FIRST RESOURCES LIMITED

Annual Report 2010

Corporate Profile

First Resources is a fast-growing oil palm plantation group. Our plantation assets have doubled over the last seven years. We now own and manage over 120,000 hectares of oil palms in Indonesia.

The Group's primary activities are cultivating oil palms, harvesting the fresh fruit bunches and processing them into crude palm oil and palm kernel. Our plantations and processing mills are strategically located in the provinces of Riau and West Kalimantan. Our products are sold in the domestic and international markets.

First Resources' strong expertise in plantation management is evidently reflected in our high yields, high extraction rates and low cost of production. Keeping our operations closely integrated gives us operational synergies and a competitive advantage.

The Group's disciplined and consistent planting programme has resulted in a young plantation profile. This age profile positions the Group well for strong production growth over the next five years.

With access to a sizeable area of unplanted land bank, the Group has further room to expand its plantation footprint. We aspire to enlarge our plantation size and grow our crude palm oil production to one million tonnes per annum.

Contents

Oil Palm Plantations

Total Area : 120,830 hectares
Nucleus : 107,664 hectares
Plasma : 13,166 hectares

Palm Oil Mills

No. of Mills : 8
Capacity : 495 tonnes/hour
: 2.97 million tonnes/annum

Refinery

Capacity : 250,000 tonnes/annum

Key Strengths

OUR PLANTATION ASSETS ARE YOUNG
More than half of our trees are still in their immature or young ages, and the weighted average age of our trees is eight years old. Strong production growth is expected over the next five years as these trees mature into their prime ages and realise their production potential.

OUR PLANTING TRACK RECORD IS CONSISTENT
Our disciplined approach to new plantings constantly rejuvenates our plantation age profile and sustains our growth trajectory. We are committed to growing our plantation size and expanding our annual crude palm oil production to one million tonnes.

OUR COST OF PRODUCTION IS LOW

Our strong focus on production yields and cost management has kept our cost structure competitive. Ensuring that we are at the low end of the industry cost curve maximises the earnings potential of our assets and also gives us greater resilience through price cycles.

OUR BUSINESS MODEL IS UPSTREAM-FOCUSED

We have identified our niche as an efficient operator of high-quality plantation assets. We are very focused on consolidating our position in this high-margin segment of the value chain. As an upstream plantation group, we will be a beneficiary of strong palm oil prices.

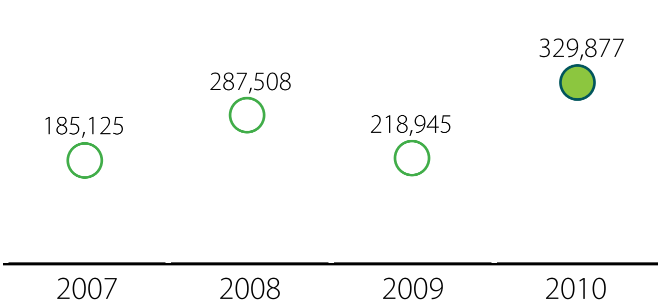
Financial Highlights

FINANCIAL YEAR	2007	2008	2009	2010
INCOME STATEMENT (US$'000)				
Revenue	185,125	287,508	218,945	329,877
Gross Profit	101,258	192,209	130,500	212,239
Gains arising from Changes in Fair Value of Biological Assets	17,134	39,016	44,286	49,531
Profit from Operations	108,224	201,531	156,416	236,988
EBITDA (1)	96,537	169,979	121,877	203,720
Profit before Taxation	97,487	167,573	163,707	212,508
Net Profit Attributable to Owners of the Parent	47,202	112,791	112,505	143,084
Underlying Net Profit (2)	37,611	86,010	74,560	108,895
BALANCE SHEET (US$'000)				
Total Assets	663,516	714,729	1,012,618	1,235,088
Total Liabilities	312,455	318,322	419,827	490,171
Total Equity	351,061	396,407	592,791	744,917
Equity Attributable to Owners of the Parent	335,217	373,567	563,678	710,453
FINANCIAL STATISTICS				
Gross Profit Margin (%)	54.7	66.9	59.6	64.3
EBITDA Margin (%)	52.1	59.1	55.7	61.8
Underlying Net Profit Margin (%) (3)	20.3	29.9	34.1	33.0
Basic Earnings per Share (US Cents) (4)	4.43	7.71	7.74	9.84
Net Debt to Equity (times) (5)	0.13	0.21	0.18	0.13
EBITDA to Interest Coverage (times) (6)	4.7	7.0	5.3	6.9
Net Asset Value per Share (US$) (7)	0.23	0.26	0.39	0.49

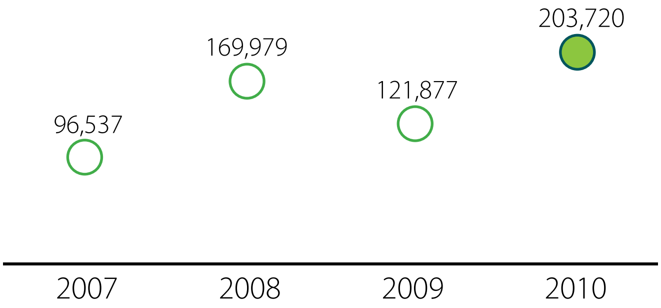
Notes:

1. *EBITDA = Profit from operations before depreciation, amortisation and gains arising from changes in fair value of biological assets*
2. *Underlying net profit = Net profit attributed to owners of the parent adjusted to exclude the net gains arising from changes in fair value of biological assets*
3. *Underlying net profit margin = Underlying net profit / Revenue*
4. *Basic earnings per share = Net profit attributed to owners of the parent / Weighted average number of ordinary shares (excluding treasury shares) in issue during the financial year*
5. *Net debt to equity = Interest bearing loans and borrowings less cash and bank balances / Total equity*
6. *EBITDA to interest coverage = EBITDA / Total interest paid on interest bearing loans and borrowings*
7. *Net asset value per share = Equity attributable to owners of the parent / Number of ordinary shares (excluding treasury shares) in issue at end of the financial year*

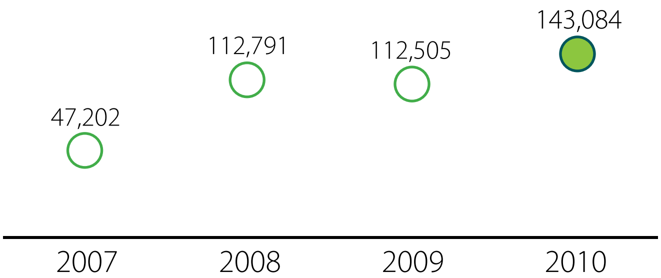
REVENUE (US$'000)



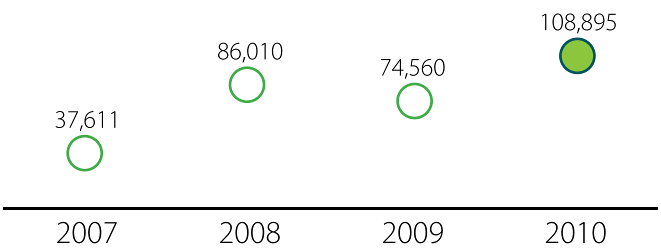
EBITDA (US$'000)



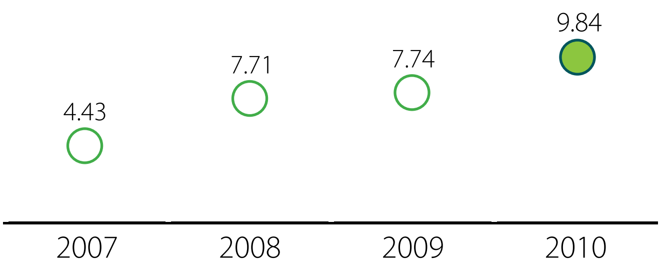
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT (US$'000)



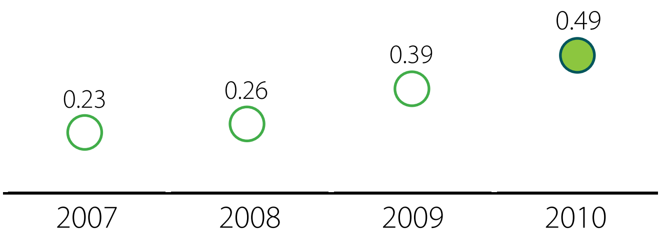
UNDERLYING NET PROFIT (US$'000)



BASIC EARNINGS PER SHARE (US$ Cents)



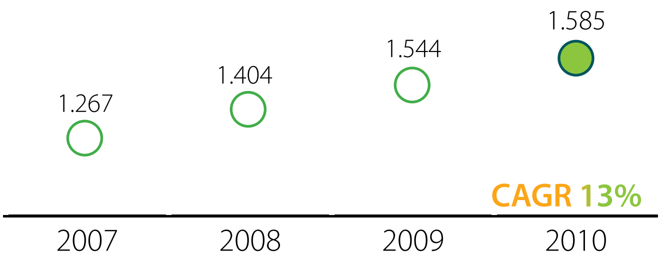
NET ASSET VALUE PER SHARE (US$)



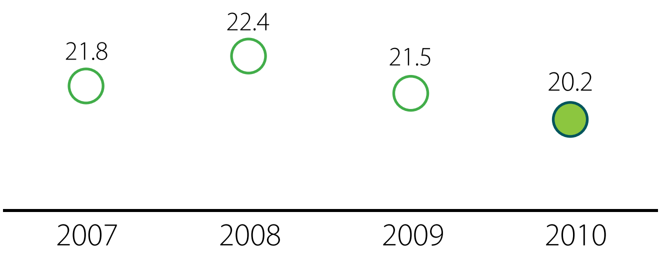
Operational Highlights

FINANCIAL YEAR	2007	2008	2009	2010
PLANTATION AREA				
Total Planted Area (hectares)	**86,354**	**95,241**	**108,917**	**120,830**
Mature	58,119	62,616	71,927	78,627
Immature	28,235	32,625	36,990	42,203
Nucleus Planted Area (hectares)	**76,666**	**84,076**	**96,858**	**107,664**
Mature	50,842	54,915	63,684	69,404
Immature	25,824	29,161	33,174	38,260
Plasma Planted Area (hectares)	**9,688**	**11,165**	**12,059**	**13,166**
Mature	7,277	7,701	8,243	9,223
Immature	2,411	3,464	3,816	3,943
Planted Area by Location (hectares)				
Riau	86,354	94,668	98,966	101,181
West Kalimantan	-	573	9,951	19,649
PRODUCTION VOLUME				
Total Fresh Fruit Bunches (tonnes)	**1,266,762**	**1,403,794**	**1,544,332**	**1,584,910**
Nucleus	1,131,179	1,243,747	1,393,384	1,447,595
Plasma	135,583	160,047	150,948	137,315
Crude Palm Oil (tonnes)	**278,340**	**322,678**	**368,631**	**376,922**
Palm Kernel (tonnes)	**63,470**	**76,332**	**84,393**	**85,650**
PRODUCTIVITY				
Fresh Fruit Bunches Yield (tonnes/mature hectare)	**21.8**	**22.4**	**21.5**	**20.2**
Crude Palm Oil Yield (tonnes/mature hectare)	**4.8**	**5.1**	**5.1**	**4.7**
Crude Palm Oil Extraction Rate (%)	**22.2**	**22.8**	**23.7**	**23.6**
Palm Kernel Extraction Rate (%)	**5.1**	**5.4**	**5.4**	**5.4**

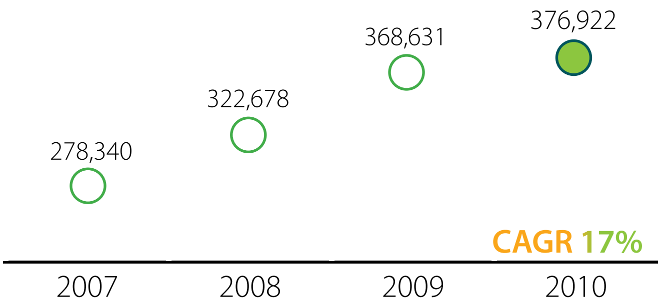
FRESH FRUIT BUNCHES PRODUCTION (million tonnes)



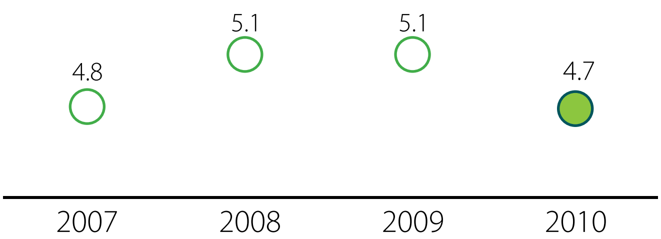
FRESH FRUIT BUNCHES YIELD (tonnes/mature hectare)



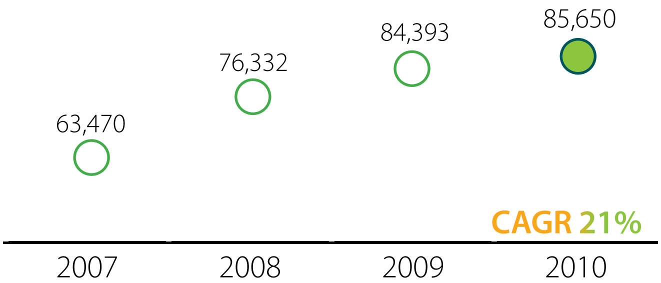
CRUDE PALM OIL PRODUCTION (tonnes)



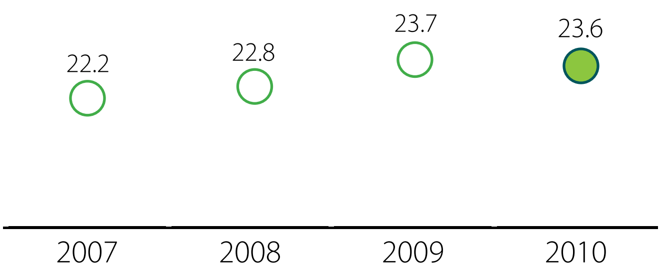
CRUDE PALM OIL YIELD (tonnes/mature hectare)



PALM KERNEL PRODUCTION (tonnes)



CRUDE PALM OIL EXTRACTION RATE (%)



Notes:
***CAGR**: Compounded Annual Growth Rate*

Message to Shareholders

Dear Shareholders,

On behalf of the Board of Directors and the management team of First Resources, we are pleased to present to you the Annual Report of the Group for the financial year ended 31 December 2010 ("FY2010").

Operating Environment

2010 turned out to be a very strong year for agri-businesses with heavy upstream exposure. Adverse weather conditions in producing countries caused supply disruptions to many agricultural commodities, resulting in run-down of inventories. In our oil palm industry, we witnessed the El Nino phenomenon in the second half of 2009 and the La Nina phenomenon in 2010 in quick succession. Their impact on the physiological state of the oil palm trees were undeniable – actual industry production severely lagged those of market expectations. On the other side of the equation, we continued to witness robust economic growth in emerging economies, where per capita consumption levels remain relatively low. Strong demand for agricultural commodities has been triggered by their people's natural aspirations to eat and live better. In addition to these supply and demand dynamics, the United States Dollar ("USD") has been depreciating over time. Combined, these conditions created the perfect storm for agricultural commodity prices to rally.

It is not surprising for market price movements to over-compensate for supply difficulties, especially in industries where demand is highly inelastic. And indeed we saw that in the oil palm industry-crude palm oil ("CPO") prices had an impressive rally, appreciating more than 50% over the year to end the year at a high of US$1,220/tonne. Palm kernel ("PK") prices had an even more astonishing run as it surged by more than 140% over the year to reach US$981/tonne at year end.

During the year, our industry also faced inflationary cost pressures, the most significant being the continued increase in minimum wages in Indonesia. As the bulk of our costs are denominated in Indonesian Rupiah ("IDR"), a 14% appreciation of the IDR against the USD meant our cash cost in USD terms increased significantly. Typically, in previous years, increases in unit cost of labour and other inputs were balanced with yield per hectare improvements, such that increases in cash cost of production were moderated. However, in 2010, due to the supply-led reasons discussed above, we no longer had such 'natural' immunity. Like all our plantation peers, these macro factors meant more to the report card than cost management measures that one can attempt.

Summarising Our Operating Performance

Despite the production challenges in FY2010, the Group achieved record volumes in fresh fruit bunches ("FFB"), CPO and PK productions. This was largely due to our past planting efforts – continued maturing of our young palms increased production, and this helped to mitigate the biological tree stress and weather conditions that impacted the prime-yielding trees. CPO production came in at 376,922 tonnes, a 2.2% increase over FY2009. Although this was significantly lower than the double-digit production growth rate which we have been accustomed to, the performance was satisfactory in light of what was occurring in the industry.

Record CPO Production

376,922

Tonnes

> The Group's solid operating cash flows and continued profitability have boosted our cash reserves by US$29.4 million to US$209.0 million by the end of the year, in spite of continued capital expenditure on new plantings, property, plant and equipment.

Viewed from an output per hectare basis, FFB yields declined in FY2010 due to tree stress, harsh weather and dilution effect from newly-mature trees. FFB yield in FY2010 was 20.2 tonnes per hectare, while our CPO yield was 4.7 tonnes per hectare – these yield metrics are credible achievements considering the young maturity profile of our plantations. Our CPO extraction rate was maintained at an impressive 23.6%. For many years, we have been working hard at improving the coordination and integration of our mill and plantation teams so that maximum synergies and efficiencies can be extracted. We are glad to see continued results from these team efforts.

Another important operating parameter is the cash cost of production. On this front, each tonne of nucleus CPO cost us approximately US$221 to produce on an ex-mill basis. Although this has increased over FY2009 due to the higher cost environment that we now operate in, it is still a very competitive cost structure. As a plantation house, our most effective defence against CPO price fluctuations is a low cost of production. And we are pleased that our relentless pursuit for productivity and our stringent cost control have helped us sustain this cost competeviness.

The attainment of high yields and low cost base is the hallmark of a top quality plantation house. The Group aspires to continually improve on our operations, and push yields higher and costs lower.

Delivering Strong Financial Performance

Combining the factors above, FY2010 was a bonanza year. We rewrote our Group's records for revenue, EBITDA and net profit.

We achieved net profit attributable to shareholders of US$143.1 million, a 27% increase over that in FY2009. After excluding the gains arising from biological assets revaluation, the Group saw underlying net profit rise by 46% to US$108.9 million. As an upstream producer, the Group benefited greatly from strong selling prices and this propelled our financial earnings in FY2010.

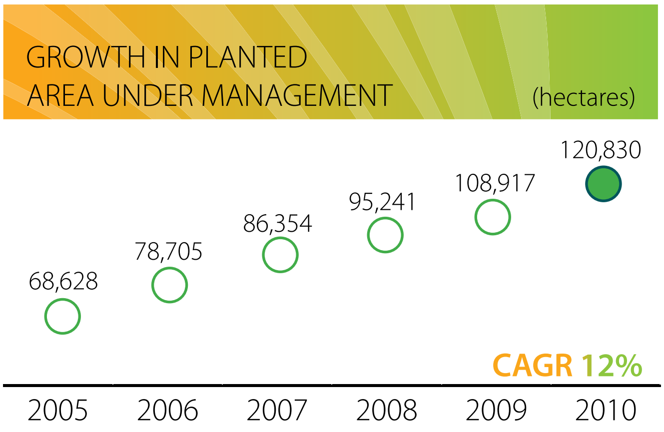
EBITDA increased by 67% to US$203.7 million in FY2010. Our EBITDA margin remained very healthy at 62%, a reflection of the high-margin, upstream segment that we operate in. Among all the financial metrics used to gauge performance, we favour EBITDA per mature, nucleus hectare the most. This financial metric conveys cash earnings generated for each hectare we work on, therefore providing a representation of the financial yield we had been able to derive on a per hectare basis. On this measure, we came in at US$2,935 per hectare for FY2010, significant improvement over the US$1,914 per hectare achieved in FY2009. And comparing this against prevailing replacement cost of approximately US$4,000 per hectare, one can appreciate the annual cash generative powers of oil palms when managed efficiently - more so, bearing in mind that oil palms have an economic lifespan of more than 20 years.

EBITDA

US$ 203.7 Million

The Group's solid operating cash flows and continued profitability have boosted our cash reserves by US$29.4 million to US$209.0 million by the end of the year, in spite of continued capital expenditure on new plantings, property, plant and equipment. The strong cash generation will help to fund the many growth initiatives that we have in place.

Message to Shareholders



Returns to Shareholders

The Group is committed towards managing its capital in a proactive manner to provide value to shareholders, optimise gearing levels and ensure sufficient funding for its growth plans. With this objective in mind, the Board has recommended a final dividend of 1.9 Singapore cents per share for FY2010, to be approved at our Annual General Meeting. Coupled with the interim dividend of 1.0 Singapore cent per share paid out in September 2010, the total dividend payout represents a 33% increase over FY2009 and also represents approximately 30% of our underlying net profit in FY2010. The Group's stated dividend policy is to pay out a maximum of 30% of our underlying net profit in the form of dividends.

Investments in 2010 and Beyond

In 2010, we continued to invest in new plantings, in particular at the West Kalimantan province. The Group added 11,913 hectares of new oil palms in 2010 to bring its total planted area under management to 120,830 hectares at year end. As a result of our consistent planting programme, the age profile of the Group's plantations looks more attractive than ever – 55% of our trees are now either still immature or young. This profile will be a key driver of organic volume growth over the next five years as these young and immature trees age into their prime years and gradually realise their productive potential.

We have also upgraded the processing capacities of two of our mills in 2010. This ensures that we have sufficient milling capacity to accommodate the growth in our FFB volumes. We also saw the commissioning of our fractionation plant in December 2010. With the completion of the fractionation plant, the Group now has additional flexibility of refining its CPO and broadening its product offerings.

To boost future production, we will be embarking on multi-pronged initiatives in 2011.

The Group will be adding new palm oil mills to meet the demands of an enlarged plantation operation. We expect our ninth palm oil mill to be ready by first half of 2011 and we will start to construct two more mills this year. These mills are expected to come on-stream in the second half of 2012. We are also investing in a new kernel crushing plant, which will allow us to crush our palm kernel and sell palm kernel oil, capturing further margins as a result.

On new plantings, we intend to expand our planted area under management by another 15,000 hectares. We remain confident in the fundamentals of the palm oil industry and our aim is to attain an asset base capable of producing one million tonnes of CPO per annum – a reasonable volume from which the Group can extract significant economies of scale for any future downstream operations. We are in the process of acquiring more land bank in a new province, East Kalimantan. When this acquisition is completed, we would have more than 170,000 hectares of land bank to support our future planting programme.

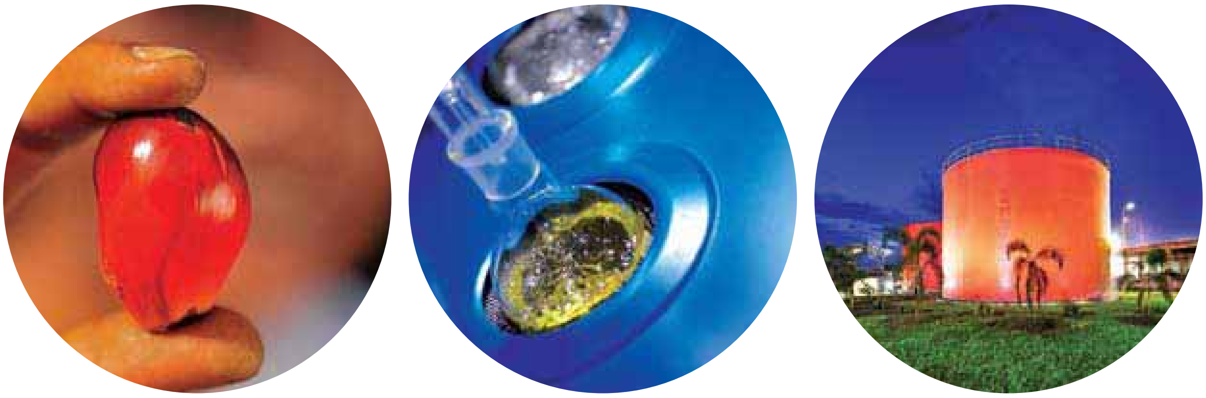
Diversification

The Group has intentions to allocate part of our land bank into rubber cultivation from 2012 onwards. Rubber is a very exciting crop with very good demand prospects and fairly inelastic supply, making it an attractive diversification for the Group. The Group is not new to the rubber business, having had its own rubber plantations prior to 2003. Our experience in the cultivation of this crop will be a definite advantage as we work towards building up the scale of our rubber plantations over the next 5 years.

Five-Year Strategy

Our strategy for the next five years is as such:

a) Expand Plantation Footprint
   We want to maintain a disciplined and diligent planting programme which is key to ensuring sustainable production growth. Organic plantings have become more challenging over the years but we firmly believe our successful replication of high-quality plantations will bring best returns to shareholders over the long run.



b) Sustain Cost Leadership

We want to maintain our low cost structure by pushing our production efficiencies further and keeping our eyes on cost. Ensuring that we are at the low end of the industry cost curve maximises the earnings potential of our assets and also gives us greater resilience through price cycles.

c) Maintain Upstream Agri-Business Model

We want to keep to the upstream agri-business model and leverage on our expertise as an efficient operator of plantation assets. The aim is to build and consolidate our position in this segment until we reach a sizeable scale that can fully support any potential downstream businesses.

The strategy is simple, and we believe proper execution will deliver solid growth in shareholder value.

Looking Ahead

Commodity prices have become increasingly volatile, one factor being the larger participation of financial market players. Therefore, we do expect volatility in CPO and agricultural commodity prices to stay. However, over a longer time horizon, we believe that average CPO prices will still be very attractive and bring us returns many times in excess of our invested capital.

The main reason for this optimism is the expected growth in demand for vegetable oil, driven mainly by growing per capita consumption in emerging markets such as China, India and Indonesia. And palm oil, being the most affordable vegetable oil, is expected to be a significant beneficiary of such positive demographic and economic trends. On the other hand, the burden on growing the supply of vegetable oil to meet such demand growth will be placed squarely on the shoulders of oil palm. With limited amount of arable land available, it will be increasingly challenging to increase supply by increasing yield per hectare and where possible, increasing planted hectarage in a sustainable manner.

We believe we have our strategy mapped out to benefit from these macro trends. We have been diligently growing our asset base which will bear us more fruits over the next five years. Our deliberate upstream focused agri-business model will allow us to be a strong beneficiary of strong commodity prices.

In Appreciation

We would like to welcome Mr Ong Beng Kee who joined us as an independent director since 1 May 2010. Mr Ong is a veteran in the palm oil and rubber industries with more than 40 years of experience. We are confident that Mr Ong's wealth of experience will be an invaluable contribution to the Group and we thank him for accepting this responsibility. We would also like to thank the rest of the Board members for their support and invaluable inputs in charting the Group's long-term growth strategy.

To our employees, we would like to express our sincere appreciation for your hard work and loyalty. Without your dedication, the Group's achievements would not have been possible.

We would also like to take this opportunity to thank our suppliers, customers and bankers. Your continued support over the years has enabled the Group to realise its growth plans.

Last but not least, our appreciation goes to you, our shareholders, for your trust and confidence in First Resources. We believe we are in an attractive industry supported by strong fundamentals. We have, and will remain focused on growing shareholder value, as we work towards consolidating our position in the industry.

Lim Ming Seong
Chairman
and Independent Director

Ciliandra Fangiono
Director
and Chief Executive Officer

28 March 2011

Operational Review

Growth in Production Volumes

In FY2010, the Group achieved record production volumes of FFB, CPO and PK.

The total volume of the Group's FFB production from its nucleus (Company-owned) and plasma (smallholders-owned) plantations amounted to 1,584,910 tonnes of FFB, an increase of 2.6% compared to FY2009. FFB production from our nucleus estates increased by 3.9% to 1,447,595 tonnes. In contrast, FFB production from our plasma estates declined by 9.0%, to 137,315 tonnes.

The first half of FY2010 was challenging for the Group as our trees went through a period of biological tree stress. The inclement weather conditions in 2009 and 2010 also negatively impacted the productivity of the trees. While these conditions were more than mitigated by the production increases from our set of newly-mature and young trees, their impact caused our overall production volumes to grow by a smaller quantum thanwhat we have been achieving in the last few years.

As a result of tree stress, adverse weather conditions, and the addition of newly-mature plantations, our overall FFB yield per mature hectare declined to 20.2 tonnes, from 21.5 tonnes in FY2009. These figures describe the combined productivity of both our nucleus and plasma plantations. To examine the productivity levels of these two categories separately, FFB yield of our nucleus estates was at 20.9 tonnes per hectare as compared to 21.9 tonnes in FY2009, while our plasma estates recorded a FFB yield of 14.9 tonnes per hectare, down from 18.3 tonnes in FY2009. Our plasma farmers continued to be impacted by their reduced fertiliser application back in late 2008 and early 2009, when CPO prices were lower. Some recovery in the plasma estates was seen in the second half of FY2010, but yields have yet to normalise.

In line with the growth in our FFB production, our CPO production volume grew by 2.2% to 376,922 tonnes, the highest ever recorded by the Group.

99% of the FFB processed by the Group's palm oil mills comes from its nucleus and plasma estates. Therefore, in line with the growth in our FFB production, our CPO production volume grew by 2.2% to 376,922 tonnes, the highest ever recorded by the Group. Our CPO extraction rate was maintained at 23.6%, versus 23.7% achieved in FY2009. With a FFB yield of 20.2 tonnes and a CPO extraction rate of 23.6%, our CPO yield came in at 4.7 tonnes, a credible achievement considering that a significant 30% of our producing trees have yet to reach their prime production ages.

Our PK production increased by 1.5% to 85,650 tonnes, in line with the higher volume of FFB processed. PK extraction rate was maintained at 5.4%.

Growth in Asset Base

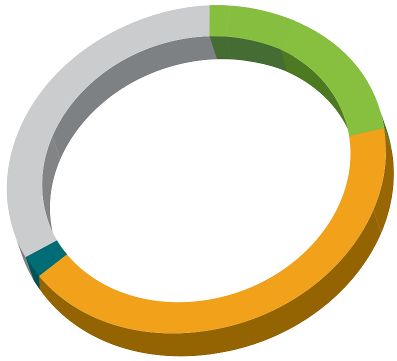
In executing our plantation expansion strategy, we added 11,913 hectares of new oil palms in 2010, bringing our total planted area under management to 120,830 hectares, comprising 107,664 hectares of nucleus plantations and 13,166 hectares of plasma plantations. This is a 10.9% increase over our total planted area under management as at end of 2009. The majority of the new plantings were carried out at the West Kalimantan province, where we have 19,649 hectares planted as at end of 2010.

Our consistent planting programme has kept our plantation profile young with an average weighted age of eight years old. Approximately 55% of our trees are either immature or still young. As these immature palms mature and as the existing young palms develop into their prime ages over the next few years, we expect our production volumes to continue to grow. We do not have trees that are older than 20 years and therefore will not have to carry out any replanting programme for at least the next three years.

We increased the capacity of two palm oil mills in 2010, from 45 tonnes per hour to 60 and 90 tonnes per hour respectively. This brings the total milling capacity of our existing 8 mills to 495 tonnes of FFB per hour or 2.97 million tonnes of FFB per annum. This additional milling capacity will ensure that the Group can accommodate the growth in our FFB production and continue to mill all our FFB production internally. The Group have started construction work of our ninth palm oil mill in 2010 and expect to commission the mill by the first half of 2011. With the addition of the ninth mill, the Group's total milling capacity will grow to 540 tonnes per hour or equivalent to 3.24 million tonnes of FFB per annum.

2010 also saw the commissioning of our fractionation plant towards the end of the year. With the completion of the fractionation plant, the Group now has the flexibility to further refine part of our CPO and capture any additional margins along the palm oil value chain. With more product offerings, the Group will also have a broader and more diversified base of customers. The Group aims to increase the order book for its refined products and ramp up the utilisation of the new plant over the course of 2011.

PLANTATION MATURITY PROFILE



Age	Area (hectares)	% of Total
0 - 3 years (Immature)	42,203	35%
4 - 7 years (Young)	23,754	20%
8 - 17 years (Prime)	53,375	44%
18 years and above (Old)	1,498	1%
Total	**120,830**	**100%**

Immature Young Prime Old

Financial Review

Sales, Cost of Sales and Gross Profits

For FY2010, the Group recorded total sales of US$329.9 million, an increase of 50.7% over FY2009. The increase was mainly due to higher selling prices of our products – palm oil and palm kernel. We achieved an average selling price of US$756 per tonne for our palm oil (2009: US$540), and US$500 (2009: US$271) per tonne for our palm kernel. These average selling prices are the weighted average of all local, export and destination sales made by the Group. Sales volume of these products also increased in line with higher production volumes. Out of the total sales volume of the Group's palm oil, 12.5% was exported while the rest was sold to the domestic market.

Cost of sales comprises mainly harvesting costs, plantation maintenance costs, FFB purchases from plasma farmers, plantation general expenses and mill processing costs. In FY2010, cost of sales increased 33.0% to US$117.6 million. This was mainly due to higher maintenance costs, harvesting costs and an increase in value of FFB purchased from plasma farmers. Maintenance costs and harvesting costs were higher partly due to the larger area of mature plantations that the Group manages, and the higher volumes of CPO and PK that was produced.

To monitor the cost efficiency of our nucleus plantations and our mills, it is more meaningful to look at the ex-mill cash cost of each tonne of CPO produced from our nucleus plantation. This unit cash cost of production came in at US$221 for FY2010, as compared to US$176 for FY2009. The increase was mainly due to wage inflation caused by the increases in minimum wages in Indonesia and the appreciation of the IDR against the USD which caused all IDR-denominated costs to rise in USD terms. In addition, we recorded lower production yields in FY2010, which also had a direct impact on the unit cash cost of production.

The Group's increase in sales more than offset the increase in cost of sales, bringing gross profit to US$212.2 million, an increase of 62.6% over FY2009. Gross profit margin improved to 64.3% from 59.6% in the previous year.

Net profit attributable to shareholders increased by 27.2% to US$143.1 million.

Changes Arising from Fair Value of Biological Assets

In accordance with the Singapore Financial Reporting Standards ("SFRS") 41, "*Agriculture*", our biological assets, which comprise primarily oil palm plantations, have to be stated at fair value less estimated costs-to-sell. The fair value of plantations is determined by an independent professional valuer, based on the present value of the plantation's expected future net cash inflows. The expected future cash flows are determined using forecasted market prices of the products. Any resultant gains or losses arising from changes in fair value are recognised in the income statement.

The Group recognised gains arising from changes in fair value of biological assets amounting to US$49.5 million in FY2010, as compared to US$44.3 million in FY2009. The gains were mainly due to higher prices of CPO used in the forecast, as well as new plantings carried out in FY2010.

Operating Expenses

Selling & distribution costs and general & administrative expenses make up the majority of operating expenses incurred outside of the plantation and mills. Total operating expenses increased by 34.9% over FY2009. This increase was mainly due to higher export taxes incurred as a result of Indonesia's progressive CPO export tax structure. The export taxes levied is referenced off international CPO prices which were significantly higher in FY2010 as compared to FY2009.

Profit from Operations and EBITDA

Profit from operations increased by 51.5% to US$237.0 million in FY2010. EBITDA came in at US$203.7 million, a 67.2% increase over FY2009. EBITDA margin expanded to 61.8%, versus 55.7% that was booked in FY2009.

Other Non-Operating Expenses / Income

Non-operating expense is made up largely of foreign exchange gains/losses, gains on derivative financial instruments, and net financial expenses. Total non-operating expenses in FY2010 amounted to US$24.5 million, as compared to an income of US$7.3 million in FY2009.

Gains on derivative financial instruments relate primarily to a cross currency swap entered into by the Group to swap both the principal and interest payments of our IDR-denominated bonds into USD liabilities. Changes in the mark-to-market position of the cross currency swap as at the end of each reporting period are booked in the income statement. The Group had lower gains of US$7.0 million from derivative financial instruments in FY2010 as compared to gains of US$18.1 million in FY2009.

Net financial expenses comprise interest expenses that were not capitalised, after deducting interest and other financial income. In FY2010, net financial expenses amounted to US$30.8 million, a 52.6% increase over FY2009. The increase came mainly from additional interest expense incurred on the convertible bonds that were issued in September 2009, and one-off expenses incurred from the full redemption of the Group's USD notes.

Taxes and Profits

Tax expense increased 37.6% to US$61.6 million in line with higher taxable income. The Group also incurred higher withholding taxes as a result of higher dividends received from First Resources' subsidiaries to support its dividend payout.

As a result of the foregoing, net profit attributable to shareholders increased by 27.2% to US$143.1 million. Excluding the effect from the gains arising from changes in fair value of biological assets, the underlying net profit of the Group for FY2010 would have increased by 46.1% to US$108.9 million.

Balance Sheet

Total assets of the Group increased from US$1,012.6 million as at 31 December 2009 to US$1,235.1 million as at 31 December 2010. The increase is attributed to larger cash balances, fair value gains and additions of biological assets, and capital expenditure on plantation housing, infrastructure, the ninth palm oil mill and the fractionation plant. The continued profitability of the Group increased our cash reserves by US$29.4 million in FY2010, bringing the Group' cash balance to US$209.0 million as at 31 December 2010.

Total liabilities of the Group increased by 16.8% from US$419.8 million as at 31 December 2009 to US$490.2 million as at 31 December 2010, mainly due to the higher borrowings and deferred tax liabilities of the Group, the latter a result of gains booked from fair valuation of biological assets. Despite the increase in gross borrowings by US$20.4 million, the Group's net borrowings (gross borrowings net of cash balances) has decreased from US$105.7 million as at 31 December 2009 to US$96.6 million as at 31 December 2010.

As part of our active liability management, we refinanced one of the main debt instruments on our balance sheet during the year – the 10.75% US$140.8 million USD notes that was due in December 2011. The Group refinanced these notes with bank borrowings. This refinancing exercise lowered the Group' overall weighted cost of borrowings and smoothened the Group's debt maturity profile. The Group's gearing remains comfortable with our Net Debt/Equity and Net Debt/EBITDA ratios at 0.13 times and 0.47 times respectively.

Total equity attributable to equity holders increased to US$710.5 million as at 31 December 2010 from US$563.7 million as at 31 December 2009.

Board of Directors

(From left): Lim Ming Seong
Ciliandra Fangiono
Ng Shin Ein
Ray Yoshuara
Teng Cheong Kwee
Hee Theng Fong
Ong Beng Kee

LIM MING SEONG

Chairman
and Independent Director

Mr Lim Ming Seong was appointed to the Board in October 2007 and was last re-elected as a Director in April 2010. Mr Lim is also the Chairman of CSE Global Ltd and he sits on the boards of several other companies. Mr Lim was with the Singapore Technologies group from 1986 through 2002, where he held various senior management positions and was Group Director when he left. Prior to joining Singapore Technologies, Mr Lim was with the Singapore Ministry of Defence.

Mr Lim holds a Bachelor of Applied Science (Honours) in Mechanical Engineering from the University of Toronto and a Diploma in Business Administration from the former University of Singapore. Mr Lim also participated in the Advance Management Programs conducted by INSEAD and Harvard Business School.

CILIANDRA FANGIONO

Director
and Chief Executive Officer

Mr Ciliandra Fangiono was appointed to the Board in April 2007 and was last re-elected as a Director in April 2009. He joined the Group in 2002, and has held the position of Chief Executive Officer (CEO) since 2003. Prior to joining the Group, Mr Fangiono was at the Investment Banking Division of Merrill Lynch, Singapore, where he worked on mergers, acquisitions and fund-raising exercises by corporates in the region.

Mr Fangiono holds a Bachelor of Arts (Economics) with first class honours and a Master of Arts from Cambridge University, United Kingdom. At Cambridge, he was a Senior Scholar in Economics and was awarded the PriceWaterhouse Book Prize.

NG SHIN EIN

Independent Director

Ms Ng Shin Ein was appointed to the Board in October 2007 and was last re-elected as a Director in April 2009. She is the Regional Managing Director of Blue Ocean Associates Pte Ltd, a firm focused on investing in and providing financing solutions to businesses in Asia. Prior to this, Ms Ng was with the Singapore Exchange, where she was responsible for developing Singapore's capital market by bringing foreign companies to list in Singapore. Additionally, she was part of the Singapore Exchange's IPO Approval Committee. Ms Ng practiced as a corporate lawyer in Messrs Lee & Lee for a number of years. While in legal practice, she advised on joint ventures, mergers and acquisitions and fund-raising exercises. Ms Ng also sits on the board of NTUC Fairprice and Yanlord Land Group.

Ms Ng holds a LLB (Honours) from Queen Mary College, University College London, and a Diploma in Singapore Law from the National University of Singapore.

RAY YOSHUARA

Non-Executive Director

Mr Ray Nugraha Yoshuara was appointed to the Board in October 2007 and was last re-elected as a Director in April 2008. He is currently a Director of PT. Argo Pantes Tbk., a company listed on the Indonesian Stock Exchange. Mr Yoshuara was Vice President of Finance and Corporate Planning at Uniseraya Group from 1998 to 2010. Prior to that, his experience includes serving as Reporting Accountant at Atlantic Richfield Bali North Inc., Financial Planning & Control Manager at Gelael Group, and Lecturer at Tarumanagara University.

Mr Yoshuara holds a Doctorandus in Business Administration from Parahyangan Catholic University and a Master of Commerce from The University of New South Wales. He is a CPA (Certified Practising Accountant) member of CPA Australia.

HEE THENG FONG

Independent Director

Mr Hee Theng Fong was appointed to the Board in October 2007 and was last re-elected as a Director in April 2008. He is a practising lawyer with more than 20 years' experience in legal practice. Mr Hee's current appointments include being a Fellow of the Chartered Institute of Arbitrators (UK), an Arbitrator of Singapore International Arbitration Centre (SIAC) and China International Economic and Trade Arbitration Commission (CIETAC). Mr Hee is an independent director of several public listed companies.

He is frequently invited to speak on Director's Duties and Corporate Governance in seminars organised by the Singapore Institute of Directors and the Singapore Exchange.

TENG CHEONG KWEE

Independent Director

Mr Teng Cheong Kwee was appointed to the Board in October 2007 and was last re-elected as a Director in April 2010. He also serves as independent director of several other listed companies. Mr Teng was previously with the Singapore Exchange for more than 10 years, where he was Executive Vice President and Head of its Risk Management and Regulatory Division when he left. From 1985 to 1989, he served as assistant director and later a deputy director in the Monetary Authority of Singapore. During that period, he was also concurrently Secretary to the Securities Industry Council.

Mr Teng holds a Bachelor of Engineering (Industrial) with first class honours and a Bachelor of Commerce from the University of Newcastle, Australia.

ONG BENG KEE

Independent Director

Mr Ong Beng Kee was appointed to the Board in May 2010. He is a retired career-planter with over 40 years of hands-on experience in large-scale plantation development, specifically oil palm, rubber, cocoa and the related processing facilities. Mr Ong served a large part of his career at Kuala Lumpur Kepong Bhd (KLK), a company listed in Bursa Malaysia. As Executive Director and Managing Director (Plantations), he spearheaded KLK's expansion drive into Sabah and Indonesia, overseeing large-scale oil palm cultivation. Upon his retirement, he has taken on an advisory role in KLK as Portfolio Investment Adviser.

Mr Ong was an active council member in various Malaysian plantation associations, particularly as chairman of the plantation wage council. He is an Associate Diploma holder of the Incorporated Society of Planters and has completed the Advanced Management Course at Templeton College, Oxford.

Investor Relations

First Resources is committed to maintaining a strong rapport with the investment community. We acknowledge the importance of providing accurate, consistent and timely information to our stakeholders to facilitate them in making informed investment decisions.

Enhancing Investor Communication

Frequent interactions in the form of investor meetings, conference calls and analyst sessions provides a platform for senior management to openly communicate the Group's performance, strategic and growth initiatives, while at the same time, gain invaluable insights into the equity markets' perceptions of the Group.

Stakeholders are encouraged to access the Group's website at www.first-resources.com, for corporate and investor relations information. The website contains comprehensive information which includes the Group's financial results, stock exchange announcements and investor calendar. It also offers stakeholders an option to subscribe to email alerts on material announcements. In addition, queries can be channelled to our investor relations team via the email address investor@first-resources.com.

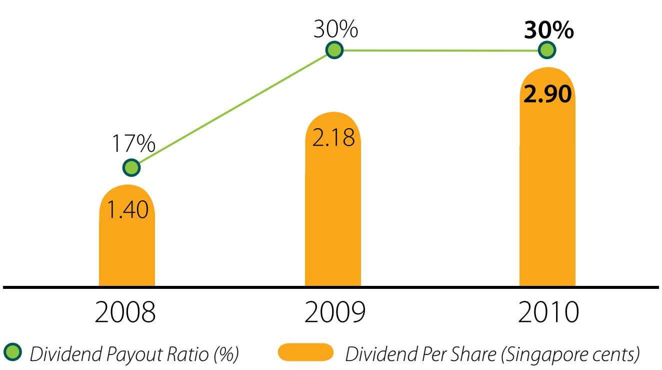
Raising Investment Profile

In 2010, three additional research houses initiated coverage on First Resources, bringing the total to nine institutions. These institutions are Citi, Daiwa Capital Markets, DBS Vickers, DMG & Partners, JP Morgan, Standard Chartered, RHB Research Institute, Phillip Securities Research and UOB Kay Hian. The analysts' details can be found on our website.

Dividend Policy

Our dividend policy is to distribute up to 30% of our underlying net profit, which is defined as net profit adjusted to exclude the net gains/losses arising from changes in fair value of biological assets. The actual dividend payout will be subject to factors such as the Group's cash flows and financial position, its capital expenditure programme and other factors deemed relevant by the Board of Directors.

Dividend Per Share (Singapore cents) and Dividend Payout Ratio (%)



FINANCIAL CALENDAR 2011

Annual General Meeting and Dividend

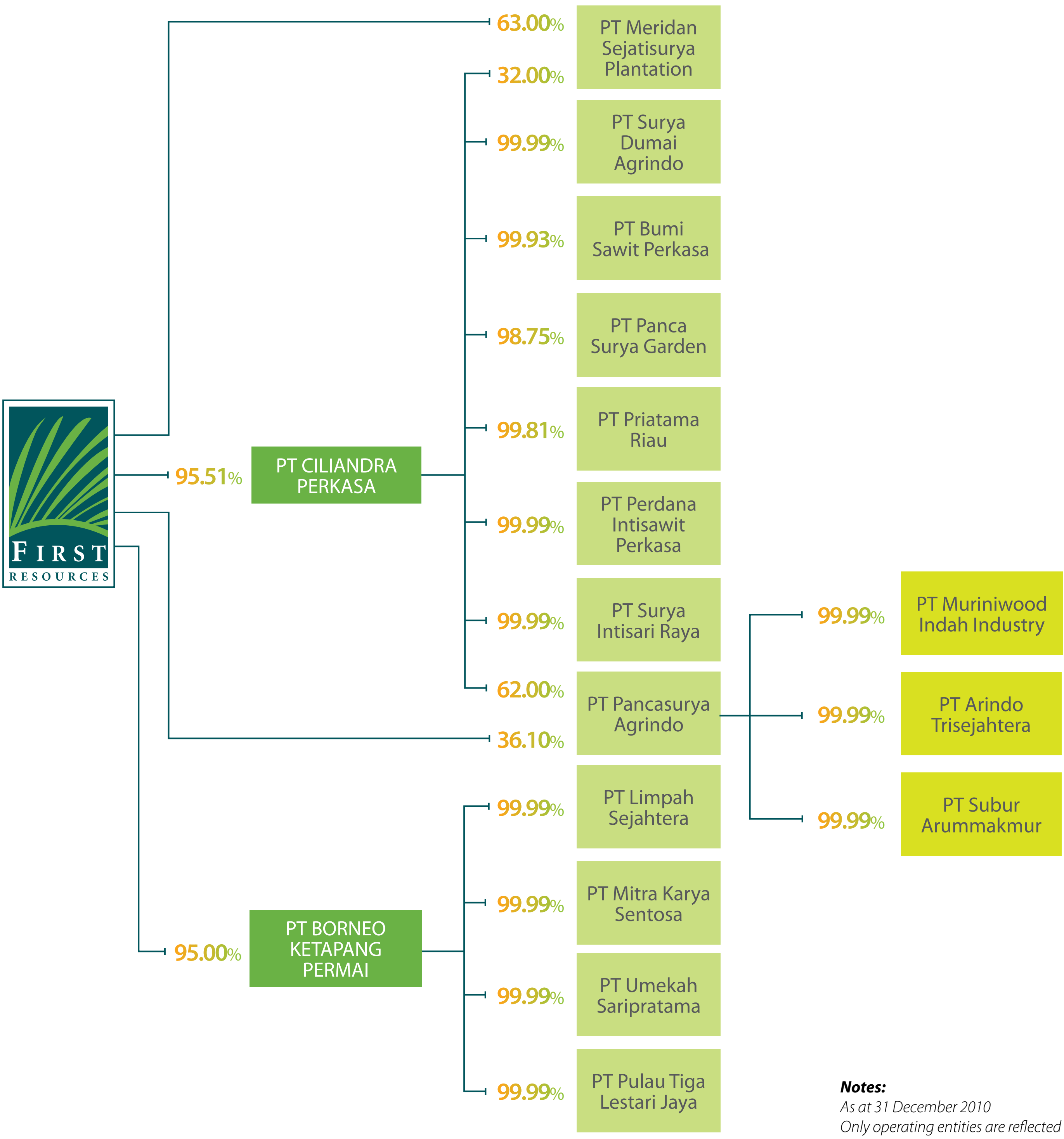
28 April	Annual General Meeting 2011
10 May*	Entitlement Date
11 May*	Book Closure Date
25 May*	Dividend Payment Date

Results Announcements

1 March	Announcement of Full Year 2010 results
13 May**	Announcement of First Quarter 2011 results
15 August**	Announcement of Second Quarter 2011 results
15 November**	Announcement of Third Quarter 2011 results

** Subject to shareholders' approval at the Annual General Meeting 2011*
*** Dates are indicative and subject to change. For the latest updates, please refer to our website.*

Corporate Structure



Notes:
As at 31 December 2010
Only operating entities are reflected

Corporate Social Responsibility

Empty bunches from our mills are used at the plantations as organic fertilisers.

ACHIEVING BUSINESS EXCELLENCE RESPONSIBLY

At First Resources, we are mindful of our responsibilities towards the environment and the communities that are impacted by our operations. As such, the Group places strong emphasis on meeting our business goals in a responsible and sustainable manner.

This guiding principle ensures that we address the needs of our stakeholders as well as the needs of both the local and global community.

We are a member of the Roundtable of Sustainable Palm Oil ("RSPO"), a non-for-profit association that unites stakeholders from various sectors of the palm oil industry to develop and implement global standards for sustainable palm oil.

We strive to integrate the Principles and Criteria of RSPO and other international and local standards, into our plantation practices. We have started the preparation for RSPO certification at two of our estates and it is our intention to pursue RSPO certifications for all our plantations.

We have obtained ISO 14001 Environmental Management Systems certifications for several subsidiaries and are in the process of obtaining the same for the rest of our subsidiaries. These certifications underpin our commitment and compliance to international standards for good environmental management.

PRODUCING PALM OIL SUSTAINABLY

We recognise the symbiotic relationship between the environment and the palm oil industry. Protecting the environment is integral in ensuring the long-term sustainability of our business. The following highlights some of the policies and initiatives adopted by the Group in its plantation operations.

Our efforts in embracing corporate social responsibility are only the beginning of a journey. The issues we are attempting to address are wide ranging and we strive to continually improve our practices and initiatives to meet evolving standards.

Resource Optimisation

We believe in maximising outputs from our plantations and mills while minimising the inputs required. Efficient and optimum utilisation of scarce land and available resources is one of the best ways plantation companies can help to mitigate global warming and address global food shortage.

Through an effective plantation management programme, our palm oil yield per hectare is significantly higher than industry average yields. We are therefore able to produce the same amount of palm oil by utilising less land.

This efficiency in our land usage translates into lower usage of fertilisers, pesticides and energy, which in turn contributes positively in the conservation of the environment. To further improve on our land productivity, we are investing resources into Research and Development such as tissue culture and seed breeding programmes. The objective is to develop higher yielding planting material for our future planting/replanting activities.

Palm oil mill effluents are treated and directed to the plantations as fertiliser substitutes.

Barn owls are used in our plantations as a biological control agent for rat populations.

Beneficial plants are used as a biological means to attract natural predators of pests.

Zero Burning Policy

We adopt a strict zero burning policy in our land clearing process for new plantings. We deploy mechanical methods across all our plantations and this involves bulldozing and stacking the biomass. The subsequent decomposition of the biomass provides essential nutrients and organic matters for the soil and is highly beneficial for the newly planted oil palms.

The zero burning policy prevents the air pollution commonly associated with land clearing via slash-and-burn methods. The recycling of nutrients from the biomass further contributes to environment preservation as it reduces the application of chemical or inorganic fertilisers.

Soil Conservation

Soil is a living environment that can be depleted or damaged by irresponsible cultivation. We implement best practices aimed at maintaining soil fertility, water quality and minimising soil erosion.

Legume cover crops are established immediately after new planting as they offer better soil coverage compared to natural ground covers. These crops serve to reduce surface runoff, conserve soil moisture and improve soil nutrients organically without any use of external nitrogen input.

On sloppy terrains, we construct terraces and silt pits to minimise soil erosion, leaching of nutrients and pollution of waterways. River buffer zones at both sides of river banks are also kept to serve as filtration system to preserve water quality.

Integrated Pest Management

Integrated Pest Management is our pest control strategy aimed at minimising the reliance on of synthetic pesticides while managing pest populations below their thresholds. Biological controls are introduced where possible, to reduce risks that could be caused by the release of harmful chemicals into the ecosystem.

Barn owls are used in our plantations as a biological control agent for rat populations. We have also established beneficial plants to attract natural predators of oil palm leaf-eating pests such as bagworms and caterpillars.

Waste and Pollution Minimisation

We adopt a waste and pollution minimisation programme where we recover and recycle all production wastes from our palm oil mills.

The nutrient-rich empty fruit bunches from our mills are taken back to our plantations for use as organic fertilisers. Our effluent waste treatment programme uses bacteria to breakdown palm oil mill effluents, which is also directed to our plantations as fertiliser substitutes. These practices are fully integrated with our fertiliser management programme. In addition, solid wastes from our mills such as mesocarp fibre and palm kernel shells are recycled as fuel to generate electricity for our mills and nearby homes. All of our mills are self-sufficient in their energy consumption.

The waste and pollution minimisation programme not only minimises the impact on the environment but also results in significant cost savings for the Group by reducing our requirements for inorganic fertilisers.

Corporate Social Responsibility

Our staff visiting Padang Pariaman, an earthquake-hit zone, to help with rebuilding efforts.

FOSTERING COMMUNITY GROWTH

For our business to be sustainable in the long run, we believe that the communities which we operate in must grow in tandem with us. We are therefore mindful that our business operations should have a direct and indirect positive impact to the development of these communities.

Smallholder Ownership

The Group actively participates in smallholder ownership schemes, generally known as the 'plasma schemes'. Under such schemes, the Group assists in the development of oil palm plantations for the benefit of smallholders. When the plantations are productive, the Group is committed to purchase fresh fruit bunches from these smallholders at government regulated prices.

Such schemes are designed to assist smallholders become independent plantation owners and subsequently enjoy the economic benefits from their plantations. Apart from developing the plantations, we also provide technical assistance, practical training and fertiliser recommendations with the objective of helping these smallholders maximise the yields from their assets.

As at 31 December 2010, we have 13,166 hectares of planted plantations under the plasma schemes and we are committed to expand this going forward. These schemes have over the years provided sustainable incomes to thousands of smallholders, resulting in better standards of living for them and their families.

Community Welfare

Apart from creating employment, we also invest directly in the welfare of local communities. We provide funding for the development of public infrastructure such as healthcare centres, roads, bridges and places of worship. We also assist in the constructions of public installations for power and clean potable water supply.

We recognise that education is a key pillar to community growth. We promote literacy for the next generation by making education accessible. Schools are built within our plantations and we also provide educational funds and assistance in the forms of scholarships, uniforms and learning aids. This is aligned with the local government's effort to improve the quality of education in the communities.

Humanitarian Efforts

We believe in playing our part in local disaster reliefs and in engaging our staff in these efforts. In 2010, a team of volunteer was sent to Padang where they participated in the rebuilding of mosques and schools post a destructive earthquake in late 2009.

Teams of volunteers were also sent to help with relief efforts in the Mentawa tsunami, the Merapi volcano eruptions and the Wasior landslide.

Smallholders measuring their harvests before selling them to the Group.

Smallholder ownership schemes assist smallholders become independent plantation owners.

Education is made accessible through the establishment of schools.

ENSURING EMPLOYEE WELL-BEING

Our employees are important assets and we place great emphasis on human capital management. A core focus of operations involves the welfare of our employees in our plantations and mills. We believe that all employees must be treated fairly and with respect.

Labour Standards and Unions

We adhere to all national and regional labour laws and standards. We ensure that all our employees have incomes above the minimum wages set in the respective provinces. The minimum wage levels are reviewed yearly by the government in conjunction with unions and businesses. We also support the rights of our workers to join employee unions, and more than 90% of our employees are union members. We strictly observe the minimum working age and do not employ underaged workers for our operations. The only children in our estates are children of workers.

Health and Safety

Ensuring the health and safety of our workforce is a priority. The Group places substantial investments in promoting a safe and healthy working environment for our plantation and mill employees. Our Health, Safety and Environment (HS&E) Plan is integrated into our ISO 9001 and ISO 14001 management systems, which are subject to audits conducted by independent auditors. We are in compliance with all local laws regarding safety at work, including regulations on health and work-related accident insurances. In 2010, three of our subsidiaries were awarded with Zero Accident Awards by the Ministry of Manpower and Transmigration of the Republic of Indonesia.

Our regular HS&E programmes include training and education amongst our employees to raise awareness of health and safety issues. Workers are provided with adequate tools, self-protection equipment and supporting facilities. The Group also conducts a routine programme of work safety inspections. Targets and measures are in place to internally monitor our performances in this area.

All our employees are covered by health and accident insurance. Medical care is also made available to all workers and their families through the medical clinics built within the vicinity of our plantations.

Employee Welfare

The well-being of our employees is integral to the company. At First Resources, continuous efforts are made in improving the quality of housing of our plantation workers. Our plantations are also equipped with other amenities such as places of worship, schools, sporting and other recreational facilities to promote the well-being of our employees and to encourage interactions.

Corporate Information

BOARD OF DIRECTORS

Lim Ming Seong
Chairman and Independent Director

Ciliandra Fangiono
Director and Chief Executive Officer

Teng Cheong Kwee
Independent Director

Ong Beng Kee
Independent Director

Hee Theng Fong
Independent Director

Ng Shin Ein
Independent Director

Ray Yoshuara
Non-Executive Director

AUDIT COMMITTEE

Teng Cheong Kwee (Chairman)
Ong Beng Kee
Hee Theng Fong
Ray Yoshuara

REMUNERATION COMMITTEE

Ng Shin Ein (Chairman)
Teng Cheong Kwee
Hee Theng Fong

NOMINATING COMMITTEE

Lim Ming Seong (Chairman)
Ciliandra Fangiono
Ng Shin Ein

COMPANY SECRETARY

Tan San-Ju, FCIS

REGISTERED OFFICE

8 Temasek Boulevard #36-02
Suntec Tower Three
Singapore 038988
Tel: +65 6333 6788
Fax: +65 6333 6711

PLACE & DATE OF INCORPORATION

Singapore, 9 December 2004

COMPANY REGISTRATION NUMBER

200415931M

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01, Singapore Land Tower
Singapore 048623
Tel: +65 6536 5355
Fax: +65 6536 1360

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-In-Charge: Vincent Toong
(Appointed since 11 June 2007)

STOCK EXCHANGE LISTING

Singapore Exchange Securities Trading Limited

Corporate Governance

First Resources Limited (the "Company") is committed to maintaining high standards of corporate governance in accordance with the principles set out in the Code of Corporate Governance 2005 (the "Code").

This report describes the Company's main corporate governance practices. The Board is pleased to inform that the Company is substantially in compliance with the Code and reasons for any deviation are explained below.

THE BOARD 'S CONDUCT OF AFFAIRS

The primary function of the Board is to manage the Group in the best interest of shareholders and other stakeholders, and to pursue the continual enhancement of shareholder value.

Apart from its statutory responsibilities, the Board is primarily responsible for:

- reviewing and approving the Group's business strategies, key operational initiatives, annual budget, major investments, divestments and funding proposals;
- ensuring that decisions and investments are consistent with medium and long-term strategic goals;
- providing oversight by identifying the principal risks that may affect the Group's businesses and ensuring that appropriate systems to manage these risks are in place;
- assuming responsibility for corporate governance.

The Board discharges its responsibilities either directly or indirectly through various committees comprising members of the Board. The Board has established three committees (i) Audit Committee, (ii) Nominating Committee and (iii) Remuneration Committee. These committees function within clearly defined terms of reference. The Board and the various committees comprise the following members:

NAME	BOARD	AUDIT COMMITTEE	NOMINATING COMMITTEE	REMUNERATION COMMITTEE
Lim Ming Seong	Non-Executive Chairman and Independent Director	–	Chairman	–
Ciliandra Fangiono	Executive Director	–	Member	–
Teng Cheong Kwee	Independent Director	Chairman	–	Member
Ong Beng Kee	Independent Director	Member	–	–
Hee Theng Fong	Independent Director	Member	–	Member
Ng Shin Ein	Independent Director	–	Member	Chairman
Ray Yoshuara	Non-Executive Director	Member	–	–

The Directors ensure the decisions made by them are objectively in the interest of the Company.

Corporate Governance

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. If necessary, Board meetings may be conducted by way of telephone or video conferencing as permitted under the Company's Articles of Association. The Directors' attendance at Board and committee meetings during the financial year ended 31 December 2010 is set out as follows:

NAME	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		NOMINATING COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	Number of Meetings							
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Lim Ming Seong	5	5	–	–	1	1	–	–
Ciliandra Fangiono	5	5	–	–	1	1	–	–
Teng Cheong Kwee	5	5	4	4	–	–	1	1
Ong Beng Kee [1]	5	4	4	3	–	–	–	–
Hee Theng Fong	5	4	4	3	–	–	1	1
Ng Shin Ein	5	5	–	–	1	1	1	1
Ray Yoshuara	5	5	4	4	–	–	–	–

[1] Mr Ong Beng Kee was appointed to the Board on 1 May 2010.

The Group has adopted a set of internal guidelines setting forth financial authorisation and approval limits for investments, acquisitions, disposals and capital expenditures. Transactions falling outside the ordinary course of business and where the value of a transaction exceeds these limits have to be approved by the Board.

Newly appointed Directors who do not have prior experience as a director of a Singapore listed company were either briefed by the Company's legal advisors on their duties and obligations or underwent relevant courses conducted by external parties. In addition, the Management regularly updates and familiarises Directors on the business activities of the Company during Board meetings.

The Company issued formal appointment letters, which sets out the director's duties and obligations, to each Director upon appointment.

BOARD COMPOSITION AND GUIDANCE

The Board currently comprises seven Directors of which five are independent Directors and one is a Non-executive Director. The composition of the Board is shown in the table above.

The independence of each Director is reviewed annually by the Nominating Committee based on definitions set out in the Code. All the independent Directors are considered to be independent by the Nominating Committee as they have no relationships with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with their exercise of independent business judgement.

The Directors appointed are qualified professionals who, as a group, possess a diverse range of expertise to provide core competencies such as accounting and finance, business management, strategic planning and industry knowledge. Key information of individual Directors in respect of academic and professional qualifications is set out on pages 16 and 17 of this annual report.

The composition and effectiveness of the Board are also reviewed on an annual basis by the Nominating Committee to ensure that there is an appropriate mix of expertise and experience to fulfil its duties. The Board considers that the present Board size facilitates effective decision-making and is appropriate for the nature and scope of the Company's operations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has a separate Chairman and Chief Executive Officer ("CEO") to ensure that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman and the CEO are not related to each other.

The Chairman of the Company is Mr Lim Ming Seong. Besides giving guidance on the corporate and business directions of the Company, the role of the Chairman includes chairing Board meetings, and ensuring the quality, clarity and timeliness of information supplied to the Board. The CEO, Mr Ciliandra Fangiono, sets the business strategies and directions of the Company and manages the business operations together with the other executive officers of the Company.

BOARD MEMBERSHIP

The Nominating Committee comprises Mr Lim Ming Seong as Chairman and Mr Ciliandra Fangiono and Ms Ng Shin Ein as members. The majority of the Nominating Committee, including the Chairman, is independent. The Nominating Committee is responsible for:

- reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to the Board for appointment;
- re-nomination of Directors for re-election in accordance with the Company's Articles of Association at each Annual General Meeting ("AGM"), having regard to the Director's contribution and performance;
- determining annually whether or not a Director is independent;
- deciding whether or not a Director is able to and has been adequately carrying out his duties as a director, especially when he has multiple board representations; and
- deciding how the Board's performance is to be evaluated and proposing objective performance criteria.

The Nominating Committee is of the view that although some Directors have other board representations, they are able to and have adequately carried out their duties as Directors of the Company.

In assessing the independence of the Directors, the Nominating Committee has examined the relationship identified by the Code that might impair the Directors' independence and objectivity. The Nominating Committee is satisfied that the four Directors, namely Mr Lim Ming Seong, Mr Teng Cheong Kwee, Mr Ong Beng Kee, Mr Hee Theng Fong and Ms Ng Shin Ein, have no existing relationships with the Group and are able to act with independent judgement.

The Nominating Committee has a process for the selection, appointment and re-appointment of Directors. Every year, the Nominating Committee will review the size and composition of the Board and will consider the results of the annual appraisal of the Board's performance. It will evaluate the range of skills, knowledge and experience on the Board, and assess whether new competencies are required to improve the Board's competitiveness. When a need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the Nominating Committee will source for new candidates with the desired competencies. External help may be engaged to source for potential candidates if considered necessary. Directors and Management may also make recommendations. The Nominating Committee will meet shortlisted candidates for an interview before making recommendation to the Board for consideration and approval.

All Directors are required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years. The names of the Directors who are retiring pursuant to the Articles of Association of the Company and have submitted themselves for re-election at the next Annual General Meeting are Mr Ong Beng Kee, Mr Hee Theng Fong and Mr Ray Yoshuara. The Nominating Committee had recommended their re-election at the forthcoming Annual General Meeting.

Information regarding the Directors of the Company in respect of date of first appointment as a Director and date of last re-election is set out is set out as follows:

NAME	DATE OF INITIAL APPOINTMENT	DATE OF LAST RE-ELECTION
Lim Ming Seong	1 October 2007	28 April 2010
Ciliandra Fangiono	18 April 2007	27 April 2009
Teng Cheong Kwee	1 October 2007	28 April 2010
Ong Beng Kee	1 May 2010	Not Applicable
Hee Theng Fong	1 October 2007	29 April 2008
Ng Shin Ein	1 October 2007	27 April 2009
Ray Yoshuara	1 October 2007	29 April 2008

Corporate Governance

BOARD PERFORMANCE

The Nominating Committee undertakes a process to assess the effectiveness of the Board as a whole. Every year, Directors are requested to complete a Board Evaluation Form to assess the overall effectiveness of the Board. The results of the evaluation exercise were considered by the Nominating Committee which then makes recommendations to the Board aimed at helping the Board to discharge its duties more effectively. The evaluation process focused on factors such as the size and composition of the Board, the Board's access to information, communication with Management, and the Board's processes and accountability.

Although the Directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of Directors for the current year are based on their attendance and contribution made at these meetings.

ACCESS TO INFORMATION

The Management of the Company has an on-going obligation to supply the Board with complete, adequate information in a timely manner. The Board is informed of all material events and transactions as and when they occur. The information that is provided by Management to the Board includes background or explanatory information relating to matters to be brought before the Board, budgets, forecasts and internal financial statements. In respect of budgets, any material variances between the projections and actual results are also disclosed and explained. In addition, the Board has separate and independent access to the Company's Management at all times. Request for information from the Board are dealt with promptly by Management.

The Directors also have separate and independent access to the Company Secretary. The Company Secretary attends all Board meetings and is responsible for ensuring that established procedures and all relevant statutes and regulations that are applicable to the Company are complied with. The Company Secretary also works together with the staff of the Company to ensure the Company complies with all relevant rules and regulations.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Remuneration Committee comprises Ms Ng Shin Ein as Chairman and Mr Teng Cheong Kwee and Mr Hee Theng Fong as members. All three are independent Directors.

The role of the Remuneration Committee is to review and recommend to the Board remuneration policies and packages for the Directors and key executives of the Group. The aim is to build and retain a capable and committed management team. To ensure that the remuneration package is sufficient and competitive to retain and motivate key executives, the Remuneration Committee also takes into consideration the existing compensation standards of the industry in which the Company operates in. The Remuneration Committee covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits in kind.

LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION

The following table shows a breakdown (in percentage) of our Director's remuneration paid in the year ended 31 December 2010:

NAME	DIRECTORS' FEE	FIXED SALARY	VARIABLE BONUS	REMUNERATION BAND
Lim Ming Seong	100%	–	–	Below S$250k
Ciliandra Fangiono	–	74%	26%	S$1,000k –S$1,250k
Teng Cheong Kwee	100%	–	–	Below S$250k
Ong Beng Kee	100%	–	–	Below S$250k
Hee Theng Fong	100%	–	–	Below S$250k
Ng Shin Ein	100%	–	–	Below S$250k
Ray Yoshuara	100%	–	–	Below S$250k

Non-executive Directors are paid a basic fee and additional fees for serving on any of the committees. In determining the quantum of such fees, factors such as frequency of meetings, effort and time spent, responsibilities of directors and the need to pay competitive fees to retain, attract and motivate the directors, are taken into account. Directors' fees recommended by the Board are subject to the approval of the shareholders at the forthcoming AGM.

The remuneration policy for key executives takes into consideration the Company's performance and the responsibilities and performance of individual executives. The following table shows the remuneration of our top five key executives (who are not Directors of the Company) paid in the year ended 31 December 2010.

NUMBER OF EXECUTIVES	REMUNERATION BAND
1	S$750k –S$1,000k
4	S$250k –S$500k

In view of the sensitive nature of remuneration for key management executives, the Company is of the opinion that such disclosure should be on a no-name basis.

During the year, no share options or performance shares were granted to Directors and employees of the Company.

During the year, there is one employee, Mr Cik Sigih Fangiono, who is an immediate family member of Mr Ciliandra Fangiono, and whose remuneration exceeded S$150,000.

ACCOUNTABILITY

The Board provides shareholders with a comprehensive and balanced explanation of the Company's performance, position and prospects on a quarterly basis when it releases it results through the SGXNET and the Company's website.

The Management provides the Board with appropriately detailed management accounts of the Company's performance, position and prospects on a quarterly basis and when deemed appropriate by particular circumstances.

AUDIT COMMITTEE

The Audit Committee comprises Mr Teng Cheong Kwee as Chairman, Mr Ong Beng Kee, Mr Hee Theng Fong and Mr Ray Yoshuara as members, all of whom are non-executive Directors and the majority of whom, including the Chairman, are independent. The majority of the Audit Committee, including the Chairman, has accounting or related financial management expertise or experience.

The Audit Committee performs the following functions:

- assists the Board in the discharge of its responsibilities on financial and accounting matters;
- reviews the audit plans, scope of work, results and quality of audits carried out by internal and external auditors;
- reviews the co-operation given by Management to the external and internal auditors;
- reviews significant financial reporting issues and judgements relating to financial statements for each financial year, interim and annual financial statements and the auditors' report before submission to the Board for approval;
- reviews the integrity of any financial information presented to our shareholders;
- reviews the adequacy and effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors, and taking into consideration the external auditors' findings arising from their annual audit;
- reviews the nature and extent of non-audit services provided by the external auditors yearly to determine their independence;
- recommends to the Board the appointment and re-appointment of external auditors, approves the compensation and terms of engagement of the external auditors;
- meets with the external auditors without the presence of the Company's Management annually;
- reviews the effectiveness of the Company's internal audit function;
- reviews interested person transactions, if any;
- reviews potential conflicts of interest, if any;
- reviews all hedging policies to be implemented, if any;
- investigates any matter within its terms of reference; and
- reviews the risk management structure and any oversight of risk management processes and activities to mitigate and manage risk at acceptable levels determined by the Board.

Apart from the duties listed above, the Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's results of operations and/or financial position. Each member of the Audit Committee shall abstain from voting on any resolution in respect of matters in which he is interested.

Corporate Governance

The Audit Committee has full access to and co-operation of Management. The Audit Committee also has full discretion to invite any Director or executive officer to attend its meetings and has been given adequate resources to discharge its functions. During the year, the Audit Committee met with the external auditors without the presence of Management.

The Audit Committee has undertaken a review of all the nature and extent of all non-audit services provided by the external auditors during the financial year and is satisfied that such services has not, in the Audit Committee's opinion, compromised the independence of the external auditors.

The Company has put in place a whistle blowing policy, endorsed by the Audit Committee, which provides for the mechanism by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matter.

INTERNAL CONTROLS

The Company has adopted a risk-based audit framework, which aims to identify and assess the key risk areas within its operations, and to put in place appropriate risk management processes and internal controls to minimise these risks. Some of these risks are discussed in Note 44 "Financial Risk Management Objectives and Policies" in the Financial Statements of this Annual Report.

The Company's internal and external auditors conduct independent reviews of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the Audit Committee. The Audit Committee also reviews the effectiveness of the actions taken by management on the recommendations made by the internal and external auditors in this respect.

The Audit Committee has reviewed the effectiveness of the Company's internal control and risk management procedures and is satisfied that the Company's internal control processes are adequate to meet the needs of the Group in its current business environment.

INTERNAL AUDIT

The Company has established an in-house internal audit function that is independent of the activities that it audits. The internal auditor's primary line of reporting is directly to the Chairman of the Audit Committee. However, the internal auditor also reports administratively to the CEO of the Company.

The Audit Committee is satisfied that the internal audit function is adequately resourced and has the appropriate standing within the Company. The Audit Committee has reviewed the adequacy of the internal audit function and is satisfied that the internal audit function is adequate.

COMMUNICATION WITH SHAREHOLDERS

The Company's policy is that all shareholders should be equally informed of all major developments impacting the Group. The Company conveys material announcements and its quarterly results through the SGXNET and on the Company's website on a timely basis.

The company has a dedicated Investor Relations section on its website www.first-resources.com where investors would be able to obtain all annual reports, financial results, as well as the contact details of the investor relations team. The Company conducts full year results briefings to analysts and key management are present at such briefings. Presentation materials used for such briefings are also made available on SGXNET and on the Company's website.

All shareholders receive the Annual Report and the notice of AGM. At the AGM, shareholders have the opportunity to direct questions to Directors and Management and to vote for proposed resolutions. They are allowed to vote in person or by proxy if they are unable to attend the AGM. At the AGM, each distinct issue is proposed as a separate resolution. The Chairmen of the various Committees, as well as external auditors are present at the meetings to address questions from shareholders.

In preparation for the AGM, shareholders are encouraged to refer to SGX's investor guides, namely 'An Investor's Guide To Reading Annual Reports' and 'An Investor's Guide To Preparing For Annual General Meetings'. The guides, in both English and Chinese versions, are available at the SGX website (www.sgx.com) under the section named "Investor Centre".

DEALING IN SECURITIES

The Company has adopted and issued an internal compliance code on securities trading, which provides guidance and internal regulations with regard to dealings in the Company's securities by its Directors and officers. The Company's internal code prohibits its Directors and officers from dealing in the Company's securities during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Company's financial year, and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results. Directors and officers are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group and on short-term considerations.

In addition, Directors are required to report to the Company Secretary whenever they deal in the Company's securities and the latter will make the necessary announcements in accordance to the requirements of SGX-ST.

INTERESTED PERSON TRANSACTIONS

The Company has in place procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee for its review.

Details of interested person transactions for the year ended 31 December 2010 as required under Rule 907 of the SGX-ST Listing Manual are set out as follows:

NAME OF INTERESTED PERSON	AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS DURING THE FINANCIAL YEAR UNDER REVIEW (EXCLUDING TRANSACTIONS LESS THAN S$100,000 AND TRANSACTIONS CONDUCTED UNDER SHAREHOLDERS' MANDATE PURSUANT TO RULE 920)	AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS CONDUCTED UNDER SHAREHOLDERS' MANDATE PURSUANT TO RULE 920 (EXCLUDING TRANSACTIONS LESS THAN S$100,000)
	US$'000	US$'000
PT Surya Dumai Industri	US$404[1]	Not Applicable
Fangiono Resources Pte. Ltd.	US$468[2]	Not Applicable

[1] Tenancy agreement entered into by PT Ciliandra Perkasa
[2] Tenancy agreement entered into by First Resources Limited

The Audit Committee has reviewed, and is satisfied that the transactions are conducted on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders.

The Company does not have a shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST,

MATERIAL CONTRACTS

Save as disclosed, there are no other material contracts entered into by the Company and its subsidiaries involving the interest of the CEO, Director or controlling shareholder, which are either subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2009.

USE OF CONVERTIBLE BOND PROCEEDS

As of 31 December 2010, the Company has utilised approximately US$87 million of the proceeds from its US$100 million convertible bond issue. Apart from paying the bond issuance costs, the funds were utilised for the Group's new investments and general working capital purposes.

Financial Statements

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of First Resources Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2010.

Directors

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

Lim Ming Seong	(Chairman)
Ciliandra Fangiono	(Chief Executive Officer)
Teng Cheong Kwee	
Ong Beng Kee	(Appointed on 1 May 2010)
Hee Theng Fong	
Ng Shin Ein	
Ray Nugraha Yoshuara	

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

	Direct interest			Deemed interest		
Name of director	**As at 1.1.10**	**As at 31.12.10**	**As at 21.1.11**	**As at 1.1.10**	**As at 31.12.10**	**As at 21.1.11**
Ordinary shares of the Company						
Lim Ming Seong	100,000	100,000	100,000	–	–	–
Ciliandra Fangiono	–	–	–	1,075,800,130	1,075,800,130	1,000,800,130
Ng Shin Ein	38,000	38,000	38,000	–	–	–

Ciliandra Fangiono is deemed interested in the shares of the Company by virtue of his deemed interest in Eight Capital Inc., who in turn has direct interest in the Company.

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

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Audit Committee
The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Act, including the following:

- assists the Board in the discharge of its responsibilities on financial and accounting matters;
- reviews the audit plans, scope of work, results and quality of audits carried out by internal and external auditors;
- reviews the co-operation given by management to the external and internal auditors;
- reviews significant financial reporting issues and judgements relating to financial statements for each financial year, interim and annual financial statements and the auditors' report before submission to the Board for approval;
- reviews the integrity of any financial information presented to our shareholders;
- reviews the adequacy and effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors, and taking into consideration the external auditors' findings arising from their annual audit;
- reviews the nature and extent of non-audit services provided by the external auditors yearly to determine their independence;
- recommends to the Board the appointment and re-appointment of external auditors, approves the compensation and terms of engagement of the external auditors;
- meets with the external auditors without the presence of the Company's management annually;
- reviews the effectiveness of the Company's internal audit function;
- reviews interested person transactions, if any;
- reviews potential conflicts of interest, if any;
- reviews all hedging policies to be implemented, if any;
- investigates any matter within its terms of reference; and
- reviews the risk management structure and any oversight of risk management processes and activities to mitigate and manage risk at acceptable levels determined by the Board.

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

The AC convened four meetings during the financial year and had also met with the external auditors without the presence of the Company's management.

Further details regarding the AC are also disclosed in the Report on Corporate Governance.

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

On behalf of the Board of Directors,

Lim Ming Seong
Chairman

Ciliandra Fangiono
Chief Executive Officer

Singapore
28 March 2011

Statement by Directors

We, Lim Ming Seong and Ciliandra Fangiono, being two of the directors of First Resources Limited (the "Company"), do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Company and its subsidiaries (collectively the "Group") as at 31 December 2010 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

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

On behalf of the Board of Directors,

Lim Ming Seong
Chairman

Ciliandra Fangiono
Chief Executive Officer

Singapore
28 March 2011

Independent Auditors' Report

For the financial year ended 31 December 2010

To the Members of First Resources Limited

Report on the Financial Statements

We have audited the accompanying financial statements of First Resources Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2010, the statements of changes in equity of the Group and the Company, and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants

Singapore
28 March 2011

Consolidated Income Statement

For the financial year ended 31 December 2010

	Note	2010 US$'000	2009 US$'000
Sales	4	329,877	218,945
Cost of sales	5	(117,638)	(88,445)
Gross profit		212,239	130,500
Gains arising from changes in fair value of biological assets	11	49,531	44,286
Selling and distribution costs	6	(8,164)	(2,653)
General and administrative expenses	7	(15,106)	(14,893)
Other operating expenses		(1,512)	(824)
Profit from operations		236,988	156,416
(Losses)/gains on foreign exchange		(1,978)	10,417
Gains on derivative financial instruments		6,957	18,141
Net financial expenses	8	(30,773)	(20,172)
Other non-operating income/(expenses)		1,314	(1,095)
Profit before taxation		212,508	163,707
Tax expense	9	(61,569)	(44,750)
Profit for the year		150,939	118,957
Profit attributable to :			
Owners of the parent		143,084	112,505
Non-controlling interests		7,855	6,452
		150,939	118,957
Earnings per share attributable to owners of the parent (US cents per share)			
- Basic	10(a)	9.84	7.74
- Diluted	10(b)	9.51	7.74

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2010

	2010 US$'000	2009 US$'000
Profit for the year	150,939	118,957
Other comprehensive income:		
Fair value losses on available-for-sale financial assets	–	(88)
Fair value losses on available-for-sale financial assets transferred to the income statement	88	–
Fair value losses on cash flow hedges	(2,309)	–
Foreign currency translation adjustments	29,165	62,191
Total comprehensive income for the year	177,883	181,060
Total comprehensive income attributable to:		
Owners of the parent	170,028	174,608
Non-controlling interests	7,855	6,452
	177,883	181,060

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

Balance Sheets

As at 31 December 2010

		Group			Company		
	Note	2010 US$'000	2009 US$'000	2008 US$'000	2010 US$'000	2009 US$'000	2008 US$'000
Non-current assets							
Biological assets	11	668,885	534,953	367,810	–	–	–
Plasma plantation receivables	12	15,925	16,166	11,069	–	–	–
Property, plant and equipment	13	214,857	186,287	137,366	322	297	329
Land use rights	14	33,585	19,236	17,055	–	–	–
Investment in subsidiaries	15	–	–	–	276,984	249,829	234,584
Goodwill	15(b)	7,073	7,073	7,073	–	–	–
Other intangible assets	16	19,457	30,489	26,025	–	–	–
Tax recoverable		3,212	278	322	–	–	–
Deferred tax assets	9	1,667	2,743	5,993	91	132	9
Available-for-sale financial assets	17	–	7,977	–	–	7,977	–
Derivative financial assets	18	11,765	–	–	9,732	–	–
Other non-current assets		1,057	132	28	525	525	–
Total non-current assets		977,483	805,334	572,741	287,654	258,760	234,922
Current assets							
Inventories	19	18,394	15,395	17,812	–	–	–
Trade receivables	20	10,501	8	4,313	847	–	–
Other receivables	21	3,152	3,848	5,244	1,013	1,233	2,004
Derivative financial assets	18	1,036	–	–	1,804	–	–
Advance for purchase of property, plant and equipment	22	10,709	2,123	6,306	–	–	–
Other advances and prepayments	22	3,862	2,956	5,327	12	12	12
Prepaid taxes		920	3,356	3,247	–	–	–
Advance subscription for shares in subsidiary	23	–	–	–	51,525	37,980	7,299
Cash and bank balances	24	209,031	179,598	99,739	83,587	98,954	25,813
Total current assets		257,605	207,284	141,988	138,788	138,179	35,128
Total assets		1,235,088	1,012,618	714,729	426,442	396,939	270,050
Current liabilities							
Trade payables	25	15,023	11,043	7,790	3,403	–	–
Other payables and accruals	26	21,020	18,196	12,016	2,743	2,814	717
Advances from customers	27	9,901	4,275	8,040	–	–	–
Loans and borrowings from financial institutions	28	13,933	10,929	1,185	14	12	12
Derivative financial liabilities	18	2,429	–	–	1,939	–	–
Provision for taxation		18,996	12,882	22,749	146	157	468
Total current liabilities		81,302	57,325	51,780	8,245	2,983	1,197

		Group			Company		
	Note	2010 US$'000	2009 US$'000	2008 US$'000	2010 US$'000	2009 US$'000	2008 US$'000
Non-current liabilities							
Loans and borrowings from financial institutions	28	150,791	1,453	558	38	49	55
Notes payable	29	–	137,743	137,240	–	–	–
Rupiah bonds payable	30	53,494	51,252	45,085	–	–	–
Liability component of convertible bonds	31	87,462	83,923	–	87,462	83,923	–
Derivative financial liabilities	18	10,696	2,536	17,983	9,732	–	–
Provision for post employment benefits	32	6,163	4,306	3,082	–	–	–
Deferred tax liabilities	9	99,763	80,789	62,594	–	16	–
Other non-current liabilities		500	500	–	500	500	–
Total non-current liabilities		408,869	362,502	266,542	97,732	84,488	55
Total liabilities		490,171	419,827	318,322	105,977	87,471	1,252
Net assets		744,917	592,791	396,407	320,465	309,468	268,798
Equity							
Share capital	33	288,735	288,735	277,056	288,735	288,735	277,056
Treasury shares	34	(6,816)	(6,816)	(6,886)	(6,816)	(6,816)	(6,886)
Differences arising from restructuring transactions involving entities under common control	35	35,016	35,066	35,066	–	–	–
Other reserves	36	8,093	(18,851)	(80,954)	393	305	(4,229)
Equity component of convertible bonds	31	13,971	13,971	–	13,971	13,971	–
Retained earnings		371,454	251,573	149,285	24,182	13,273	2,857
Equity attributable to owners of the parent		710,453	563,678	373,567	320,465	309,468	268,798
Non-controlling interests		34,464	29,113	22,840	–	–	–
Total equity		744,917	592,791	396,407	320,465	309,468	268,798

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

Statements of Changes in Equity

For the financial year ended 31 December 2010

	Attributable to owners of the parent								
	Share capital	Treasury shares	Differences arising from restructuring transactions involving entities under common control	Other reserves	Equity component of convertible bonds	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	US$'000 (Note 33)	US$'000 (Note 34)	US$'000 (Note 35)	US$'000 (Note 36)	US$'000 (Note 31)	US$'000	US$'000	US$'000	US$'000
Group									
2010									
At 1 January 2010	288,735	(6,816)	35,066	(18,851)	13,971	251,573	563,678	29,113	592,791
Total comprehensive income for the year	–	–	–	26,944	–	143,084	170,028	7,855	177,883
Share application monies	–	–	–	–	–	–	–	25	25
Dividends paid	–	–	–	–	–	(23,253)	(23,253)	(2,529)	(25,782)
Disposal of subsidiaries	–	–	(50)	–	–	50	–	–	–
At 31 December 2010	288,735	(6,816)	35,016	8,093	13,971	371,454	710,453	34,464	744,917
2009									
At 1 January 2009	277,056	(6,886)	35,066	(80,954)	–	149,285	373,567	22,840	396,407
Total comprehensive income for the year	–	–	–	62,103	–	112,505	174,608	6,452	181,060
Share application monies	–	–	–	–	–	–	–	1,225	1,225
Dividends paid	–	–	–	–	–	(10,217)	(10,217)	(1,404)	(11,621)
Issuance of convertible bonds	–	–	–	–	13,971	–	13,971	–	13,971
Effect of change in functional currency	11,679	70	–	–	–	–	11,749	–	11,749
At 31 December 2009	288,735	(6,816)	35,066	(18,851)	13,971	251,573	563,678	29,113	592,791

	Share capital US$'000 (Note 33)	Treasury shares US$'000 (Note 34)	Other reserves US$'000 (Note 36)	Equity component of convertible bonds US$'000 (Note 31)	Retained earnings US$'000	Total equity US$'000
Company						
2010						
At 1 January 2010	288,735	(6,816)	305	13,971	13,273	309,468
Total comprehensive income for the year	–	–	88	–	34,162	34,250
Dividends paid (Note 37)	–	–	–	–	(23,253)	(23,253)
At 31 December 2010	288,735	(6,816)	393	13,971	24,182	320,465
2009						
At 1 January 2009	277,056	(6,886)	(4,229)	–	2,857	268,798
Total comprehensive income for the year	–	–	4,534	–	20,633	25,167
Dividends paid (Note 37)	–	–	–	–	(10,217)	(10,217)
Issuance of convertible bonds	–	–	–	13,971	–	13,971
Effect of change in functional currency	11,679	70	–	–	–	11,749
At 31 December 2009	288,735	(6,816)	305	13,971	13,273	309,468

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 2010

	2010 US$'000	2009 US$'000
Cash flows from operating activities		
Profit before taxation	212,508	163,707
Adjustments for:		
Depreciation of property, plant and equipment	14,631	8,886
Amortisation of land use rights and intangible assets	1,632	861
Interest expenses	29,545	21,109
Interest income	(901)	(834)
Loss on redemption of notes payable	2,146	–
Gains on redemption of Rupiah bonds payable	(17)	(103)
Gains on derivative financial instruments	(6,957)	(18,141)
Gains on disposal of subsidiaries	(3)	–
Gains arising from changes in fair value of biological assets	(49,531)	(44,286)
Unrealised foreign exchange losses/(gains)	873	(6,793)
Operating cash flows before changes in working capital	203,926	124,406
Changes in working capital		
(Increase)/decrease:		
Inventories	(2,999)	513
Trade receivables	(10,493)	4,305
Other receivables	661	3,712
Advances and prepayments	(906)	2,370
Prepaid taxes	(483)	2,668
Other non-current assets	(925)	(103)
Increase/(decrease):		
Trade payables	3,980	3,253
Other payables and accruals	3,109	5,326
Advances from customers	5,626	(3,765)
Changes in provision for post-employment benefits	1,857	1,224
Cash flows generated from operations	203,353	143,909
Interest paid	(28,676)	(23,478)
Interest received	939	2,231
Tax paid	(41,372)	(50,667)
Net cash generated from operating activities	134,244	71,995

	2010 US$'000	2009 US$'000
Cash flows from investing activities		
Capital expenditure on property, plant and equipment	(31,396)	(29,417)
(Increase)/decrease in advance for purchase of property, plant and equipment	(8,586)	3,718
Capital expenditure on biological assets	(53,341)	(48,177)
Decrease/(increase) in plasma plantation receivables	241	(2,958)
Acquisition of land use rights	(2,438)	(253)
Acquisition of other intangible assets	(238)	(193)
Purchase of available-for-sale financial assets	–	(9,970)
Proceeds from disposal of available-for-sale financial assets	7,959	1,993
Net cash inflows from disposal of subsidiaries (Note 15)	1	–
Net cash used in investing activities	(87,798)	(85,257)
Cash flows from financing activities		
Proceeds from cross currency swap, net	2,456	1,497
Redemption of Rupiah bonds payable	(216)	(1,232)
Redemption of notes payable	(141,023)	–
Proceeds from bank loans, net	148,338	8,746
Redemption/(placement) of secured bank balances	10,599	(10,599)
Placement of restricted bank balances	(4,100)	–
Payment of obligations under capital leases	(1,568)	(803)
Payment of consumer financing loans	(615)	(965)
Proceeds from convertible bonds, net	–	95,435
Dividends paid	(25,782)	(11,621)
Share application monies	25	1,225
Net cash (used in)/generated from financing activities	(11,886)	81,683
Net increase in cash and cash equivalents	34,560	68,421
Effect of exchange rates on cash and cash equivalents	1,372	839
Cash and cash equivalents, at the beginning of the financial year	168,999	99,739
Cash and cash equivalents, at the end of the financial year (Note 24)	204,931	168,999

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

1. GENERAL

(a) Corporate information

First Resources Limited (the "Company") is a limited liability company, which is incorporated and domiciled in the Republic of 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 Temasek Boulevard, #36-02, Suntec Tower Three, Singapore 038988.

The principal activities of the Company are those of investment holding, general trading and the provision of technical assistance to its subsidiaries. The principal activities of the subsidiaries are as disclosed in Note 1(b).

(b) Subsidiaries

The details of the Group's subsidiaries are as follows:

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2010 %	2009 %
Direct Ownership:				
PT Ciliandra Perkasa ("PT CLP") (4)	Indonesia	Oil palm plantation	95.51	95.51
PT Meridan Sejati Surya Plantation ("PT MSSP") (4)	Indonesia	Oil palm plantation	93.56(1)	-
PT Borneo Ketapang Permai ("PT BKP") (5)	Indonesia	Oil palm plantation	95.00	95.00
PT Aditya Seraya Korita ("PT ASK") (5)	Indonesia	Investment holding	95.00(2)	-
Pinebrook International Inc ("PI")	British Virgin Islands	Investment holding	-	100.00
Pacific Eagle Management Ltd ("PEM")	British Virgin Islands	Investment holding	-	100.00
Global Paragon Investment Ltd ("GPI")	British Virgin Islands	Investment holding	-	100.00
Ivory Asset Management-7 Pte Ltd ("IAM")	Singapore	Investment holding	-	100.00

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2010 %	2009 %
Indirect Ownership:				
PT Meridan Sejati Surya Plantation ("PT MSSP")	Indonesia	Oil palm plantation	-	93.56[1]
PT Pancasurya Agrindo ("PT PSA") [4]	Indonesia	Oil palm plantation	95.32[3]	95.32[3]
Subsidiaries of PT CLP				
PT Surya Intisari Raya ("PT SIR") [4]	Indonesia	Oil palm plantation	95.50	95.50
PT Perdana Intisawit Perkasa ("PT PISP") [4]	Indonesia	Oil palm plantation	95.50	95.50
PT Bumi Sawit Perkasa ("PT BSP") [5]	Indonesia	Oil palm plantation	95.44	95.44
PT Priatama Riau ("PT PTR") [5]	Indonesia	Oil palm plantation	95.33	95.33
Ciliandra Perkasa Finance Company Pte. Ltd. ("CPFC") [6]	Singapore	Debt financing transactions facilitator	95.51	95.51
PT Surya Dumai Agrindo ("PT SDA") [5]	Indonesia	Oil palm plantation	95.50	95.50
PT Panca Surya Garden ("PT PSG") [5]	Indonesia	Oil palm seed breeding	94.32	94.32
PT Matthew Air Nusantara ("PT MAN") [5]	Indonesia	Aircraft ownership and management	93.60	-
Subsidiaries of PT PSA				
PT Pancasurya Binasejahtera ("PT PSBS") [4]	Indonesia	Investment holding	95.31	95.31
PT Muriniwood Indah Industry ("PT MII") [4]	Indonesia	Oil palm plantation	95.31	95.31

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2010 %	2009 %
Indirect Ownership:				
Subsidiaries of PT PSBS				
PT Subur Arummakmur ("PT SAM") [(4)]	Indonesia	Oil palm plantation	95.30	95.30
PT Arindo Trisejahtera ("PT ATS") [(4)]	Indonesia	Oil palm plantation	95.30	95.30
Subsidiaries of PT ATS				
PT Pancasurya Agrosejahtera ("PT PSAS")	Indonesia	Oil palm plantation	–	85.77
PT Pancasurya Agrindo Perkasa ("PT PSAP") [(5)]	Indonesia	Oil palm plantation	95.29	95.29
Subsidiaries of PT SDA				
PT Andalan Mitrasawit Sejati ("PT AMS")	Indonesia	Dormant	–	95.40
PT Dharma Bhakti Utama ("PT DBU")	Indonesia	Dormant	–	95.40
Subsidiaries of PT BKP				
PT Limpah Sejahtera ("PT LS") [(5)]	Indonesia	Oil palm plantation	94.99	94.97
PT Mitra Karya Sentosa ("PT MKS") [(5)]	Indonesia	Oil palm plantation	94.99	94.97
PT Umekah Saripratama ("PT USP") [(5)]	Indonesia	Oil palm plantation	94.99	94.97
PT Pulau Tiga Lestari Jaya ("PTLJ") [(5)]	Indonesia	Oil palm plantation	94.99	94.97
Subsidiary of IAM				
PT Aditya Seraya Korita ("PT ASK")	Indonesia	Investment holding	–	95.00[(2)]

(1) *PT MSSP is 32.00% held by PT CLP and 63.00% held by the Company (2009: 32.00% held by PT CLP, 27.00% held by PI, 26.00% held by PEM and 10.00% held by GPI).*

(2) *PT ASK is 95.00% held by the Company (2009: 95.00% held by IAM).*

(3) *PT PSA is 62.00% held by PT CLP and 38.00% held by PT ASK (2009: 62.00% held by PT CLP and 38.00% held by PT ASK, which is 95.00% held by IAM).*

(4) *Audited by member firm of Ernst & Young Global in Indonesia.*

(5) *Audited by Johan Malonda, Astika & Rekan in Indonesia.*

(6) *Audited by Ernst & Young LLP Singapore and currently in the process of striking off.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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

The financial statements are presented in United States Dollars ("USD" or "US$") and all values are rounded to the nearest thousand ("US$'000") except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

FRS 103 *Business Combinations (revised)* and FRS 27 *Consolidated and Separate Financial Statements (revised)*

The revised FRS 103 *Business Combination*s and FRS 27 *Consolidated and Separate Financial Statements* are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

FRS 103 *Business Combinations (revised)*

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;
- consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;
- the Group may elect for each acquisition of a business, to measure non-controlling interest at fair value, or at the non controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and
- when a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

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

2.2 Changes in accounting policies (cont'd)

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

FRS 27 *Consolidated and Separate Financial Statements (revised)*

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- a change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;

- losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

- when control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

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
Amendment to FRS 32 *Financial Instruments: Presentation- Classification of Rights Issues*	1 February 2010
INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Revised FRS 24 *Related Party Disclosures*	1 January 2011
Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement*	1 January 2011
INT FRS 115 *Agreements for the Construction of Real Estate*	1 January 2011

Except for the revised FRS 24, management expects that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

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

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

Revised FRS 24 *Related Party Disclosures*

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

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

(a) Purchase method

Business combinations from 1 January 2010

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.

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

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

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

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) 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.

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

2.4 Basis of consolidation (cont'd)

(a) Purchase method (cont'd)

Business combinations from 1 January 2010 (cont'd)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (in 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 2.12(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group has a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

(b) Pooling of interest method

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as "Differences arising from restructuring transactions involving entities under common control". The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

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, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' 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 parent.

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

2.6 Foreign currency

The Group's consolidated financial statements are presented in USD, which is also the Company's functional currency. Each entity in the Group determines its own functional currency, mainly Indonesian Rupiah ("Rp"), 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 determined.

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

(b) Group companies

The assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the average exchange rates for the year. 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.

2.7 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.8 Biological assets

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

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

2.8 Biological assets (cont'd)

The fair value of the oil palm plantations is estimated by reference to independent professional valuations using the discounted cash flows of the underlying biological assets. The expected cash flows from the whole life cycle of the oil palm plantations are estimated using the estimated yield of the oil palm plantation and the estimated market price of the crude palm oil ("CPO"). In determining the present value of expected net cash flows, an entity includes the net cash flows that market participants would expect the asset to generate in its most relevant market. The estimated yield of the oil palm plantations is dependent on the age of the oil palm trees, the location, soil type and infrastructure.

Cultivation of seedlings is stated at cost. The accumulated cost will be reclassified to immature plantations at the time of planting.

Biological assets also include land preparation costs which is the cost incurred to clear the land and to ensure that the plantations are in a state ready for the planting of seedlings.

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing cost is set out in Note 2.23. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

Leasehold buildings and improvements	-	5-20 years
Machinery and installations	-	5-15 years
Farming equipment and motor vehicles	-	5 years
Furniture and fittings, office equipment and others	-	5 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.

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

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

2.10 Land use rights

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

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 period of 25 to 35 years.

2.11 Plasma plantation receivables

In support of the Indonesian Government policy, the Group develops plasma plantations under the schemes of Perkebunan Inti Rakyat Trasmigrasi and Kredit Koperasi Primer untuk Anggotanya for farmers who are members of rural cooperatives unit Koperasi Unit Desa ("KUD").

The Group assumes responsibility for developing oil palm plantations to the productive stage. When the plantation is at its productive stage, it is considered to be completed and is transferred to the plasma farmers (conversion of plasma plantations). All costs incurred will be reviewed by the Government and the Group will be reimbursed for all approved costs which are financed by KUD or a bank. Conversion value refers to the value reimbursed to the Group upon conversion of the plasma plantations.

The plasma farmers sell all harvest to the Group at a price determined by the Government, which approximates the market price. Part of the proceeds will be retained by the Group and used to pay KUD or the bank for the loan taken by the plasma farmers. In situations where the sales proceeds are insufficient to meet the repayment obligations to the banks, the Group also provides temporary funding to the plasma farmers.

Accumulated development costs net of reimbursements are presented in the balance sheet as "plasma plantation receivables". Any difference between the accumulated development costs of plasma plantations and their conversion value is charged to profit or loss. The plasma plantation receivables are assessed for impairment in accordance with Note 2.13.

2.12 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 each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

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

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

2.12 Intangible assets (cont'd)

***(a) Goodwill* (cont'd)**

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

(b) Other intangible assets

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

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

Intangible assets with finite useful lives are amortised over the estimated economic 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 the end of each reporting period. 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. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful 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 profit or loss when the asset is derecognised.

2.13 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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

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

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

2.14 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

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

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

(b) Loans and receivables

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

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

2.14 Financial assets (cont'd)

(c) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets 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, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment 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 has been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.15 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

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

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

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

2.15 Impairment of financial assets (cont'd)

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

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

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

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.16 Inventories

Inventories other than fresh fruit bunches ("FFB") are stated at the lower of cost and net realisable value.

Cost of palm oil, palm kernel, inventories for fertilizer, chemicals, spare parts and other consumables is determined using the weighted average method. FFB is initially recognised at fair value and subsequently lower of net realisable value and initial recognition value.

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

2.16 Inventories (cont'd)

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

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

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.18 Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

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

2.19 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.

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

2.20 Provisions

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of 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.

2.21 Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitments (except for foreign currency risk); or

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group does not have any fair value hedge or hedge of net investment in foreign operations in 2010 and 2009.

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

2.21 Hedge accounting (cont'd)

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

2.22 Convertible bonds

Convertible bonds that can be converted into share capital where the number of shares issued does not vary with changes in the fair value of the bonds are accounted for as compound financial instruments. Should there be embedded derivatives, the fair value of the embedded derivatives is to be independently valued and separately presented on the balance sheet. The gross proceeds are allocated to the equity, liability and embedded derivative components, with the equity component being assigned the residual amount after deducting the fair value of the liability component and the fair value of the embedded derivative component from the fair value of the compound financial instrument.

Subsequent to initial recognition, the liability component of convertible bonds is measured at amortised cost using the effective interest method until the debt is extinguished on conversion or redemption of the convertible bonds. The equity component of convertible bonds is not subsequently re-measured. When the conversion option is exercised, its carrying amount will be transferred to share capital. When the conversion option lapses, its carrying amount will be transferred to retained earnings.

When a convertible bond is repurchased before its original maturity date, the purchase consideration (including directly attributable costs, net of tax effects) are allocated according to the original proportion of the liability and equity components assigned at the date of transaction. Any resulting gain or loss relating to the liability component is recognised in profit or loss; and the amount of the consideration relating to the equity component is recognised in equity.

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

2.24 Rupiah bonds, convertible bonds and notes issuance costs

Costs directly attributable to the issuance of Rupiah bonds, convertible bonds and notes are deducted from their respective proceeds in the balance sheet as discounts and amortised over their maturity period using the effective interest method.

In the case of convertible bonds, the issuance costs allocated to the equity component would not be amortised but will be offset in full against the equity component at the date of inception.

2.25 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.

2.26 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 is recognised directly in equity.

2.27 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 ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Defined benefit plans

The Group also provides employee benefits as required under the Indonesian Labor Law No.13/2003. The cost of providing such benefits is determined using the projected unit credit actuarial valuation method, based on the report prepared by an independent firm of actuaries.

Actuarial gains or losses are recognised in profit or loss when the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of the plan assets, if any, at that date. These gains or losses are recognised on a straight-line basis over the expected average remaining working lives of the employees included in the plan.

Past service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan is required to be amortised over the period until the benefits become vested. To the extent that the benefits are already vested, immediately following the introduction of, or changes to, the employee benefits program, the past service costs are recognised immediately.

The related estimated liability for employee benefits is the aggregate of the present value of the defined benefit obligation at balance sheet date plus any actuarial gains (less any actuarial losses) not recognised, reduced by past service costs not yet recognised.

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

2.27 Employee benefits (cont'd)

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.28 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

As lessee

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

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

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

2.29 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sales arising from physical delivery of palm based products is recognised when significant risks and rewards of ownership of goods are transferred to the customer, which generally coincide with their delivery and acceptance. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or possible return of goods.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

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

2.30 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, 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 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, 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.

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 profits 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 became probable that future taxable profit will allow the deferred tax assets to be recovered.

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

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

2.30 Taxes (cont'd)

(b) Deferred tax (cont'd)

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 taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax or Value-Added Tax ("VAT") except:

- where the sales tax or VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax or 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 sales tax or VAT included.

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

2.31 Segment reporting

As the Group only has one line of business at present and operates in one country, it does not present separate segmental information.

2.32 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.33 Related parties

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

  (i) controls, is controlled by, or is under common control with, the Group;
  (ii) has an interest in the Group that gives it significant influence over the Group; or
  (iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the 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, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Income taxes

The Group has exposure to income taxes in mainly two jurisdictions, Singapore and Indonesia. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the current and deferred income tax provisions in the year in which such determination is made.

The carrying amount of the Group's tax payables as at 31 December 2010 is US$19.0 million (2009: US$12.9 million).

The carrying amounts of the Group's deferred tax assets and liabilities are disclosed in Note 9.

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

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

(b) VAT relating to FFB

The Group has value added tax receivable relating to the production of FFB. With effect from 1 January 2007, FFB has been classified as a Certain Strategic Taxable Good and is therefore exempted from the imposition of VAT in Indonesia. As such, FFB is no longer subject to VAT and cannot be credited and instead such input VAT components should be charged as an expense. Management is of the opinion that the production of CPO, which uses FFB produced by the Group, is not covered by this exemption and all input VAT in the production of the FFB can be claimed and offset against the output VAT of CPO. Accordingly, the net VAT is accounted for as a recoverable amount in the balance sheet. As at 31 December 2010, the cumulative effect of the input VAT relating to the FFB before offsetting output VAT is US$11.2 million.

(c) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

3.2 Key sources of estimation uncertainty

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

(a) Biological assets

The Group carries its oil palm plantations at fair value less estimated costs to sell, which require extensive use of accounting estimates. Significant components of fair value measurement were determined using assumptions including average lives of plantations, period of being immature and mature plantations, yield per hectare, average selling price and annual discount rates. The amount of changes in fair values would differ if there are changes to the assumptions used. Any changes in fair values of these plantations would affect the profit or loss and equity. The carrying amount of the Group's biological assets is disclosed in Note 11.

(b) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 20 years. These are common life expectancies applied in the oil palm industry. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment is disclosed in Note 13.

(c) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

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

3.2 Key sources of estimation uncertainty (cont'd)

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

The value in use calculation is based on a discounted cash flow model. Management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 15.

(d) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables is disclosed in Note 38.

(e) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

As at 31 December 2010 , the carrying amount of recognised tax losses was US$0.3 million (2009: nil) and the unrecognised tax losses is disclosed in Note 9(c).

(f) Defined benefit plan

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future salary increases. All assumptions are reviewed at each reporting date.

The discount rate is based on the yields of government bonds in the specific country with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases are based on management's projections, taking into consideration expected future inflation rates for the specific country.

The carrying amount of the provision for post employment benefits, together with further details about the assumptions, is disclosed in Note 32.

4. SALES

	Group	
	2010 US$'000	2009 US$'000
Palm Oil	286,708	196,031
Palm Kernel	43,169	22,914
	329,877	218,945

5. COST OF SALES

	Group	
	2010 US$'000	2009 US$'000
Fresh Fruit Bunches ("FFB")		
Depreciation (Note 13)	5,701	3,837
Maintenance costs	38,821	32,481
Plantation general expenses	10,570	7,985
Harvesting costs	11,255	7,822
Post employment benefits (Note 32)	743	439
Cost of FFB produced	67,090	52,564
Net changes in FFB inventory	(50)	121
Cost of FFB transferred to PO and PK	67,040	52,685
Palm Oil ("PO") and Palm Kernel ("PK")		
Cost of FFB to be processed into PO and PK	67,040	52,685
Purchase of FFB	25,343	20,555
Depreciation (Note 13)	8,106	4,464
Processing costs	7,479	4,548
Freight charges	6,364	4,653
Factory general expenses	3,977	1,338
Post employment benefits (Note 32)	303	140
Net changes in PO and PK inventory	(974)	62
Cost of sales – PO and PK	117,638	88,445

6. SELLING AND DISTRIBUTION COSTS

	Group	
	2010 US$'000	2009 US$'000
Export taxes	4,625	460
Freight charges	3,097	1,586
Rental of warehouse	304	508
Others	138	99
Total	8,164	2,653

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Group	
	2010 US$'000	2009 US$'000
Salaries, wages and allowances (including Central Provident Fund)	7,887	9,401
Post employment benefits (Note 32)	799	401
Non-audit fees paid to auditors	419	186
Other professional fees	958	1,163
Operating lease rental (Note 39 (c))	751	629
Depreciation of property, plant and equipment (Note 13)	824	585
Amortisation of other intangible assets (Note 16)	120	37
Directors' fees	290	234
Others	3,058	2,257
Total	15,106	14,893

8. NET FINANCIAL EXPENSES

	Group	
	2010 US$'000	2009 US$'000
Interest expense and amortisation on:		
• Notes payable	9,336	16,766
• Rupiah bonds payable	6,267	5,949
• Convertible bonds payable	9,164	2,460
• Loans and borrowings from financial institutions	9,693	779
	34,460	25,954
Less:		
Capitalised to biological assets (Note 11)	(3,711)	(2,617)
Capitalised to property, plant and equipment (Note 13)	(1,204)	(2,228)
Interest expense recognised in profit or loss	29,545	21,109
Interest and other financial income	(901)	(834)
Gains on redemption of Rupiah bonds payable (Note 30)	(17)	(103)
Loss on redemption of notes payable (Note 29)	2,146	–
Net financial expenses	30,773	20,172

9. TAX EXPENSE

(a) Major components of tax expense

The major components of tax expense for the financial years ended 31 December are as follows:

	Group	
	2010 US$'000	2009 US$'000
Current income tax	41,296	30,777
Deferred tax	15,856	11,126
Withholding tax	4,417	2,847
Total	61,569	44,750

9. TAX EXPENSE (CONT'D)

(b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2010 and 2009 are as follows:

	Group	
	2010 US$'000	**2009 US$'000**
Profit before taxation	212,508	163,707
Tax expense at domestic rate applicable to profits in the countries where the Group operates	53,586	48,229
Adjustments:		
Income not subject to taxation	(619)	(2,327)
Non-deductible expenses	1,320	1,744
Deferred tax assets not recognised	1,647	764
Reduction in tax rate of subsidiaries	–	(6,417)
Withholding tax	4,417	2,847
Others	1,218	(90)
Tax expense recognised in profit or loss	61,569	44,750

For the current financial year, the corporate tax rate for companies in Singapore and Indonesia was 17% and 25% (2009: 17% and 28%) respectively.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

9. TAX EXPENSE (CONT'D)

(c) Deferred tax assets and liabilities

Deferred tax assets and liabilities comprise the following:

	Group		Company	
	2010 US$'000	**2009 US$'000**	**2010 US$'000**	**2009 US$'000**
Deferred tax assets:				
Unutilised tax losses	290	–	–	–
Provisions	1,511	129	104	132
Post employment benefits	1,543	1,076	–	–
Fair value loss on cross currency swap	167	1,501	–	–
Others	–	37	–	–
Deferred tax assets	3,511	2,743	104	132
Deferred tax liabilities:				
Biological assets	(83,891)	(64,719)	–	–
Differences in depreciation of property, plant and equipment	(7,708)	(7,288)	(9)	(9)
Obligations under finance leases	(270)	(176)	–	–
Revaluation of property, plant and equipment	(8,990)	(8,599)	–	–
Others	(748)	(7)	(4)	(7)
Deferred tax liabilities	(101,607)	(80,789)	(13)	(16)
Net deferred tax (liabilities)/assets	(98,096)	(78,046)	91	116

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting, were shown in the balance sheets:

	Group		Company	
	2010 US$'000	**2009 US$'000**	**2010 US$'000**	**2009 US$'000**
Deferred tax assets	1,667	2,743	91	132
Deferred tax liabilities	(99,763)	(80,789)	–	(16)

Unrecognised tax losses

As at 31 December 2010, the Group has accumulated tax losses of approximately US$15.1 million (2009: US$13.8 million) that are available for offset against future taxable profits. The related deferred tax assets of US$3.8 million (2009: US$3.4 million) attributable to such tax losses was not recognised due to uncertainty of its recoverability.

10. EARNINGS PER SHARE

(a) Basic Earnings Per Share

Basic earnings per share are calculated by dividing profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year. The weighted average number of shares is adjusted for treasury shares held during the year.

	Group	
	2010 US$'000	**2009 US$'000**
Profit for the year attributable to owners of the parent	143,084	112,505
	No. of shares	**No. of shares**
Weighted average number of ordinary shares	1,453,459,221	1,453,459,221
Basic earnings per share (US cents)	9.84	7.74

(b) Diluted Earnings Per Share

Diluted earnings per share is calculated on the same basis as the basic earnings per share except that the weighted average number of shares outstanding during the year is adjusted for the effects of all dilutive potential ordinary shares.

	Group	
	2010 US$'000	**2009 US$'000**
Profit for the year attributable to owners of the parent	143,084	112,505
Less: Write-off of unamortised issuance costs on convertible bonds at the beginning of the year	(2,473)	–
Add: Interest expense and amortisation on convertible bonds, net of tax	8,690	–
Adjusted profit for the year attributable to owners of the parent	149,301	112,505
	No. of shares	**No. of shares**
Weighted average number of ordinary shares	1,453,459,221	1,453,459,221
Effect of dilution from convertible bonds	116,078,086	–
Weighted average number of ordinary shares for diluted earnings per share	1,569,537,307	1,453,459,221
Diluted earnings per share (US cents)	9.51	7.74

11. BIOLOGICAL ASSETS

Biological assets comprise primarily oil palm plantations with the following movements in their carrying value:

	Group	
	2010 US$'000	**2009 US$'000**
At fair value		
At 1 January	534,953	367,810
Additions	58,938	52,203
	593,891	420,013
Gains arising from changes in fair value	49,531	44,286
Exchange difference	25,463	70,654
At 31 December	668,885	534,953
Represented by:		
Oil palm plantations	627,949	498,754
Field preparation costs	40,936	36,199
Total	668,885	534,953

Mature oil palm trees produce FFB, which are used to produce CPO and PK. The fair values of oil palm plantations are determined by an independent valuer using the discounted future cash flows of the underlying plantations. The expected future cash flows of the oil palm plantations are determined using the projected selling prices of CPO in the market.

11. BIOLOGICAL ASSETS (CONT'D)

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

(a) no new planting or re-planting activities are assumed;
(b) oil palm trees have an average life that ranges from 25 years, with the first three years as immature and the remaining years as mature;
(c) yield per hectare of oil palm trees is based on a guideline issued by the Indonesian Oil Palm Research Institute *("Pusat Penelitian Kelapa Sawit")*, which varies with the average age of oil palm trees;
(d) discount rate of 18.24% (2009: 19.22%); and
(e) projected selling prices of CPO are based on Goldman Sachs Research in December 2010 and World Bank Forecast in June 2010 (2009: World Bank Forecast in June 2009).

	Group	
	2010 Tonnes	**2009 Tonnes**
Production of FFB (excluding plasma plantations)	1,447,595	1,393,384
	Hectares	**Hectares**
Mature oil palm plantation (planted nucleus)	69,404	63,684
Immature oil palm plantation (planted nucleus)	38,260	33,174

The plantations have not been insured against the risks of fire, diseases and other possible risks.

Depreciation of property, plant and equipment capitalised to biological assets for the financial year ended 31 December 2010 amounted to US$1.9 million (2009: US$1.4 million) (Note 13).

Borrowing costs capitalised to biological assets for the financial year ended 31 December 2010 amounted to US$3.7 million (2009: US$2.6 million) (Note 8).

Assets pledged as security

As at 31 December 2010, certain subsidiaries' biological assets were pledged to secure the Group's loans and borrowings from financial institutions (Note 28) and Rupiah bonds payable (Note 30).

12. PLASMA PLANTATION RECEIVABLES

Details of plasma plantation receivables as at the end of the reporting period are as follows:

	Group	
	2010 US$'000	2009 US$'000
At 1 January	16,166	11,069
Additional development costs	3,876	2,875
Conversion value	(2,182)	-
Differences in accumulated development costs of plasma plantation and conversion value	344	153
Payment of self financing of receivables from plasma plantation	(3,004)	(70)
Exchange differences	725	2,139
At 31 December	15,925	16,166

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings and improvements	Machinery and installations	Farming equipment and motor vehicles	Furniture and fittings, office equipment and others	Assets under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group						
Cost						
At 1 January 2009	46,193	41,647	16,557	1,818	69,333	175,548
Additions	1,134	918	3,336	1,134	27,566	34,088
Reclassifications	11,830	13,156	–	–	(24,986)	–
Exchange differences	8,994	8,362	3,027	415	11,707	32,505
At 31 December 2009 and 1 January 2010	68,151	64,083	22,920	3,367	83,620	242,141
Additions	1,736	862	4,845	438	28,540	36,421
Reclassifications	26,809	57,036	(37)	(118)	(83,690)	–
Exchange differences	3,387	3,515	1,071	153	3,775	11,901
At 31 December 2010	100,083	125,496	28,799	3,840	32,245	290,463
Accumulated depreciation						
At 1 January 2009	14,505	13,691	9,014	972	–	38,182
Charge for the year	3,919	3,557	2,524	295	–	10,295
Exchange differences	2,808	2,635	1,743	191	–	7,377
At 31 December 2009 and 1 January 2010	21,232	19,883	13,281	1,458	–	55,854
Charge for the year	4,296	2,709	8,166	1,346	–	16,517
Reclassifications	(102)	150	(166)	118	–	–
Exchange differences	1,007	934	1,215	79	–	3,235
At 31 December 2010	26,433	23,676	22,496	3,001	–	75,606
Net carrying amount						
At 31 December 2010	73,650	101,820	6,303	839	32,245	214,857
At 31 December 2009	46,919	44,200	9,639	1,909	83,620	186,287

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

	Motor vehicles	Furniture, fittings and office equipment	Computers	Total
	US$'000	US$'000	US$'000	US$'000
Company				
Cost				
At 1 January 2009	415	5	14	434
Additions	–	34	27	61
Effect of change in functional currency	8	–	1	9
At 31 December 2009 and 1 January 2010	423	39	42	504
Additions	170	–	4	174
At 31 December 2010	593	39	46	678
Accumulated depreciation				
At 1 January 2009	99	1	5	105
Charge for the year	85	5	10	100
Effect of change in functional currency	2	–	–	2
At 31 December 2009 and 1 January 2010	186	6	15	207
Charge for the year	129	7	13	149
At 31 December 2010	315	13	28	356
Net carrying amount				
At 31 December 2010	278	26	18	322
At 31 December 2009	237	33	27	297

Borrowing costs capitalised to property, plant and equipment for the financial year ended 31 December 2010 amounted to US$1.2 million (2009: US$2.2 million) (Note 8).

Assets held under finance leases

As at 31 December 2010, the net carrying amount of property, plant and equipment held under consumer financing loans and obligations under finance leases amounted to US$6.4 million (2009: US$3.1 million).

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

Assets pledged as security

As at 31 December 2010, certain subsidiaries' property, plant and equipment were pledged to secure the Group's loans and borrowings from financial institutions (Note 28).

Assets under construction

As at 31 December 2010, the Group's assets under construction relate primarily to oil palm mills, roads, buildings and infrastructure, as well as other machinery and installations.

As at 31 December 2009, the Group's assets under construction included a biodiesel, refinery and fractionation plant with a net carrying amount of US$64.8 million. During the current financial year, the plant has been completed and reclassified to leasehold buildings, machinery and installations.

Depreciation and amortisation

For the financial years ended 31 December 2010 and 2009, the depreciation and amortisation charges are as follows:

	Group	
	2010 US$'000	**2009 US$'000**
Depreciation of property, plant and equipment	16,517	10,295
Amortisation of land use rights (Note 14)	1,512	824
Amortisation of intangible assets (Note 16)	120	37
Total	18,149	11,156
Depreciation included in cost of sales (Note 5):		
• FFB	5,701	3,837
• PO and PK	8,106	4,464
Depreciation included in general and administrative expenses (Note 7)	824	585
Depreciation capitalised in biological assets (Note 11)	1,886	1,409
Amortisation included in general and administrative expenses (Note 7)	120	37
Amortisation included in other operating expenses	1,512	824
Total	18,149	11,156

14. LAND USE RIGHTS

	Group	
	2010 US$'000	2009 US$'000
At 1 January	19,236	17,055
Additions	2,438	253
Reclassification from land permits	12,409	–
Amortisation charge during the year	(1,512)	(824)
Exchange differences	1,014	2,752
At 31 December	33,585	19,236
Amount to be amortised		
– Not later than one year	1,512	990
– Later than one year but not more than five years	6,049	3,959
– Later than five years	26,024	14,287
	33,585	19,236

Land use rights are in respect of:

(a) land premiums representing the cost of land rights owned by the Group which are amortised on a straight line basis over their terms of 25 to 35 years. The terms can be extended for a further period of 25 years subject to agreement with the Government of Indonesia and payment of premium; and

(b) deferred land rights acquisition costs representing the cost associated with the legal transfer or renewal for titles of land rights such as, among others, legal fees, land survey and re-measurement fees, taxes and other related expenses. Such costs are also deferred and amortised on a straight-line basis over the terms of the related land rights of 25 to 35 years.

As at 31 December 2010, the Group's land use rights covers a total land area of 116,810 hectares (2009: 65,219 hectares), representing Right to Cultivate *("Hak Guna Usaha" or "HGU")* and Right to Build *("Hak Guna Bangunan" or "HGB")*. The legal terms of the existing land use rights of the Group expire on various dates between 2020 and 2045.

Assets pledged as security

As at 31 December 2010, certain subsidaries' land use rights were pledged to secure the Group's loans and borrowings from financial institutions (Note 28) and Rupiah bonds payable (Note 30).

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2010 US$'000	2009 US$'000
Unquoted equity shares, at cost	276,984	249,829
At 1 January	249,829	234,584
Conversion from advance subscription for shares in subsidiary	27,155	–
Effect of change in functional currency	–	15,245
At 31 December	276,984	249,829

The full list of subsidiaries is presented in Note 1(b).

(a) Disposal of subsidiaries by the Group

During the current financial year, the Group disposed of three subsidiaries to a related party, PT Fangiono Perkasa Sejati. As a result of the disposal, PT Dharma Bhakti Utama, PT Andalan Mitrasawit Sejati and PT Pancasurya Agrosejahtera ceased to be indirect subsidiaries of the Group.

The carrying values of the identifiable liabilities of subsidiaries disposed of and the effect thereof as at the date of disposal were as follows:

	US$'000
Net assets/(liabilities) disposed:	
Current assets	–
Current liabilities	(2)
Net identifiable liabilities disposed	(2)
Gain on disposal	3
Net cash inflows from disposal of subsidiaries	1

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Impairment testing of goodwill

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

	Group	
	2010 US$'000	2009 US$'000
PT Borneo Ketapang Permai		
Goodwill	7,073	7,073

The recoverable value of the above CGU as at 31 December was determined based on value-in-use calculations using cash flow projections from financial budgets approved by management. The calculations were based on the following key assumptions:

	2010	2009
Pre-tax discount rate	14%	15%
Terminal growth rate	3%	3%
Projected CPO price	US$950/tonne	US$450/tonne

The value-in-use calculations use a discounted cash flow model based on cash flow projections covering a period of 10 years, and projected CPO price of US$950 per tonne (2009: US$450 per tonne). The cash flows beyond the projected periods are extrapolated using the estimated terminal growth rate indicated above.

The calculations of value-in-use are most sensitive to the following assumptions:

Growth rate - The terminal growth rate is based on published industry research and does not exceed the long-term average growth rates in the industry.

Discount rate - The discount rate applied to the cash flow projection is pre-tax and derived from the weighted average cost of capital of the plantation estates.

Based on the above analysis, management has assessed that the goodwill is not impaired as at 31 December 2010 and 2009.

16. OTHER INTANGIBLE ASSETS

	Group		
	Land permit US$'000	Software US$'000	Total US$'000
Cost			
At 1 January 2009	25,006	1,054	26,060
Additions	–	193	193
Exchange differences	4,123	194	4,317
At 31 December 2009 and 1 January 2010	29,129	1,441	30,570
Additions	129	109	238
Reclassification to land use rights	(12,409)	–	(12,409)
Exchange differences	1,196	68	1,264
At 31 December 2010	18,045	1,618	19,663
Accumulated amortisation			
At 1 January 2009	–	35	35
Amortisation charge during the year	–	37	37
Exchange differences	–	9	9
At 31 December 2009 and 1 January 2010	–	81	81
Amortisation charge during the year	–	120	120
Exchange differences	–	5	5
At 31 December 2010	–	206	206
Net carrying amount			
At 31 December 2010	18,045	1,412	19,457
At 31 December 2009	29,129	1,360	30,489

The Group's land permits are not amortised. Amortisation would only commence upon reclassification of land permits to land use rights.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2010 US$'000	2009 US$'000
Quoted debt securities	–	7,977

The quoted debt securities are denominated in USD.

18. DERIVATIVE FINANCIALS ASSETS/LIABILITIES

	2010		2009	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Group				
Cross currency swap	2,033	–	–	2,536
Options and swap contracts	10,681	12,990	–	–
Forward currency contracts	87	135	–	–
Total derivative financial instruments	12,801	13,125	–	2,536
Less:				
Current portion	(1,036)	(2,429)	–	–
Non-current portion	11,765	10,696	–	2,536

18. DERIVATIVE FINANCIALS ASSETS/LIABILITIES (CONT'D)

	2010		2009	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Company				
Options and swap contracts	11,536	11,536	–	–
Forward currency contracts	–	135	–	–
Total derivative financial instruments	11,536	11,671	–	–
Less:				
Current portion	(1,804)	(1,939)	–	–
Non-current portion	9,732	9,732	–	–

The Group classifies derivative financial instruments as financial assets/liabilities at fair value through profit or loss, except for certain commodity derivatives designated as cash flow hedges, wherein hedge accounting has been applied.

Cross currency swap

PT CLP has entered into a cross currency swap agreement with a financial institution ("Bank A") for swapping its Indonesian Rupiah bond indebtedness effectively into USD liabilities. Based on the agreement, PT CLP or Bank A is obliged to pay the net amount whereby PT CLP's obligation is based on the amount of US$53,418,803 at 7.40% per annum while Bank A's obligation is based on the amount of Rp500 billion at 11.50% per annum. At the termination date, one of the parties is obliged to pay the difference in principal amounts. The cross currency swap is accounted for at fair value through profit or loss.

Options and swap contracts

The Group has entered into certain commodities swap contracts in order to hedge the financial risk related to the sale of palm oil. Cash flow hedge accounting has been applied to these derivatives as they are considered to be highly effective hedging instruments. A net fair value loss of US$2.3 million (2009: nil) has been included in the hedging reserve in respect of these contracts. Other commodities options contracts entered into by the Group are accounted for at fair value through profit or loss.

Forward currency contracts

The Group has entered into forward currency contracts to buy or sell certain amounts of currencies at agreed exchange rates for settlement on agreed future rates. These forward currency contracts are accounted for at fair value through profit or loss.

19. INVENTORIES

	Group	
	2010 US$'000	2009 US$'000
At lower of cost and net realisable value		
PO	7,172	5,922
PK	511	418
Fertilizer and chemicals	4,074	3,023
Spare parts and other consumables	6,157	5,315
Goods in transit	402	690
	18,316	15,368
At fair value		
FFB	78	27
Total inventories	18,394	15,395
Inventories recognised as an expense in cost of sales	82,274	60,203

20. TRADE RECEIVABLES

All trade receivables are due from third parties. Trade receivables are non-interest bearing and are generally due within 30 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables are denominated in the following currencies:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Indonesian Rupiah	3,170	8	–	–
United States Dollar	7,331	–	847	–
	10,501	8	847	–

20. TRADE RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

An analysis of trade receivables that are past due but not impaired as at the end of the reporting period is as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Trade receivables past due:				
Lesser than 30 days	–	–	–	–
30 to 60 days	–	–	–	–
61 to 90 days	–	–	–	–
More than 90 days	–	8	–	–
	–	8	–	–

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

21. OTHER RECEIVABLES

		Group		Company	
	Note	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Amount due from a financial institution		–	662	–	662
Interest receivable		32	70	32	70
Amounts due from subsidiaries	(i)	–	–	944	–
Sundry receivables		3,120	3,116	37	501
		3,152	3,848	1,013	1,233

(i) *Amounts due from subsidiaries*
The amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing and repayable on demand.

21. OTHER RECEIVABLES (CONT'D)

Other receivables are denominated in the following currencies:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Indonesian Rupiah	2,106	1,020	–	–
United States Dollar	32	1,904	976	1,189
Singapore Dollar	37	44	37	44
Others	977	880	–	–
	3,152	3,848	1,013	1,233

22. ADVANCES AND PREPAYMENTS

Advance for purchase of property, plant and equipment

Advance for purchase of property, plant and equipment represents advance payments made to suppliers and contractors in relation to the following items:

	Group	
	2010 US$'000	2009 US$'000
Land	1,436	1,403
Machinery and installations	5,282	410
Buildings	2,992	–
Others	999	310
	10,709	2,123

Other advances and prepayments

Other advances and prepayments relate mainly to payments made to suppliers for purchase of inventories and other miscellaneous items. These payments are unsecured, interest-free and the obligations from suppliers are expected to be fulfilled within the next 12 months.

23. ADVANCE SUBSCRIPTION FOR SHARES IN SUBSIDIARY

Advance subscription for shares in subsidiary is interest-free, unsecured and expected to be converted to shares within the next 12 months.

24. CASH AND BANK BALANCES

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Cash at banks and on hand	113,952	24,096	29,875	1,911
Time deposits	90,979	144,903	49,612	97,043
Cash at banks, restricted	–	10,599	–	–
Cash held by financial institutions, restricted	4,100	–	4,100	–
	209,031	179,598	83,587	98,954

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day to nine months (2009: one day to three months) depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates, which range between 0.12% and 6.50% (2009: 0.09% and 9.50%) per annum.

As at 31 December 2009, bank balances amounting to US$10.6 million were pledged to secure a short-term bank loan of the Group. During the current financial year, the short-term bank loan has been fully repaid.

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Indonesian Rupiah	28,676	4,125	–	–
United States Dollar	173,642	163,271	76,874	97,610
Singapore Dollar	6,713	12,202	6,713	1,344
Total	209,031	179,598	83,587	98,954

24. CASH AND BANK BALANCES (CONT'D)

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2010 US$'000	2009 US$'000
Cash at banks and on hand	113,952	34,695
Time deposits	90,979	134,304
	204,931	168,999

25. TRADE PAYABLES

Trade payables are non-interest bearing and generally due within 30 to 90 days.

Trade payables of the Company amounting to US$3.4million (2009: nil) are due to its subsidiaries.

Trade payables are denominated in the following currencies:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Indonesian Rupiah	11,539	6,625	–	–
United States Dollar	3,341	4,334	3,400	–
Others	143	84	3	–
Total	15,023	11,043	3,403	–

25. TRADE PAYABLES (CONT'D)

An analysis of the trade payables ageing schedule, based on the date of invoice, is as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Lesser than 30 days	10,413	6,099	3,403	–
31 to 90 days	4,610	4,253	–	–
More than 90 days	–	691	–	–
Total	15,023	11,043	3,403	–

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Accrued staff costs	9,236	6,829	924	993
Accrued professional fees	448	363	225	168
Accrued interest expenses	4,551	3,151	1,547	1,547
Accrued contractor fees and retention sums	5,098	6,773	–	–
Others	1,687	1,080	47	106
Total	21,020	18,196	2,743	2,814

Other payables and accruals are denominated in the following currencies:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Indonesian Rupiah	18,077	13,481	–	–
United States Dollar	1,970	3,592	1,770	1,691
Singapore Dollar	973	1,123	973	1,123
Total	21,020	18,196	2,743	2,814

27. ADVANCES FROM CUSTOMERS

Advances from customers represent advance payments relating to the sale of PO and PK, are trade related, unsecured, interest-free and the obligations to the customers are expected to be fulfilled within the next 12 months.

28. LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Current				
Bank loans	11,428	9,636	–	–
Consumer financing loans	637	390	14	12
Obligations under finance leases	1,868	903	–	–
	13,933	10,929	14	12
Non-current				
Bank loans	148,773	–	–	–
Consumer financing loans	641	392	38	49
Obligations under finance leases	1,377	1,061	–	–
	150,791	1,453	38	49
Total	164,724	12,382	52	61

Details of the loans and borrowings from financial institutions are as follows:

Bank loans

The Group's bank loans as at the end of the reporting period relate to the following:

(a) loans from an Indonesian bank obtained by certain subsidiaries during 2010 to finance the redemption of the Notes payable of US$140.8 million (Note 29). The loans are secured over certain of the subsidiaries' assets and bear interest at 9.75% per annum, subject to review quarterly. The loans are repayable quarterly until April 2016, with a total amount of US$133.5 million outstanding as at 31 December 2010;

(b) loans from an Indonesian bank obtained by certain subsidiaries during 2010 for development of palm oil plantations and refinancing of a short-term loan which was to be due by April 2011 (see Note (c) below). The loans bear interest rate at 10.00% per annum, subject to review quarterly, and are secured over certain of the subsidiaries' assets and by corporate guarantees and personal guarantees. The loans are repayable quarterly until August 2021, with a total amount of US$26.7 million outstanding as at 31 December 2010; and

(c) loan from an Indonesian bank obtained by a subsidiary during 2009 for working capital purposes. The loan was secured over certain of the subsidiary's assets and borne interest at Bank Indonesia's rate plus 1.25% per annum. The loan amount outstanding as at 31 December 2009 was US$9.6 million, which had been repaid during 2010.

Consumer financing loans

The Group entered into consumer financing loan agreements for purchase of farming equipment and motor vehicles incidental to the ordinary course of the business. These consumer financing loans expire within the next three years. The interest rates of these consumer financing loans range from 4.2% to 12.2% (2009: 4.5% to 11.0%) per annum.

28. LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS (CONT'D)

Obligations under finance leases

The Group entered into capital lease agreements for purchase of farming equipment and motor vehicles incidental to the ordinary course of the business. These capital leases expire within the next three years. The interest rates of these capital leases range from 4.2% to 17.0% (2009: 5.5% to 14.5%) per annum.

Future minimum lease payments under finance leases and consumer financing loans together with the present value of the net minimum lease payments are disclosed in Note 39(d).

Loans and borrowings from financial institutions are denominated in the following currencies:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Indonesian Rupiah	164,672	12,321	–	–
Singapore Dollar	52	61	52	61
Total	164,724	12,382	52	61

29. NOTES PAYABLE

	Group	
	2010 US$'000	2009 US$'000
Nominal value	–	140,800
Less:		
Notes issuance costs	–	5,668
Accumulated amortisation	–	(2,611)
Total	–	3,057
Notes payable, net	–	137,743

On 8 December 2006, CPFC issued US$160 million Guaranteed Secured Notes (the "Notes") which are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and are guaranteed by PT CLP and certain of its subsidiaries. The Notes are also secured by certain of PT CLP Group's assets. The Notes were to be due on 8 December 2011 and borne interest at 10.75% per annum, payable semi-annually.

On 8 June 2010, the remaining US$140.8 million notes payable outstanding has been redeemed and the Group recorded a loss on redemption of US$2.1 million, net of deferred notes issuance cost. The loss on redemption of notes is presented as part of net financial expenses (Note 8).

30. RUPIAH BONDS PAYABLE

	Group	
	2010 US$'000	2009 US$'000
Nominal value	53,832	51,702
Less:		
Bond issuance costs	746	717
Accumulated amortisation	(408)	(267)
Total	338	450
Rupiah bonds payable, net	53,494	51,252

On 27 November 2007, PT CLP issued Rp500 billion bonds ("Rupiah bonds") which are listed on Bursa Efek Indonesia and secured by the assets of another subsidiary. The Rupiah bonds will be due on 27 November 2012 and bear interest at 11.50% per annum, payable quarterly.

In 2010, the Group repurchased a total of Rp2,000 million (2009: Rp14,000 million) of the Rupiah bonds and booked a total gain of US$0.017 million (2009: US$0.103 million), net of deferred bond issuance costs. The gains on redemption of Rupiah bonds are presented as part of net financial expenses (Note 8).

PT CLP and its subsidiaries have complied with the covenants required in the Bond Indenture for the financial years ended 31 December 2010 and 2009.

31. CONVERTIBLE BONDS

On 22 September 2009, the Company issued US$100 million convertible bonds which are listed on SGX-ST. The convertible bonds bear interest at 5.625% per annum, payable semi-annually and are due on 22 September 2014 at 104.34% to give an effective yield-to-maturity of 6.375%. The convertible bonds are convertible on or after 2 November 2009 into fully paid ordinary shares of the Company at an initial conversion price of S$1.24735 per share with a fixed exchange rate of $S1.4479 to US$1.00.

The liability component was determined on the date of issue using the market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity as "equity component of convertible bonds".

In subsequent periods, the liability component is carried at amortised cost over the maturity period. The equity conversion component is not subsequently re-measured.

Issuance costs relating to the liability component would be amortised using the effective interest method over the maturity period. Issuance cost relating to the equity component is offset against the fair value of the equity component at inception date and is not subsequently amortised.

31. CONVERTIBLE BONDS (CONT'D)

The carrying amount of the convertible bonds at the end of the reporting period is derived as follows:

	Group and Company	
	2010 US$'000	2009 US$'000
Face value on issuance date	100,000	100,000
Less: Value of equity component	(14,408)	(14,408)
Value of liability component at issuance date	85,592	85,592
Value of liability component at issuance date	85,592	85,592
Add: Accretion of interest	3,912	783
Less: Issuance cost, net of amortisation	(2,042)	(2,452)
Value of liability component at end of the reporting period	87,462	83,923
Value of equity component	14,408	14,408
Less: Issuance cost	(437)	(437)
Value of equity component at issuance date and end of the reporting period	13,971	13,971

32. PROVISION FOR POST EMPLOYMENT BENEFITS

The Group recognised employment benefits for all its permanent employees in Indonesia pursuant to Indonesian Labor Law No. 13/2003. The provision for employment benefits is based on the calculation of an independent actuary, using the "Projected Unit Credit" method. No fund was provided for such liability for employment benefits. As at 31 December 2010, the post employment benefits liability amounted to US$6.2 million (2009: US$4.3 million).

The assumptions used in determining the provision for post employment benefits are as follows:

	2010	2009
Normal Pension Age	55 Years	55 Years
Salary Increment Rate per annum	8%	8%
Discount Rate per annum	9.30%	10.80%
Mortality Rate	The Commissioners 1980 Standard Ordinary Mortality Table	The Commissioners 1980 Standard Ordinary Mortality Table
Disability Rate	1% of mortality rate	1% of mortality rate
Resignation Rate	0% to 1%	0% to 1%
Calculation Method	Projected Unit Credit	Projected Unit Credit

32. PROVISION FOR POST EMPLOYMENT BENEFITS (CONT'D)

The estimated liability for employee benefits as at the end of the reporting period is as follows:

	Group	
	2010 US$'000	**2009 US$'000**
Present value of employee benefits obligation in addition to the defined contribution scheme	6,627	4,375
Unrecognised net actuarial gain	(534)	(160)
Unrecognised past service cost	70	91
	6,163	4,306

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

	Group	
	2010 US$'000	**2009 US$'000**
At 1 January	4,306	3,082
Net employee benefit expense	1,965	1,031
Benefits paid	(321)	(384)
Exchange differences	213	577
At 31 December	6,163	4,306

The following summarises the components of net employee benefit expense recognised in profit or loss as follows:

	Group	
	2010 US$'000	**2009 US$'000**
Current service cost	1,481	769
Interest cost on benefit obligation	472	332
Amortisation of past service cost	17	15
Amortisation of actuarial losses	(124)	(11)
Allowance of internal movement of employees	119	(74)
Net employee benefit expense	1,965	1,031

32. PROVISION FOR POST EMPLOYMENT BENEFITS (CONT'D)

The breakdown of net employee benefit expense is as follows:

	Group	
	2010 US$'000	2009 US$'000
Cost of goods sold (Note 5)		
- FFB	743	439
- PO and PK	303	140
General and administrative expense (Note 7)	799	401
Capitalised to biological assets	120	51
	1,965	1,031

33. SHARE CAPITAL

	Group and Company			
	2010		2009	
	No. of shares	US$'000	No. of shares	US$'000
Issued and fully paid ordinary shares				
At 1 January	1,468,459,221	288,735	1,468,459,221	277,056
Effect of change in functional currency	–	–	–	11,679
At 31 December	1,468,459,221	288,735	1,468,459,221	288,735

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 shares have no par value.

34. TREASURY SHARES

	Group and Company			
	2010		2009	
	No. of shares	US$'000	No. of shares	US$'000
At 1 January	15,000,000	6,816	15,000,000	6,886
Effect of change in functional currency	–	–	–	(70)
At 31 December	15,000,000	6,816	15,000,000	6,816

35. DIFFERENCES ARISING FROM RESTRUCTURING TRANSACTIONS INVOLVING ENTITIES UNDER COMMON CONTROL

This represents the difference between the consideration paid and the share capital of the "acquired" entities.

36. OTHER RESERVES

The composition of other reserves is as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Capital reserve	(29,096)	(29,096)	–	–
Revaluation reserve	279	279	–	–
Available-for-sale reserve	–	(88)	–	(88)
Hedging reserve	(2,309)	–	–	–
Foreign translation reserve	39,219	10,054	393	393
Total	8,093	(18,851)	393	305

Capital reserve

Capital reserve represents the premium paid for the acquisition of minority interests over the fair value of the identifiable assets and liabilities of a subsidiary.

Revaluation reserve

Revaluation reserve represents increases in the fair value of property, plant and equipment, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

Available-for-sale reserve

Available-for-sale reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets.

	Group and Company	
	2010 US$'000	2009 US$'000
At 1 January	(88)	–
Fair value losses on available-for-sale financial assets	–	(88)
Fair value losses on available-for-sale financial assets transferred to profit or loss	88	–
At 31 December	–	(88)

36. OTHER RESERVES (CONT'D)

Hedging reserve

Hedging reserve represents the fair value changes on derivative financial instruments designated as cash flow hedges that are determined to be effective hedging instruments.

	Group	
	2010 US$'000	2009 US$'000
At 1 January	–	–
Fair value losses on cash flow hedges	(2,309)	–
At 31 December	(2,309)	–

Foreign translation reserve

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

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
At 1 January	10,054	(52,137)	393	(4,229)
Foreign currency translation adjustments	29,165	62,191	–	4,622
At 31 December	39,219	10,054	393	393

37. DIVIDENDS

	Group and Company	
	2010 US$'000	**2009 US$'000**
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final tax exempt (one-tier) dividend for 2009: 1.18 Singapore cents (2008: nil) per share	12,389	–
- Interim tax exempt (one-tier) dividend for 2010: 1.00 Singapore cents (2009: 1.00 Singapore cents) per share	10,864	10,217
	23,253	10,217
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final tax exempt (one-tier) dividend for 2010: 1.90 Singapore cents (2009: 1.18 Singapore cents) per share	21,664*	12,389

* based on SGD/USD exchange rate of 1.2879 as at 31 December 2010.

38. CLASSES OF FINANCIAL ASSETS AND LIABILITIES

As at 31 December, the following are the different classes of financial assets and liabilities:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Assets				
Loans and receivables				
Trade receivables	10,501	8	847	–
Other receivables	3,152	3,848	1,013	1,233
Cash and bank balances	209,031	179,598	83,587	98,954
Total	222,684	183,454	85,447	100,187
Available-for-sale financial assets				
Quoted debt securities	–	7,977	–	7,977
At fair value through profit or loss				
Derivative financial assets	12,801	–	11,536	–
Liabilities				
At amortised cost				
Trade payables	15,023	11,043	3,403	–
Other payables and accruals	21,020	18,196	2,743	2,814
Loans and borrowings from financial institutions	164,724	12,382	52	61
Notes payable	–	137,743	–	–
Rupiah bonds payable	53,494	51,252	–	–
Liability component of convertible bonds	87,462	83,923	87,462	83,923
Total	341,723	314,539	93,660	86,798
At fair value through profit or loss				
Derivative financial liabilities	10,816	2,536	11,671	–
Cash flow hedges				
Derivative financial liabilities	2,309	–	–	–

39. COMMITMENTS AND CONTINGENCIES

(a) *Sales Contracts*

As at 31 December 2010, the Group has outstanding forward sales contracts with its customers for palm oil amounting to US$66.7 million (2009: nil).

(b) *Capital commitments*

Capital commitments contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2010 US$'000	**2009 US$'000**
Capital commitments in respect of property, plant and equipment	23,229	692

(c) *Operating lease commitments*

As lessee

In addition to the land use rights disclosed in Note 14, the Group has entered into commercial leases to lease land and buildings. These non-cancellable operating leases have remaining lease terms of between one to three years. There are no restrictions placed upon the lessee by entering into these leases. Operating lease payments recognised in profit or loss are US$0.75 million (2009: US$0.63 million) (Note 7).

Future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2010 US$'000	**2009 US$'000**
Within one year	759	498
After one year but not more than five years	826	24
	1,585	522

39. COMMITMENTS AND CONTINGENCIES (CONT'D)

(d) Finance leases and consumer financing loans

As lessee

The Group has finance leases and consumer financing loans for certain property, plant and equipment. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases and consumer financing loans together with the present value of the net minimum lease payments are as follows:

	Group			
	2010		2009	
	Minimum lease payments	Present value of minimum lease payments (Note 28)	Minimum lease payments	Present value of minimum lease payments (Note 28)
	US$'000	US$'000	US$'000	US$'000
Not later than one year	2,844	2,505	1,551	1,293
Later than one year but not more than five years	2,493	2,018	1,719	1,453
More than five years	–	–	–	–
Total minimum lease payments	5,337	4,523	3,270	2,746
Less: Amount representing finance charges	(814)	–	(524)	–
Present value of minimum lease payments	4,523	4,523	2,746	2,746

(e) Contingent liabilities

A subsidiary has guaranteed US$1.0 million (2009: US$5.9 million) in respect of plasma farmers' loans repayable to the bank at the time when the plasma plantations are converted. These loans are being repaid by the plasma farmers on an instalment basis through a withholding mechanism on sales of the plasma crops to the Group.

40. RELATED PARTY DISCLOSURES

The Company's immediate holding company is Eight Capital Inc. and its ultimate holding company is Lizant Investments Ltd. Related companies in these financial statements refer to the members of the ultimate holding company's group of companies.

In addition to those related party information provided elsewhere in the relevant notes to the consolidated financial statements, the following are the significant transactions between the Group and related parties (who are not members of the Group) that took place during the financial years ended 31 December 2010 and 2009 at terms agreed between the parties, which are conducted at arm's length.

	Group	
	2010 US$'000	**2009 US$'000**
Director-related companies		
- Lease of office space	(872)	(694)
- Proceeds from disposal of subsidiaries	1	–

Compensation of key management personnel

	Group	
	2010 US$'000	**2009 US$'000**
Salaries, wages, allowances and other benefits	3,459	2,052
Directors' fees	286	232
Post-employment benefits	937	256
Central Provident Fund contributions	19	9
	4,701	2,549
Comprise amounts paid to:		
- Directors of the Company	1,117	772
- Other key management personnel	3,584	1,777
Total	4,701	2,549

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active market for identical instruments (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Group				
2010				
Financial assets				
Derivative financial assets (Note 18)	–	12,801	–	12,801
Financial liabilities				
Derivative financial liabilities (Note 18)	–	13,125	–	13,125

41. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(a) Fair value of financial instruments that are carried at fair value (cont'd)

	Quoted prices in active market for identical instruments (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Group				
2009				
Financial assets				
Available-for-sale financial assets (Note 17)	7,977	–	–	7,977
Financial liabilities				
Derivative financial liabilities (Note 18)	–	2,536	–	2,536

Determination of fair value

Available-for-sale financial assets (Note 17)

Fair value is determined directly by reference to their published market bid price at the end of the reporting period.

Derivative financial assets/ liabilities (Note 18)

Where available, quoted market prices are used as a measure of fair values for the outstanding contracts. Where the quoted market prices are not available, the fair values are based on management's best estimate and are arrived at by reference to the market prices of another contract that is substantially similar.

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Trade receivables (Note 20), Other receivables (Note 21), Trade payables (Note 25), Other payables and accruals (Note 26) and Loans and borrowings from financial institutions (Note 28).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

41. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group			
	2010		2009	
	Carrying amount US$'000	Fair value US$'000	Carrying amount US$'000	Fair value US$'000
Financial liabilities:				
Notes payable	–	–	137,743	145,261
Rupiah bonds payable	53,494	55,016	51,252	52,219
Liability and equity components of convertible bonds	101,433	143,950	97,894	102,945

	Company			
	2010		2009	
	Carrying amount US$'000	Fair value US$'000	Carrying amount US$'000	Fair value US$'000
Financial liabilities:				
Liability and equity components of convertible bonds	101,433	143,950	97,894	102,945

Determination of fair value

Notes payable (Note 29) and Liability and equity components of convertible bonds (Note 31)

The fair values are estimated by reference to the market prices as at the end of the reporting period.

Rupiah bonds payable (Note 30)

The fair value is estimated by reference to the latest transacted price, which occurred on 6 December 2010.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, market risk (including foreign currency risk and commodity price risk), credit risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's 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 exposure to interest rate risk arises primarily from its floating rate bank loans and deposits with financial institutions.

The Group monitors its interest rate risk closely and may use interest rate swaps to manage interest rate risk arising from floating rate debt.

Sensitivity analysis for interest rate risk

At the end of the reporting period, had the interest rates of the Group's floating rate bank loans and deposits with financial institutions been 50 basis points (2009: 50 basis points) higher/lower, ceteris paribus, profit before taxation for the financial year ended 31 December 2010 would have been US$0.2 million (2009: US$0.8 million) higher/lower accordingly.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily Indonesian Rupiah ("IDR") and USD. The foreign currencies in which these transactions are denominated is mainly USD and Singapore Dollar ("SGD"). To the extent that the foreign denominated sales and purchases of the Group are not evenly matched in terms of quantum and/or timing, the Group has exposure to foreign currency risk.

The Group is also exposed to currency translation risk arising from its financial assets and liabilities that are denominated in currencies other than the respective functional currencies of the Group's entities.

The Group does not have any formal hedging policy for foreign exchange exposure. However, it may enter into foreign currency options to hedge against volatility in exchange rates.

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

(b) *Foreign currency risk (cont'd)*

The Group's foreign currency exposures are highlighted in Notes 17, 20, 21, 24, 25, 26 and 28 respectively.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonably possible change in the IDR and SGD exchange rates against the USD as at the end of the reporting period.

	Group			
	2010		2009	
	Profit before taxation US$'000	Equity US$'000	Profit before taxation US$'000	Equity US$'000
IDR against USD				
• strengthened 10% (2009: 10%)	(2,752)	40,381	12,545	37,365
• weakened 10% (2009: 10%)	4,746	(38,886)	14,015	(38,423)
SGD against USD				
• strengthened 5% (2009: 5%)	647	537	10	8
• weakened 5% (2009: 5%)	(1,413)	(1,172)	(10)	(8)

(c) *Commodity price risk*

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's exposure to commodity price risk arises primarily from its purchase of raw materials and sales of CPO and PK. Prices of raw materials and end products may fluctuate significantly depending on the market situation and factors such as weather, government policy, level of demand and supply in the market and the global economic environment. During periods of unfavourable price volatility, the Group may enter into forward physical contracts with our suppliers and customers or use derivative contracts in the conduct of business to manage our price risk.

Sensitivity analysis for commodity price risk

During the financial years ended 31 December 2010 and 2009, had the CPO and PK average selling prices been 10% higher/lower, ceteris paribus, profit before taxation in 2010 would have been US$33.0 million (2009: US$21.9 million) higher/lower.

At the end of the reporting period, had the CPO price been 10% higher/lower, ceteris paribus, the Group's equity would have been US$3.3 million (2009: nil) lower/higher, as a result of changes in fair value of CPO swap contracts.

42. 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's and the Company's exposure to credit risk arises primarily from trade and other receivables.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. For domestic sales, we conduct business by requiring payment in advance, cash on delivery terms or may grant customers credit terms, where appropriate. All our export sales require letters of credit from our customers. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For other financial assets (including available-for-sale financial assets and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- an amount of US$1.0 million (2009: US$5.9 million) relating to a financial guarantee provided by a subsidiary for repayment of plasma farmers' loans to a bank.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual customers' outstanding balances on an ongoing basis.

At the end of the reporting period, 91.6% (2009: nil) of the Group's trade receivables were due from two customers.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good payment record with the Group. Cash and cash equivalents and available-for-sale financial assets that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

The Group does not have any financial assets that are either past due or impaired.

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

(e) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Group				
2010				
Trade and other payables	36,043	–	–	36,043
Loans and borrowings from financial institutions	27,163	176,851	19,546	223,560
Rupiah bonds payable	6,303	59,787	–	66,090
Convertible bonds payable	6,464	121,960	–	128,424
Derivative financial liabilities:				
• Cross currency swap – gross receipts	(6,466)	(61,491)	–	(67,957)
• Cross currency swap – gross payments	3,997	57,053	–	61,050
• CPO swap contracts	1,366	965	–	2,331
	74,870	355,125	19,546	449,541
2009				
Trade and other payables	29,239	–	–	29,239
Loans and borrowings from financial institutions	11,187	1,719	–	12,906
Notes payable	15,346	155,137	–	170,483
Rupiah bonds payable	6,028	63,197	–	69,225
Convertible bonds payable	6,464	128,423	–	134,887
Derivative financial liabilities:				
• Cross currency swap – gross receipts	(6,185)	(65,001)	–	(71,186)
• Cross currency swap – gross payments	3,997	61,050	–	65,047
	66,076	344,525	–	410,601

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

(e) Liquidity risk (cont'd)

	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Company				
2010				
Trade and other payables	6,146	–	–	6,146
Loans and borrowings from financial institutions	17	42	–	59
Convertible bonds payable	6,464	121,960	–	128,424
	12,627	122,002	–	134,629
2009				
Trade and other payables	2,814	–	–	2,814
Loans and borrowings from financial institutions	16	54	–	70
Convertible bonds payable	6,464	128,423	–	134,887
	9,294	128,477	–	137,771

43. 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.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2010 and 2009.

The Group monitors capital through its Debt/EBITDA ratio, which is gross debt divided by profit from operations before depreciation, amortisation and gains arising from changes in fair value of biological assets ("EBITDA"). The Group's policy is to maintain a Debt/EBITDA ratio of no more than 3.75 times.

	Group	
	2010 US$'000	2009 US$'000
Loans and borrowings from financial institutions (Note 28)	164,724	12,382
Notes payable (Note 29)	–	137,743
Rupiah bonds payable (Note 30)	53,494	51,252
Liability component of convertible bonds (Note 31)	87,462	83,923
Gross debt	305,680	285,300
EBITDA	203,720	121,877
Debt/EBITDA	1.50 times	2.34 times

44. SEGMENT INFORMATION

The Group operates in only one business segment, which is the plantation segment and in one geographical location, Indonesia. Accordingly, no segmental information is prepared based on business segment or on geographical distribution as it is not meaningful.

45. COMPARATIVES

The Group has changed its presentation currency from Indonesian Rupiah ("IDR") to United States Dollars ("USD") with effect from 1 January 2010. The functional currency of the underlying subsidiaries in Indonesia remains as IDR and the functional currency of the Company remains as USD.

As a result of the change in presentation currency, the 2009 comparatives, which consist of the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company, have been translated into USD.

The summarised line items in 2009 that have been restated are as follows:

	Group		Company	
	Restated US$'000	Previously reported Rp'million	Restated US$'000	Previously reported Rp'million
2009				
Profit attributable to owners of the parent	112,505	1,169,420	20,633	201,661
Total assets	1,012,618	9,520,856	396,939	3,816,252
Total liabilities	(419,827)	(3,946,372)	(87,471)	(822,230)
Share capital	288,735	2,793,775	288,735	2,793,775
Retained earnings	251,573	2,773,676	13,273	128,052
Translation reserve	10,054	(344,758)	393	3,582
Non-controlling interests	29,113	240,259	-	-
Equity attributable to owners of the parent	563,678	5,334,225	309,468	2,994,022
Total equity	592,791	5,574,484	309,468	2,994,022

46. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period,

(a) the Company undertook a placement exercise pursuant to which the 15,000,000 treasury shares held by the Company were sold to Citigroup Global Markets Singapore Pte. Ltd. (the "Placing Agent") at a price of S$1.48 per share. At the same time, the Company's controlling shareholder, Eight Capital Inc. also sold 75,000,000 ordinary shares to the Placing Agents at S$1.48 each. As a result of both placements, the Company no longer holds any treasury shares and its free float percentage has increased to 25%; and

(b) the Group entered into a conditional agreement to acquire 95% of the share capital of PT Kalimantan Green Persada ("PT KGP") and take over PT KGP's outstanding loan with its existing shareholder. The proposed acquisition was entered into on an arm's length basis at a total consideration of approximately US$38.5 million. PT KGP and its subsidiaries are incorporated in Indonesia and principally engaged in the plantation business. They currently hold location permits for land bank in East Kalimantan, Indonesia. The rationale for the proposed acquisition is to increase the Company's land bank for the development of new plantations.

47. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 28 March 2011.

Statistics of Shareholdings

As at 16 March 2011

SHARE CAPITAL

Number of issued shares : 1,468,459,221
Class of shares : Ordinary share
Voting rights : One vote per share

The Company does not have any treasury shares as at 16 March 2011.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	No. of Shareholders	%	No. of Shares	%
1 – 999	7	0.15	932	0.00
1,000 –10,000	3,467	75.00	19,090,203	1.30
10,001– 1,000,000	1,122	24.27	49,262,000	3.35
1,000,001 and above	27	0.58	1,400,106,086	95.35
	4,623	100.00	1,468,459,221	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Eight Capital Inc.	546,800,130	37.24
2.	HSBC (Singapore) Nominees Pte Ltd	340,017,769	23.15
3.	DB Nominees (S) Pte Ltd	103,177,587	7.03
4.	ABN AMRO Nominees Singapore Pte Ltd	100,200,000	6.82
5.	Citibank Nominees Singapore Pte Ltd	68,711,357	4.68
6.	DBS Nominees Pte Ltd	50,769,251	3.46
7.	Raffles Nominees (Pte) Ltd	44,109,061	3.00
8.	United Overseas Bank Nominees Pte Ltd	20,894,100	1.42
9.	DBSN Services Pte Ltd	20,854,693	1.42
10.	Advance Synergy Capital Ltd	16,063,000	1.09
11.	UOB Kay Hian Pte Ltd	15,475,000	1.05
12.	Ng Han Meng	13,409,091	0.91
13.	BNP Paribas Securities Services Singapore Pte Ltd	12,154,000	0.83
14.	DBS Vickers Securities (S) Pte Ltd	10,927,000	0.74
15.	OCBC Securities Private Ltd	6,850,000	0.47
16.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	6,237,000	0.42
17.	Kim Eng Securities Pte Ltd	4,459,000	0.30
18.	Swordfish Investments Pte Ltd	4,400,000	0.30
19.	Merrill Lynch (Singapore) Pte Ltd	2,135,022	0.15
20.	Phillip Securities Pte Ltd	2,130,000	0.15
	Total :	1,389,773,061	94.63

Statistics of Shareholdings

As at 16 March 2011

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 16 March 2011)

	Direct Interest	%	Deemed Interest	%
Eight Capital Inc.	970,800,130	66.11	30,000,000	2.04
Lizant Investments Ltd.	-	-	1,000,800,130 [(1)]	68.15
Ciliandra Fangiono	-	-	1,000,800,130 [(2)]	68.15
Wirastuty Fangiono	-	-	1,000,800,130 [(2)]	68.15
Cik Sigih Fangiono	-	-	1,000,800,130 [(2)]	68.15
Wirasneny Fangiono	-	-	1,000,800,130 [(2)]	68.15
Ciliandrew Fangiono	1,500,000	0.10	1,000,800,130 [(2)]	68.15
Wirashery Fangiono	-	-	1,000,800,130 [(2)]	68.15
Infinite Capital Fund Limited	100,000,000	6.81	-	-
King Fortune International Inc.	-	-	100,000,000 [(3)]	6.81
DB International Trust (Singapore) Limited	-	-	100,000,000 [(4)]	6.81

Notes:

(1) Lizant Investments Ltd. ("Lizant") is deemed to be interested in the shares held by Eight Capital Inc. ("Eight Capital").

(2) Ciliandra Fangiono, Wirastuty Fangiono, Cik Sigih Fangiono, Wirasneny Fangiono, Ciliandrew Fangiono and Wirashery Fangiono are deemed to be interested in the shares held by Eight Capital by virtue of their interest in Lizant.

(3) King Fortune International Inc. ("King Fortune") holds the entire issued and paid-up capital of Infinite Capital Fund Limited and is deemed to be interested in the shares held by Infinite Capital Fund Limited.

(4) DB International Trust (Singapore) Limited (the "Trustee") is the sole shareholder of King Fortune and the trustee of the King Fortune Trust (the "Trust"), a discretionary family trust. The shares held indirectly by King Fortune are property that is subject to the Trust. Distribution of the income and capital of the Trust to the beneficiaries of the Trust are at the discretion of the Trustee.

SHARES HELD BY THE PUBLIC

As at 16 March 2011, approximately 24.9% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

BONDHOLDERS OF 5.625% CONVERTIBLE BONDS DUE 2014

The US$100 million 5.625% convertible bonds due 2014 issued by First Resources Limited on 22 September 2009 (the "Convertible Bonds") are represented by a Global Certificate registered in the name of DB Trustees (Hong Kong) Limited, as common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearsteam, Luxembourg").

As at 16 March 2011, DB Trustees (Hong Kong) Limited is entered in the register of Bondholders as the holder of US$100 million in principal amount of the Convertible Bonds.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of First Resources Limited ("the Company") will be held at Suntec Singapore International Convention and Exhibition Centre, Meeting Room 201, Level 2, Raffles Boulevard, Suntec City, Singapore 039593 on Thursday, 28 April 2011 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2010 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of 1.90 Singapore cents (S$0.019) (one-tier, tax-exempt) per ordinary share for the year ended 31 December 2010 (2009: S$0.0118). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Articles 93 and 99 of the Articles of Association of the Company:

Mr Hee Theng Fong	(Retiring under Article 93)	**(Resolution 3)**
Mr Ray Yoshuara	(Retiring under Article 93)	**(Resolution 4)**
Mr Ong Beng Kee	(Retiring under Article 99)	**(Resolution 5)**

Mr Hee Theng Fong will, upon re-election as a Director of the Company, remain as member of the Audit and Remuneration Committees and will be considered independent.

Mr Ray Yoshuara will, upon re-election as a Director of the Company, remain as member of the Audit Committee and as will be considered non-independent.

Mr Ong Beng Kee will, upon re-election as a Director of the Company, remain as member of the Audit Committee and will be considered independent.

4. To approve the payment of Directors' fees of S$390,000 for the year ended 31 December 2010 (2009: S$335,000).
[See Explanatory Note (i)] **(Resolution 6)**

5. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, 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 of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;

   (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

   (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority 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 earlier.
[See Explanatory Note (ii)] **(Resolution 8)**

8. **The Proposed Adoption of the Share Purchase Mandate**

That:

(1) for the purposes of the Companies Act (Chapter 50 of Singapore) (the "**Companies Act**"), the exercise by the Directors of First Resources Limited (the "**Company**") of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

   (a) an on-market purchase (**"Market Purchase**") transacted on the Singapore Exchange Securities Trading Limited ("SGX-ST") through the ready market, which may be transacted through one or more duly licensed stock brokers appointed by the Company for this purpose; and/or

   (b) an off-market purchase ("**Off-Market Purchase**") effected pursuant to an equal access scheme in accordance with Section 76C of the Companies Act,

   and otherwise in accordance with all other laws and regulations, including but not limited to the provisions of the Companies Act and the 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**");

(2) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate 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 earlier of:

(a) the date on which the next annual general meeting of the Company ("**AGM**") is held or required by law to be held; and

(b) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(3) in this Resolution:

"**Maximum Limit**" means that number of issued Shares representing not more than 10 per cent. of the total number of issued Shares (excluding treasury shares) as at the date of the passing of this Resolution, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of issued Shares (excluding treasury shares) shall be taken to be the total number of Shares as altered;

"**Relevant Period**" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(a) in the case of a Market Purchase, 105 per cent. of the Average Closing Price; and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120 per cent. of the Highest Last Dealt Price,

where:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days (a "**Market Day**" being a day on which the SGX-ST is open for trading in securities), on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off Market Purchase; and

(4) the Directors of the Company and/or any of them be and are/is hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note (iii)] **(Resolution 9)**

By Order of the Board

Tan San-Ju
Secretary
Singapore, 12 April 2011

Notice of Annual General Meeting

Explanatory Notes:

(i) The Directors' Fees of S$390,000 include an amount of S$15,000 to be paid to Ms Wirastuty Fangiono, a Non-Executive Director, who had resigned on 27 April 2009. Excluding the amount of S$15,000, the proposed Directors' Fees for financial year ended 31 December 2010 is S$375,000.

(ii) The Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for 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 when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition, including the amount of financing and financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2010 are set out in greater detail in the Circular dated 12 April 2011 attached to this Annual Report.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 8 Temasek Boulevard #36-02, Suntec Tower Three, Singapore 038988 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Proxy Form

FIRST RESOURCES LIMITED
(Company Registration No. 200415931M)
(Incorporated in the Republic of Singapore)

IMPORTANT:
1. For investors who have used their CPF monies to buy First Resources Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ____

of ____

being a member/members of First Resources Limited (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Suntec Singapore International Convention and Exhibition Centre, Meeting Room 201, Level 2, Raffles Boulevard, Suntec City, Singapore 039593 on Thursday, 28 April 2011 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	**Resolutions relating to:**	**For**	**Against**
1	Directors' Report and Audited Accounts for the year ended 31 December 2010		
2	Payment of proposed final dividend		
3	Re-election of Mr Hee Theng Fong as a Director		
4	Re-election of Mr Ray Yoshuara as a Director		
5	Re-election of Mr Ong Beng Kee		
6	Approval of Directors' fees amounting to S$390,000		
7	Re-appointment of Messrs Ernst & Young LLP as Auditors		
8	Authority to issue new shares		
9	Share Purchase Mandate		

Date this ____________ day of ____________ 2011

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Proxy Form

FIRST RESOURCES LIMITED
(Company Registration No. 200415931M)
(Incorporated in the Republic of Singapore)

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 130A of the Companies Act, Chapter 50 of Singapore), 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. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first named proxy shall be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Temasek Boulevard #36-02, Suntec Tower Three, Singapore 038988 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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FIRST RESOURCES LIMITED
Company Registration Number : 200415931M

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