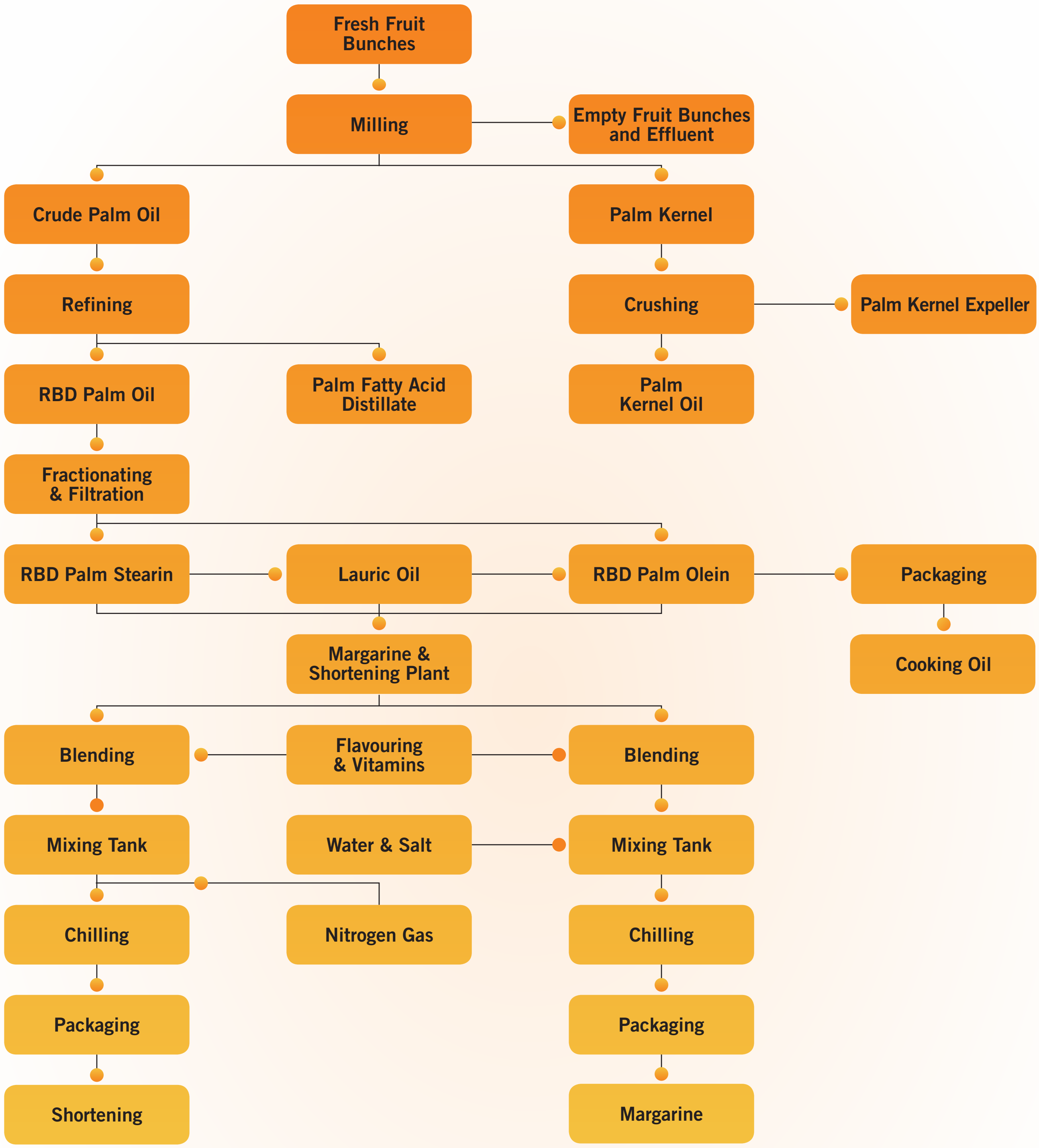
2022 OUTLOOK

With the growing demand for consumer EOF products, driven by the increasing middle class in Indonesia, we will continue to increase our production capacity to capture new opportunities and strengthen market share. We will also leverage our competitive pricing strategy to entrench Bimoli's market leadership, strengthen Delima as our second brand and cultivate the Amanda brand to drive volume growth.

These efforts will be supplemented with a higher frequency of marketing campaigns, direct sales in the modern trade and promotions in the general trade. We will continue to rejuvenate the formats and packaging designs of our cooking oils to cater to evolving consumer needs. The current distribution system will be complemented by various digital and e-commerce platforms to increase market reach and penetration.

We will focus on developing new products at different price points, improving customer service, enhancing product labelling and packaging, and increasing efficiency through process automation. The global supply chain and distribution networks will be expanded to extend our market reach both domestically and internationally.

MANUFACTURING PROCESS FROM FFB TO EOF PRODUCTS



SUSTAINABILITY AT INDOAGRI

IndoAgri is committed to the advancement of sustainable business practices in the palm oil industry. As a responsible plantation operator, we have continued to actively mitigate our exposure to various environmental, social and governance (ESG) risk factors, given that the production of edible oils and fats remains essential to the world. Notwithstanding challenges of the prolonged COVID-19 pandemic in 2021, our sustainability pursuits have included continuous innovation, research and development, and productivity improvements to manage our operations more effectively. Safeguarding our employees and communities during this time has also been a key priority, while we continued to uphold the triple bottom line through the responsible use of scarce land resources, providing valuable livelihoods for our local communities, and contributing to economic growth.

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

- No Deforestation;
- No Planting on Peat, Regardless of Depth;
- No Burning;
- Preservation of High Conservation Value and High Carbon Stock Areas;
- Upholding of Labour and Human Rights, including Freedom of Association and Non-Discrimination; and
- Upholding of Free, Prior and Informed Consent (FPIC).

KEY SUSTAINABILITY PERFORMANCE IN 2021

- **Certified CPO in Indonesia**
  - 498,000 tonnes of ISPO-certified CPO, representing 86% of total nucleus CPO production

- **Certified Sugar Cane in Brazil**
  - 2.6 million tonnes of Bonsucro-certified production, representing 69% of CMAA's own cane production

- **Occupational Health and Safety**
  - Zero paraquat use since 2018
  - 64 sites certified to SMK3 occupational health and safety (OHS) management system, with 55 sites achieving the SMK3 Gold award
  - 41% decrease in high-consequence work-related injuries (2020 baseline)
  - Two work-related fatalities in palm oil operations

- **Worker Welfare**
  - Compliance with regulations on minimum wage and employment contracts for full-time and seasonal workers
  - No registered worker below 18 years of age

Our employees in the distribution centre at Tanjung Priok refinery

- **Energy and Water Consumption, GHG Emissions (2020 baseline)**
  - 3% reduction in energy consumption and 2% reduction in water consumption, per tonne of material produced at refineries
  - 1% decrease in energy consumption per tonne of FFB processed at mills
  - 12% reduction in GHG emissions per tonne of palm product

- **Smallholders**
  - Seven of 12 smallholder cooperatives have fulfilled the SMK3 and ISPO requirements, and passed the external audits conducted by TUV Rheinland Indonesia

KEY SUSTAINABILITY TARGETS

- ISPO certification for all palm oil production (estates and mills) by end of 2023
- All FFB supplies for our CPO refineries to be sourced in accordance with our Sustainable Agriculture Policy and ISPO-certified by end of 2025
- Zero fatality annually

SUSTAINABILITY MANAGEMENT

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

In addition to the Sustainable Agriculture Policy, our Labour Policy details our commitments to protecting the rights of those working in and living around our estates. This Policy is applicable to all employees, as well as the plasma smallholders and third parties who supply to our factories and refineries. We encourage all suppliers to make similar commitments in their own operations and align with our Policy.

A systematic approach

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

Commitment

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

SUSTAINABILITY AT INDOAGRI

Planning

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

Action

Our local teams 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, workplace health and safety, food safety, environmental management and information control. Our six Sustainability Programmes direct the Group's efforts across a range of material sustainability topics. In addition, the sustainability team coordinates the initiatives underlying the achievement of certifications such as ISPO and Programme for Pollution Control, Evaluation and Rating (PROPER).

Assessment and reporting

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

SUSTAINABILITY GOVERNANCE

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

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

The Group's commitments and procedures around deforestation, land rights, peatland, burning, smallholders and human rights are benchmarked against ISPO certification standards and international best practices, and covered in our Sustainable Agriculture and Labour Policies. The ISPO certification is a mandatory and legally binding certification system for all oil palm growers in Indonesia.

OUR MATERIAL SUSTAINABILITY TOPICS

Our sustainability strategy and management approach are designed to drive performance improvements on the economic and ESG topics that are most significant to our operations and stakeholders.

We engaged an external consultant to conduct a desktop materiality review in 2020, which saw the introduction of five new material topics as well as refreshed terminology to better reflect the significance of these topics and increase alignment with stakeholders and peers. In 2021, our Sustainability Think Tank and Board reviewed the current set of material topics and determined that they remain relevant to IndoAgri and its stakeholders.

The 15 material topics are: protection of forests, peatlands and biodiversity; fire control and haze prevention; climate change and GHG emissions; water, waste and effluents; use of fertilisers, pesticides and chemicals; responsible business conduct; community rights and relations; occupational health and safety; smallholder engagement and livelihoods; supply chain traceability and transparency; sustainability certification; product quality and safety; yield resilience and innovation; human, child and labour rights; and pandemic resilience.

STAKEHOLDER ENGAGEMENT

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

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

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

Further details of our management approach, materiality assessment, stakeholder engagement, sustainability programmes and performance can be found in our Sustainability Reports and website.

http://www.indofoodagri.com/sustainability-home.html

BOARD OF DIRECTORS

MR LEE KWONG FOO, EDWARD
Chairman and
Lead Independent Director

MR LIM HOCK SAN
Vice Chairman and
Independent Director

MR MARK JULIAN WAKEFORD
Chief Executive Officer and
Executive Director

MR MOLEONOTO TJANG
Executive Director and
Head of Finance and Corporate Services

MR SUAIMI SURIADY
Executive Director and
Head of EOF Division

MR TJHIE TJE FIE
Non-Executive Director

MR AXTON SALIM
Non-Executive Director

MR GOH KIAN CHEE
Independent Director

MR HENDRA SUSANTO
Independent Director

BOARD OF DIRECTORS

MR LEE KWONG FOO, EDWARD
Chairman and
Lead Independent Director

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

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

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

Mr Lee has spent the last 16 years since his retirement from the diplomatic service as an independent director of some listed and non-listed companies. He is also a member of the Board of Trustees of the ISEAS - Yusuf Ishak Institute.

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

MR MARK JULIAN WAKEFORD
Chief Executive Officer and
Executive Director

Mr Wakeford is a Director of PT Indofood CBP Sukses Makmur Tbk and the Head of Indofood Group's Investor Relations Division. He is concurrently the President Director of PT SIMP, PT Lajuperdana Indah 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.

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

MR LIM HOCK SAN
Vice Chairman and
Independent Director

Mr Lim is the Non-Executive Chairman and Independent Director of Gallant Venture Ltd. Mr Lim started his career in 1966 with the then Inland Revenue Department of Singapore. He became an Accountant at Mobil Oil Malaya Sdn Bhd in 1967 before joining the Port of Singapore Authority in 1968, where he served in various management positions. From 1975 to 1992, he was with the Civil Aviation Authority of Singapore and was promoted to the position of Director-General. Until September 2020, he was the CEO of United Industrial Corporation Ltd and Singapore Land Ltd.

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

MR MOLEONOTO TJANG
Executive Director and
Head of Finance and Corporate Services

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

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

MR SUAIMI SURIADY

Executive Director and
Head of EOF Division

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

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

MR TJHIE TJE FIE

Non-Executive Director

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

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

MR AXTON SALIM

Non-Executive Director

Mr Axton Salim is a Director of PT Indofood Sukses Makmur Tbk. He is also a Director of PT Indofood CBP Sukses Makmur Tbk, where he heads the Dairy Division. He is concurrently a Commissioner of PT SIMP and Lonsum, and Non-Executive Director of Gallant Venture Ltd and First Pacific. He started his career in the Indofood Group as a Brand Manager for PT Indofood Fritolay Makmur before being appointed Assistant CEO of Indofood.

He co-chairs of the United Nations Scaling Up Nutrition (SUN) Movement Business Network Advisory Group and is a Coordinator of the SUN Business Network Indonesia. He is also an Advisory Board Member of the Nanyang Business School at Nanyang Technological University, and a recipient of the Alumni Achievement Award from Leeds School of Business at the University of Colorado Boulder in 2021 for his sustained commitment, support and exceptional services to the campus and the community.

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

MR GOH KIAN CHEE

Independent Director

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

He 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 with 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 and AsiaMedic Limited from 2006 to 2021.

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

MR HENDRA SUSANTO

Independent Director

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

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

CORPORATE INFORMATION

DIRECTORS

Chairman and Lead Independent Director
Lee Kwong Foo, Edward

Vice Chairman and Independent Director
Lim Hock San

Chief Executive Officer and Executive Director
Mark Julian Wakeford

Executive Director and Head of Finance and Corporate Services
Moleonoto Tjang

Executive Director and Head of EOF Division
Suaimi Suriady

Non-Executive Director
Tjhie Tje Fie

Non-Executive Director
Axton Salim

Independent Director
Goh Kian Chee

Independent Director
Hendra Susanto

EXECUTIVE COMMITTEE

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Goh Kian Chee (Chairman)
Lim Hock San
Hendra Susanto

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
Keppel Bay Tower #14-07
Singapore 098632

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

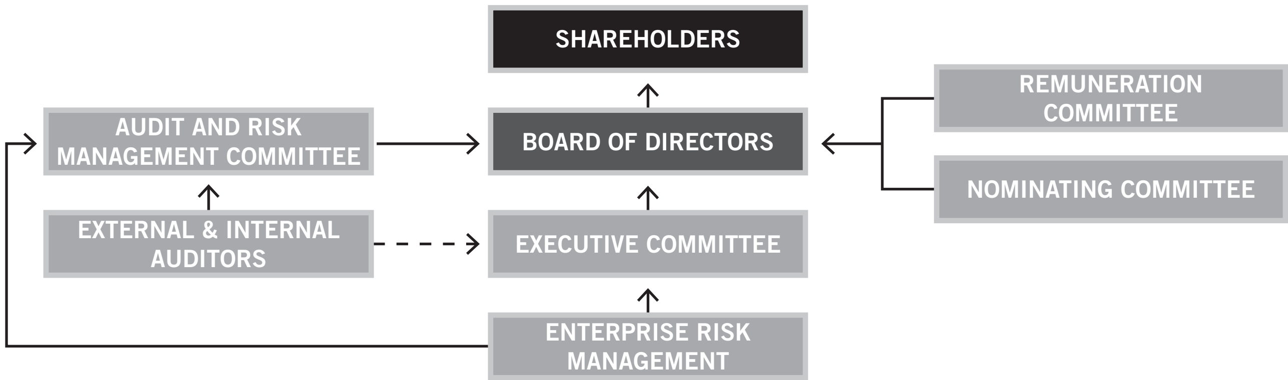
Lim Tze Yuen
(Appointed since financial year ended 31 December 2021)

CORPORATE GOVERNANCE

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

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

CORPORATE GOVERNANCE FRAMEWORK



BOARD MATTERS

PRINCIPLE 1: The Board's Conduct of Affairs
The Company is headed by a Board of Directors that 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 funding decisions;
- Establish and maintain an effective risk management framework to identify, manage and monitor risks and exposures, and to achieve an appropriate balance between risks and the Group's performance;
- Manage and monitor the Group's sustainability initiatives, including the validation of material environment, social and governance ("**ESG**") factors;
- Oversee the Group's corporate governance, including the establishment of an enabling culture, exemplary values and ethical standards of conduct across the Group; and
- Ensure transparency and accountability in the communication with key stakeholder groups.

Directors' Duties and Obligations: The Board of Directors shall exercise due care and independent judgement, and objectively discharge their duties and responsibilities in the best interest of the Company. This is one of the performance criteria for self and peer assessments in the Nominating Committee's ("**NC**") 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 2021, all the Directors have satisfactorily discharged their duties.

CORPORATE GOVERNANCE

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

Director Orientation and Training: The Board recognises the importance of professional development for the Directors for them to contribute effectively during the Board and Board Committee meetings. All newly appointed Directors are briefed by the Chairman of the Board as well as any Board Committees they are appointed to regarding their roles, duties and responsibilities. They will also attend an orientation programme conducted by the Management to familiarise them with the Group's organisation structure, business operations, strategic directions, industry trends, corporate developments and corporate governance practices as well as their statutory duties and other responsibilities as Directors. In 2021, there was no new Director appointed to the Board.

The Directors receive continuing education and training in areas pertaining to their duties and responsibilities. This includes seminars and workshops on corporate governance, financial reporting standards, and relevant laws and regulations, such as the SGX-ST Listing Manual, the Code of Corporate Governance and the Companies Act. The Directors also attend seminars and training 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.

Seminars and training programmes attended by the Board in 2021
ACRA-SGX-SID Audit Committee Seminar 2021 – Enterprise Resilience and Risk Management by SID
Future of Sustainability Disclosures by SGX and Temasek
SGX Regulatory Symposium by SGX
Special Economic Zones in Indonesia: Progress and Challenges During the Pandemic by Asia Competitiveness Institute
Indonesia's Economic Outlook 2022 by Mr David Sumual
SID Directors Conference 2021: Asia's Renaissance - The new era of Recovery & Reopening by SID
Geopolitics Risk by Eurasia and KPMG
SGX RegCo webinar: Roadmap to mandate Climate-related Disclosures by SGX RegCo
8th Annual Sustainability Forum for Hong Leong Group - Sustainability Mainstreamed into the Boardroom Agenda by City Developments Limited
Corporate Governance Workshop 3 - Corruption and Profiteering during COVID-19: The Challenge for Regulators by SID/SGX
Launch of the Singapore Directorship Report 2021 by SID
Update on Indonesia's Economic Outlook 2022 by Dr Muhammad Chatib Basri

Board Delegation and Support: To discharge its fiduciary duties and responsibilities more effectively, the Board is supported by the Executive Committee ("**Exco**"), the Audit and Risk Management Committee ("**AC & RMC**"), the 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.

CORPORATE GOVERNANCE

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

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

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

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

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

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

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

In view of the movement restrictions due to the COVID-19 pandemic, all the meetings were held virtually in 2021. The attendance at the Board and Board Committee meetings and AGM in 2021 is as follows:

Description	Board	AC & RMC	NC	RC	AGM
Number of meetings held in 2021	**4**	**6**	**1**	**1**	**1**
Name of Directors			**Number of meetings attended**		
Lee Kwong Foo, Edward	4	–	1	–	1
Lim Hock San	4	6	1	1	1
Mark Julian Wakeford	4	–	–	–	1
Moleonoto Tjang	4	–	–	–	1
Suaimi Suriady	4	–	–	–	1
Tjhie Tje Fie	3	–	1	1	1
Axton Salim	4	–	–	–	1
Goh Kian Chee	4	6	–	1	1
Hendra Susanto	4	6	1	–	1

Chairman

"–" Not Applicable

CORPORATE GOVERNANCE

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

PRINCIPLE 2: Board Composition and Guidance

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

As at 25 March 2022, the Board was made up of nine Directors, comprising three EDs, two NEDs and four IDs. All the Directors are male, between 43 and 75 years old, and have each served on the Board for around 15 years. Three of the Directors are Singaporeans and the other six are 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 current Board composition reflects the Company's commitment to Board diversity, with members representing different geographical backgrounds (Singapore, United Kingdom and Indonesia), experiences, professions and age groups. The Directors possess a wide range of skills and competencies 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, have extensive experience in plantation management and downstream refinery operations in Indonesia. The biographies of the Directors are provided on pages 29 to 31 of this Annual Report.

In 2021, the Board after taking into account the views of the NC, considers that its Directors meet the criteria under its Board Diversity Policy. The Board was also 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 conducts an annual review to determine the independence of the Directors according to the guidelines of the 2018 Code and Rule 210(5)(d) of the SGX-ST Listing Manual. The NC also considers the nature of relationships and circumstances that could influence the judgement and decisions of the Directors and deliberates the independence of the Directors based on their conduct and judgement before tabling its findings and recommendations to the Board for approval.

Annual Review of Directors' Independence

The NC was satisfied that the Company had complied with Rules 210(5)(c), 210(5)(d) of the SGX-ST Listing Manual, which required at least one-third of the Board to be made up of IDs.

In February 2022, the NC conducted an annual review of the independence of the Directors based on their self-declaration in the Directors' Independence Checklist, as well as their respective performance in the Board and Board Committee meetings. The review took into account the recommendations in the listing rules and 2018 Code on circumstances in which a Director would not be deemed independent. Non-Executive IDs who have served beyond nine years were subjected to a more rigorous review.

CORPORATE GOVERNANCE

The NC noted that Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto had served on the Board for more than nine years. All of them had declared their independence from any affiliations with the Company, its related corporation, its substantial shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of their independent judgement. After taking into consideration, among other things, their invaluable contributions to the Board and Board Committees and the outcome of their peer individual director performance assessments, the NC (except the incumbents who recused themselves from their respective director independence assessments) unanimously agreed that Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto had at all times exercised independent judgment, objectively deliberated any decisions in their respective Board and Board Committees, and discharged their Director's duties in the best interests of the Company.

The NC deemed them to be independent, notwithstanding the long duration of their service on the Board for more than nine years. The Board reviewed the basis of the NC's recommendation to determine whether each Director was independent and concurred with the assessment of independence with respect to Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto.

Messrs Edward Lee, Lim Hock San, Goh Kian Chee and Hendra Susanto had obtained the approval of (a) all shareholders; and (b) shareholders, excluding the Directors and CEO of the Company and their associates, at the 2021 AGM for their continued appointment as IDs of the Company. The NC is of the view that the Board has an appropriate level of independence through the collective weight of the current IDs on Board. It was also deemed that their presence at Board and Board Committee meetings would facilitate the exercise of objective judgment on the Company's affairs, while ensuring that the key issues and strategies are constructively challenged, discussed and thoroughly examined.

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

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

Board Guidance: The Directors, especially the NEDs, are kept informed of the Company's business and affairs and the industry in which the Company operates. This knowledge is essential for the Directors to engage in informed and constructive discussions. The Company has put in place processes to ensure that the Directors receive relevant and timely information to perform their duties effectively. Besides receiving regular Board briefings on key business initiatives, information papers, and industry and market reports, the NEDs are regularly briefed by the Management on major decisions and prospective business deals.

In January 2022, the Board and Management conducted a strategic review of the Group's performance in the last decade, macroeconomic and industry outlooks, key challenges and core issues, as well as the key strategies required to capture identified opportunities and address areas of concern. The Board and Management agreed that the key strategies would focus on low-cost production, having a stronger cashflow, improving yields through active crop management, and pursuing relevant innovations and mechanisation to raise plantation productivity.

Site visits to the Company's plantations, mills and factories are regularly conducted to familiarise the Directors with the business and operations. The NEDs have free access to the Management to consult on any matters regarding the Company and its operations. They can also engage external professional advice, either individually or as a group, to support their roles and duties. In 2021, no site visit was planned for the Directors due to the travel restrictions arising from the COVID-19 situation.

Board Diversity Policy

The Company recognises and advocates Board diversity to draw on the diversity of skills, experiences, backgrounds, gender and age among its members. In reviewing the Board's composition and succession planning, the NC will consider the benefits of Board diversity and other relevant factors, such as knowledge of the Company and the industry. While the Company is working towards maintaining a Board Diversity Policy that aligns with the 2018 Code and listing rules, the NC will strive to consider the suitability of Board candidates based on individual merit, and whether their skills, experience, independence and knowledge would contribute to an effective Board.

CORPORATE GOVERNANCE

The Board noted that its current composition reflects a diverse demographic, backgrounds and experiences, with an appropriate balance of skillsets and knowledge, suited for the nature and scope of the current operations. The current Directors bring with them a wide range of core competencies, from accounting and finance to business and management, industry knowledge, strategic planning and deep customer knowledge. The diversity of their backgrounds and perspectives have allowed for richer discussions and the useful exchange of ideas and views. In considering new candidates for vacated Board appointments, the NC will look for suitable candidates with skills and experiences that can complement the Board's current profile.

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 a clear set of roles and responsibilities, to ensure the proper balance of power and independence.

Mr Edward Lee is the Chairman of the Board as well as the Lead ID. Pursuant to Rule 1207(10A) of the SGX Listing Manual, Mr Edward Lee is not related to the CEO or members of the Management. As the Chairman, Mr Edward Lee bears the responsibility for the proper functioning of the Board and the effectiveness of its governance processes. The Chairman works closely with the CEO to develop the agenda for the Board meetings and to ensure that the Company Secretaries disseminate the Board papers and materials to the Directors on time 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 smooth and constructive communications among shareholders, Directors and the Management at the AGM and shareholder meetings.

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

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

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

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

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

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

In recommending the Directors for re-appointment, the NC considers factors such as the needs of the Group, the requirements of the Group's business, the need to avoid undue disruptions from changes to the Board and the Board Committees, the Board members' 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.

CORPORATE GOVERNANCE

Retirement by Rotation at the 2022 AGM: Messrs Moleonoto Tjang, Axton Salim and Suaimi Suriady are Directors seeking re-election at the AGM of the Company on 27 April 2022. They will retire by rotation at the 2022 AGM pursuant to Regulation 111 of the Constitution of the Company and will continue to serve as members of the Board if they are successfully re-elected.

Detailed information on these three Directors seeking re-election (including information as set out in Appendix 7.4.1 of the Listing Manual of the SGX-ST) can be found under "Board of Directors" and "Supplemental Information on Directors Seeking Re-election at the 2022 AGM" of the Company's Annual Report 2021.

Directors' Commitment: For Directors serving on the board of other public-listed companies, the NC adopts a holistic assessment instead of prescribing a maximum number of directorships and/or other principal commitments that each Director may have. The NC will review the nature and complexity of their other commitments, including the number of board representations, against their attendance, participation and contributions at the Company's Board and Board Committee meetings, in assessing whether they have effectively carried out their fiduciary duties as Directors of the Company. The NC was satisfied that all the Directors were able to participate in a substantial number of the Board and Board Committee meetings and had devoted sufficient time and attention to the affairs of the Company in 2021. They had adequately discharged their duties as Directors and provided objective views to the Board and the Management. The Board does not see a need at present to limit the number of board representations for the Directors.

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

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

PRINCIPLE 5: Board Performance
Evaluation of the Board, Board Committees and Directors: The Company conducts an annual assessment of the overall performance and effectiveness of the Board and Board Committees, and the contributions of the Chairman and Directors using key criteria set out in the "Nominating Committee Guide" issued by the SID. Where appropriate, the Board will recommend changes to the assessment forms to align with prevailing regulations and requirements.

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

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

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

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

The Board reviewed and endorsed the NC's report which had found the Directors to be effective and competent in meeting the performance objectives in 2021.

REMUNERATION MATTERS

PRINCIPLE 6: Procedures in Developing Remuneration Policies
Remuneration Committee: The RC is chaired by Mr Lim Hock San (ID), with Messrs Tjhie Tje Fie (NED) and Goh Kian Chee (ID) as members. The RC meets at least once a year to review and approve the remuneration package and terms of employment for the Directors and key management personnel ("**KMP**").

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

CORPORATE GOVERNANCE

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

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

PRINCIPLE 7: Level and Mix of Remuneration
The Company's remuneration policy aims to reward the EDs and the Management based on their performance and contributions to the Group and to ensure the remuneration is commercially competitive to attract and retain the right talent. The remuneration package is carefully structured to deliver sustained performance and value for the Group and to strengthen the accountability and commitment of the Management in today's highly globalised and competitive environment.

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

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

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

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

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

The base salary is recommended by the RC and approved by the Board. The base salary is reviewed annually in accordance with the performance of the Group and the business unit, as well as the individual contributions of the Directors.

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

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

The Company does not offer a share option scheme. The RC may consider other forms of long-term incentive schemes for the KMP when necessary. The RC is empowered to withhold or reclaim the variable incentives from the EDs and 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 KMP in 2021 were aligned with their respective performances.

CORPORATE GOVERNANCE

PRINCIPLE 8: Disclosure on Remunerations
The 2018 Code requires the disclosure of the policy and criteria for setting remuneration, as well as the names, amounts and breakdown of remuneration of (a) each Director and the CEO; and (b) at least the top five KMP (who are not Directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these KMP.

Remuneration 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 2021 were as follows:

Name of Directors	Fixed Salary	Variable Bonus*	Directors' Fees
Above S$1,250,000			
Mark Julian Wakeford (1)	80%	20%	–
Moleonoto Tjang (2)	21%	79%	–
Below S$250,000			
Lee Kwong Foo, Edward (1)	–	–	100%
Lim Hock San (1)	–	–	100%
Goh Kian Chee (1)	–	–	100%
Hendra Susanto (1)	–	–	100%
Suaimi Suriady (3)	–	–	–
Tjhie Tje Fie (3)	–	–	–
Axton Salim (3)	–	–	–

(1) *Remuneration paid by the Company.*
(2) *Remuneration paid by the subsidiary, PT SIMP.*
(3) *Remuneration paid by the parent company, PT ISM, or by other companies in the PT ISM Group.*
* *None of the EDs received any other benefits besides the variable bonus*

Considering the competitive nature of the industry and the steep competition for talent, the Company has decided not to disclose the upper band of the remuneration of its Directors.

The Board understands that remuneration continues to be a sensitive issue. The EDs sitting on the Board also hold executive positions in the Group's other business units or subsidiaries in Indonesia. The detailed remuneration of individual Directors if disclosed in Singapore would affect the confidentiality of their remuneration and put them into an unfair position due to unequal treatment in dealing with the confidentiality of remuneration compared with their colleagues in Indonesia, whose remuneration is not disclosed. Considering the highly competitive nature of the industry and the steep competition for talent, especially those with deep expertise and experience in similar operations as the Group, it is not in the interest of the Company to disclose the exact remuneration of EDs. The Company has thus not provided the remuneration in bands or to the nearest dollar of its EDs but provided the mix of the fixed and variable components instead. None of the EDs received any other benefits besides the variable bonus.

In view of the above, the Company believes that its current disclosure provided in the above table is consistent with the intent of Principle 8 of the Code as the disclosures provided are sufficiently transparent in giving an understanding of the remuneration of its EDs.

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

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

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

CORPORATE GOVERNANCE

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

Name	Job Position	Fixed Salary	Variable Bonus/ Benefits
S$250,000 – S$500,000			
Mak Mei Yook [(1)]	CFO	89%	11%
Johnny Ponto [(2)]	Director of PT SIMP	45%	55%
Tan Agustinus Dermawan [(2)]	Director of PT SIMP	43%	57%
Rogers H. Wirawan [(2)]	Head of Internal Audit	54%	46%
S$1,000,000 – S$1,250,000			
Benny Tjoeng [(3)]	President Director of Lonsum	38%	62%

(1) *Remuneration paid by the Company.*
(2) *Remuneration paid by the subsidiary, PT SIMP.*
(3) *Remuneration paid by the subsidiary, Lonsum.*

The total aggregate remuneration paid to the KMP for the financial year ended 31 December 2021 was S$2,635,176.

There was no pay-out for termination, retirement or post-employment benefit granted to any of the Directors or KMP in 2021.

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 2021.

ACCOUNTABILITY AND AUDIT

PRINCIPLE 9: Risk Management and Internal Controls
The Board is solely accountable to the shareholders. It is required to furnish timely information and ensure the appropriate disclosure of material information to the shareholders in compliance with the SGX-ST Listing Manual and other regulatory requirements.

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

Following the amendments to Rule 705 of the SGX-ST Listing Manual effective 7 February 2020, the Company will not be required to announce its financial statements on a quarterly basis. The Board has, after due deliberation, decided that the financial statements will be announced on a half-yearly basis. In line with this, the AC & RMC meet with the external auditors at least two times a year with effect from 2020, and at least one of these meetings is conducted without the Management present. Feedback on the competency and adequacy of the finance function, the assistance given by the Company's Management and to ascertain if there are any material weaknesses or control deficiencies in the Group's financial reporting and operational systems were discussed with the external auditors during these meetings.

The AC & RMC also meets with the Internal Audit Department ("**IAD**") and 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 2021, the AC & RMC reviewed the Group's half-year and full-year financial statements together with the external auditors before these reports were tabled to the Board for approval. It also conducted quarterly reviews of key findings by the IAD, and the ERM team, as well as actions recommended by the Management to rectify the discrepancies. The AC & RMC was kept abreast of changes to accounting standards and the impacts on financial reporting by the external auditor.

CORPORATE GOVERNANCE

Both the IAD and the ERM team work closely to manage high-risk areas, ensure accuracy of the risk assessment reports, and enforce risk mitigation controls and strategies. The IAD also performs independent reviews of the risks and controls identified by the ERM team to ensure adequate monitoring and resolution. In 2021, the AC & RMC was satisfied that effective internal controls were put in place and supported by a sound internal audit process and a comprehensive ERM framework to identify, monitor, manage and report material risks in key areas, including strategy, operations, governance and finance.

The Board made its assessments based on quarterly updates and discussions with the AC & RMC on the adequacy and effectiveness of the Group's internal controls and risk management systems. The Board was assured by the CEO and CFO on the proper keeping of financial records and financial statements to give a true and fair view of the Group's operations and finances. The Board was also assured by the CEO and 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 completely 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 2021, 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 amount for the assessment of goodwill impairment using the income approach. They also reviewed the appropriateness and reasonableness of the underlying assumptions applied in determining the recoverable amount 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 2021.
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. They also 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 2021.
Impairment assessment of property, plant and equipment	The AC & RMC reviewed the methodology and key assumptions used by the Management in determining the recoverable amount for the impairment assessment of rubber bearer plants based on the income approach. They also considered the appropriateness and reasonableness of the underlying assumptions in determining the recoverable amount of rubber bearer plants, 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 rubber bearer plants impairment for the financial year ended 31 December 2021.

The key audit matters were listed in the external auditor's report for the financial year ended 31 December 2021, together with a detailed description of the audit procedures adopted on pages 52-54 of this Annual Report.

PRINCIPLE 10: Audit Committee

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

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, the Management, employees, internal auditors and the external auditor.

CORPORATE GOVERNANCE

The terms of reference for the AC & RMC are as follows:

- Review the audit plan, internal accounting controls, audit report, management letter and the Management's response to the external auditor;
- Review the 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 2021
The AC & RMC met six times during the year and carried out its duties according to the terms of reference. It also met the internal auditors and the external auditor separately, without the Management present.

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

The Company obtained the shareholders' approval in the Addendum dated 8 April 2021 to enter into IPT with individuals who fall within the approved categories of Interested Persons, provided such transactions were entered into according to the review procedures set out in the Addendum. The IPT Mandate was last approved by the shareholders at the 2021 AGM. The list of IPTs is disclosed on page 149 of this Annual Report.

The AC & RMC did not engage an independent financial adviser for the renewal of the IPT Mandate as the guidelines, methods and review procedures to determine the transaction prices of IPTs had remained unchanged since the last shareholders' approval of the IPT Mandate at the 2021 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 minority shareholders. The AC & RMC also reviewed the list of IPTs based on the works performed by the IAD and was satisfied the IPTs were carried out on fair commercial terms.

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 Disclosure Framework, feedback from the Management, and the objectivity and conduct of the external auditor during the audit process. If the performance of the external auditor is found to be satisfactory, the AC & RMC will recommend to the Board for the external auditor to be re-appointed.

Ernst & Young LLP was the external auditor appointed by the Company in 2021. 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 2021 are disclosed on page 90 of this Annual Report.

CORPORATE GOVERNANCE

The AC & RMC evaluated the independence and objectivity of the external auditors through a review of the audit and non-audit fees awarded to the auditors during the financial year. The AC & RMC were satisfied that the independence and objectivity of the external auditor were not impaired by their provision of non-audit services. The external auditor has also declared its independence to the AC & RMC.

The AC & RMC reviewed and approved the Group external auditor's audit plan for the year. The Committee was satisfied with the quality of the work carried out by the external auditors, which was in accordance with the Audit Quality Indicators Disclosure Framework issued by the ACRA. In view of the consistent performance by the external auditor, the AC & RMC recommended for Ernst & Young LLP to be re-appointed for another term, subject to the shareholders' approval at the next AGM.

The Company complied with Rule 712, and Rule 715 read along with Rule 716 of the SGX Listing Manual in relation to its external auditors. These external auditors are disclosed on pages 112,115 and 117 of this Annual Report.

Internal Audit
The IAD is an independent unit that operates separately from the business and corporate activities. Its operations are governed by the framework set out in the Internal Audit Charter and Code of Ethics approved by the AC & RMC and the Management. The IAD had 49 staff as at 31 December 2021.

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

In 2021, the IAD adopted a risk-based auditing approach that focused on material internal controls to identify and audit high-risk areas of strategic business units. The mitigation measures were subsequently proposed by the Management in consultation with the IAD. The findings and recommendations of the IAD as well as the quarterly updates on the progress of the rectification measures were presented to the AC & RMC. The AC & RMC was satisfied that the IAD had adequately monitored and managed the key risks and internal controls for the Company.

In 2021, the AC & RMC reviewed the adequacy of the internal audit function, including the IAD's organisational structure, work scope and audit plans, and was satisfied that the IAD had remained independent, adequately resourced and maintained a good standing within the Group to carry out its roles and responsibilities effectively.

The IAD is headed by Mr Rogers H. Wirawan who reports directly to the AC & RMC Chairman on all internal audit matters. He has been the Head of IAD of the Group since 1 February 2011. Mr Wirawan started his career in 1993 with the public accounting firm, Hans Tuanakotta & Mustofa, a member of Deloitte Touche Tohmatsu. He was an auditor with the public accounting firm, Prasetio Utomo & Co., a member of Arthur Andersen & Co., from 1994 to 2002. Subsequently, he joined the public accounting firm, Purwantono, Sarwoko & Sandjaja, a member firm of Ernst & Young's global organisation, until 2011. He graduated from Trisakti University, Jakarta, with a major in Accounting. He possesses sound expertise and experience in financial and operational audits, as well as extensive knowledge in plantation and refinery operations in Indonesia. The AC & RMC was of the view that Mr Wirawan was well-qualified to discharge his duties and responsibilities in managing the risks and internal audit function of the Group.

The AC & RMC also conducted an annual self-assessment to reflect its adequacy in fulfilling 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, or other interested parties in the Company, to report any misconduct, including suspected frauds, corruption and unethical practices relating to the Company or its officers.

CORPORATE GOVERNANCE

The reports will be reviewed and acted upon by either the AC & RMC or the Exco and kept strictly confidential to protect the identities of the whistle-blowers. Complaints and feedback can be sent via a dedicated email at info.wb@simp.co.id. All correspondences are documented, followed up and treated with strict confidentiality by the IAD.

All whistle-blowing complaints are independently investigated by the IAD and the result of each investigation is reported to the AC & RMC quarterly. In 2021, the Group followed up on 11 (out of 13) reports/complaints received, with the two remaining reports still under investigation. The AC & RMC is responsible for the oversight and monitoring of the whistle-blowing channels and processes and ensuring that the appropriate follow-up actions are carried out.

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. 2021 continued to be an extremely challenging year due to the prolonged COVID-19 pandemic affecting businesses and supply chains worldwide and drastically changing the way companies operate. As the pandemic situation and its challenges evolved, we took steps to stay agile and deliver the best possible outcomes for our stakeholders.

To mitigate the vagaries of the external environment, the Company has established an integrated ERM framework to proactively manage risks and uncertainties across its operations through a system of "lines of defence". 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 adverse impacts on business operations and results. In so doing, the ERM framework enhances the competitiveness and sustainability of the Company's operations.

At the start of each financial year, the Board and Management set out both the long-term and annual business strategies to address industry issues and market cycles. The corresponding risks and exposures are identified, along with mitigation measures across the value chain. These are documented in the ERM Report that is managed at different levels by the Board, the Management, the AC and various ERM Steering Committees. The process is also audited to ensure compliance and transparency.

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

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

A COVID-19 scenario related to the significant risks and disruptions on Company operations, employee health, supply chain operation and distribution networks in the event of a pandemic, was also enforced. The ERM team works together with relevant departments through the new COVID-19 Task Force to mitigate, if not eliminate, the impact of pandemic risks. The task force closely monitored the health conditions of all employees across all operations, managed the implementation of preventive protocols, reminded employees regularly to strictly follow safety measures, updated relevant policies regarding new health protocols, and worked closely with vendors to ensure the availability of supplies for our operations. As part of its COVID-19 preventive measures, the Company collaborated with relevant Government agencies to roll out a vaccination program for all employees and neighbouring communities in our estates.

A risk governance structure outlines the roles and responsibilities of the Directors, the Management and Heads of Department and Operating Units in supporting the ERM policy and programmes and mitigating risks in business strategies and operations. Regular communications with the employees on the ERM framework have helped to raise awareness of risks and exposures and foster a resilient corporate culture.

The ERM framework and system are maintained by the ERM team, which works closely with risk owners and managers to conduct quarterly risk assessments on the overall effectiveness of 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 for action.

CORPORATE GOVERNANCE

In 2021, the following risks were identified, managed and monitored:

- Strategic Risks – Strategic Planning, Sustainable Palm Oil and Land Expansion
- Operational Risks – Pests and Plant Diseases, Pandemic Risk, Occupational Health and Safety, Resource Availability, Social Conflicts, Natural Disasters and Secured Communications
- Compliance Risks – Land Ownership, Tax Compliance and Environmental Compliance
- Financial Risks – Credit Defaults, Capital Liquidity and Economic Uncertainty

SHAREHOLDER RIGHTS AND ENGAGEMENT

PRINCIPLE 11: Shareholder Rights and Conduct of General Meetings
PRINCIPLE 12: Engagement with Shareholders

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

The Group regularly communicates important corporate developments and announcements, such as mergers and acquisitions, to analysts and shareholders through meetings and conference calls. The Management also engages the investing community either individually or as a group in dialogues, roadshows and investment forums to facilitate their understanding of the Company's business model and strategies.

The Group is committed to providing regular communication with its shareholders. In 2021, around 128 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 Board and Management representatives. No site visit for key analysts and major shareholders was conducted due to travel restrictions arising from the COVID-19 situation.

To further engage with shareholders, the Group website allows shareholders to sign up for email alerts on the latest announcements from the Company.

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

Conduct of the Annual General Meetings
This section describes IndoAgri's usual practice for the conduct of AGM prior to the onset of the COVID-19 pandemic in early 2020.

The shareholders are encouraged to actively participate at the AGM. All the Directors, the Management and the external auditor are present at the AGM to address any shareholder queries. Notice of the AGM and related information is provided to the shareholders within the prescribed timeline under the listing rules. The Company provides separate resolutions for every item in the AGM agenda, and where necessary, additional explanatory notes for each agenda item.

All shareholders are entitled to vote at the AGM. Each shareholder may appoint up to two proxies to vote at the AGM by submitting a proxy form to the Company 72 hours before the commencement of the AGM. Intermediaries, such as banks and capital markets services license holders, providing custodial services may appoint more than two proxies to allow their indirect investors to attend the AGM. 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.

CORPORATE GOVERNANCE

Given the prevailing COVID-19 restrictions in Singapore, the AGMs held in June 2020 and April 2021 were convened by electronic means according to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trust, Unit Trusts, and Debenture Holders) Order 2020. Alternative arrangements were put in place to allow shareholders and investors to attend the AGMs via different electronic means, submit questions to the Chairman before the AGMs, view the responses to these questions, and vote by proxy.

The CEO presented the Company's performance and strategies to the shareholders in a live webcast. All Board members and the Management attended the meeting either physically or via live webcast. The external auditor attended the AGMs by live webcast. The minutes of both AGMs were approved by the Board and subsequently published on our corporate website.

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

MANAGING STAKEHOLDER RELATIONSHIP

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

In line with the Board's commitment to maintaining high ethical standards, the Company has established the following corporate policies:

(1) Code of Conduct and Company Culture

The Company adopts Indofood's Code of Conduct and core values. The Code of Conduct includes two policies on Company Business Ethics and Work Ethics of Employees. The core values of Indofood are Discipline, Integrity, Respect, Unity, Excellence and Innovation. Sharing the same company culture as PT ISM allows the Company to engage with stakeholders and conduct its businesses in a manner that is consistent with its parent company.

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

(2) Sustainable Agriculture Policy

The Sustainable Agriculture Policy applies to all IndoAgri's operating units, plasma smallholders and third-party CPO suppliers. It sets out how the Group achieves responsible and traceable supplies, taking into consideration the risks and opportunities arising from the ESG factors, as well as interactions with different stakeholder groups.

The key commitments under this policy are as follows:

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

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Indofood Agri Resources Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2021.

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 2021 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, Moleonoto Tjang, Suaimi Suriady 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 1967, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

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

DIRECTORS' STATEMENT

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2022.

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 1967. 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
25 March 2022

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 2021, 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 and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (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 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

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

We have identified the following matters as key audit matters:

(i) Impairment assessment of goodwill

SFRS(I) 1-36 Impairment of Assets requires goodwill to be tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. This annual goodwill impairment assessment is significant to our audit because the goodwill balance of Rp3,211.4 billion, which arose largely from the acquisition of PT Perusahaan Perkebunan London Sumatra Indonesia ("Lonsum"), is material to the financial statements and the recoverable amount of the goodwill and the underlying assets associated with the acquired entities is determined by a value-in-use calculation using income approach which is complex, highly judgemental and subjective. Management engaged an independent valuer to determine the recoverable amount 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 ("FFB") yield rate, extraction rate, projected selling price, inflation rate, exchange rate and also factors in the terminal value after the implicit period of five years.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Key audit matters (cont'd)

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

We reviewed the independent valuation report and assessed the expertise, objectivity and competence of the independent valuer. We reviewed the discounted cash flow model to assess the appropriateness of the methodology employed by the valuer and management and the reasonableness of the key assumptions made. We compared the operational assumptions against historical data and trend to assess their reasonableness. We engaged the assistance of our internal valuation specialist to assess the reasonableness of the key predictive assumptions (among others, discount rate, inflation rate, exchange rate, and projected crude palm oil selling price) used. We also performed sensitivity analysis on the value-in-use amount based on reasonably possible changes in key assumptions.

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

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

SFRS(I) 1-12 Income Taxes allows the recognition of deferred tax asset on operating losses if it is probable that there will be sufficient taxable profits in future against which the tax losses can be utilised. The Group has recognised deferred tax asset of Rp398.5 billion, of which Rp189.7 billion relates to unutilised tax losses carried forward. The recoverability of the deferred tax assets is significant to our audit because of the complexity of the estimation process which depends on management's forecast of the future profitability and impacts the amount of deferred tax assets that can be fully recovered in the future years. 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 five years.

The assessment of recoverability of deferred tax assets 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.

We also reviewed the adequacy of the note disclosures on deferred tax assets. The Group's disclosures on deferred tax assets are in Note 18 to the financial statements.

(iii) Impairment assessment of property, plant and equipment

SFRS(I) 1-36 Impairment of Assets requires the Group to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The Group identified the existence of impairment indicators on certain rubber bearer plants included under property, plant and equipment upon consideration of the market environment, conditions of the rubber plantations, production yield and the outlook of these plantation estates and determined the recoverable amount based on fair value less costs of disposal ("FVLCD"), using discounted cash flow method.

The Group recorded an impairment loss of Rp300.5 billion to reduce the carrying amount of certain rubber bearer plants to their estimated recoverable amounts. For the remaining rubber bearer plants, management concluded that the recoverable amount was higher than their carrying amounts and hence no impairment loss was required. As at 31 December 2021, the value of the Group's bearer plants included under property, plant and equipment amounted to Rp 10,899.6 billion, net of impairment loss recognised during the financial year.

The impairment loss recorded is material to the financial statements and the recoverable amount of the rubber bearer plants is determined using discounted cash flow method, which is complex, highly judgemental and subjective. Accordingly, we identified this as a key audit matter.

The recoverable amount of the rubber bearer plants was 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 projected production yield, selling rubber price, inflation rate, exchange rate and also factors in the terminal value after the implicit period of five years.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Key audit matters (cont'd)

(iii) Impairment assessment of property, plant and equipment (cont'd)

We reviewed the discounted cash flow model to assess the appropriateness of the methodology adopted by management and the reasonableness of the key assumptions made. 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 rubber selling price) used and determined the recoverable amount of the rubber bearer plants with impairment indicators.

We also reviewed the adequacy of the Group's disclosures in Note 14 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 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

- 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 Lim Tze Yuen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
25 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 Rp million	2020 Rp million
Revenue	4	19,658,529	14,474,700
Cost of sales	5	(14,585,970)	(11,556,095)
Gross profit		5,072,559	2,918,605
Selling and distribution expenses		(852,936)	(497,923)
General and administrative expenses		(773,425)	(734,029)
Foreign exchange loss		(2,312)	(44,712)
Other operating income	6	133,321	83,137
Other operating expenses	7	(914,446)	(126,042)
Share of results of associate companies		(60,997)	(249,324)
Share of results of joint ventures		104,357	126,670
Gain arising from changes in fair value of biological assets	13	112,690	3,108
Profit from operations	8	2,818,811	1,479,490
Finance income	9	70,099	71,040
Finance expenses	10	(630,221)	(744,347)
Profit before tax		2,258,689	806,183
Income tax expenses	11	(978,802)	(642,617)
Net profit for the year		1,279,887	163,566
Profit for the year attributable to:			
Owners of the Company		754,729	19,913
Non-controlling interests		525,158	143,653
		1,279,887	163,566
Other comprehensive income ("OCI"):			
Items that may be reclassified to profit or loss in subsequent periods			
Foreign currency translation		(21,111)	(85,647)
Items that will not be reclassified to profit or loss in subsequent periods			
Change in fair value of available-for-sale financial asset		(17,265)	(49)
Re-measurement gain of employee benefits liabilities	29	104,953	535,890
Income tax effect related to re-measurement gain of employee benefits liabilities	11	(23,645)	(126,452)
Share of OCI of an associate company and joint ventures		(332,298)	(160,107)
Other comprehensive income for the year, net of tax		(289,366)	163,635
Total comprehensive income for the year		990,521	327,201
Total comprehensive income attributable to:			
Owners of the Company		433,443	2,729
Non-controlling interests		557,078	324,472
Total comprehensive income for the year		990,521	327,201
Earnings per share (in Rupiah)	12		
– basic		541	14
– diluted		541	14

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

BALANCE SHEETS

AS AT 31 DECEMBER 2021

	Note	Group 2021 Rp million	Group 2020 Rp million	Company 2021 Rp million	Company 2020 Rp million
Non-current assets					
Biological assets	13	328,344	313,453	–	–
Property, plant and equipment	14	18,527,203	19,374,353	25,493	29,044
Right-of-use assets	15	1,959,874	1,967,628	–	–
Goodwill	16	3,211,427	3,211,427	–	–
Claims for tax refund	17	67,164	105,716	–	–
Deferred tax assets	18	398,509	570,877	–	–
Investment in subsidiary companies	19	–	–	10,706,846	10,706,846
Investment in associate companies	20	1,468,094	1,538,001	439,254	439,254
Investment in joint ventures	21	375,363	664,037	–	–
Amount due from a subsidiary	22	–	–	860,000	970,000
Advances and prepayments	22	421,767	333,716	–	–
Other non-current receivables	22	1,343,955	1,602,580	10	10
Total non-current assets		28,101,700	29,681,788	12,031,603	12,145,154
Current assets					
Inventories	23	2,655,342	2,671,909	–	–
Trade and other receivables	24	1,563,752	1,300,032	43,074	90,144
Advances and prepayments	24	460,274	340,544	151	150
Prepaid taxes		191,507	230,281	–	–
Biological assets	13	873,393	777,388	–	–
Asset held for sale	14	41,795	41,795	–	–
Cash and cash equivalents	25	3,763,644	2,446,494	36,394	18,539
Total current assets		9,549,707	7,808,443	79,619	108,833
Total assets		37,651,407	37,490,231	12,111,222	12,253,987
Current liabilities					
Trade and other payables and accruals	26	1,956,862	2,013,850	108,169	109,075
Advances and other payables	26	424,972	341,192	–	–
Lease liabilities	15	32,052	43,918	–	–
Interest-bearing loans and borrowings	27	7,246,412	6,583,123	641,392	190,418
Income tax payable		310,103	222,187	2	3
Total current liabilities		9,970,401	9,204,270	749,563	299,496
Net current liabilities		(420,694)	(1,395,827)	(669,944)	(190,663)

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

BALANCE SHEETS

AS AT 31 DECEMBER 2021

	Note	Group 2021 Rp million	Group 2020 Rp million	Company 2021 Rp million	Company 2020 Rp million
Non-current liabilities					
Interest-bearing loans and borrowings	27	3,087,699	4,772,696	–	631,904
Amounts due to related parties and other payables	28	618,913	516,143	–	–
Provisions	28	39,037	39,219	–	–
Lease liabilities	15	11,200	20,125	–	–
Employee benefits liabilities	29	1,892,515	1,913,683	–	–
Deferred tax liabilities	18	661,628	577,167	25,207	20,325
Total non-current liabilities		6,310,992	7,839,033	25,207	652,229
Total liabilities		16,281,393	17,043,303	774,770	951,725
Net assets		21,370,014	20,446,928	11,336,452	11,302,262
Equity attributable to owners of the Company					
Share capital	30	3,584,279	3,584,279	10,912,411	10,912,411
Treasury shares	30	(390,166)	(390,166)	(390,166)	(390,166)
Revenue reserves	31	8,523,010	7,768,281	670,055	635,865
Other reserves	31	(154,807)	349,960	144,152	144,152
		11,562,316	11,312,354	11,336,452	11,302,262
Non-controlling interests		9,807,698	9,134,574	–	–
Total equity		21,370,014	20,446,928	11,336,452	11,302,262

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 2021

	Attributable to owners of the Company						
	Share capital Rp million	**Treasury shares** Rp million	**Other reserves** Rp million	**Revenue reserves** Rp million	**Total** Rp million	**Non-controlling interests** Rp million	**Total equity** Rp million
At 1 January 2021	3,584,279	(390,166)	349,960	7,768,281	11,312,354	9,134,574	20,446,928
Net profit for the year	–	–	–	754,729	754,729	525,158	1,279,887
Other comprehensive income	–	–	(321,286)	–	(321,286)	31,920	(289,366)
Total comprehensive income for the year	–	–	(321,286)	754,729	433,443	557,078	990,521
Increase of share capital in a subsidiary	–	–	(183,481)	–	(183,481)	183,481	–
Contributions by and distribution to owners:							
Dividend payments by subsidiary companies	–	–	–	–	–	(67,435)	(67,435)
Total transactions with owners in their capacity as owners	–	–	–	–	–	(67,435)	(67,435)
Balance at 31 December 2021	3,584,279	(390,166)	(154,807)	8,523,010	11,562,316	9,807,698	21,370,014

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 2021

	Attributable to owners of the Company						
	Share capital Rp million	**Treasury shares** Rp million	**Other reserves** Rp million	**Revenue reserves** Rp million	**Total** Rp million	**Non-controlling interests** Rp million	**Total equity** Rp million
At 1 January 2020	3,584,279	(390,166)	369,511	7,748,368	11,311,992	8,851,412	20,163,404
Net profit for the year	–	–	–	19,913	19,913	143,653	163,566
Other comprehensive income	–	–	(17,184)	–	(17,184)	180,819	163,635
Total comprehensive income for the year	–	–	(17,184)	19,913	2,729	324,472	327,201
Share of an associate's employee share based compensation reserve	–	–	(2,367)	–	(2,367)	–	(2,367)
Contributions by and distribution to owners:							
Dividend payments by subsidiary companies	–	–	–	–	–	(41,310)	(41,310)
Total transactions with owners in their capacity as owners	–	–	–	–	–	(41,310)	(41,310)
Balance at 31 December 2020	3,584,279	(390,166)	349,960	7,768,281	11,312,354	9,134,574	20,446,928

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 2021

	Note	2021 Rp million	2020 Rp million
Cash flows from operating activities			
Profit before taxation		2,258,689	806,183
Adjustments for:			
Depreciation and amortisation	8	1,468,177	1,484,962
Realisation of deferred costs		177,348	156,128
Unrealised foreign exchange loss		135	30,753
(Write-back)/allowance for doubtful debt	24	(2)	97
Gain arising from changes in fair value of biological assets	13	(112,690)	(3,108)
Gain on disposal of right-of-use assets	6	(8,297)	–
Gain on disposal of property, plant and equipment	6	(5,140)	(1,368)
Write-off of property, plant and equipment	7	179,654	57
Changes in allowance for decline in market value and obsolescence of inventories	5,23	13,194	(7,542)
Changes in provision for asset dismantling costs	6,7,28	(182)	4,028
Changes in estimated liability for employee benefits	29	233,016	152,891
Allowance for uncollectible and loss arising from changes in amortised cost of plasma receivables	7,32(a)	352,527	55,199
Gain arising from changes in amortised cost of long-term receivables		(39)	(338)
Share of results of associate companies		60,997	249,324
Share of results of joint ventures		(104,357)	(126,670)
Impairment loss of property, plant and equipment	14	313,452	2,580
Finance income	9	(70,099)	(71,040)
Finance expenses	10	630,221	744,347
Operating cash flows before changes in working capital		5,386,604	3,476,483
Changes in working capital:			
(Increase)/decrease in other non-current receivables		(21,698)	232,098
Decrease/(increase) in inventories		3,373	(410,653)
(Increase)/decrease in trade and other receivables		(265,784)	13,900
Increase in advances to suppliers		(119,730)	(17,679)
Increase in prepaid taxes, advances and other payables		97,281	172,180
Decrease in trade and other payables and accruals		(159,625)	(29,114)
Cash flows from operations		4,920,421	3,437,215
Interest received		69,241	70,985
Interest paid		(613,238)	(727,927)
Income tax paid		(652,883)	(241,405)
Net cash flows from operating activities		3,723,541	2,538,868

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 2021

	Note	2021 Rp million	2020 Rp million
Cash flows from investing activities			
Additions to property, plant and equipment		(1,016,528)	(1,157,984)
Additions to right-of-use assets	15	(32,338)	(45,253)
Additions to biological assets		(190,075)	(194,004)
Increase in plasma receivables	32(a)	(107,928)	(152,250)
Proceeds from disposal of property, plant and equipment		16,861	2,592
Proceeds from disposal of right-of-use assets		9,000	–
Advances for projects and purchases of fixed assets		(55,387)	(28,556)
Dividend received from a joint venture		58,778	–
Additional investment in a joint venture		(9,796)	–
Net cash flows used in investing activities		(1,327,413)	(1,575,455)
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		901,800	2,103,428
Repayment of interest-bearing loans and borrowings		(1,942,369)	(2,335,272)
Proceeds from amount due to related parties		64,470	6,284
Dividend payments by subsidiaries to non-controlling interests		(67,435)	(41,310)
Payment of principal portion of lease liabilities	15	(44,766)	(47,253)
Net cash flows used in financing activities		(1,088,300)	(314,123)
Net increase in cash and cash equivalents		1,307,828	649,290
Effect of changes in exchange rates on cash and cash equivalents		9,322	9,742
Cash and cash equivalents at the beginning of the financial year		2,446,494	1,787,462
Cash and cash equivalents at the end of the financial year	25	3,763,644	2,446,494

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 Notes 19 to 21 to the financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

The financial statements have been prepared on a going concern basis notwithstanding the net current liabilities of the Group and the Company amounting to Rp420.7 billion (2020: Rp1,395.8 billion) and Rp669.9 billion (2020: Rp190.7 billion) respectively as the Directors are of the view that the future cash flows generated from operations, ability to refinance the maturing debts, together with the undrawn committed banking facilities, the Group and the Company will able to meet its financial obligations as and when they fall due.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial years beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance of the Group or the financial position of the Group and the Company.

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

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 after
Amendments to SFRS(I) 3 *Business Combinations*	1 January 2022
Annual Improvements to SFRS(I)s 2018-2021	1 January 2022
Amendments to SFRS(I) 1-16 *Property, Plant and Equipment*	1 January 2022
Amendments to SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*	1 January 2022
Amendments to SFRS(I) 1-1 *Presentation of Financial Statements*	1 January 2023
Amendments to SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2023
Amendments to SFRS(I) 1-12 *Income Taxes*	1 January 2023
Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures*	To be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

(b) Business combinations

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

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

2.7 Property, plant and equipment

(a) Bearer plants

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

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

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

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

2.7 Property, plant and equipment (cont'd)

(a) Bearer plants (cont'd)

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

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

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

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

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

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

(b) Other property, plant and equipment

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

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

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

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

Assets under construction included in property, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

2.7 Property, plant and equipment (cont'd)

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

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 agricultural produce of the bearer plants, which primarily comprise of fresh fruit bunches, oil palm seeds, latex 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 estimated 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 value 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.

The plasma receivables presented in the consolidated balance sheet 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(b) Research and development costs

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

Following initial recognition of the development costs as an intangible asset, it is carried at cost less any accumulated amortisation and any accumulated impairment 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.

(c) Other intangible assets

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

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

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

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

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

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

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

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 ("FVLCD") and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

2.14 Joint ventures and associates (cont'd)

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 at 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 expensed in profit or loss.

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

Subsequent measurement

<u>Investments in debt instruments</u>

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

(i) Amortised cost

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

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

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

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Investments in debt instruments (cont'd)

(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 derecognised.

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

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

Investment in equity instruments

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

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

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

Derecognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

The Group designates its financial liabilities as loans and borrowings, such as trade and other payables, accrued expense, short-term employee benefits liability, bank loans and due to related parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

2.15 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

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

Derecognition

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

2.16 Impairment of financial assets

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

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there 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 which do not contain significant financing component, the Group applies a simplified approach in calculating ECL. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward- looking factors specific to the debtors and the economic environment.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

2.17 Cash and cash equivalents

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

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

2.18 Inventories

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

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.

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.

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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 applicable Indonesian Labour Law. The said additional provisions, which are unfunded, are estimated by actuarial calculations using the projected unit credit method.

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

Defined benefit costs comprise the following:

– Service cost
– Net interest on the net defined benefit liability; and
– 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 the plan amendment or curtailment occurs, or when the Group recognises the related restructuring costs, whichever is the earlier.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

2.23 Leases

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

Group as lessee

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

(a) Right-of-use assets

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

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

Land use rights

The Group's titles of ownership on its land rights, including the plantation land, are in the form of:

	Lease term (years)
• Right to Build ("Hak Guna Bangunan" or "HGB")	20 to 40
• Right to Cultivate ("Hak Guna Usaha" or "HGU")	19 to 41
• Right to Use ("Hak Pakai" or "HP")	10 to 25
• Right to Manage ("Hak Pengelolaan Lahan" or "HPL")	5 to 20

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

Land use rights are initially measured at cost. 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.

(b) Lease liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

2.23 Leases (cont'd)

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

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

Group as lessor

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

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 give rise to variable considerations.

The Group estimates the variable considerations such as right of return and price adjustments arising from quality claim, changes of commodity price and sales volume, using expected value developed based on historical experience or using most likely amount developed based on historical experience taking into account also current purchasing patterns.

The management established estimation method that ensure inclusion of these variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Meanwhile, the recognition is made when supporting documents have been received from customers or when it is probable price adjustments will be given.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

2.26 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

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

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

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

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

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

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

2.27 Segment reporting

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

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

2.28 Share capital and share issuance expenses

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

2.29 Treasury shares

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

2.30 Contingencies

A contingent liability is:

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

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

- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

2.31 Government grants

Government grants are recognised when there is reasonable assurance that the grants will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

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

2.32 Current and non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

(i) expected to be realized or intended to be sold or consumed in the normal operating cycle,
(ii) held primarily for the purpose of trading,
(iii) expected to be realized within 12 months after the reporting period, or
(iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

(i) expected to be settled in the normal operating cycle,
(ii) held primarily for the purpose of trading,
(iii) due to be settled within twelve months after the reporting period, or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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) Allowance for ECL of trade receivables

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

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

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

The carrying amount of trade receivables as at 31 December 2021 is Rp1,463.0 billion (2020: Rp1,195.6 billion).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

(b) Allowance 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. At this point, the Group estimates the impairment loss using lifetime ECLs.

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 the Group 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 FFB, production yield for each planting year of the plasma plantations and inflation rate.

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

The gross carrying amount of the Group's plasma receivables before the allowance for ECL and the adjustments of EIR amortisation as at 31 December 2021 is Rp2,317.7 billion (2020: Rp2,213.7 billion). Further details are disclosed in Note 35(d).

(c) Lease term of contracts with renewal and termination options - the Group as lessee

In accounting for lease arrangements, the Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease or not. The Group considers all relevant factors that create an economic incentive for them to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. Further details are disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

3.2 Key sources of estimation uncertainty

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

(a) Goodwill impairment

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

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

The carrying amount of the Group's goodwill as at 31 December 2021 is Rp3,211.4 billion (2020: Rp3,211.4 billion). Further details are disclosed in Note 16.

(b) Impairment of property, plant and equipment

During the year, the Group identified the existence of impairment indicators on certain rubber bearer plants upon consideration of the market environment, conditions of the rubber plantations, production yield and the outlook of these plantation estates and determined the recoverable amount based on fair value less cost to sell, using discounted cash flow method. The Group recorded an impairment loss of Rp300.5 billion to reduce the carrying amount of certain rubber bearer plants to their estimated recoverable amounts. For the remaining rubber bearer plants, management concluded that the recoverable amount was higher than their carrying amounts and hence no impairment loss was required.

This was recognised in the statement of comprehensive income under other operating expenses. The net carrying amount of the Group's property, plant and equipment as at 31 December 2021 is disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) 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 2021 is Rp1,892.5 billion (2020: Rp1,913.7 billion). The key assumptions applied in the determination of pension and employee benefits liabilities including a sensitivity analysis, are disclosed and further explained in Note 29.

(d) Depreciation of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 4 to 30 years. These are common life expectancies applied in the industries where the Group conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Group's property, plant and equipment as at 31 December 2021 is disclosed in Note 14.

(e) Biological assets

The Group recognises its timber plantations and agricultural 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 estimated 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 agricultural produces would affect the Group's profit or loss and equity. The carrying amount of the Group's biological assets as at 31 December 2021 (under Non-current assets and Current assets) is Rp1,201.7 billion (2020: Rp1,090.8 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.

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

3.2 Key sources of estimation uncertainty (cont'd)

(f) 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 2021 is Rp310.1 billion (2020: Rp222.2 billion).

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 at 31 December 2021 is Rp67.2 billion (2020: Rp105.7 billion). Further details are disclosed in Note 17.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that there will be sufficient taxable profit within the next 5 years against which the tax losses can be utilised. Significant management estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying amount of the Group's deferred tax assets as at 31 December 2021 is Rp398.5 billion (2020: Rp570.9 billion). Further details are disclosed in Note 18.

(g) 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 2021 is Rp2,655.3 billion (2020: Rp2,671.9 billion). Further details are disclosed in Note 23.

(h) Estimating the incremental borrowing rate of a lease

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term.

The incremental borrowing rate therefore reflects interest the Group would have to pay, which requires estimation when no observable rates are available (such as for entities within the Group that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and make certain entity-specific estimates as necessary.

NOTES TO THE FINANCIAL STATEMENTS

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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	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Sales channel								
Third party	3,385,333	3,024,394	16,273,196	11,450,306	–	–	19,658,529	14,474,700
Inter-segment	7,176,019	5,432,925	3,244	814	(7,179,263)	(5,433,739)	–	–
	10,561,352	8,457,319	16,276,440	11,451,120	(7,179,263)	(5,433,739)	19,658,529	14,474,700
Primary geographical markets								
Indonesia	10,444,058	8,354,864	13,151,270	9,861,489	(7,179,263)	(5,433,739)	16,416,065	12,782,614
Outside Indonesia	117,294	102,455	3,125,170	1,589,631	–	–	3,242,464	1,692,086
	10,561,352	8,457,319	16,276,440	11,451,120	(7,179,263)	(5,433,739)	19,658,529	14,474,700
Major product lines								
CPO	7,895,170	6,267,419	–	–	(7,176,009)	(5,432,913)	719,161	834,506
Palm Kernel & related products	1,163,993	830,432	–	–	–	–	1,163,993	830,432
Edible Oils and Fats	–	–	16,276,440	11,451,120	(3,244)	(814)	16,273,196	11,450,306
Others	1,502,189	1,359,468	–	–	(10)	(12)	1,502,179	1,359,456
	10,561,352	8,457,319	16,276,440	11,451,120	(7,179,263)	(5,433,739)	19,658,529	14,474,700

During the financial years ended 31 December 2021 and 2020, the sales from customers with individual cumulative amount each exceeded 10% of the total consolidated revenue are as follows:

	2021		**2020**	
	Rp million	% of Total Revenue	Rp million	% of Total Revenue
PT Indofood CBP Sukses Makmur Tbk ("PT ICBP")	2,890,406	14.7%	2,148,310	14.8%
PT Indomarco Adi Prima	2,369,682	12.1%	1,797,840	12.4%
Total	5,260,088	26.8%	3,946,150	27.2%

Performance Obligations

The performance obligations of the Group, which cover the products mentioned above, are satisfied upon shipment from the Group's location or upon delivery of the goods at the customer's location as agreed in the contracts. The term of payment is generally due within 1 to 35 days upon fulfilment of the performance obligation. For export sales, the Group requires cash against the presentation of documents of title.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4. REVENUE (CONT'D)

(a) Disaggregation of revenue (cont'd)

Contract balances

Information about trade receivables and contract liabilities from contracts with customers are disclosed as follows:

	2021 Rp million	**2020** Rp million
Trade receivables (Note 24)	1,462,993	1,195,610
Contract liabilities (Note 26)	299,031	240,542

Contract liabilities are the Group's obligations to transfer goods to customers for which the Group have received advances collected from customers prior to the transfer of control of goods to the customers. Contract liabilities are recognised as revenue when the Group satisfied the performance obligation under the contract.

Set out below is the amount of revenue recognized from amounts included in contract liabilities at the beginning of each of the reporting period:

	2021 Rp million	**2020** Rp million
Amounts included in contract liabilities at the beginning of the year	211,130	191,817

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5. COST OF SALES

	Note	Group 2021 Rp million	Group 2020 Rp million
Raw materials used		7,445,791	4,546,086
Harvesting, upkeep and cultivation costs		2,206,357	2,146,419
Manufacturing and other overhead expenses		4,999,611	4,647,575
Net changes in inventories		(78,983)	223,557
		14,572,776	11,563,637
Changes in allowance for decline in market value and obsolescence of inventories	23	13,194	(7,542)
Total	23	14,585,970	11,556,095

During the financial year ended 31 December 2021 and 2020, there were no purchases from any supplier with cumulative amount exceeded 10% of the total cost of sales.

6. OTHER OPERATING INCOME

	Note	Group 2021 Rp million	Group 2020 Rp million
Management fee income		1,493	1,142
Rental income	15	8,149	5,924
Gain on disposal of property, plant and equipment		5,140	1,368
Gain on disposal of right-of-use assets		8,297	–
Sale of scraps		788	1,672
Sale of palm kernel shells		6,920	4,876
Compensation income		43,710	21,602
Freight income		6,225	6,572
Gain on disposal of obsolete goods		4,537	2,159
Changes in provision for assets dismantling costs	28	182	–
Others		47,880	37,822
Total		133,321	83,137

7. OTHER OPERATING EXPENSES

	Note	Group 2021 Rp million	Group 2020 Rp million
Allowance for uncollectible and loss arising from changes in amortised cost of plasma receivables	32(a)	352,527	55,199
Write-off of property, plant and equipment		179,654	57
Amortisation of deferred charges		7,128	9,859
Changes in provision for assets dismantling costs	28	–	4,028
Impairment loss of property, plant and equipment	14	313,452	2,580
Property and other taxes		4,887	14,541
Others		56,798	39,778
Total		914,446	126,042

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8. PROFIT FROM OPERATIONS

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

		Group	
	Note	**2021**	**2020**
		Rp million	Rp million
Depreciation of property, plant and equipment	14	1,358,784	1,355,848
Depreciation of right-of-use assets	15	63,348	78,461
Amortisation of other non-current assets		46,045	50,653
Employee benefits expenses	29	3,014,332	3,022,036
Freight, taxes and other sales administration		677,564	332,431
Advertising, promotions and distribution expenses		111,848	91,272
Research and development costs		39,663	21,780
Lease expenses	15	10,181	11,238
Audit fees:			
Auditors of the Company		1,972	2,155
Other auditors		14,096	18,509
Non-audit fees:			
Auditors of the Company		32	32
Other auditors		224	96

9. FINANCE INCOME

	Group	
	2021	**2020**
	Rp million	Rp million
Interest on current accounts and short-term deposits	70,040	71,010
Others	59	30
Total	70,099	71,040

10. FINANCE EXPENSES

		Group	
	Note	**2021**	**2020**
		Rp million	Rp million
Interest expense on:			
– Bank loans		588,671	706,900
– Lease liabilities	15	4,009	7,323
– Other loans		28,735	18,507
Bank charges		8,806	11,617
Total		630,221	744,347

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

11. INCOME TAX EXPENSES

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

	Group	
	2021 Rp million	**2020** Rp million
Consolidated statement of comprehensive income:		
Current income tax		
– Current year income tax	738,480	440,390
– Adjustments in respect of previous years	3,133	6,088
	741,613	446,478
Deferred income tax (Note 18)		
– Current year deferred income tax	(162,181)	(187,617)
– Adjustments in respect of previous years	399,370	383,756
	237,189	196,139
Total	978,802	642,617

	Group	
	2021 Rp million	**2020** Rp million
Charged to other comprehensive income		
Deferred tax related to items recognised in other comprehensive income:		
Change in fair value of available-for-sale financial assets at FVOCI	4,870	14
Re-measurement gain of employee benefits liability	(23,645)	(126,452)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

11. INCOME TAX EXPENSES (CONT'D)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2021 and 2020 are as follows:

	Group	
	2021	**2020**
	Rp million	Rp million
Profit before tax as per consolidated statement of comprehensive income	2,258,689	806,183
Tax at the Singapore tax rate of 17% (2020: 17%)	383,977	137,051
Effect of tax rates in foreign jurisdictions	85,052	21,387
Income already subjected to final tax	(16,583)	(20,216)
Income not subject to taxation	(40)	2
Non-deductible expenses	123,893	114,549
Adjustments in respect of previous years	402,503	389,844
Income tax expense recognised in the consolidated statement of comprehensive income	978,802	642,617

For the financial years ended 31 December 2021 and 2020, the corporate tax rates for companies in Singapore and Indonesia were 17% and 22% (2020:17% and 22%) respectively.

A subsidiary in Indonesia applies 19% (2020: 19%) tax rate instead of the normal tax rate of 22% (2020:22%) in computing its income tax expense for the reporting period due to its fulfilment to qualify for a reduced corporate income tax rate.

In October 2021, the corporate income tax rates in Indonesia have been adjusted as follows:

(a) 22% effective starting Fiscal Year 2022 (previously was 20% as announced in March 2020); and
(b) Resident publicly listed companies in Indonesia whose at least 40% or more of the total paid-up shares or other equity instruments are listed for trading in the Indonesia stock exchange and meet certain requirements in accordance with the government regulations, are entitled for 3% reduction of the rates stated in point (a) above.

Adjustments in respect of previous years largely related to the change in income tax rates, unrecoverable tax losses as a result of expired tax losses for which deferred tax assets have been recognised and changes in assumptions used in the estimation of future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

	Group	
	As at 31 December 2021 Rp million	**As at 31 December 2020** Rp million
Profit attributable to owners of the Company	754,729	19,913
	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
Basic earnings per share (Rupiah)	541	14

There were no dilutive potential ordinary shares as at 31 December 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

13. BIOLOGICAL ASSETS

Biological assets primarily comprise of timber plantations (which are presented as part of non-current assets), and the unharvested agricultural produce of bearer plants (which are presented as part of current assets). The carrying amount of the Group's biological assets as at 31 December 2021 is Rp1,201.7 billion (2020: Rp1,090.8 billion).

Fair values of biological assets

Biological assets under non-current assets - timber plantations

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

The key assumptions applied are as follows:

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

The movements for timber plantations are as follows:

	Note	Group As at 31 December 2021 Rp million	 As at 31 December 2020 Rp million
At fair value			
At 1 January		313,453	314,739
Additions		6,055	10,980
Decreases due to harvest		(2,341)	(4,066)
Gain/(loss) arising from changes in fair value of biological assets		11,177	(8,200)
At 31 December	34(a)	328,344	313,453

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

13. BIOLOGICAL ASSETS (CONT'D)

Fair values of biological assets (cont'd)

Biological assets under current assets - agricultural produce of bearer plants

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

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

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

The key assumptions applied on the fair value of sugar cane 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 actual selling prices and the forecasted price trend from the World Bank, but not exceeding the highest retail price imposed by the Ministry of Trade of Indonesia.

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

(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 market prices.

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

		Group	
	Note	**As at 31 December 2021** Rp million	**As at 31 December 2020** Rp million
At fair value			
At 1 January		777,388	717,620
Additions		201,760	238,517
Decreases due to harvest		(207,268)	(190,057)
Gain arising from changes in fair value of biological assets		101,513	11,308
At 31 December	34(a)	873,393	777,388

13. BIOLOGICAL ASSETS (CONT'D)

Key inputs to valuation on biological assets

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

Range of quantitative unobservable inputs (Level 3) used in determining the fair values of the sugar cane, oil palm seeds and timber are as follows:

Inputs	Sugar cane	Oil palm seeds	Timber
Discount rate	9.93% (2020: 10.41%)	10.62% (2020: 11.39%)	10.63% (2020: 10.82%)
Selling price of processed agriculture produce	Rp550,949/tonne (2020: Rp558,782/tonne)	Rp8,800 – Rp9,000/piece (2020: Rp8,800 – Rp9,000/piece)	Rp544,065 – Rp3,067,911/m^3 (2020: Rp492,552 – Rp2,763,653/m^3)
Average production yield of agriculture produce	75 tonnes/hectare (2020: 77 tonnes/hectare)	805 pieces/bunch (2020: 747 pieces/bunch)	87 m^3/hectare (2020: 94 m^3/hectare)
Exchange rate	Rp14,350/US$1 (2020: Rp14,600/US$1)	–	Rp13,900 – Rp14,300/US$1 (2020: Rp14,200 – Rp14,600/US$1)
Inflation rate	3.00% (2020: 3.00%)	–	3.00% (2020: 3.00%)

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 of biological assets
Discount rate	An increase/(decrease) in the discount rate will cause a (decrease)/ increase in 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
Average production yield	An increase/(decrease) in production yields would result in an increase/(decrease) in the fair value
Exchange rate	An increase/(decrease) in the exchange rate would result in an increase/(decrease) in the fair value
Inflation rate	An increase/(decrease) in the inflation rate would result in a (decrease)/increase in the fair value.

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13. BIOLOGICAL ASSETS (CONT'D)

Areas of the Group's biological assets:

The Group has timber plantation concession rights which are valid until 2035 and 2049. The total areas of planted timber plantations as of 31 December 2021 is 15,466 hectares (2020: 15,955 hectares) (unaudited).

Physical quantities of agricultural produce:

Agricultural produce harvested during the financial year	Bearer plants from which produce harvested	Unit of measurement	2021 (unaudited)	2020 (unaudited)
FFB	Oil palm	'000 tonnes	2,761	2,986
Oil palm seeds	Mother palm	in million	6.9	6.7
Latex	Rubber	'000 tonnes	6	8
Sugar cane	Cane	'000 tonnes	914	895

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14. PROPERTY, PLANT AND EQUIPMENT

	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 2019 and 1 January 2020	16,222,007	8,072,424	5,950,705	2,220,929	437,091	32,903,156
Additions	756,711	302,470	147,344	28,850	10,525	1,245,900
Reclassification	(51,417)	(139,289)	130,610	10,115	(476)	(50,457)
Disposals and write-off	–	(4,447)	(12,483)	(13,141)	(2,791)	(32,862)
At 31 December 2020 and 1 January 2021	16,927,301	8,231,158	6,216,176	2,246,753	444,349	34,065,737
Additions	719,806	142,636	107,822	55,634	8,586	1,034,484
Reclassification	4,034	(15,891)	123,424	(112,307)	641	(99)
Disposals and write-off	(180,571)	(21,170)	(29,134)	(28,632)	(3,364)	(262,871)
At 31 December 2021	17,470,570	8,336,733	6,418,288	2,161,448	450,212	34,837,251
Accumulated depreciation						
At 31 December 2019 and 1 January 2020	5,240,201	2,751,490	3,342,270	1,625,126	386,742	13,345,829
Depreciation charge for the year	511,043	343,848	302,307	194,088	4,562	1,355,848
Reclassification	–	474	9,122	12,611	(3,499)	18,708
Disposals and write-off	–	(4,334)	(12,414)	(12,077)	(2,756)	(31,581)
Impairment	–	2,076	504	–	–	2,580
At 31 December 2020 and 1 January 2021	5,751,244	3,093,554	3,641,789	1,819,748	385,049	14,691,384
Depreciation charge for the year	519,755	388,201	333,634	99,835	17,359	1,358,784
Reclassification	–	46,940	109,285	(154,993)	16,692	17,924
Disposals and write-off	(517)	(13,837)	(27,261)	(26,517)	(3,364)	(71,496)
Impairment	300,452	13,000	–	–	–	313,452
At 31 December 2021	6,570,934	3,527,858	4,057,447	1,738,073	415,736	16,310,048
Net carrying amount						
At 31 December 2020	11,176,057	5,137,604	2,574,387	427,005	59,300	19,374,353
At 31 December 2021	10,899,636	4,808,875	2,360,841	423,375	34,476	18,527,203

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.

During the year, the Group identified the existence of impairment indicators on certain rubber bearer plants upon consideration of the market environment, conditions of the rubber plantations, production yield and the outlook of these plantation estates and determined the recoverable amount based on fair value less costs of disposal ("FVLCD"), using discounted cash flow method. The Group recorded an impairment loss of Rp300.5 billion to reduce the carrying amount of certain rubber bearer plants to their estimated recoverable amounts. For the remaining rubber bearer plants, management concluded that the recoverable amount was higher than their carrying amounts and hence no impairment loss was required.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 2020 and 31 December 2020	74,110	515	74,625
Additions	–	97	97
Write-off	–	(50)	(50)
At 31 December 2021	74,110	562	74,672
Accumulated depreciation			
At 1 January 2020	41,423	490	41,913
Depreciation charge for the year	3,649	19	3,668
At 31 December 2020 and 1 January 2021	45,072	509	45,581
Depreciation charge for the year	3,639	9	3,648
Write-off	–	(50)	(50)
At 31 December 2021	48,711	468	49,179
Net carrying amount			
At 31 December 2020	29,038	6	29,044
At 31 December 2021	25,399	94	25,493

Assets under construction

Property, plant and equipment of the Group as at 31 December 2021 included immature bearer plants in the course of cultivation, and building and machinery in the course of construction amounting to Rp4,199.1 billion (2020: Rp4,717.5 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 in the Province of Banten, Sumatra Indonesia.

As of March 2022, the disposal of such parcel of land is still being processed by both parties, and therefore classified as "Asset held for sale".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

Capitalisation of borrowing costs

During the year ended 31 December 2021, borrowing costs capitalised by certain subsidiaries to their immature bearer plants under cultivation, and building and machineries under constructions amounted to Rp122.6 billion (2020: Rp121.7 billion) based on capitalisation rates ranging from 4.24% to 8.87% (2020: 5.65% to 10.13%).

Assets under insurance coverage

As at 31 December 2021, the fixed assets are covered by insurance against losses from fire and other risks under a policy package with total coverage of Rp15,595.6 billion and US$13.8 million.

15. LEASES

Group as a lessee

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

- Lease of buildings generally have lease terms of 2 years.
- Office equipment generally have lease terms of 2 years.
- Land use rights are in the form of HGB, HGU, HP, HPL and generally have lease terms from 5 to 41 years which will expire between 2021 to 2055 and can be renewed and/or extended. The Group's bearer plants are planted and managed on the area which have obtained Rights to Cultivate ("Hak Guna Usaha" or "HGU"), or have obtained location permits and in the process of obtaining HGU.

Extension and termination options

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

Short-term leases and leases of low-value assets

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

NOTES TO THE FINANCIAL STATEMENTS

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15. LEASES (CONT'D)

Group as a lessee (cont'd)

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

	Land use rights Rp million	**Buildings** Rp million	**Vehicles** Rp million	**Office equipment** Rp million	**Group Total** Rp million
At 1 January 2020	1,990,617	–	–	–	1,990,617
Additions	43,962	9,529	5,155	14,894	73,540
Depreciation expense	(60,410)	(5,449)	(5,155)	(7,447)	(78,461)
Reclassification [(1)]	(18,068)	–	–	–	(18,068)
At 31 December 2020 and 1 January 2021	1,956,101	4,080	–	7,447	1,967,628
Additions	32,338	9,609	–	14,449	56,396
Disposals	(703)			–	(703)
Write-off	(4)	–	–	(79)	(83)
Depreciation expense	(50,688)	(5,292)	–	(7,368)	(63,348)
Reclassification [(1)]	(16)	–	–	–	(16)
As at 31 December 2021	1,937,028	8,397	–	14,449	1,959,874

[(1)] *Reclassified to other non-current receivables.*

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

	Note	**2021** Rp million	**2020** Rp million
As at 1 January		64,043	83,009
Addition		24,058	28,287
Accretion of interest	10	4,009	7,323
Payments		(48,775)	(54,576)
Write-off		(83)	–
As at 31 December		43,252	64,043
Current		32,052	43,918
Non-current		11,200	20,125

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

15. LEASES (CONT'D)

Group as a lessee (cont'd)

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

	Note	2021 Rp million	2020 Rp million
Depreciation of right-of-use assets	8	63,348	78,461
Interest expense on lease liabilities	10	4,009	7,323
Lease expense relating to low-value assets and short-term leases	8	10,181	11,238
Total amount recognised in consolidated statement of comprehensive income		77,538	97,022

Amounts recognised in the consolidated cash flow statement:

	2021 Rp million	2020 Rp million
Addition to right-of-use assets	32,338	45,253
Payment of principal portion of lease liabilities	44,766	47,253
Total cash outflow for leases	77,104	92,506

Group as a lessor

The Group has entered into operating leases on its CPO tanks and warehouse buildings. These leases have lease terms of 2 years and include a clause for rental revision subject to prevailing market conditions. Rental income recognised by the Group during the year is Rp8.1 billion (2020: Rp5.9 billion).

Future minimum rental receivables under non-cancellable operating leases as at 31 December 2021 relating to CPO tank rental which will be charged based on actual usage.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16. GOODWILL

	Group	
	2021	**2020**
	Rp million	Rp million
At 1 January/31 December	3,211,427	3,211,427

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
Integrated plantation estates of PT CNIS	7,712	7,712
Plantation estates of PT LPI	37,230	37,230
Plantation estates and research facility of PT SAIN	113,936	113,936
Plantation estates of PT RAP	3,388	3,388
Plantation estates of PT JS	1,533	1,533
Integrated plantation estates of PT MISP	34,087	34,087
Plantation estates of PT SAL	86,996	86,996
Plantation estates of PT MLI	6,104	6,104
Total	3,211,427	3,211,427

Goodwill was tested for impairment as at 31 October 2021. As at 31 December 2021, 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 2021 as the recoverable amounts of the goodwill were in excess of their respective carrying values.

The recoverable amount of the goodwill allocated to the plantation estates of Lonsum has been determined based on value-in-use calculations. The recoverable amounts of the goodwill allocated to all other plantation estates were determined based on FVLCD, using discounted cash flow method. The FVLCD derived is categorised under Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16. GOODWILL (CONT'D)

The following assumptions were used to estimate the recoverable amounts:

		Pre-tax discount rate		Growth rate after forecast period	
Cash generating units	**Carrying amount of goodwill**	**31 October 2021**	**31 October 2020**	**31 October 2021**	**October 2020**
Recoverable amount assessment based on value-in-use					
Integrated plantation estates of Lonsum	2,909,757	12.69%	12.54%	5.45%	5.30%
Recoverable amount assessment based on FVLCD					
Plantation estates of PT GS	8,055	12.80%	12.85%	5.45%	5.30%
Plantation estates of PT MPI	2,395	12.75%	12.73%	5.45%	5.30%
Plantation estates of PT SBN	234	11.92%	12.53%	5.45%	5.30%
Integrated plantation estates of PT CNIS	7,712	11.86%	12.53%	5.45%	5.30%
Plantation estates of PT LPI	37,230	10.48%	10.61%	5.45%	5.30%
Plantation estates and research facility of PT SAIN	113,936	12.50%	12.54%	5.45%	5.30%
Plantation estates of PT RAP	3,388	12.45%	12.78%	5.45%	5.30%
Plantation estates of PT JS	1,533	12.50%	12.12%	5.45%	5.30%
Integrated plantation estates of PT MISP	34,087	12.52%	12.97%	5.45%	5.30%
Plantation estates of PT SAL	86,996	9.51%	8.79%	5.45%	5.30%
Plantation estates of PT MLI	6,104	10.15%	10.70%	5.45%	5.30%
Sub-total	301,670				
Grand total	3,211,427				

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16. GOODWILL (CONT'D)

The recoverable amounts of the CGU were determined using 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 discounted cashflow model are projected prices of CPO, rubber, sugar and logs.

- CPO — The projected prices are based on the outlook from reputable independent forecasting service firm and the World Bank forecasts for the projection period.
- Rubber — The projected prices (RSS1 and other rubber products of the Group) over the projection period are based on the extrapolation of actual selling prices and the forecasted price trend from the World Bank.
- Sugar — The sugar prices used in the projection are based on the extrapolation of actual selling prices and the forecasted price trend from the World Bank, but not exceeding the highest retail price imposed by the Ministry of Trade of Indonesia.
- Logs — The projected prices of logs are based on the average selling prices of the produce which are extrapolated based on changes of market prices of plywood log.

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

Changes to the assumptions used by the management to determine the recoverable amounts, 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 amounts.

Management has assessed that there were no indicators of impairment on the above-mentioned goodwill as at 31 December 2021 that required the Group to perform additional impairment tests of goodwill, other than the annual tests as at 31 October 2021.

17. CLAIMS FOR TAX REFUND

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

18. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group	
	2021 Rp million	**2020** Rp million
Temporary tax differences:		
Property, plant and equipment	(906,980)	(918,583)
Biological assets	(179,791)	(115,160)
Withholding tax on unremitted foreign interest income	(25,207)	(20,325)
Adjustments for uncollectible and loss arising from changes in amortised cost of plasma receivables	111,553	121,133
Allowance for employees benefit expenses	33,350	35,466
Allowance for decline in market value and obsolescence of inventories	27,847	83,361
Provision for unrecoverable advance	12,915	11,741
Employee benefits liabilities	407,514	366,520
Deferred inter-company profits	29,291	28,616
Tax losses carry forward	189,704	400,739
Impairment loss of property, plant and equipment	60,643	–
Others	(23,958)	202
Total	(263,119)	(6,290)
Classified as:		
Deferred tax assets	398,509	570,877
Deferred tax liabilities	(661,628)	(577,167)

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 Rp25.2 billion (2020: Rp20.3 billion) in respect of unremitted foreign interest income arising from cash at banks, short-term deposits and shareholder loan to its subsidiary.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

18. DEFERRED TAX (CONT'D)

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

	Group	
	2021 Rp million	**2020** Rp million
Deferred income tax movements:		
Property, plant and equipment and biological assets	112,555	(206,548)
Allowance for unrecoverable advance for investment	(1,174)	2,936
Adjustments of EIR amortisation of plasma receivables	9,582	17,386
Write-back for allowance of decline in market value and obsolescence of inventories	(2,992)	4,752
Employee benefits liabilities	(59,547)	102,489
Deferred inter-company (losses)/profits	(675)	3,509
Provision for employee benefits expense	2,116	(9,009)
Tax losses carry forward	211,035	272,811
Impairment loss of property, plant and equipment	(60,643)	–
Others	26,932	7,813
Net deferred tax expense reported in the consolidated statement of comprehensive income (Note 11)	237,189	196,139

Unrecognised tax losses

At the end of the reporting period, the Group has total tax losses amounting to Rp3,626.2 billion (2020: Rp3,752.2 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 Rp608.1 billion (2020: Rp349.7 billion) attributable to Rp2,763.9 billion (2020: Rp1,748.6 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 Rp690.1 billion (2020: Rp617.1 billion) as at 31 December 2021 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 Rp 35.4 billion (2020:Rp36.2 billion) as at 31 December 2021 in respect of unremitted foreign-sourced interest income amounted to Rp109.5 billion (2020: Rp109.5 billion) as the Group has control over the remittance and this foreign-sourced interest income will be retained for future expansionary plans and capital injection in overseas markets and will not be remitted into Singapore in the foreseeable future. The potential deferred tax liabilities are before taking into account the foreign tax credit claim on the Indonesia withholding tax suffered by the Company on the interest income (if applicable).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2021	**2020**
	Rp million	Rp million
Shares, at cost	10,706,846	10,706,846

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 %		Principal activities
		2021	2020	
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. (IFAR Brazil) [1]	Singapore	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	73.46	73.46	Investment, research, management and technical services, and oil palm seed breeding
PT Mentari Subur Abadi (PT MSA) [3]	Indonesia	57.23	40.99	Investment and ownership of oil palm plantations and mill

NOTES TO THE FINANCIAL STATEMENTS

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19. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2021	Effective percentage of equity held % 2020	Principal activities
Held by PT Salim Ivomas Pratama Tbk (cont'd)				
PT Mega Citra Perdana (PT MCP) [4]	Indonesia	21.83	21.83	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN) [3]	Indonesia	43.20	43.20	Ownership of oil palm plantations
PT Lajuperdana Indah (PT LPI) [2]	Indonesia	22.44	22.44	Ownership of sugar cane plantations and sugar mills/ refineries
PT Mitra Intisejati 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 and mill
PT Cangkul Bumisubur(PT CBS) [3]	Indonesia	73.31	73.31	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	73.31	73.31	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2021	2020	Principal activities
Held by IndoInternational Green Energy Resources Pte. Ltd.				
PT Mentari Subur Abadi (PT MSA) [3]	Indonesia	1.54	3.08	Investment and ownership of oil palm plantations and mill
PT Mega Citra Perdana (PT MCP) [4]	Indonesia	22.25	22.25	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN) [3]	Indonesia	0.88	0.88	Ownership of oil palm plantations
PT Lajuperdana Indah (PT LPI) [2]	Indonesia	22.72	22.72	Ownership of sugar cane plantations and sugar mills/ refineries
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	58.77	44.07	Ownership of oil palm plantations

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2021	2020	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	Plantation, processing and trading
Lonsum Singapore Pte. Ltd. (LSP) [6]	Singapore	43.72	43.72	Trading and marketing
PT Tani Musi Persada (PT TMP) [5]	Indonesia	43.68	43.68	Ownership of oil palm plantations
PT Sumatra Agri Sejahtera (PT SAS) [5]	Indonesia	43.71	43.71	Ownership of oil palm plantations
PT Tani Andalas Sejahtera (PT TAS) [5]	Indonesia	39.35	39.35	Ownership of oil palm plantations
Agri Investment Pte. Ltd. (AIPL) [6]	Singapore	43.72	43.72	Investment holding
PT Wushan Hijau Lestari (PT WHL) [3]	Indonesia	28.41	28.41	Agriculture, forestry, fishing and trading
Held by PT Mentari Pertiwi Makmur				
PT Sumalindo Alam Lestari (PT SAL) [7]	Indonesia	58.64	58.64	Development of industrial timber plantations
Held by PT Sumalindo Alam Lestari and PT Mentari Pertiwi Makmur				
PT Wana Kaltim Lestari (PT WKL) [7]	Indonesia	58.64	58.64	Development of industrial timber plantations
Held by Lonsum Singapore Pte. Ltd.				
Sumatra Bioscience Pte. Ltd. (SBPL) *	Singapore	43.72	43.72	Trading, marketing and research

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of subsidiaries	Country of incorporation	Effective percentage of equity held % 2021	2020	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 2021:					
PT SIMP	Indonesia	26.54	267,317	4,353,040	55,230
31 December 2020:					
PT SIMP	Indonesia	26.54	84,181	3,873,785	41,423

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19. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

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

	PT SIMP [1]	
	As at 31 December 2021 Rp million	**As at 31 December 2020** Rp million
Summarised balance sheet		
Current		
Assets	9,512,041	7,788,866
Liabilities	(9,243,096)	(8,925,753)
Net current assets/(liabilities)	268,945	(1,136,887)
Non-current		
Assets	27,103,803	28,336,992
Liabilities	(7,116,858)	(8,149,919)
Net non-current assets	19,986,945	20,187,073
Net assets	20,255,890	19,050,186
Summarised statement of comprehensive income		
Revenue	19,658,529	14,474,700
Profit before income tax	2,184,209	931,514
Income tax expense	(941,121)	(620,310)
Profit after tax	1,243,088	311,204
Other comprehensive income	64,349	409,688
Total comprehensive income	1,307,437	720,892
Other summarised information		
Net cash flows from operations	3,521,910	2,328,526

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20. INVESTMENT IN ASSOCIATE COMPANIES

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

	Group	
	2021	**2020**
	Rp million	Rp million
Associate companies which are strategic to the Group activities		
FP Natural Resources Limited ("FPNRL")	167,038	221,714
Asian Assets Management Pte Ltd ("AAM")	743,456	745,169
PT Aston Inti Makmur ("AIM")	349,583	349,059
PT Prima Sarana Mustika ("PT PSM")	19,394	15,455
PT Indoagri Daitocacao ("Daitocacao")	188,623	206,604
	1,468,094	1,538,001

	Group	
	2021	**2020**
	Rp million	Rp million
Cost of investment, at cost	1,877,942	1,877,942
Cumulative share of results and other comprehensive income	(509,133)	(435,878)
Foreign currency translation	86,364	83,016
Gain from deemed disposal	12,921	12,921
Carrying value of investment	1,468,094	1,538,001

NOTES TO THE FINANCIAL STATEMENTS

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20. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

Name of associates	Country of incorporation	Effective percentage of equity held % 2021	Effective percentage of equity held % 2020	Principal activities
Held by the Company				
FPNRL [(i)]	British Virgin Islands	30.00	30.00	Investment holdings
Held by Lonsum				
AAM [(ii)]	Singapore	10.92*	10.92*	Investment holdings
AIM [(iii)]	Indonesia	10.92*	10.92*	Ownership and building management
Held by PT SIMP				
PT PSM [(iv)]	Indonesia	29.38	29.38	Construction services, rental of heavy equipment and trading of agriculture equipment
Daitocacao [(v)]	Indonesia	36.00	36.00	Manufacture and marketing of chocolate for commercial distribution or wholesale to manufacturing companies

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

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

FPNRL

FPNRL is an investment holding company, incorporated in British Virgin Islands in July 2013. It is a 30%:70% joint venture between the Company and its ultimate holding company, First Pacific Company Limited. FPNRL in turn owns 62.9% (2020: 62.9%) in Roxas Holdings Inc ("RHI"). RHI is engaged in processing of sugar cane for the production and marketing of sugar and ethanol in the Philippines.

AAM and AIM

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

Daitocacao

Daitocacao is 49% and 51% owned by PT SIMP and Daitocacao Co. Ltd. respectively. Daitocacao completed the construction of its factory and has commenced its full operations in July 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

The summarised financial information in respect of FPNRL, AAM, AIM 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		AIM		Daitocacao	
	2021 Rp million	2020 Rp million	2021 Rp million	2020 Rp million	2021 Rp million	2020 Rp million	2021 Rp million	2020 Rp million
Current assets	873,663	717,310	61,202	63,472	43,526	46,197	82,736	41,767
Non-current assets	3,143,206	3,162,299	4,540,271	4,567,102	3,775,046	3,788,110	366,793	382,700
Total assets	4,016,869	3,879,609	4,601,473	4,630,574	3,818,572	3,834,307	449,529	424,467
Current liabilities	1,422,449	1,965,137	10,839	3,959	10,691	3,760	25,085	2,363
Non-current liabilities	1,708,100	742,064	216,045	247,201	188,326	216,454	39,323	345
Total liabilities	3,130,549	2,707,201	226,884	251,160	199,017	220,214	64,408	2,708
Net assets	886,320	1,172,408	4,374,589	4,379,414	3,619,555	3,614,093	385,121	421,759
Proportion of the Group's ownership	30.00%	30.00%	24.98%	24.98%	24.99%	24.99%	49.00%	49.00%
Group's share of net assets	265,896	351,722	730,535	732,248	349,583	349,059	188,709	206,662
Foreign currency translation	(98,858)	(130,008)	–	–	–	–	(86)	(58)
Deemed disposal gain	–	–	12,921	12,921	–	–	–	–
Carrying amount of investment	167,038	221,714	743,456	745,169	349,583	349,059	188,623	206,604

Summarised statement of comprehensive income

	FPNRL		AAM		AIM		Daitocacao	
	2021 Rp million	2020 Rp million	2021 Rp million	2020 Rp million	2021 Rp million	2020 Rp million	2021 Rp million	2020 Rp million
Revenue	1,431,852	2,208,308	–	–	–	–	57,069	8,951
(Loss)/profit after tax	(208,299)	(1,280,869)	(6,857)	6,056	5,462	26,619	(36,696)	(36,039)
Other comprehensive income for the year	(47,487)	60,371	–	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

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

	Group 2021 Rp million	Group 2020 Rp million
Share of profit after tax and other comprehensive income	8,594	4,654

21. INVESTMENT IN JOINT VENTURES

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

	Group 2021 Rp million	Group 2020 Rp million
Joint ventures which are strategic to the Group activities		
Companhia Mineira de Açúcar e Álcool Participações ("CMAA")	363,205	664,036
Bússola Empreendimentos e Participações S.A ("Bússola")	12,158	1
	375,363	664,037

	Group 2021 Rp million	Group 2020 Rp million
Cost of investment (including acquisition related costs)	1,019,301	1,009,505
Cumulative share of results and other comprehensive income	(139,589)	76,094
Loss on deemed disposal	(87,049)	(87,049)
Foreign currency translation	(358,522)	(334,513)
Dividend payment	(58,778)	–
Carrying value of investment	375,363	664,037

Name of joint ventures	Country of incorporation	Effective percentage of equity held % 2021	2020	Principal activities
Held by the IFAR Brazil Pte Ltd				
CMAA	Brazil	36.21	36.21	Ownership of sugar cane plantations and sugar and ethanol factories
Bússola	Brazil	36.21	36.21	Real estate

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

21. INVESTMENT IN JOINT VENTURES (CONT'D)

CMAA and Bússola

In 2020, the shareholders of CMAA and Canápolis approved a corporate restructuring transaction to merge Canápolis with CMAA with an objective to consolidate the sugar assets and operations under a single legal structure. Canápolis was merged with CMAA, in consideration for which CMAA issued new shares to the shareholders of Canápolis, which is the Group and JF Family, based on an independent valuation prepared by a third-party valuer. In addition, all the freehold lands owned by CMAA and Canápolis were consolidated and transferred to a new entity, Bússola, which was incorporated in 2020.

Upon the completion of the corporate restructuring at the end of December 2020, both CMAA and Bússola were 50.00%, 36.21% and 13.79% owned by JF Family, the Group and Rio Grande, respectively.

In September 2021, the shareholders of Bússola injected additional capital of BRL10 million in Bússola, whereby the Group's 36.21% share was BRL3.621 million (equivalent to Rp9.8 billion).

Summarised financial information in respect of CMAA, Bússola and Canápolis based on its respective local financial reporting standards which are 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			
	2021		2020	
	CMAA Rp million	Bússola Rp million	CMAA Rp million	Bússola Rp million
Cash and cash equivalents	328,054	345	1,160,364	24,421
Other current assets	2,238,790	1,166	1,743,788	1,386
Current assets	2,566,844	1,511	2,904,152	25,807
Non-current assets	6,236,260	614,273	4,950,025	669,334
Total assets	8,803,104	615,784	7,854,177	695,141
Current liabilities	(3,563,245)	(74,795)	(2,718,402)	(180,766)
Total non-current liabilities	(4,688,144)	(511,853)	(3,953,043)	(519,083)
Total liabilities	(8,251,389)	(586,648)	(6,671,445)	(699,849)
Net assets/(liabilities)	551,715	29,136	1,182,732	(4,708)
Proportion of the Group's ownership	36.21%	36.21%	36.21%	36.21%
Group's share of net assets	199,776	10,550	428,267	(1,705)
Acquisition costs capitalised	52,405	9,260	52,405	–
Goodwill on acquisition	298,336	–	298,336	–
Loss on deemed disposal	(87,049)	–	(87,049)	–
Dividend payment	(58,778)	–	–	–
Foreign currency translation	(41,485)	(7,652)	(27,923)	1,706
Carrying value of investment	363,205	12,158	664,036	1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

21. INVESTMENT IN JOINT VENTURES (CONT'D)

Summarised statement of comprehensive income

	Group				
	2021		2020		
	CMAA	Bússola	CMAA	Canápolis	Bússola
	Rp million	Rp million	Rp million	Rp million	Rp million
Revenue	4,395,857	78,436	3,656,050	105,835	789
Depreciation and amortisation	(1,246,646)	5	(295,195)	3,680	–
Interest income	528,103	42	771,277	7,402	146
Interest expense	(1,021,712)	(55,187)	(1,016,359)	(48,398)	(5,771)
Other operating expenses	(2,157,594)	(6,272)	(2,475,325)	(83,396)	(79)
Profit/(loss) before tax	498,008	17,024	640,448	(14,877)	(4,915)
Income tax (expense)/benefit	(34,158)	(8,723)	(73,035)	1,636	39
Profit/(loss) after tax	463,850	8,301	567,413	(13,241)	(4,876)
Other comprehensive income	(871,821)	–	(544,398)	–	–
Total comprehensive income	(407,971)	8,301	23,015	(13,241)	(4,876)

22. OTHER NON-CURRENT ASSETS

	Group		Company	
	2021	2020	2021	2020
	Rp million	Rp million	Rp million	Rp million
Non-current:				
Non-financial assets				
Advances	365,313	273,016	–	–
Prepayments	2,398	2,475	–	–
Others	54,056	58,225	–	–
Total advances and prepayments	421,767	333,716	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

	Note	Group 2021 Rp million	Group 2020 Rp million	Company 2021 Rp million	Company 2020 Rp million
Financial assets					
Amount due from a subsidiary		–	–	860,000	970,000
Loans to employees		2,113	2,145	–	–
Available-for-sale financial asset at FVOCI	34(a)	–	15,888	–	–
Plasma receivables	32(a)	1,321,958	1,563,637	–	–
Deposits		19,884	20,910	10	10
Total other non-current receivables		1,343,955	1,602,580	860,010	970,010
Total other non-current assets		1,765,722	1,936,296	860,010	970,010

Amount due from a subsidiary

The Company has extended a credit facility of Rp860 billion to a subsidiary. The amount of Rp431 billion is repayable in July 2023, while the remaining balance of Rp429 billion is repayable in November 2023. These facilities are non-trade related, unsecured and bears interest at long-term commercial lending rates. The amounts due from this subsidiary is to be settled in cash on the respective due dates.

Loans to employees

The Group provides non-interest bearing loans to officers and employees subject to certain terms and criteria. Such loans, which are being collected through monthly salary deductions over five years, from the date of the loan, are carried at amortised cost using effective interest method, with discount rate of 5.10% (2020: 5.36%) per annum.

Available-for-sale financial asset at FVOCI

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 loss of Rp17.3 billion (2020: Rp0.05 billion) in other comprehensive income without recycling to profit or loss.

Advances and deposits

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

23. INVENTORIES

	Group 2021 Rp million	2020 Rp million
Balance sheet:		
Raw materials	1,167,578	1,369,492
Finished goods	1,030,315	884,573
Spare parts and factory supplies	457,449	417,844
Total inventories at the lower of cost and net realisable value	2,655,342	2,671,909

	Note	Group 2021 Rp million	2020 Rp million
Consolidated statement of comprehensive income:			
Inventories recognised as an expense in cost of sales, net	5	14,572,776	11,563,637
Inclusive of the following charges:			
– Allowance for decline in market value and obsolescence of inventories		55,461	48,737
– Reversal of decline in market value and obsolescence of inventories		(42,267)	(56,279)
	5	13,194	(7,542)

As of December 31, 2021, inventories are covered by insurance against losses from fire and other risks under a certain policy package with total coverage of Rp1,648.4 billion which in management's opinion, is adequate to cover possible losses that may arise from such risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

24. RECEIVABLES

	Note	Group 2021 Rp million	Group 2020 Rp million	Company 2021 Rp million	Company 2020 Rp million
Current:					
Financial assets					
Trade receivables					
Third parties		686,217	654,426	–	–
Related parties		776,776	541,184	–	–
Other receivables					
Plasma receivables	32(a)	7,112	10,032	–	–
Loans to employees		2,966	3,581	–	–
Subsidiary companies		–	–	42,533	89,680
Related parties		5,332	441	–	–
Third parties		44,120	39,943	–	
Others		41,229	50,425	541	464
Total trade and other receivables		1,563,752	1,300,032	43,074	90,144
Non-financial assets					
Advances and prepayments					
Advances to suppliers		443,138	321,266	–	–
Prepayments		17,136	19,278	151	150
Total advances and prepayments		460,274	340,544	151	150
Total receivables		2,024,026	1,640,576	43,225	90,294

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, and there is no concentration of credit risk.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

24. RECEIVABLES (CONT'D)

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

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

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

	Group		Company	
	2021	2020	2021	2020
	Rp million	Rp million	Rp million	Rp million
US Dollars	63,630	56,466	20,669	69,094
Others	710	463	710	951

Receivables that are past due but not impaired

The Group has the following trade receivables 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	
	2021	2020
	Rp million	Rp million
Past due but not impaired:		
1 – 30 days	290,311	258,762
31 – 60 days	50,457	18,888
61 – 90 days	6,916	16,293
More than 90 days	28,298	43,450
	375,982	337,393

Receivables that are impaired

The Group's trade receivables that are collectively impaired at the balance sheet date and the movement of the allowance account used to record the impairment are as follows:

	Group	
	2021	2020
	Rp million	Rp million
As at 1 January	150	53
(Write-back)/allowance for the year	(2)	97
As at 31 December	148	150

Expected Credit Loss

The Group had assessed that the expected credit loss allowance for trade and other receivables is not significant and hence, no allowance was made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

24. RECEIVABLES (CONT'D)

Advances to suppliers

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

	Group	
	2021	**2020**
	Rp million	Rp million
Raw materials	411,719	235,852
Factory supplies, spare parts and others	31,419	85,414
	443,138	321,266

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

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	**2020**	**2021**	**2020**
	Rp million	Rp million	Rp million	Rp million
Cash at bank and in hand	1,422,261	697,383	4,249	12,006
Short term deposits	2,341,383	1,749,111	32,145	6,533
Cash and cash equivalents	3,763,644	2,446,494	36,394	18,539

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	Rp million	Rp million	Rp million	Rp million
US Dollars	813,762	672,522	12,038	11,589
Singapore Dollars	2,917	3,992	2,332	3,290

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

Short-term deposits denominated in US dollars and Rupiah earned interest at annual rates between 0.25% to 1.75% (2020: 0.75% to 2.50%) and 2.30% to 5.00% (2020: 3.50% to 7.00%), respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

26. PAYABLES

	Group		Company	
	2021 Rp million	2020 Rp million	2021 Rp million	2020 Rp million
Current				
Financial liabilities				
Trade payables				
Third parties	681,998	711,556	–	–
Related parties	72,622	73,478	–	–
Other payables and accruals				
Other payables				
Third parties	271,032	311,771	1,463	10
Due to penultimate holding company	73,770	83,003	–	–
Related parties	100,586	102,613	91,322	90,272
Accrued operating expenses	756,854	731,429	15,384	18,793
Total trade and other payables and accruals	1,956,862	2,013,850	108,169	109,075
Non-financial liabilities				
Contract liabilities	299,031	240,542	–	–
Advances	40,000	39,984	–	–
Taxes payable	85,941	60,666	–	–
Total advances and other payables	424,972	341,192	–	–
Total payables	2,381,834	2,355,042	108,169	109,075

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 penultimate holding 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 and benefits, sales incentives, interest charges, purchases of FFB, and transportation fees.

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

	Group		Company	
	2021 Rp million	2020 Rp million	2021 Rp million	2020 Rp million
US Dollars	94,080	92,503	91,322	90,272
Euro	6,028	8,480	–	–
Singapore Dollars	17,530	25,860	16,847	18,803
Others	8,749	7,119	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

27. INTEREST-BEARING LOANS AND BORROWINGS

Current loans and borrowings

Description of credit facilities	End of availability period	Amount 2021 Rp million	Amount 2020 Rp million
Rupiah			
Subsidiaries			
Unsecured facility from PT Bank Central Asia Tbk	March 2022	1,242,000	1,242,000
Unsecured facility from PT Bank Mandiri (Persero) Tbk	June 2022	2,068,800	1,500,000
Unsecured facility from PT Bank DBS Indonesia	September 2022	–	478,000
Unsecured facility from PT Bank Tabungan Pensiunan Nasional Tbk	November 2022	1,006,000	1,022,000
Secured facilities from PT Bank Central Asia Tbk [(1)]	March and September 2022	551,000	302,000
Secured facility from PT Bank DBS Indonesia [(1)]	September 2022	451,000	700,000
Secured facility from PT Bank Tabungan Pensiunan Nasional Tbk [(1)]	November 2022	700,000	700,000
Sub-total		6,018,800	5,944,000
Add: current portion of long-term loans		1,227,612	639,123
Total		7,246,412	6,583,123

[(1)] *Secured by corporate guarantee from PT SIMP in proportion to its equity ownership in the respective subsidiary.*

The Group has unconditional rights to rollover and/or refinance the short-term loans as and when they fall due.

<u>*Effective interest rates*</u>

The short-term loans denominated in Rupiah bear yearly interest rates ranging from 4.70% to 8.25% (2020: 5.50% to 9.00%) per annum for the year ended 31 December 2021.

<u>*Covenants*</u>

The above-mentioned credit agreements obtained by the subsidiaries are subject to several negative covenants, which include among others, grant or obtain new loans without prior consent; limit the ability as guarantor or pledge their assets to other parties; sell or dispose-off assets and make new investments in excess of certain thresholds.

A subsidiary is also required to maintain certain financial ratios.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

Current loans and borrowings (cont'd)

Compliance with loan covenants

As at 31 December 2021 and 2020, 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 agreements.

Non-current loans and borrowings

Description of credit facilities	Schedule of instalment and maturities	Amount 2021 Rp million	Amount 2020 Rp million
Rupiah			
Subsidiaries			
Loan for refinancing, investment and working capital			
Secured facility from PT Bank Permata Tbk	September 2023	750,000	750,000
Secured facilities from PT Bank Central Asia Tbk [(1)]	Quarterly until August 2028	2,940,738	3,863,125
Sub-total		3,690,738	4,613,125
US Dollar			
The Company			
Loans for refinancing and investment			
Unsecured facility from Sumitomo Mitsui Banking Corporation, Singapore	Semi-annual until April 2022	642,105	825,143
Sub-total		642,105	825,143
Total		4,332,843	5,438,268
Less: deferred charges on bank loan		17,532	26,449
Less: current portion		1,227,612	639,123
Total		3,087,699	4,772,696

(1) *Secured by corporate guarantee from the PT SIMP in proportion to its equity ownership in the subsidiary.*

Effective interest rates

The long-term loans denominated in Rupiah bear yearly interest rates ranging from 5.75% to 8.25% (2020: 6.25% to 9.00%) for the year ended 31 December 2021. The long-term loans denominated in US Dollar bear yearly interest rates ranging from 1.37% to 1.47% (2020: 1.47% to 3.15%) for the year ended 31 December 2021.

Covenants

The above-mentioned credit agreements obtained by the Group provides for several negative covenants for the Group, which include among others, limit the ability as a guarantor or pledge their assets to other parties; change the current course of their businesses and shareholders except public shareholders; reduce their share capital; grant or obtain new loans which would affect their ability to perform their obligations under the related credit agreements; pay their shareholders' loans; merge or consolidate with other entity; make new investments and capital expenditures in excess of certain threshold; sell or dispose-off significant portion of their assets used in the operations in excess of certain thresholds.

NOTES TO THE FINANCIAL STATEMENTS

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

Non-current loans and borrowings (cont'd)

Compliance with loan covenants

As at 31 December 2021 and 2020, the Group has complied with all of the covenants of the above-mentioned long-term loans as stipulated in the respective loan agreements or obtained necessary waivers as required by respective loan agreements.

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

			Non-cash changes			
	31 December 2020 Rp million	**Cash Flows** Rp million	**Foreign exchange movement** Rp million	**Amortisation of deferred charges** Rp million	**Other** Rp million	**31 December 2021** Rp million
Current:						
Interest-bearing loans and borrowings	6,583,123	74,800	–	–	588,489	7,246,412
Non-current:						
Interest-bearing loans and borrowings	4,772,696	(1,115,369)	9,906	8,955	(588,489)	3,087,699
Total	11,355,819	(1,040,569)	9,906	8,955	–	10,334,111

			Non-cash changes			
	31 December 2019 Rp million	**Cash Flows** Rp million	**Foreign exchange movement** Rp million	**Amortisation of deferred charges** Rp million	**Other** Rp million	**31 December 2020** Rp million
Current:						
Interest-bearing loans and borrowings	6,910,876	(300,000)	–	–	(27,753)	6,583,123
Non-Current:						
Interest-bearing loans and borrowings	4,640,873	68,156	23,852	12,062	27,753	4,772,696
Total	11,551,749	(231,844)	23,852	12,062	–	11,355,819

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

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28. OTHER NON-CURRENT PAYABLES

	Group	
	2021	**2020**
	Rp million	Rp million
Non-current:		
Financial liabilities		
Due to related parties	618,913	516,143
Non-financial liabilities		
Provision for assets dismantling costs	39,037	39,219
Total other non-current payables	657,950	555,362

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

Provision for assets dismantling costs

Provision for assets dismantling costs represents estimated liabilities for the costs to dismantle, remove and restore the sites of refinery, fractionation and margarine plants located in Jakarta and Surabaya, Indonesia. (Gain)/loss arising from changes in estimates of provision for asset dismantling costs are presented as part of "Other Operating Income" or "Other Operating Expense" accounts in the profit or loss, as shown in Note 6 and 7 respectively.

The movement in provision for assets dismantling costs are:

		Group	
	Note	**2021**	**2020**
		Rp million	Rp million
Balance at 1 January		39,219	35,191
Changes in present value due to the passage of time and discount rates	6,7	(182)	4,028
Balance at 31 December		39,037	39,219

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29. EMPLOYEE BENEFITS

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

The Group's contributions to the funds are computed at 10.0% and 7.0% of the basic pensionable income for staff and non-staff employees, respectively.

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

		Group	
	Note	2021 Rp million	2020 Rp million
Employee benefits expenses (including directors):			
Wages and salaries		2,717,735	2,805,597
Provision for employee benefits		233,016	152,891
Contribution to defined contribution pension plan		16,617	17,123
Training and education		46,964	46,425
	8	3,014,332	3,022,036

As at 31 December 2021, 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	
	2021 Rp million	2020 Rp million
Benefit obligation at 1 January	1,913,683	2,424,489
Benefits paid	(149,231)	(127,807)
Changes charged to profit or loss		
Current service cost	127,499	109,569
Past service cost	(2,575)	–
Interest cost on benefit obligations	123,864	186,871
Net actuarial gain recognised during the year	(1,525)	(7,761)
Gains on curtailments and settlements	(14,247)	(135,788)
Sub-total	233,016	152,891
Re-measurement gain in other comprehensive income		
Actuarial changes arising from changes in demographic assumption	–	(762)
Actuarial changes arising from changes in financial assumptions	1,758	(247,461)
Experience adjustments	(106,711)	(287,667)
Sub-total	(104,953)	(535,890)
Benefit obligation at 31 December	1,892,515	1,913,683

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. EMPLOYEE BENEFITS (CONT'D)

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

Annual discount rate	:	3.0% – 7.5% (2020: 6.4% – 6.5%)
Future annual salary increase	:	4.0% (2020: 4.0%)
Annual employee turnover rate	:	6.0% (2020: 6.0%) for employees under the age of 30 years and linearly decrease until 0% at the age of 52 years
Annual disability rate	:	10% from mortality rate
Retirement age	:	55 years old
Mortality rate reference	:	Indonesian Mortality Table ("IMT") IV

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

	Quantitative sensitivity analysis	
Assumptions	**Increase/(decrease)**	**(Decrease)/increase in the net employee benefits liabilities** Rp million
31 December 2021		
Annual discount rate	100/(100) basis points	(106,494)/140,705
Future annual salary increase	100/(100) basis points	147,954/(113,935)
31 December 2020		
Annual discount rate	100/(100) basis points	(128,468)/146,090
Future annual salary increase	100/(100) basis points	154,156/(136,837)

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	
	2021 Rp million	**2020** Rp million
Within the next 12 months	380,144	167,898
Between 1 and 2 years	220,054	172,749
Between 2 and 5 years	697,805	395,919
Beyond 5 years	7,287,040	8,010,700
Total expected payments	8,585,043	8,747,266

The average duration of the employee benefit plan obligation at the end of the reporting period is 11.2 years (2020: 11.4 years).

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30. SHARE CAPITAL AND TREASURY SHARES

(a) *Share capital*

	Group			
	2021		2020	
	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			
	2021		2020	
	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			
	2021		2020	
	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.

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31. RESERVES

(a) *Revenue reserves*

	Company 2021 Rp million	Company 2020 Rp million
Retained earnings:		
Balance at 1 January	635,865	754,617
Profit/(loss) for the year	34,190	(118,752)
Balance at 31 December	670,055	635,865

(b) *Other reserves*

	Company 2021 Rp million	Company 2020 Rp million
Other reserves:		
Balance at 1 January and 31 December	144,152	144,152

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

Other reserves of the Group comprise capital reserves of subsidiary companies, gain on sale of treasury shares, re-measurement of employee benefits liabilities and foreign currency translation differences. Movement in the reserves of the Group are shown in the consolidated statement of changes in equity.

(c) *Dividends*

	Company 2021 Rp million	Company 2020 Rp million
Declared and paid during year:		
Dividends on ordinary shares:		
– Final tax exempt (one-tier) dividend for 2020: nil (2019: nil) per share	–	–
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 2021: 0.8 Singapore cents (2020: nil Singapore cents) per share	117,633	–

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32. COMMITMENTS AND CONTINGENCIES

(a) *Plasma receivables*

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

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

The loans advanced by the banks under the Plasma Scheme are secured by the sales proceeds of FFB of the respective plasma plantations and corporate guarantees from certain subsidiary companies for a maximum amount of Rp301.0 billion (2020: Rp433.9 billion) as at 31 December 2021.

The Group recorded an allowance for uncollectible and adjustments of EIR amortisation of plasma receivables in its consolidated balance sheet amounting to Rp988.7 billion (2020: Rp640.1 billion). Based on a review of the plasma receivables of each project as at 31 December 2021, management believes that the above-mentioned allowance for uncollectible plasma receivables is sufficient to cover possible losses arising from the uncollectible plasma receivables.

An analysis of the movement in allowance for uncollectible and adjustments of EIR amortisation of plasma receivables are as follows:

	Group	
	2021	**2020**
	Rp million	Rp million
At 1 January	640,052	584,853
Allowance charge for the year	543,457	41,229
Adjustments of EIR amortisation	(190,930)	13,970
Write-off	(3,907)	–
At 31 December	988,672	640,052

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

32. COMMITMENTS AND CONTINGENCIES (CONT'D)

(a) Plasma receivables (cont'd)

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

		Group	
	Note	**2021**	**2020**
		Rp million	Rp million
Balance at 1 January		1,573,669	1,476,618
Allowance and adjustments of EIR amortisation	7	(352,527)	(55,199)
Additional net investment		107,928	152,250
Balance at 31 December	22,24	1,329,070	1,573,669

(b) Sales commitments

As at 31 December 2021, 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	**2021**	**2020**
Palm products, rubber, tea, cocoa	Tonnes	10,072	23,084
Oil palm seeds	Unit	301,106	43,100
Seedlings	Unit	1,135	75

(c) Commitments for capital expenditures

As of 31 December 2021, 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 Rp371.1 billion (2020: Rp225.6 billion).

(d) Contingent liabilities

As of 31 December 2021, there are no probable claims against the Group that may cause material impact to the Group.

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33. RELATED PARTY TRANSACTIONS

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

Nature of transactions	Year	A shareholder of the Group Rp million	Related companies [1] Rp million	Other related parties [2] Rp million
Sales of goods	2021	19	5,636,745	3,028,360
	2020	20	4,223,123	2,049,113
Purchases of packaging materials	2021	–	132,860	–
	2020	–	127,065	–
Purchases of services, transportation equipment and spare parts	2021	–	5,356	79,754
	2020	–	5,568	63,544
Royalty fee expenses	2021	6,515	–	–
	2020	6,287	–	–
Pump services expenses	2021	–	–	7,782
	2020	–	–	7,822
Rental expenses	2021	–	40,785	8,381
	2020	–	–	45,129
Insurance expenses	2021	–	–	21,032
	2020	–	–	16,894
Other operating income	2021	–	5,011	–
	2020	–	8,116	–
Financial income	2021	–	–	14,135
	2020	–	–	–
Financial expenses	2021	–	–	28,735
	2020	–	–	23,935

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

Compensation of key management personnel of the Group

	2021 Rp million	2020 Rp million
Salaries and short-term employee benefits	188,291	132,624
Termination benefits	3,016	4,134
Post-employment benefits	15,433	11,750
Total compensation paid to the key management personnel	206,740	148,508

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34. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

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

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

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

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

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

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

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 2021			
Recurring fair value measurements			
Biological assets-timber plantations (Note 13)	–	–	328,344
Biological assets-agricultural produce (Note 13)	–	410,468	462,925
As at 31 December 2020			
Recurring fair value measurements			
Biological assets-timber plantations (Note 13)	–	–	313,453
Biological assets-agricultural produce (Note 13)	–	324,007	453,381
Available-for-sale financial asset at FVOCI (Note 22)	–	–	15,888

There were no transfers between Level 1 and Level 2, and into or out from Level 3 during the year.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

(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 recoverable amounts 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.

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

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

Plasma receivables and long-term loans to employees are carried at amortised cost using the effective interest method and the discount rates used are the current market incremental lending rate for similar types of lending. The effective yearly interest rates were ranging from 5.10% to 8.58% (2020: 5.36% to 9.44%) per annum for the year ended 31 December 2021.

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

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, market risk (including foreign 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.

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

(a) *Interest rate risk (cont'd)*

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)	2021 (Decrease)/increase in profit before tax Rp million	2020 (Decrease)/increase in profit before tax Rp million
Floating interest rate	50/(50) basis points	(Rp15,929)/Rp15,929	(Rp12,425)/Rp12,425

(b) *Foreign currency risk*

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

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

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

Variable	Increase/ (decrease)	2021 Increase/(decrease) in profit before tax Rp million	2020 (Decrease)/increase in profit before tax Rp million
Exchange rate of Rupiah against US Dollar	10%/(10%)	Rp14,176/(Rp14,176)	(Rp18,455)/Rp18,455

(c) *Commodity price risk*

Commodity price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market 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 2021 and 2020, it 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.

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

(d) Credit risk

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

The Group has credit risk arising from the credit granted to its customers and plasma farmers and placement of current accounts and deposits in the banks. At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the consolidated balance sheet.

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

Cash and cash equivalents

Credit risk arising from placements of current accounts and deposits is managed in accordance with the Group's policy. Such limits are set to minimise the concentration of credit risk and therefore mitigate financial loss through potential failure of the banks.

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 allowances may be made if the debt is deemed uncollectible. To mitigate credit risk, the Group will cease the supply of all products to customers in the event of late payment and/or default.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type, payment terms and due date).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 22 and 24. The Group does not hold collateral as security or letters of credit and other forms of credit insurance. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in dispersed locations and industries.

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

(d) Credit risk (cont'd)

Plasma Receivables

As disclosed in Notes 2.9 and 32(a), plasma receivables represent costs incurred for plasma plantation development which include costs for plasma plantations funded by the banks and temporarily self-funded by the subsidiaries awaiting banks' funding.

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

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

An impairment analysis is performed at each reporting date as disclosed in Note 3.1(b) to measure ECL. The Group evaluates the concentration of risk with respect to plasma receivables as low, as the cooperatives are dispersed in accordance with the locations of the subsidiaries.

The Group's maximum credit risk exposure to plasma receivables at the reporting date are as follows:

– The carrying amount of each class of financial assets disclosed in Note 22 and 24 in the balance sheets; and
– An amount of Rp301.0 billion (2020: Rp 433.9 billion) relating to financial guarantees provided by Nucleus Companies for repayment of plasma farmers' loans to banks (Note 32(a)).

(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.

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

(e) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities which included the related interest charges 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 2021				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	43,844	3,278,536	271,637	3,594,017
Other non-current payables	650,198	–	–	650,198
Trade and other payables and accruals	1,956,862	–	–	1,956,862
Current interest-bearing loans and borrowings	7,672,980	–	–	7,672,980
Total undiscounted financial liabilities	10,323,884	3,278,536	271,637	13,874,057
As at 31 December 2020				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	48,088	3,984,451	992,043	5,024,582
Other non-current payables	552,613	36,470	–	589,083
Trade and other payables and accruals	2,013,850	–	–	2,013,850
Current interest-bearing loans and borrowings	7,003,588	636,213	–	7,639,801
Total undiscounted financial liabilities	9,618,139	4,657,134	992,043	15,267,316

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

(e) Liquidity risk (cont'd)

Undiscounted loans and borrowings with floating rates had been determined with reference to the applicable rates as at balance sheet dates.

	One year or less Rp million	**One to five years** Rp million	**More than 5 years** Rp million	**Total** Rp million
Company				
As at 31 December 2021				
Financial liabilities:				
Trade and other payables and accruals	108,169	–	–	108,169
Current interest-bearing loans and borrowings	644,562	–	–	644,562
Total undiscounted financial liabilities	752,731	–	–	752,731
As at 31 December 2020				
Financial liabilities:				
Trade and other payables and accruals	109,075	–	–	109,075
Non-current interest-bearing loans and borrowings	204,180	636,213	–	840,393
Total undiscounted financial liabilities	313,255	636,213	–	949,468

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

Certain subsidiary companies are required to comply with loan covenants imposed by their lenders, such as maintaining the level of existing share capital. This externally imposed requirement has been complied with by the relevant subsidiary companies for the financial year ended 31 December 2021 and 2020. Additionally, certain subsidiary companies in Indonesia are required by the Corporate Law to maintain a non-distributable reserve until it reaches 20% of the issued and paid share capital. This externally imposed capital requirements are subject to shareholders' consideration at the annual general meeting of these subsidiary companies.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 2020.

The Group monitors capital using gearing ratios, by dividing net loans and borrowings with total equity. The Group's policy is to keep the gearing ratio within the range of gearing ratios of leading companies in similar industry in Indonesia in order to secure access to finance at a reasonable cost.

Capital managed by the management includes equity attributable to the majority shareholders of the Company and non-controlling interests.

	Group	
	2021	**2020**
	Rp million	Rp million
Non-current interest-bearing loans and borrowings	3,087,699	4,772,696
Current interest-bearing loans and borrowings	7,246,412	6,583,123
	10,334,111	11,355,819
Less: Cash and cash equivalents	(3,763,644)	(2,446,494)
Net debts	6,570,467	8,909,325
Total equity	21,370,014	20,446,928
Gearing ratio	31%	44%

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37. SEGMENT INFORMATION

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

Plantations segment

Plantations segment is mainly involved in the development and maintenance of oil palm, rubber and sugar cane plantations and other business activities relating to palm oil, rubber and sugar cane processing, marketing and selling. This segment is also involved in the cultivation of cocoa, tea and industrial timber plantations.

Edible oils and fats segment

Edible oils and fats segment produces, markets and sells edible oil, margarine, shortening and other related products and its derivative products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance expenses and finance income), foreign exchange gain/loss and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between business segments are based on terms agreed between the parties. Segment revenues, segment expenses and segment results include transfers between business segments. Those transfers are eliminated for purposes of consolidation.

Others/eliminations for segment assets and liabilities relates primarily to eliminations between inter-segment receivables and payables, and the Company's assets and liabilities.

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37. SEGMENT INFORMATION (CONT'D)

The following table presents revenue and profit and certain asset and liability information regarding the Group's business segments:

Business segments

	Plantations Rp million	Edible Oils and Fats Rp million	Others/ eliminations Rp million	Total Rp million
Year ended 31 December 2021				
Revenue				
Sales to external customers	3,385,333	16,273,196	–	19,658,529
Inter-segment sales	7,176,019	3,244	(7,179,263)	–
Total sales	10,561,352	16,276,440	(7,179,263)	19,658,529
Share of results of associate companies	(15,230)	–	(45,767)	(60,997)
Share of results of joint ventures	–	–	104,357	104,357
Segment results	2,667,320	476,167	(52,272)	3,091,215
Net finance expense				(560,122)
Foreign exchange loss				(2,312)
Impairment loss of property, plant and equipment				(313,452)
Profit before tax				2,258,689
Income tax expense				(978,802)
Net profit for the year				1,279,887
Assets and liabilities				
Segment assets	28,909,706	4,788,595	84,499	33,782,800
Goodwill	3,211,427	–	–	3,211,427
Prepaid taxes				191,507
Deferred tax assets				398,509
Claims for tax refund				67,164
Total assets				37,651,407
Segment liabilities	3,587,630	1,188,436	(599,735)	4,176,331
Unallocated liabilities				11,133,331
Deferred tax liabilities				661,628
Income tax payable				310,103
Total liabilities				16,281,393
Other segment information:				
Capital expenditure	1,218,333	32,454	–	1,250,787
Depreciation and amortisation	1,305,027	111,420	51,730	1,468,177
Gain from changes in fair value of biological assets	112,690	–	–	112,690
Changes in employee benefits	190,528	42,488	–	233,016
Impairment loss of property, plant and equipment	313,452	–	–	313,452

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

37. SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

	Plantations Rp million	Edible Oils and Fats Rp million	Others/ eliminations Rp million	Total Rp million
Year ended 31 December 2020				
Revenue				
Sales to external customers	3,024,394	11,450,306	–	14,474,700
Inter-segment sales	5,432,925	814	(5,433,739)	–
Total sales	8,457,319	11,451,120	(5,433,739)	14,474,700
Share of results of associate companies	(13,686)	–	(235,638)	(249,324)
Share of results of joint ventures	–	–	126,670	126,670
Segment results	1,218,756	486,312	(55,632)	1,649,436
Net finance expense				(673,307)
Foreign exchange loss				(44,712)
Impairment loss of property, plant and equipment				(2,580)
Profit before tax				806,183
Income tax expense				(642,617)
Net profit for the year				163,566
Assets and liabilities				
Segment assets	28,411,765	4,684,273	275,892	33,371,930
Goodwill	3,211,427	–	–	3,211,427
Prepaid taxes				230,281
Deferred tax assets				570,877
Claims for tax refund				105,716
Total assets				37,490,231
Segment liabilities	3,548,912	1,356,694	(681,297)	4,224,309
Unallocated liabilities				12,019,640
Deferred tax liabilities				577,167
Income tax payable				222,187
Total liabilities				17,043,303
Other segment information:				
Investment in associate companies	1,316,287	–	221,714	1,538,001
Capital expenditure	1,381,889	106,042		1,487,931
Depreciation and amortisation	1,265,594	103,310	116,058	1,484,962
Gain from changes in fair value of biological assets	3,108	–	–	3,108
Changes in employee benefits	119,663	33,228	–	152,891

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

37. SEGMENT INFORMATION (CONT'D)

Geographical segments

The following table presents sales to customers based on the geographical location of the customers:

	2021 Rp million	2020 Rp million
Region		
Indonesia	16,416,065	12,782,614
Singapore	1,519,891	616,506
China	1,222,751	640,728
Nigeria	173,464	149,995
Timor Leste	64,412	72,358
Germany	55,158	29,636
Philippines	42,576	51,868
Myanmar	23,396	23,820
Others	140,816	107,175
Segment revenue	19,658,529	14,474,700

The Group's capital expenditure and segment assets are primarily incurred and located in Indonesia.

38. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 25 March 2022.

INTERESTED PERSON TRANSACTIONS

Interested person transactions ("IPT') carried out during the financial year ended 31 December 2021 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) Rp 'billion	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	–	5,642
• Purchase of goods, services and assets	–	184
Salim Group		
• Sales of cooking oil, seeds and material	–	3,028
• Purchases of goods and services	–	408
• Shareholder loans	–	1,627
• Corporate guarantees	–	1,834
• PT SIMP subscribed new shares in PT Mentari Subur Abadi	807	–

ESTATE LOCATIONS

No	Company	Estate Name	District	Province	Description
1	Salim Ivomas Pratama Tbk	Kayangan	Rokan Hilir	Riau	Oil Palm Estate
		Kencana	Rokan Hilir	Riau	Oil Palm Estate
		Sungai Dua	Rokan Hilir	Riau	Oil Palm Estate
		Balam	Rokan Hilir	Riau	Oil Palm Estate
2	Cibaliung Tunggal Plantations	Cibaliung	Rokan Hilir	Riau	Oil Palm Estate
3	Gunung Mas Raya	Sungai Rumbia 1	Rokan Hilir	Riau	Oil Palm Estate
		Sungai Rumbia 2	Rokan Hilir	Riau	Oil Palm Estate
		Sungai Bangko	Rokan Hilir	Riau	Oil Palm Estate
4	Indriplant	Napal	Indragiri Hulu	Riau	Oil Palm Estate
5	Serikat Putra	Lubuk Raja	Pelalawan	Riau	Oil Palm Estate
		Bukit Raja	Pelalawan	Riau	Oil Palm Estate
6	Mentari Subur Abadi	Muara Merang	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Mangsang	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Karang Agung	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Hulu Merang	Musi Banyuasin	South Sumatra	Oil Palm Estate
7	Swadaya Bhakti Negaramas	Pulai Gading	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Muara Medak	Musi Banyuasin	South Sumatra	Oil Palm Estate
8	Sarana Inti Pratama	Lindai	Kampar	Riau	Oil Palm Estate & Seed Breeding
9	Citranusa Intisawit	Kedukul	Sanggau	West Kalimantan	Oil Palm Estate
10	Kebun Ganda Prima	Kembayan	Sanggau	West Kalimantan	Oil Palm Estate
		Tayan Hulu	Sanggau	West Kalimantan	Oil Palm Estate
11	Riau Agrotama Plantation	Nanga Silat	Kapuas Hulu	West Kalimantan	Oil Palm Estate
		Kapuas	Kapuas Hulu	West Kalimantan	Oil Palm Estate
12	Citra Kalbar Sarana	Sepauk	Sintang	West Kalimantan	Oil Palm Estate
13	Jake Sarana	Sekubang	Sintang	West Kalimantan	Oil Palm Estate
14	Agrosubur Permai	Manis	Kapuas	Central Kalimantan	Oil Palm Estate
15	Kebun Mandiri Sejahtera	Mariango	Pasir Utara	East Kalimantan	Oil Palm Estate
		Penajam	Pasir Utara	East Kalimantan	Oil Palm Estate
16	Hijaupertiwi Indah Plantations	Lupak Dalam	Kapuas	Central Kalimantan	Oil Palm Estate
		Bunga Tanjung	Kapuas	Central Kalimantan	Oil Palm Estate
		Kuala Kapuas	Kapuas	Central Kalimantan	Oil Palm Estate
17	Cangkul Bumisubur	Bumi Subur	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Bukit Indah	Musi Banyuasin	South Sumatra	Oil Palm Estate
18	Pelangi Intipertiwi	Mancang	Musi Banyuasin	South Sumatra	Oil Palm Estate
19	Intimegah Bestari Pertiwi	Sungai Ampalau	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Megah Abadi	Musi Banyuasin	South Sumatra	Oil Palm Estate
20	Gunta Samba	Ampanas 1	Kutai Timur	East Kalimantan	Oil Palm Estate
		Ampanas 2	Kutai Timur	East Kalimantan	Oil Palm Estate
		Pengadan	Kutai Timur	East Kalimantan	Oil Palm Estate
		Elang	Kutai Timur	East Kalimantan	Oil Palm Estate
21	Multi Pacific International	Peridan	Kutai Timur	East Kalimantan	Oil Palm Estate
		Kerayaan	Kutai Timur	East Kalimantan	Oil Palm Estate
		Cipta Graha	Kutai Timur	East Kalimantan	Oil Palm Estate
		Muara Bulan	Kutai Timur	East Kalimantan	Oil Palm Estate
		Baay	Kutai Timur	East Kalimantan	Oil Palm Estate
22	Mitra Intisejati Plantation	Bengkayang	Sambas	West Kalimantan	Oil Palm Estate
23	PP London Sumatra Indonesia Tbk	Begerpang	Deli Serdang	North Sumatra	Oil Palm Estate
		Sei Merah	Deli Serdang	North Sumatra	Oil Palm Estate
		Rambong Sialang	Serdang Bedagai	North Sumatra	Oil Palm Estate
		Bungara	Langkat	North Sumatra	Oil Palm Estate
		Turangie	Langkat	North Sumatra	Oil Palm Estate
		Pulo Rambong	Langkat	North Sumatra	Oil Palm Estate
		Bah Lias	Simalungun	North Sumatra	Oil Palm Estate & Seed Breeding
		Bah Bulian	Simalungun	North Sumatra	Oil Palm Estate
		Dolok	Batubara	North Sumatra	Oil Palm Estate
		Gunung Malayu	Asahan	North Sumatra	Oil Palm Estate

ESTATE LOCATIONS

No	Company	Estate Name	District	Province	Description
23	PP London Sumatra Indonesia Tbk	Sibulan	Serdang Bedagai	North Sumatra	Oil Palm Estate
		Sei Rumbiya	Labuhan Batu Selatan	North Sumatra	Oil Palm & Rubber Estate
		Tirta Agung	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Budi Tirta	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Suka Damai	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Sei Punjung	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Suka Bangun	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Bangun Harjo	Musi Banyuasin	South Sumatra	Oil Palm Estate
		Riam Indah	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Sei Lakitan	Musi Rawas & Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Sei Gemang	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Gunung Bais	Musi Rawas	South Sumatra	Oil Palm Estate
		Pering Permai	Musi Rawas	South Sumatra	Oil Palm Estate
		Mentari Kulim	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Kelingi Lestari	Musi Rawas	South Sumatra	Oil Palm Estate
		Sei Kepayang	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Ketapat Bening	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Belani Elok	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Batu Cemerlang	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Bukit Hijau	Musi Rawas Utara	South Sumatra	Oil Palm Estate
		Terawas Indah	Musi Rawas	South Sumatra	Oil Palm Estate
		Arta Kencana	Lahat	South Sumatra	Oil Palm Estate
		Kencana Sari	Lahat	South Sumatra	Oil Palm Estate
		Tulung Gelam	Ogan Komering Ilir	South Sumatra	Rubber Estate
		Kubu Pakaran	Ogan Komering Ilir	South Sumatra	Rubber Estate
		Bebah Permata	Ogan Komering Ilir	South Sumatra	Rubber Estate
		Isuy Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Pahu Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Kedang Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Jelau Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Tanjung Makmur	Kutai Barat	East Kalimantan	Oil Palm Estate
		Balombissie	Bulukumba	South Sulawesi	Rubber Estate
		Palang Isang	Bulukumba	South Sulawesi	Rubber Estate
		Pungkol	Minahasa	North Sulawesi	Cocoa Estate
		Treblasala	Banyuwangi	East Java	Cocoa Estate
		Kertasarie	Bandung	West Java	Tea Estate
		Pasir Luhur	Cianjur	West Java	Tea Estate
24	Lajuperdana Indah	Komering Sugar	Ogan Komering Ulu Timur	South Sumatra	Sugar Cane Estate
25	Madusari Lampung Indah	Madusari	Ogan Komering Ulu Timur	South Sumatra	Sugar Cane Estate
26	Sumalindo Alam Lestari	–	Berau	East Kalimantan	Industrial Timber Plantation
		–	Kutai Timur	East Kalimantan	Industrial Timber Plantation
27	Wana Kaltim Lestari	–	Berau	East Kalimantan	Industrial Timber Plantation

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2022

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	0.32	364	0.00
100 – 1,000	621	11.50	386,637	0.03
1,001 – 10,000	3,015	55.82	17,555,661	1.26
10,001 – 1,000,000	1,730	32.03	86,991,831	6.23
1,000,001 and above	18	0.33	1,290,970,037	92.48
TOTAL	5,401	100.00	1,395,904,530	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of Shares	%**
1	UOB KAY HIAN PRIVATE LIMITED	1,020,192,030	73.08
2	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	130,509,099	9.35
3	CITIBANK NOMINEES SINGAPORE PTE LTD	30,965,042	2.22
4	HSBC (SINGAPORE) NOMINEES PTE LTD	21,834,559	1.56
5	OCBC SECURITIES PRIVATE LIMITED	20,599,845	1.48
6	DBS NOMINEES (PRIVATE) LIMITED	14,046,270	1.01
7	RAFFLES NOMINEES (PTE.) LIMITED	14,015,151	1.00
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	9,420,300	0.67
9	SCS TRUST PTE. LTD.	6,000,000	0.43
10	MAYBANK SECURITIES PTE. LTD.	4,803,728	0.34
11	MORPH INVESTMENTS LTD	4,723,100	0.34
12	PHILLIP SECURITIES PTE LTD	4,517,000	0.32
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,947,300	0.14
14	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	1,770,107	0.13
15	ABN AMRO CLEARING BANK N.V.	1,643,906	0.12
16	CHUA KEE TEE	1,600,000	0.11
17	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,265,000	0.09
18	TAY BOON HUAT	1,117,600	0.08
19	OH HEE HWEE	890,100	0.06
20	TAY BENG HON	875,900	0.06
	TOTAL	**1,292,736,037**	**92.59**

** *Percentage is calculated based on 1,395,904,530 shares (excluding treasury shares of the Company).*

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2022

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)	160,435,530	998,200,000	1,158,635,530	83.00
First Pacific Investment Management Limited ("**FPIML**") (2)	–	1,158,635,530	1,158,635,530	83.00
First Pacific Company Limited ("**First Pacific**") (2)	–	1,158,635,530	1,158,635,530	83.00
First Pacific Consumer Products Investments Limited ("**FPCPIL**") (3)	–	1,158,635,530	1,158,635,530	83.00
First Pacific Consumer Products Limited ("**FPCP**") (4)	–	1,158,635,530	1,158,635,530	83.00
First Pacific Investments Limited ("**FPIL**") (5)	1,125,344	1,158,635,530	1,159,760,874	83.08
First Pacific Investments (B.V.I.) Limited ("**FPIL BVI**") (5)	882,444	1,158,635,530	1,159,517,974	83.07
Salerni International Limited ("**Salerni**") (5) (6)	–	1,159,517,974	1,159,517,974	83.07
Asian Capital Finance Limited ("**ACFL**") (7)	–	1,159,760,874	1,159,760,874	83.08
Anthoni Salim (8)	–	1,160,643,018	1,160,643,318	83.15

Notes:

** *Percentage is calculated based on 1,395,904,530 shares (excluding treasury shares of the Company).*

(1) *PT ISM is a holding company of ISHPL with an interest of approximately 83.84% of the total number of issued shares in ISHPL. Accordingly, PT ISM is deemed to be interested in the Shares held by ISHPL.*

(2) *FPIML, a sister subsidiary indirectly wholly owned by First Pacific, had acquired an approximate 50.1% interest in PT ISM from CAB Holdings Limited on 29 March 2018. Accordingly, both FPIML and First Pacific are deemed to be interested in the Shares held by ISHPL and PT ISM.*

(3) *FPCPIL owns 100% of the issued share capital of FPIML. Accordingly, FPCPIL is deemed to be interested in the Shares held by ISHPL and PT ISM.*

(4) *FPCP owns 100% of the issued share capital of FPCPIL. Accordingly, FPCP is deemed to be interested in the Shares held by ISHPL and PT ISM.*

(5) *FPIL, together with FPIL BVI and Salerni, collectively own not less than 20% of the issued share capital of First Pacific. Accordingly, FPIL, FPIL BVI and Salerni are deemed to be interested in the Shares held by ISHPL and PT ISM.*

(6) *Salerni owns 100% of the issued share capital of FPIL BVI. Accordingly, Salerni is deemed to be interested in the Shares held by ISHPL, PT ISM and FPIL BVI.*

(7) *ACFL owns more than 50% of the issued share capital of FPIL. Accordingly, ACFL is deemed to be interested in the Shares held by ISHPL, PT ISM and FPIL.*

(8) *Mr Anthoni Salim owns 100% of the issued share capital of Salerni and ACFL. Accordingly, Mr Anthoni Salim is deemed interested in the Shares held by ISHPL, PT ISM, FPIL and FPIL BVI.*

PUBLIC FLOAT

Based on the information available to the Company as at 15 March 2022, approximately 16.82% 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

This Notice of Annual General Meeting ("**AGM**") has been published on SGXNet and the Company's website at http://www.indofoodagri.com/ir-agm.html on 8 April 2022. A printed copy of this Notice will NOT be despatched to shareholders.

NOTICE IS HEREBY GIVEN that the AGM of the Company will be held by way of electronic means (see Important Notes 1 to 10) on Wednesday, 27 April 2022 at 3.00 p.m. (Singapore time), to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' statement and audited financial statements for the financial year ended 31 December 2021 and the Auditors' Report thereon. [Resolution 1]

2. To declare a final tax-exempt (one-tier) dividend of 0.8 Singapore cent per ordinary share for the financial year ended 31 December 2021 (2020: nil). [Resolution 2]

3. To approve the Directors' Fees of S$345,000 for the financial year ended 31 December 2021 (2020: S$345,000). [Resolution 3]

4. To re-elect the following Directors who will be retiring by rotation under Regulation 111 of the Constitution of the Company and who, being eligible, offer themselves for re-election:

   4(a) Mr Moleonoto Tjang [Resolution 4a]
   4(b) Mr Suaimi Suriady [Resolution 4b]
   4(c) Mr Axton Salim [Resolution 4c]

5. To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. [Resolution 5]

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Resolutions numbered 6 to 8 as Ordinary Resolutions:

6. The general mandate for issues of shares

   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),

NOTICE OF ANNUAL GENERAL MEETING

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; 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 1967 (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 2022 (being an addendum to the Annual Report of the Company for the financial year ended 31 December 2021) (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]

NOTICE OF ANNUAL GENERAL MEETING

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 7% 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 during such five-Market Day period and the day on which the purchases are made;

"**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;

NOTICE OF ANNUAL GENERAL MEETING

“**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 2022

EXPLANATORY NOTES:

RESOLUTION 2:
Resolution 2 is to approve the final dividend. The Share Transfer Books and Register of Members of the Company will be closed at 5.00 p.m. on 9 May 2022, for the purpose of determining shareholders’ entitlements to the final dividend. Registrable transfers received up to 5.00 p.m. on 9 May 2021 will be entitled to the final dividend.

The final dividend, if approved by shareholders at the AGM, will be paid on 20 May 2022.

RESOLUTION 4a:
Upon re-election, Mr Moleonoto Tjang will continue as Executive Director and member of the Board. The appointment was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his requisite experience and capability, as well as his attendance, participation and contribution at the Board.

RESOLUTION 4b:
Upon re-election, Mr Suaimi Suriady will continue as Executive Director and member of the Board. The appointment was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his requisite experience and capability, as well as his attendance, participation and contribution at the Board.

RESOLUTION 4c:
Upon re-election, Mr Axton Salim will continue as member of the Board. The appointment was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his requisite experience and capability, as well as his attendance, participation and contribution at the Board.

Detailed information on these three directors seeking re-election (including information as set out in Appendix 7.4.1 of the Listing Manual of the SGX-ST can be found under “Board of Directors” and “Supplemental Information” in the Company’s Annual Report 2021.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:

RESOLUTION 6:
The ordinary resolution proposed in Resolution 6 above, if passed, will empower the directors of the Company from the date of the above Meeting until the next AGM, 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%, with a sub-limit ("**Sub-Limit**") of 20%. 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 is 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 AGM of the Company or the date by which the next AGM 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 Resolution 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.

RESOLUTION 7:
The ordinary resolution proposed in Resolution 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 AGM of the Company and Shareholders' approval will be sought for its renewal at every AGM of the Company.

RESOLUTION 8:
The ordinary resolution proposed in Resolution 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 7%. 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.

IMPORTANT NOTES:

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM will not be sent to shareholders. Instead, this Notice of AGM will be published via SGXNet and the Company's website at http://www.indofoodagri.com/ir-agm.html on 8 April 2022.

2. Alternative arrangements relating to, among others, attendance (including arrangements by which the meeting can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream), submission of questions in advance and/or voting by proxy at the AGM are set out in the Company's announcement dated 8 April 2022. The announcement together with proxy form may be accessed at the SGX website at https://www.sgx.com/securities/company-announcements and the Company's website at http://www.indofoodagri.com/ir-agm.html on the same day.

NOTICE OF ANNUAL GENERAL MEETING

3. Please note that Shareholders will not be able to ask questions at the AGM during the webcast and therefore it is important for Shareholders to submit their questions in advance of the AGM.

   (a) All questions must be submitted by 3.00 pm on 18 April 2022 in the following manner:

   - via the pre-registration website; or
   - if by electronically, via email to general@indofoodagri.com; or
   - if by post, be lodged at the Company's registered address at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818.

   (b) When sending in the questions, please provide full name, identification/registration number and the manner in which the shares of the Company are held for verification purpose, falling which, the submission will be treated as invalid.

   (c) The Company will endeavour to address substantial and relevant questions received from Shareholders by 3.00 p.m. on 22 April 2022 via SGXNet.

4. Persons holding shares through Central Provident Fund ("**CPF**") and Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS investors**") who wish to participate in the AGM by observing and/or listening to the AGM proceedings via "live" audio-and-visual webcast or "live" audio-only stream should follow the steps for pre-registration set out in the announcement dated 8 April 2022.

5. Investors holding shares through relevant intermediaries ("**Investors**") (other than CPF/SRS investors) who wish to participate in the AGM by observing and/or listening to the AGM proceedings via "live" audio-and-visual webcast or "live" audio-only stream should contact the relevant intermediary through which they hold such shares as soon as possible in order to make the necessary arrangements for them to participate in the AGM.

6. **There will be no personal attendance at the AGM.** If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. The Chairman of the Meeting, as proxy, need not be a member of the Company.

   In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

7. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company by 3.00 p.m. on 24 April 2022 (not less than 72 hours before the time appointed for holding the Meeting), in the following manner:

   (a) if by electronically, via email to general@indofoodagri.com; or

   (b) if by post, be lodged at the Company's registered address at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818.

   A member who wishes to submit an instrument of proxy must complete and sign the proxy form, before scanning and sending it by email to the email address provided above; or before submitting it by post to the address provided above.

   Shareholders are strongly encouraged to submit completed proxy forms electronically via email.

   The proxy form is not valid for use by investors holding through relevant intermediaries (including CPF/SRS investors) and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. A CPF/SRS investor who wishes to vote should approach his/her CPF Agent Bank or SRS Operator by 3.00 p.m. on 18 April 2022, being 7 working days before the date of the AGM to submit his/her voting instructions.

NOTICE OF ANNUAL GENERAL MEETING

8. 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 of Singapore, to attend and vote for on behalf of such body corporate.

9. 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.

10. Annual Report and other documents

    The Annual Report for the financial year ended 31 December 2021 which was issued on 8 April 2022 can be accessed at the Company's website at http://www.indofoodagri.com/ir.html.

    The following documents are made available to shareholders on 8 April 2022 together with this Notice of AGM via SGXNet and the Company's website at http://www.indofoodagri.com/ir-agm.html:

    (a) the Addendum in respect of the Proposed Renewal of the IPT Mandate and Proposed Renewal of the Share Purchase Mandate dated 8 April 2022; and

    (b) the proxy form.

    The above documents may also be accessed on the SGX website at https://www.sgx.com/securities /company-announcements.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the AGM 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 the appointment of the Chairman of the Meeting as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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.

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE 2022 AGM

Messrs Moleonoto Tjang, Suaimi Suriady and Axton Salim are the Directors seeking re-election at the AGM of the Company on 27 April 2022.

Pursuant to Rule 720(6) of the Listing Manual of SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of SGX-ST is as follow:

Name of Director	**Moleonoto Tjang ("MT")**
Date of appointment	8 December 2006
Date of last re-appointment (if applicable)	25 April 2019
Age	59
Country of principal residence	Indonesia
The Board's comments on this re-appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process).	The appointment was recommended by the NC 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.
Whether Board appointment is executive, and if so, the area of responsibility	Yes. He involved in the day-to-day running of the business. As a member of the Executive Committee, he plays a key role in enhancing corporate governance, improving internal controls and driving the Group's performance. He also works closely with the non-executive directors on the long-term sustainability and success of the businesses and provides insights and recommendations on the Group's operations at the Board meeting.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	– Executive Director – Head of Finance and Corporate Services
Professional qualifications	– Bachelor of Accountancy degree from the University of Tarumanagara, Jakarta – Bachelor's degree in Management and a Master of Science degree in Administration & Business Policy from the University of Indonesia
Working experience and occupation(s) during the past 10 years	Year 2009 to present – PT Indofood Sukses Makmur Tbk (Director) Year 2009 to present – PT Indofood CBP Sukses Makmur Tbk (Commissioner) Year 2004 to present – PT Salim Ivomas Pratama Tbk (Vice President Director) Year 2015 to present – PT PP London Sumatra Indonesia Tbk (President Commissioner) Year 2013 to present – Companhia Mineira de Açúcar e Álcool Participaçõe (Director)
Shareholding interest in the listed issuer and its subsidiaries	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of interest (including any competing business)	No
Other Principal Commitments including Directorships	
Past 5 years	None
Present	Year 2009 to present – PT Indofood Sukses Makmur Tbk (Director) Year 2009 to present – PT Indofood CBP Sukses Makmur Tbk (Commissioner) Year 2004 to present – PT Salim Ivomas Pratama Tbk (Vice President Director) Year 2015 to present – PT PP London Sumatra Indonesia Tbk (President Commissioner) Year 2013 to present – Companhia Mineira de Açúcar e Álcool Participaçõe (Director)
The Retiring Director has provided an undertaking as set out in Appendix 7.7 under Rule 720(1) of SGX-ST. The Retiring Director has also individually confirmed that on each of the questions as set out in paragraphs (a) to (k) of Appendix 7.4.1 to the Listing Manual of the SGX-ST, the answer is "No". The disclosure on prior experience as a Director of an issuer listed on the Exchange and details of prior experience is not applicable as this disclosure is only applicable to the appointment of a new Director.	

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE 2022 AGM

Pursuant to Rule 720(6) of the Listing Manual of SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of SGX-ST is as follow:

Name of Director	**Suaimi Suriady ("SS")**
Date of appointment	8 October 2007
Date of last re-appointment (if applicable)	25 April 2019
Age	58
Country of principal residence	Indonesia
The Board's comments on this re-appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process).	The appointment was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his extensive experience in Edible Oils and Fats (EOF) Division and his contribution to the Group, as well as attendance, participation and contribution at the Board.
Whether Board appointment is executive, and if so, the area of responsibility	Yes. He involved in the day-to-day running of the business. As a member of the Executive Committee, he plays a key role in enhancing corporate governance, improving internal controls and driving the Group's performance. He also works closely with the non-executive directors on the long-term sustainability and success of the businesses and provides insights and recommendations on the Group's operations at the Board meeting.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	– Executive Director – Head of EOF Division
Professional qualifications	Master of Business Administration from De Montfort University in the United Kingdom.
Working experience and occupation(s) during the past 10 years	Year 2009 to present – PT Indofood CBP Sukses Makmur Tbk (Director) Year 2007 to present – PT Salim Ivomas Pratama Tbk (Director)
Shareholding interest in the listed issuer and its subsidiaries	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of interest (including any competing business)	No
Other Principal Commitments including Directorships	
Past 5 years	None
Present	Year 2009 to present – PT Indofood CBP Sukses Makmur Tbk (Director) Year 2007 to present – PT Salim Ivomas Pratama Tbk (Director)
The Retiring Director has provided an undertaking as set out in Appendix 7.7 under Rule 720(1) of SGX-ST. The Retiring Director has also individually confirmed that on each of the questions as set out in paragraphs (a) to (k) of Appendix 7.4.1 to the Listing Manual of the SGX-ST, the answer is "No". The disclosure on prior experience as a Director of an issuer listed on the Exchange and details of prior experience is not applicable as this disclosure is only applicable to the appointment of a new Director.	

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE 2022 AGM

Pursuant to Rule 720(6) of the Listing Manual of SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of SGX-ST is as follow:

Name of Director	**Axton Salim ("AS")**
Date of appointment	8 October 2007
Date of last re-appointment (if applicable)	25 April 2019
Age	43
Country of principal residence	Indonesia
The Board's comments on this re-appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process).	The appointment was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his experience and qualification, contribution to the Group, as well as attendance, participation and contribution at the Board.
Whether Board appointment is executive, and if so, the area of responsibility	Non-Executive Director (non-independent) He is responsible to constructively challenge the Management on its decisions and contribute to the development of the Group's strategic goals and policies, review of the Management's performance.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Director
Professional qualifications	Bachelor of Science in Business Administration from the University of Colorado, USA.
Working experience and occupation(s) during the past 10 years	Year 2009 to present – PT Indofood Sukses Makmur Tbk (Director) Year 2009 to present – PT Indofood CBP Sukses Makmur Tbk (Director) Year 2007 to present – PT Salim Ivomas Pratama Tbk (Commissioner) Year 2009 to present – PT PP London Sumatra Indonesia Tbk (Commissioner) Year 2014 to present – Gallant Venture Ltd (Director) Year 2020 to present – First Pacific Company Limited (Director)
Shareholding interest in the listed issuer and its subsidiaries	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	He is related to Mr Anthoni Salim who is the Company's substantial shareholder.
Conflict of interest (including any competing business)	No
Other Principal Commitments including Directorships	
Past 5 years	None
Present	Year 2009 to present – PT Indofood Sukses Makmur Tbk (Director) Year 2009 to present – PT Indofood CBP Sukses Makmur Tbk (Director) Year 2007 to present – PT Salim Ivomas Pratama Tbk (Commissioner) Year 2009 to present – PT PP London Sumatra Indonesia Tbk (Commissioner) Year 2014 to present – Gallant Venture Ltd (Director) Year 2020 to present – First Pacific Company Limited (Director)
The Retiring Director has provided an undertaking as set out in Appendix 7.7 under Rule 720(1) of SGX-ST. The Retiring Director has also confirmed that on each of the questions as set out in paragraphs (a) to (k) of Appendix 7.4.1 to the Listing Manual of the SGX-ST, the answer is "No". The disclosure on prior experience as a Director of an issuer listed on the Exchange and details of prior experience is not applicable as this disclosure is only applicable to the appointment of a new Director.	

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE 2022 AGM

Messrs Moleonoto Tjang, Suaimi Suriady and Axton Salim are the Directors 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 SGX-ST Listing Manual.

Rule 720(6) of the SGX-ST Listing Manual		MT	SS	AS
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE 2022 AGM

Rule 720(6) of the SGX-ST Listing Manual	MT	SS	AS
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— (i) any corporation which has been investigated for a breach of any law or regulatory requirement Governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

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PROXY FORM

INDOFOOD AGRI RESOURCES LTD.
(Company Registration No. 200106551G)
(Incorporated in the Republic of Singapore)

IMPORTANT
1. The Annual General Meeting ("**AGM**") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Notice of AGM and Proxy Form will be made available to members on the Company's website http://www.indofoodagri.com/ir-agm.html and SGXNet on 8 April 2022.
2. Alternative arrangements relating to, among others, attendance (including arrangements by which the meeting can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream), submission of questions in advance and/or voting by proxy at the AGM are set out in the Company's announcement dated 8 April 2022 which has been uploaded together with this proxy form on SGXNet and the Company's website at http://www.indofoodagri.com/ir-agm.html on the same day.
3. **There will be no personal attendance at the AGM.** If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. This proxy form is not valid for use by investors holding shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967) ("**Investor**") (including investors holding through Central Provident Fund ("**CPF**") and Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS investors**")) and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. A CPF/SRS investor who wishes to vote should approach his/ her CPF Agent Bank or SRS Operator by 3.00 p.m. on 18 April 2022, being 7 working days before the date of the AGM to submit his/her voting instructions.
5. 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 AGM dated 8 April 2022.
6. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

*I/We ______________________ (Name) ______________________ (NRIC/Passport/Co. Reg No.)

of ____ (Address)

being a member/members of Indofood Agri Resources Ltd., hereby appoint the Chairman of the Meeting as *my/ our proxy, to attend, speak and vote for *me/ us and on *my/ our behalf, at the AGM of the Company to be held by way of electronic means on Wednesday, 27 April 2022 at 3.00 p.m. (Singapore time), and at any adjournment thereof.

(Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes for or against a resolution to be proposed at the Meeting, please indicate with a "√" in the space provided under "For" or "Against". If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution to be proposed at the Meeting, please indicate with a "√" in the space provided under "Abstain". Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to vote "For" or "Against" or to abstain from voting. **In the absence of specific directions, the appointment of the Chairman of the Meeting as your proxy will be treated as invalid.**)

No.	Resolution	For	Against	Abstain
	ORDINARY BUSINESS			
1.	To receive and adopt the Directors' statement and audited financial statements for the financial year ended 31 December 2021 and the Auditor's Report thereon.			
2.	To declare a final tax-exempt (one-tier) dividend of 0.8 Singapore cent per ordinary share for the financial year ended 31 December 2021 (2020: nil).			
3.	To approve the Directors' Fees of S$345,000/- for the financial year ended 31 December 2021 (2020: S$345,000/-).			
4a.	To re-elect Mr Moleonoto Tjang, the Director who retires under Regulation 111 of the Company's Constitution.			
4b.	To re-elect Mr Suaimi Suriady, 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 ______________ 2022

Number of ordinary shares	

* *Delete where appropriate*

____
Signature(s) of Member(s)/Common Seal

Notes:

(1) Please insert the total number of Shares held by you. If you have Shares entered against your name in the depository register (as defined in Section 81SF of the Securities and Futures Act 2001), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the depository register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the depository register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

(2) **There will be no personal attendance at the AGM.** If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. The Chairman of the Meeting, as proxy, need not be a member of the Company.

In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

(3) The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company by 3.00 p.m. on 24 April 2022 (not less than 72 hours before the time appointed for holding the Meeting), in the following manner:

(a) if by electronically, via email to general@indofoodagri.com; or

(b) if by post, be lodged at the Company's registered address at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818.

A member who wishes to submit an instrument of proxy must complete and sign the proxy form, before scanning and sending it by email to the email address provided above, or before submitting it by post to the address provided above.

Shareholders are strongly encouraged to submit completed proxy forms electronically via email.

The proxy form is not valid for use by investors holding through relevant intermediaries ("**Investors**") (including CPF/SRS investors) and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. A CPF/SRS investor who wishes to vote should approach his/her CPF Agent Bank or SRS Operator by 3.00 p.m. on 18 April 2022, being 7 working days before the date of the AGM to submit his/her voting instructions.

(4) 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 1967 of Singapore, to attend and vote for and on behalf of such body corporate.

(5) 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.

(6) Any reference to a time of day is made by reference to Singapore time.

Personal Data Privacy

By attending the AGM 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 AGM dated 8 April 2022.

INDOFOOD AGRI RESOURCES Ltd.

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#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