ONE SOURCE
INFINITE POSSIBILITIES

FIRST RESOURCES

annual report 2007

CONTENTS

CORPORATE PROFILE

First Resources Limited is one of the leading oil palm plantation companies and producers of crude palm oil in Indonesia. Our primary business activities are cultivating oil palms, harvesting fresh fruit bunches from the trees and processing those fruits into crude palm oil and palm kernel, which we sell both locally and internationally.

We have grown significantly since we started operations in 1992. Today, we manage more than 86,000 hectares of planted oil palm plantations and operate seven palm oil mills. All our core assets and operations are strategically located in Indonesia.

To accelerate our growth, we obtained our listing on the Main Board of the Singapore Exchange in December 2007, raising fresh funds for future expansion plans.

OUR BUSINESS

Plantations

As of 31 December 2007, we have a total of 86,354 hectares of planted oil palm plantations, of which 58,119 hectares (67.3%) are mature and yielding. We produced a total of 1,266,762 tons of fresh fruit bunches ("FFB") in FY2007 and our FFB production is expected to grow in the years ahead as our trees continue to mature into their peak production ages.

All our plantations are based in the Riau province of Sumatra, Indonesia, a region blessed with supportive infrastructure, ample labour supply and optimal climate for oil palm cultivation.

We adopt industry best-practices in our cultivation and harvesting process. We source for genetically superior palm oil seeds from reputable seed gardens within Indonesia as well as internationally. Equipped with our own research station, we formulate agronomy recommendations based on trials and tests done on our trees. We harvest the FFB of the oil palm trees only at their peak ripeness to maximize the quality and quantity of palm oil extraction.

We successfully increased the average yield of FFB per mature hectare of our oil palm plantations from 10.2 tons per hectare in FY2002 to 21.8 tons per hectare in FY2007.

Palm Oil Mills

The majority of our FFB are transported to one of our seven mills for processing into crude palm oil and palm kernel. Our mills are constructed within our respective plantations in order to reduce transportation costs, and to ensure that our FFB arrive in time at our mills with minimal spoilage and maximum quality standards.

We have an aggregate processing capacity of 390 tons of FFB per hour or approximately 2,340,000 tons of FFB per year. Our mills collectively produced 278,340 tons of crude palm oil and 63,470 tons of palm kernel in FY2007.

We successfully increased our average crude palm oil extraction rates over the last four years, achieving a record average crude palm oil extraction rate of 22.23% in FY2007.

Bio-Diesel Plant

We believe that the global demand for alternative energy will continue to increase. To capitalise on this growing demand, we are in the process of constructing a bio-diesel plant with an annual production capacity of approximately 250,000 tons. The plant is also located in the Riau province and will be supplied with crude palm oil from our palm oil mills. We expect to commission the plant in 2008.

OUR KEY STRENGTHS

- ### Pure plantation play

  Our primary business is in the cultivation of oil palms and processing of crude palm oil. Our expertise and strong focus on the upstreams, which are the most profitable segments of the value chain, allow us to capture high margins. The optimistic price outlook for crude palm oil is expected to have a direct and significant positive impact on our profit margins.

- ### Attractive plantation maturity profile

  Oil palm trees are in their peak production period from their eighth through their seventeenth year. As of 31 December 2007, the weighted age of our oil palm trees was 7.2 years and only 60.0% of our oil palm trees had reached peak-production age. None of our oil palm trees is classified as "old" by industry standards (i.e. 18 years old or more). This maturity profile supports future growth in FFB production with minimal increases in costs or capital expenditure.

- ### Favourable location

  All our plantations, mills and bio-diesel plant are located in the Riau province of Sumatra, Indonesia, a region with ideal conditions for oil palm cultivation. In addition, our plantations are in close proximity to our mills, which reduces our transportation costs and ensures that the FFB arrive at our mills with minimal spoilage.

- ### Significant landbank

  We have a sizeable landbank located in the Riau province which is still unplanted. This gives us the capacity to pursue our aggressive growth plans for the next few years.

CHAIRMAN'S MESSAGE

I am very pleased to present to you the maiden annual report of First Resources.

2007 has been a major milestone in the corporate history of First Resources. Our listing on the Main Board of Singapore Exchange in December raised fresh capital to fund our growth plans and has also elevated our corporate profile. It was also a very rewarding and exciting year for the company and for the palm oil industry in general. Crude palm oil prices surged 56% in 2007, driven mainly by rising global demand for food and alternative energy. As a leading oil palm plantation company with a strong focus on the upstream segment of the palm oil value-chain, we were able to capitalise on the strong pricing trends. In addition, on the operational level, we registered record production volume of 278,340 tons of crude palm oil for the financial year ended 2007 ("FY2007"), a 22% increase over that achieved in FY2006.

Financial Performance

As a result, we are pleased to report a very strong set of financials for FY2007. Our revenue increased 97.3% to Rp 1,691.4 billion (S$260.2 million*) and our net profit reached a record Rp 431.3 billion (S$66.4 million*), a 76.9% growth over the previous year. Our EBITDA grew 118.2% to Rp 855.7 billion (S$131.7 million*) and EBITDA margin increased from 45.8% in FY2006 to 50.6% in FY2007. Our balance sheet has strengthened significantly, boosted by our strong financial performance for FY2007 and our placement exercise in December. As at end of 2007, our cash and cash equivalents are at Rp 1,558.1 billion (S$239.7 million*) and net debt to EBITDA ratio is low at 0.48x.

* *Based on exchange rate of IDR 6,499 / SGD*

Outlook

Crude palm oil prices have remained high in the first few months of 2008. The growing demand for edible oils arising from increasing consumption from emerging markets such as China and India, high crude oil prices, as well as tight global supply of vegetable oils is expected to keep crude palm oil prices robust. We believe we are well-positioned to ride on the strong momentum of the global palm oil sector and will continue to focus on executing our growth strategies and benefit from our focus as a plantation pure-play.

Appreciation

Many of you who have been following our developments closely would have been aware of the court case involving one of our founders and former shareholders, Mr Martias. The Corruption Eradication Commission of Indonesia, who brought the suit against Martias, has officially announced on 18 March 2008, the withdrawal of their intention to auction assets in relation to the court case. We are glad that we are now able to move on and focus on our strategic growth path. The fundamentals of First Resources remain unchanged and we would like to express our appreciation to our shareholders for your continued confidence and belief in us.

I would like to take this opportunity to thank my Board members for their invaluable contributions and also our suppliers, customers, bankers and partners for their support. On behalf of my board, I would also like to thank the management and staff for their hard work in bringing the company to where it is today. We will remain committed to our relentless focus on growth, cost competitiveness and creating long-term shareholder value.

Lim Ming Seong
Chairman and Independent Director

PERFORMANCE HIGHLIGHTS

- Record revenue of Rp 1,691.4 billion, up 97.3% from FY2006
- Record net profit of Rp 431.3 billion, up 76.9% from FY2006
- Strong growth in EBITDA margin from 45.8% FY2006 to 50.6% in FY2007
- Strong performance attributed to record production volumes and surge in CPO prices

Rp Billion		REVENUE
2007	1,691.4	+97.3%
2006	857.1	

Rp Billion		NET PROFIT
2007	431.3	+76.9%
2006	243.9	

CEO'S STATEMENT

Corporate Activities

On the corporate front, 2007 has been a busy and rewarding year for First Resources. We raised gross proceeds of S$192.5 million from our initial public offering on the Main Board of the Singapore Exchange in December 2007. Concurrent with the listing, we acquired an additional 63.0% shareholding in our associated company PT Meridan Sejatisurya Plantation, and the remaining 38.0% shareholding in our subsidiary PT Pancasurya Agrindo.

In addition, we issued Rupiah bonds of Rp 500 billion (approximately US$ 53.4 million) via our principal Indonesian subsidiary, PT Ciliandra Perkasa. The bonds have a tenure of 5 years and are listed on the Indonesia Stock Exchange. We subsequently entered into a U.S. dollar currency swap agreement, effectively converting the Rupiah-denominated bonds into a U.S. dollar liability with fixed interest rate of 7.4% per annum.

The main objective of these fund-raising activities is to strengthen our balance sheets and enable us to embark on our long-term growth strategies more aggressively.

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Financials

As a result of our record production volumes and strengthened crude palm oil ("CPO") prices, we were able to book our strongest financial performance ever. Our revenue increased 97.3% to Rp 1,691.4 billion, EBITDA increased 118.2% to Rp 855.7 billion and net profit attributable to shareholders grew by 76.9% to Rp 431.3 billion from the previous year. This performance was mainly driven by 58.8% year-on-year increase in our CPO selling prices and 22.5% increase in our CPO production.

As the acquisitions of shareholdings in PT Meridan Sejatisurya Plantation and PT Pancasurya Agrindo were carried out in December 2007, they were not fully reflected in our profit and loss statement. Instead, the positive financial impact of these acquisitions will only be fully reflected beginning FY2008.

Operations

2007 was a very good year for us operationally, as we achieved our highest production volumes for fresh fruit bunches ("FFB"), CPO and palm kernel. We produced 1,266,762 tons of FFB, 278,340 tons of CPO and 63,470 tons of palm kernel in FY2007 which represents a significant increase of 13.0%, 22.5% and 32.9% respectively over FY2006.

We achieved a yield of 21.8 tons of FFB per mature hectare in FY2007, as compared to the 20.0 tons per mature hectare in FY2006. Our improvement in FFB yield was mainly due to the higher productivity of existing mature palms as they grow into their prime productive ages. In addition, we believe that our strong commitment to research and development in previous years have laid the foundations for this strong production growth. Our CPO extraction rates grew from 21.86% in 2006 to 22.23% in 2007, while palm kernel extraction rates grew from 4.59% to 5.07%. This was also attributed to the improving maturity profile of our trees and our continued investments in new CPO mills.

OPERATIONAL STATISTICS

YEAR	FY2004	FY2005	FY2006	FY2007
PLANTED NUCLEUS AREA (hectares)				
Mature	48,300	48,391	49,157	50,842
Immature	7,677	11,849	20,582	25,824
Total Nucleus Area	55,977	60,240	69,739	76,666
PLANTED PLASMA AREA (hectares)				
Mature	6,290	6,638	6,787	7,277
Immature	1,692	1,750	2,178	2,411
Total Plasma Area	7,982	8,388	8,966	9,688
TOTAL PLANTED AREA (hectares)				
Mature	54,590	55,029	55,944	58,119
Immature	9,369	13,599	22,760	28,235
Total Planted Area	63,959	68,628	78,704	86,354
FFB YIELD				
Mature Area Harvested (hectares)	54,590	55,029	55,944	58,119
Fresh Fruit Bunch Production (tons)	852,605	949,517	1,120,765	1,266,762
Yield per Mature Hectare (tons)	15.62	17.25	20.03	21.80
MILL PRODUCTION (tons)				
Crude Palm Oil	184,116	194,217	227,286	278,340
Palm Kernel	32,599	38,981	47,759	63,470
EXTRACTION RATE (%)				
Crude Palm Oil	20.26	20.30	21.86	22.23
Palm Kernel	3.59	4.07	4.59	5.07

Our Plans Ahead

We continued our planting plans in 2007 and planted an additional 7,650 hectares of new palms, bringing our total planted area to 86,354 hectares as at 31 December 2007. Of these, 58,119 hectares, which is about 67% of our total planted area, consists of mature and yielding palms. We also acquired additional landbank of approximately 49,000 hectares in 2007 to support our future growth. As at 31 December 2007, we have approximately 97,000 hectares of unplanted landbank available for our planting needs.

We commissioned our seventh CPO mill in November 2007, to bring our aggregate processing capacity to 390 tons of FFB per hour, as compared to the processing capacity of 345 tons as at end 2006. With the latest mill in operation, all our mature palm oil estates are now within a radius of 50 kilometres from a servicing CPO mill. The close proximity gives us significant savings on FFB transportation costs, minimizes pilferage, and helps ensure optimal FFB quality and therefore maximum extraction rates. The impact of the latest mill addition will only be reflected in 2008.

The Group plans to capitalise on the expected growth in demand for palm products by steadily increasing our CPO output through the expansion of our oil palm plantations in Indonesia. As a result of our fund-raising activities in FY2007, we have built up a strong balance sheet which will enable us to carry out these expansion plans. As of 31 December 2007, we have a cash and cash equivalent balance of Rp 1,558.1 billion.

We intend to expand our total planted hectarage by planting another 18,000 hectares of new palms in 2008. In addition to organic new plantings, we will also explore opportunities to accelerate our growth through earnings-accretive acquisitions.

We are expanding the processing capacity of our CPO mills in anticipation of the continual growth in our FFB production. Our eighth mill, currently under construction, is expected to be commissioned by the first quarter of 2009 and this will bring the Group's total CPO processing capacity to approximately 2.61 million tons of FFB per year.

We expect our bio-diesel plant to be operationally ready in 2008. Our plant will be capable of producing 250,000 tons of refined, bleached, deodorized palm oil (RBD palm oil) or palm methyl-ester (biodiesel) annually. This flexibility allows us to channel our resources to the product which has the higher margin and will provide a hedge for us against CPO price fluctuations.

We will continue to invest in research and development, palm maintenance and infrastructure improvements programs. Our strong growth in recent years bears testimony to the benefits of these investments and we believe these initiatives are necessary in continually enhancing our long-term yields and extraction rates.

Lastly, as we forge ahead in growing this company, we will remain committed to conducting our business in a socially and environmentally responsible manner.

Our eighth mill, currently under construction, is expected to be commissioned by the first quarter of 2009 and this will bring the Group's total CPO processing capacity to approximately 2.61 million tons of FFB per year.

Outlook

We continue to be optimistic about the outlook of the palm oil industry and of First Resources.

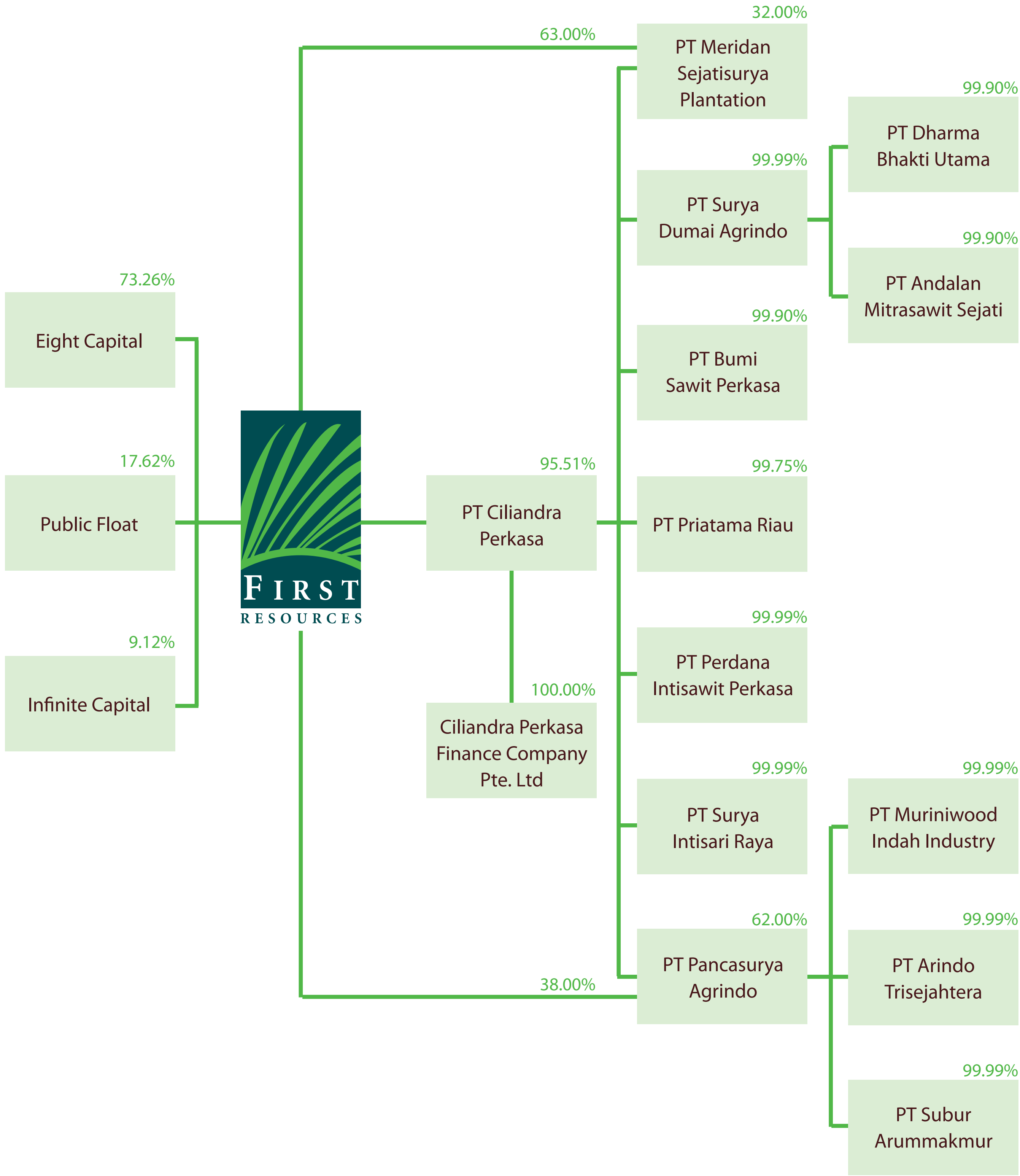
The world's vegetable oils market is expected to remain bullish, given the generally tight global supply and demand conditions. Amongst various supply factors, in the U.S., the increasing use of corn as feedstock for bio-ethanol has led to an increase in the planted area for corn, at the expense of soybeans, resulting in a tightening in supply of soybean oil. On the demand side, increasing consumption from emerging markets such as China and India have resulted in growing imports of vegetable oils in these countries. Palm oil, being the cheapest vegetable oil in the global vegetable oils market, is expected to benefit significantly from this positive trend. The favourable industry fundamentals, coupled with high crude oil prices, are expected to provide support for CPO prices in the medium term.

On a company level, we expect to see financial improvements in 2008 as a result of healthy CPO prices and as we account for the acquisitions made in December 2007. More importantly, we are beginning to see the fruits of our hard work. Since 2004, we have accelerated our new plantings, and these new palms are expected to yield in 2008 or the near future. The average age of our trees is only 7.2 years, and a majority of our trees are just beginning to reach their most productive years. Thus, we anticipate the Group to enjoy increased yields and growth in production volumes with minimal cost increases. This attractive maturity profile of our plantations will be a fundamental driver for First Resources and its next phase of growth.

We are excited about our future and we believe we are well positioned to capitalise on the earnings potential of our assets and the opportunities that are ahead of us. We thank you for your continued support.

Ciliandra Fangiono
Director and
Chief Executive Officer

CORPORATE STRUCTURE



FINANCIAL HIGHLIGHTS

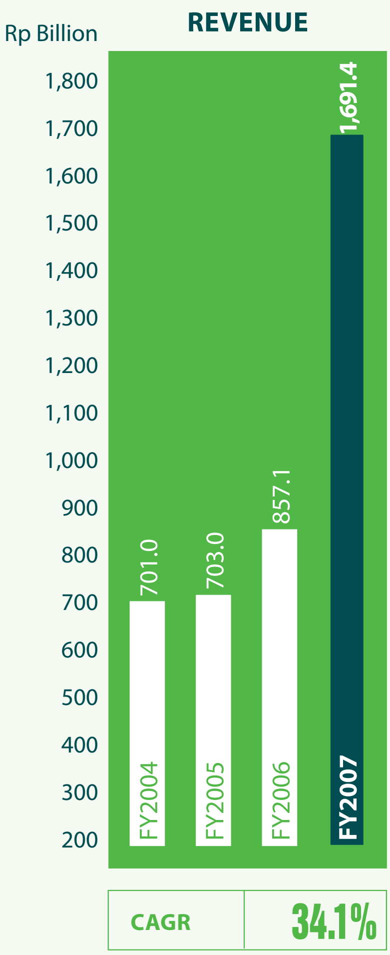
YEAR	FY2004	FY2005	FY2006	FY2007
INCOME STATEMENT (Rp Billion)				
Revenue	701.0	703.0	857.1	1,691.4
Gross Profit	242.0	242.8	369.8	925.1
Gains arising from Changes in Fair Value of Biological Assets	130.0	(56.7)	270.2	156.5
Profit from Operations	310.2	125.7	611.1	959.3
EBITDA	222.8	227.3	392.2	855.7
Profit before Tax	200.6	21.7	502.7	890.7
Net Profit Attributable to Equity Holders	90.8	(18.6)	243.9	431.3
BALANCE SHEET (Rp Billion)				
Current Assets	112.1	310.4	853.0	1,813.6
Total Assets	2,488.1	2,765.6	3,804.9	6,249.7
Current Liabilities	223.1	303.2	319.6	441.8
Total Liabilities	1,240.7	1,268.3	2,208.9	2,943.0
Shareholders' Equity	1,247.5	1,497.3	1,596.1	3,306.6
KEY RATIOS				
Gross Profit Margin (%)	34.5	34.5	43.1	54.7
Operating Profit Margin (%)	44.2	17.9	71.3	56.7
EBITDA Margin (%)	31.8	32.3	45.8	50.6
Net Profit Margin (%)	12.9	(2.6)	28.4	25.5
Gearing Ratio	3.63	3.57	1.88	0.48

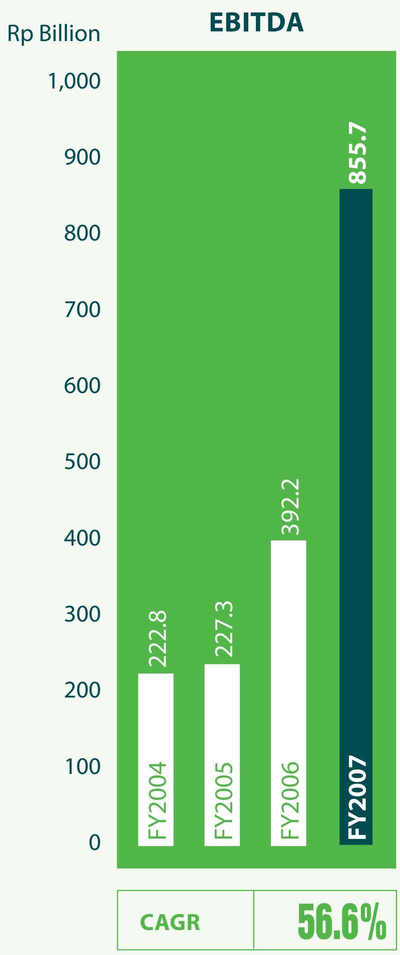
Notes :

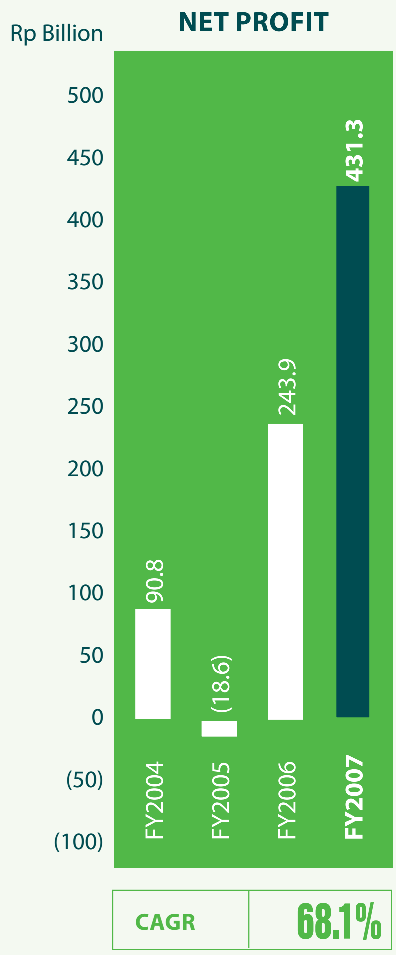
EBITDA : Earning Before Interest, Taxes, Depreciation & Amortization

Net Profit Margin is based on Net Profit Attributable to Equity Holders

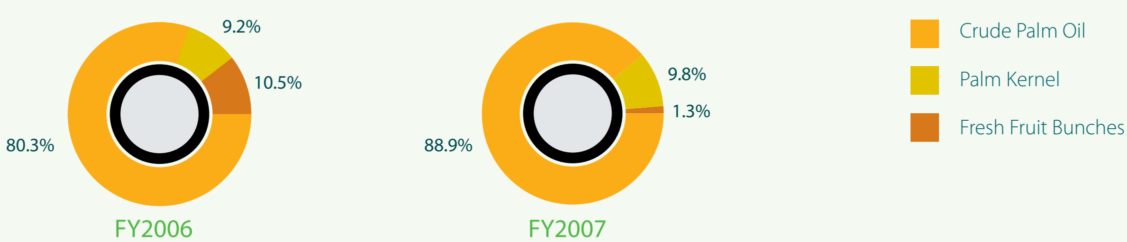
Gearing Ratio is based on Net Debt / EBITDA







REVENUE BY PRODUCTS



Notes :

CAGR : Compounded Annual Growth Rate

BOARD OF DIRECTORS

Top row (L-R):
Lim Ming Seong, Ciliandra Fangiono, Wirastuty Fangiono,
Bottom row (L-R):
Ray Yoshuara, Teng Cheong Kwee, Hee Theng Fong, Ng Shin Ein.







Lim Ming Seong
Chairman and Independent Director

Lim Ming Seong was appointed as Chairman and Independent Director of our Company on 1 October 2007. He is Chairman of CSE Global Ltd and, until August 2007, was Director and Deputy Chairman of STATS ChipPAC Ltd ("STATS ChipPAC"). From December 1986, Mr Lim was with the Singapore Technologies group and was Group Director when he left the group in February 2002. Prior to joining Singapore Technologies, Mr Lim was with the Singapore Ministry of Defence from October 1970. Mr Lim received his Bachelor of Applied Science (Honours) degree in Mechanical Engineering from the University of Toronto and his 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

Ciliandra Fangiono was appointed as our Director on 18 April 2007. He joined PT Ciliandra Perkasa, our main Indonesian subsidiary, in 2002 and has held the position of Chief Executive Officer since 2002. He obtained his Bachelor of Arts (Economics) degree with first class honours from Cambridge University (United Kingdom) in 1999 and his Master of Arts from Cambridge University (United Kingdom) in 2003. At Cambridge, he was awarded the PriceWaterhouse Book Prize and he was a Senior Scholar in Economics. Before moving to First Resources, he started his career at the Investment Banking Division of Merrill Lynch, Singapore (1999-2001) where he worked on mergers, acquisitions and fund raising exercises by corporates in the region.

Wirastuty Fangiono
Non-Executive Director

Wirastuty Fangiono was appointed as our Non-executive Director on 29 June 2007. She held the position of President Commissioner of PT Ciliandra Perkasa from April 2003 to present. She obtained her Bachelor of Science in Commerce from University of Toronto, Canada in 1995. She began her career as Senior Logistic Manager at PT Surya Dumai Industry Tbk. (1995-1996). She then held the position of Logistic Director-Forest and Forest Production Division at Surya Dumai Group (1996-1997). She subsequently joined PT Ciliandra Perkasa as Chief Executive Officer (1998-2001), before taking up the position of Vice President Operations at the Surya Dumai Group (2001-2003).

Ray Yoshuara
Non-Executive Director

Ray Yoshuara was appointed as our Non-executive Director on 1 October 2007. He obtained a Doctorandus in Business Administration from Parahyangan Catholic University in 1986 and a Master of Commerce from the University of New South Wales in 1990. His previous working experience includes serving as Reporting Accountant in Atlantic Richfield Bali North Inc., Financial Planning & Control manager of the Gelael group, and lecturer at Tarumanagara University. From 1998 to 2007, Mr Yoshuara was the Vice President of Finance of the Uniseraya Group. Since February 2007, he has been the Vice President of Corporate Planning of the Uniseraya Group. Mr Yoshuara qualified as a Certified Practicing Accountant under CPA Australia in 2000.

Teng Cheong Kwee
Independent Director

Teng Cheong Kwee was appointed as an Independent Director of our Company on 1 October 2007. He obtained a Bachelor degree in Engineering (Industrial) with first class honours and a Bachelor degree in Commerce from the University of Newcastle, Australia in 1977. He was previously an assistant director and later a deputy director in the Monetary Authority of Singapore. During that period, he also served concurrently as Secretary to the Securities Industry Council. He later served as executive vice president and head, Risk Management and Regulatory Division, of the Singapore Exchange. He is also an independent director in several other listed companies.

Hee Theng Fong
Independent Director

Hee Theng Fong was appointed as an Independent Director of our Company on 1 October 2007. Mr Hee is a practising lawyer with more than 20 years' experience in legal practice. His 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 also a member of the Standing Committee of the Singapore Chinese Chamber of Commerce & Industry and an independent director of several public listed companies. He is frequently invited to speak on Director's Duties and Corporate Governance.

Ng Shin Ein
Independent Director

Ng Shin Ein was appointed as an Independent Director of our Company on 1 October 2007. 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. Whilst in legal practice, she advised on joint ventures, mergers and acquisitions and fund raising exercises. Ms Ng also sits on the board of Yanlord Land Group Limited, a listed Chinese real estate developer.

CORPORATE SOCIAL RESPONSIBILITY

In order to achieve long-term success in our industry, we believe that we need to align our interests with that of the communities and environments that we operate in. We are therefore committed to ensure that our business is carried out in an environmentally friendly and socially responsible manner.

First Resources is a member of the Roundtable of Sustainable Palm Oil (RSPO), a multi-stakeholder association that promotes the production and use of palm oil in a sustainable manner based on economic, social and environmental viability.

'No Burn Policy'

We adopt a strict zero burning policy in our land clearing process, utilising machinery to clear land instead. All our crude palm oil processing operations are monitored by Indonesia's National Board of Environment Affairs Control and we are in compliance with all material national and local Indonesian environmental rules and regulations.

Environmental Care and Conservation

We strongly advocate the use of sustainable and environmentally friendly practices, which we implement in our operations. We recycle empty fruit bunches from our mills to use as organic fertilizers and use our mills' solid waste (e.g. waste fiber and shells from FFB) as fuel. We have implemented an effluent waste treatment program, using bacteria to break down effluent, which can then be used as fertilizers in the fields. We also strive to replace pesticides with environmentally friendly biological methods of pest control.

Community Development

We strongly believe that our long term success will be dependent on the value that we bring to our surrounding communities. As such, we actively participate in the smallholder ownership schemes such as the KPPA Program and the Plasma Program. Through the years, we have witnessed the success and benefits of these programs manifested through higher standards of living for thousands of smallholders and their families. As of 31 December 2007, we have realised a total of 9,688 hectares of palm oil plantations under the KPPA and Plasma Programs and we are committed to expand this going forward.

We also take an active role in community development. We provide educational funds and assistance to local communities. We invest in the well-being of the local communities through infrastructure developments and maintenances such as roads and bridges. We also support religious pursuits by contributing to the construction of mosques, churches and other places of worship.

CORPORATE INFORMATION

Board of Directors

Lim Ming Seong
Chairman and Independent Director

Ciliandra Fangiono
Director and Chief Executive Officer

Teng Cheong Kwee
Independent Director

Hee Theng Fong
Independent Director

Ng Shin Ein
Independent Director

Ray Yoshuara
Non-Executive Director

Wirastuty Fangiono
Non-Executive Director

Audit Committee

Teng Cheong Kwee
Chairman

Ray Yoshuara

Hee Theng Fong

Remuneration Committee

Ng Shin Ein
Chairman

Hee Theng Fong

Teng Cheong Kwee

Nominating Committee

Lim Ming Seong
Chairman

Ng Shin Ein

Ciliandra Fangiono

Company Secretary

Tan, San-Ju, FCIS

Key Management Team

Ciliandra Fangiono
Chief Executive Officer

Cik Sigih Fangiono
Deputy Chief Executive Officer

Andrian Jayapranata
Chief Financial Officer

Low Ah Kam
Director (Plantation)

Chan Yoon Fatt
Director (Engineering)

Harianto Tanamoeljono
Director (Finance & Accounting)

Tey Yee Jow
Director (Commerce)

Budi Gunawan
Director (Human Resources)

Suherman
Director (Project Development)

Tony Chandra
Director (General Affairs)

Lion Sanjaya
Acting Director (Internal Audit)

Registered Office

8 Temasek Boulevard #36-02
Suntec Tower Three
Singapore 038988

Tel: +65 6333 6788
Fax: +65 6333 6711

Company Registration Number

200415931M

Share Registrar

Boardroom Corporate & Advisory Services
Pte. Ltd.
3 Church Street #08-01
Samsung Hub
Singapore 049483

Auditors

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

Partner-In-Charge : Vincent Toong
(Appointed on 11 June 2007)

Share Listing

Listed on Main Board of Singapore Exchange

Notes :
Citigroup Global Markets Singapore Pte. Ltd. was the Sole Global Co-ordinator, Bookrunner, Issue Manager and Underwriter of the initial public offering of First Resources Limited.

CORPORATE GOVERNANCE

First Resources is committed to maintaining high standards of corporate governance in line with the Company's Best Practices Guide and the principles set out in the Code of Corporate Governance 2005 ("Code"). This report outlines the practices that have been implemented by the Company.

Principle 1: Board's Conduct of its Affairs

Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Company. It focuses on strategies and policies, with particular attention paid to growth and financial performance. The main functions of the Board are:

(a) to approve the Company's key business strategies and financial objectives;

(b) to approve the annual budget, major investments and divestments, and funding proposals;

(c) to oversee the processes for evaluating the adequacy and effectiveness of internal controls, risk management, financial reporting and compliance;

(d) to assume responsibility for corporate governance; and

(e) to approve financial results announcements.

The Board will be adopting internal guidelines setting forth matters that require Board approval. The Board discharges its responsibilities either directly or indirectly through various committees comprising members of the Board.

The Company will be arranging for its legal advisors to brief all directors on their duties and obligations. Apart from keeping the Board informed of all relevant new laws and regulations, the Company has an orientation programme for new directors, and also has a budget for directors to attend any appropriate training programmes in order to discharge their duties as directors. In addition, the Directors will receive updates on the business activities of the Company through presentations and meetings with senior management.

The Board will hold at least four meetings each year to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving internal guidelines on materiality of transactions, acquisitions, financial performance, and to endorse the release of the quarterly and annual financial results. Where necessary, additional meetings may be held to address significant transactions or issues. The Company's Article of Association also permits a Board meeting to be conducted by way of teleconference and video-conference.

As the Company was only listed in December 2007, no board meetings were held in 2007.

Principle 2: Board Composition and Guidance

The Company believes that there should be a strong independent element in the Board to exercise objective judgment. The Board currently has seven Directors, of which majority (four) are independent Directors.

The Directors appointed are qualified professionals who, as a group, possess a diverse range of expertise to provide core competencies such as accounting or finance, business or management experience, industry knowledge and strategic planning experience. Key information of individual directors is set out on pages 14 and 15 of this annual report.

Board Composition	Board of Directors	Status	Audit Committee	Nominating Committee	Remuneration Committee
Lim Ming Seong	Chairman	Independent		Chairman	
Ciliandra Fangiono	Director	Executive		Member	
Teng Cheong Kwee	Director	Independent	Chairman		Member
Hee Theng Fong	Director	Independent	Member		Member
Ng Shin Ein	Director	Independent		Member	Chairman
Ray Yoshuara	Director	Non-Executive	Member		
Wirastuty Fangiono	Director	Non-Executive			

The independence of each Director is reviewed by the Nominating Committee ("NC"). 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.

Principle 3: Chairman and Chief Executive Officer

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 scheduling and chairing Board meetings, and ensuring the quality, clarity and timeliness of information supplied to the Board. The Chief Executive Officer, 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.

Principle 4: Board Membership

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

(a) reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to the Board for appointment;

(b) re-nomination of our Directors for re-election of Directors in accordance with our Articles of Association at each annual general meeting having regard to the Director's contribution and performance;

(c) determining annually whether or not a Director is independent;

(d) 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

(e) deciding how the Board's performance is to be evaluated and propose objective performance criteria.

All Directors are required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years.

The NC is responsible for identifying and recommending to the Board new directors, after considering the necessary and desirable competencies. Accordingly, in selecting potential new directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. In doing so, the NC will consider the results of the annual appraisal of the Board's performance. The NC may engage consultants to undertake research on, or assess, candidates for new positions to the Board, or to engage such other independent experts as it considers necessary to carry out its duties and responsibilities. Recommendations for new Board members will be put to the Board for its consideration.

Principle 5: Board Performance

The Board will be implementing a process, to be carried out by the NC, for assessing the effectiveness of the Board. The NC will decide how the Board's performance may be evaluated and propose objective performance criteria. The evaluation process will enable the NC to identify areas of improvement to the Board's effectiveness. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his own performance or re-nomination as director. In the event that any member of the NC has an interest in a matter being deliberated upon by the NC, he will abstain from participating in the review and approval process relating to that matter.

As most of the Board members were only appointed in the last quarter of 2007, there was no evaluation for the financial year ended 31 December 2007. The evaluation of board performance will be done for the financial year ending 31 December 2008.

Principle 6: Access to Information

To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information. The Board will also be provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through presentations and meetings. Orientation to the Group's business strategies and operations will be conducted as and when required.

All Directors have separate and independent access to senior management and to the Company Secretary. The Company Secretary attends all Board meetings and is responsible to ensure that established procedures and all relevant statutes and regulations that are applicable to the Company are complied with.

In the event that the Directors, whether as a group or individually, require independent professional advice in discharging their duties, the cost of such professional advice will be borne by the Company.

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") comprises Ms Ng Shin Ein as Chairman and Mr Teng Cheong Kwee and Mr Hee Theng Fong as members. All three are non-executive and independent Directors.

The role of the RC is to implement and administer the Share Option Scheme and the Performance Share Plan, as well as recommend to the Board a framework of remuneration and specific remuneration packages for the directors and key executives. The recommendations of the RC had been endorsed by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and benefits in kind shall be covered. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package.

Principle 8 and 9: Level and Mix of Remuneration and Disclosure on Remuneration

The Company sets remuneration packages to ensure that they are competitive and sufficient to attract, retain and motivate Directors and senior management with the required experience and expertise to run the Company successfully.

The following table shows a breakdown (in percentage) of the remuneration of Directors of the Company for the year ended 31 December 2007.

	Directors' Fee	Salary	Benefits	Variable Bonus	Remuneration Band
Lim Ming Seong	100%	–	–	–	S$250k and below
Ciliandra Fangiono	–	86.7%	–	13.3%	S$250k–500k
Teng Cheong Kwee	100%	–	–	–	S$250k and below
Hee Theng Fong	100%	–	–	–	S$250k and below
Ng Shin Ein	100%	–	–	–	S$250k and below
Ray Yoshuara	100%	–	–	–	S$250k and below
Wirastuty Fangiono	100%	–	–	–	S$250k and below

The Code requires the remuneration of top 5 key executives who are not directors of the Company to be disclosed within bands of S$250,000. The Company believes that disclosure of remuneration is disadvantages to its business interest, given the competitiveness of the industry and the sensitivity of disclosure of staff remuneration matters.

The following table shows the remuneration of employees who are immediate family members of a director or the CEO and whose remuneration exceeded S$150,000.

	Position	Salary	Benefits	Variable Bonus	Remuneration Band
Cik Sigih Fangiono	Deputy CEO	86.7%	–	13.3%	S$250k–500k

Non-executive directors are paid a basic fee and an additional fee 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 Annual General Meeting. Mr Ciliandra Fangiono, executive Director and Chief Executive Officer of the Company, has entered into a separate service agreement with the Company. The service agreement is renewable every three years.

Share options and performance shares will be offered to employees as a part of the Company's long-term incentive schemes to attract and retain the relevant persons to support the growth of the Company. During the year, no share options or performance shares were granted to Directors and employees of the Company.

Principle 10: Accountability

The Board will provide the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects when appropriate and at least on a quarterly basis when it releases it results. The management provides the Board with appropriately detailed management accounts of the Company's performance, position and prospects on a quarterly basis.

Principle 11: Audit Committee ("AC")

The AC comprises Mr Teng Cheong Kwee as Chairman, Mr Ray Yoshuara and Mr Hee Theng Fong as members, all of whom are non-executive directors and the majority of whom, including the Chairman, are independent. At least two members have accounting or related financial management expertise or experience.

The AC performs the following functions:

(a) assists the Board in the discharge of its responsibilities on financial and accounting matters;

(b) reviews the audit plans, scope of work and results of our audits compiled by our internal and external auditors and ensure the adequacy of the Company's system of accounting controls;

(c) reviews the co-operation given by management to the external and internal auditors;

(d) 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;

(e) 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 annually;

(f) recommends to the Board the appointment and re-appointment of external auditors, approves the compensation and terms of engagement of the external auditors and reviews the scope and results of the audit;

(g) reviews the nature and extent of non-audit services provided by the external auditors yearly to determine their independence;

(h) meets with the external auditors without the presence of the Company's management annually;

(i) reviews the cost effectiveness and the independence and objectivity of the external auditor;

(j) reviews the effectiveness of the Company's internal audit function;

(k) reviews the integrity of any financial information presented to our shareholders;

(l) reviews interested person transactions, if any;

(m) reviews potential conflicts of interest, if any;

(n) reviews all hedging policies and instruments to be implemented by us, if any;

(o) investigating any matter within its terms of reference; and

(p) reviews the risk management structure and any oversight of our risk management processes and activities to mitigate and manage risk at acceptable levels determined by the Board.

Apart from the duties listed above, the AC 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 our results of operations and/or financial position. Each member of the AC shall abstain from voting on any resolution in respect of matters in which he is interested.

The AC confirms that it has undertaken a review of all the non-audit services provided by the Company's auditors during the financial year (US$9,366.60) and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors.

The Company has put in place a whistle blowing policy which also covers its subsidiaries. The whistle blowing policy is intended to cover serious concerns that might have a significant impact on the Company, such as actions that may lead to incorrect financial reporting, are unlawful and/or otherwise amount to serious improper conduct according to company policy.

Serious concerns relating to financial reporting, unethical or illegal conduct, can be reported to the Company for the attention of the Chairman of the AC. The AC shall carry out independent investigations when necessary.

Principle 12 and 13: Internal Controls and Audit

The Board recognizes the need for maintaining a system of sound internal controls and processes to safeguard shareholders' investments and the Group's assets.

The Company's internal controls and systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the assets. The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Company's management and that was in place throughout the year and up to the date of this report, is adequate to meet the needs of the Group in its current business environment.

The Company has its own internal audit department. The internal auditor's primary line of reporting is to the Chairman of the AC and administratively to the CEO. The AC is satisfied that the internal audit function is properly resourced and has appropriate standing within the Company. The AC will review the FY2008 internal audit programme and the scope and results of internal audit procedures.

Principles 14 and 15: Communications with Shareholders and Greater Shareholder Participation

The Company does not practise selective disclosure. Information on any new initiatives is disseminated via SGXNET, news releases and posted on the Company's website. Price-sensitive information is publicly released on a timely basis.

The AGM of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders will receive the Annual Report and the notice of AGM. At the AGM, shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to the Directors including the chairpersons of each of the Board committees. The external auditors will also be present to assist the Directors in addressing any relevant queries from the shareholders. The Company ensures that there are separate resolutions at general meetings on each distinct issue.

RISK MANAGEMENT

The Board considers the management of major business risks to be an important and integral part of the Group's overall internal control framework. The practice of risk management is undertaken by the Executive Directors and senior management under the purview of the Board. The financial risk management objectives and policies of the Group are discussed under Note 39 of the Notes to the Financial Statements, on pages 86 - 93 of the Annual Report.

DEALING IN SECURITIES

In February 2008, the Company adopted a code of conduct to provide guidance to its officers with regard to dealings in the Company's securities. The Company has complied with its Best Practices Guide on Securities Transactions which states that Officers of the Company should not deal in the Company's securities on short-term considerations and during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year or one month before the announcement of the Company's full year financial statements.

INTERESTED PARTY TRANSACTIONS

Details of significant interested party transactions for the year ended 31 December 2007 are set out as follows:

Name of interested person	Aggregate value of all interested person transactions during the period under review (excluding 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 SGD100,000)
PT Surya Dumai Industri	Rp. 1,170,771,350	Nil
Fangiono Resources Pte. Ltd.	Rp. 3,218,490,000	Nil
Total	**Rp. 4,389,261,350**	**Nil**

FREQUENTLY ASKED QUESTIONS

Pertaining to Corporate Developments in March 2008

Background

On 6 March 2008, First Resources Ltd ("Company") was alerted to announcements made by the Corruption Eradication Commission of Indonesia ("Komisi Pemberantasan Korupsi" or "KPK") in the Indonesian newspapers, namely the RiauPos and Media Indonesia newspapers, that it intended to auction several properties in relation to a court case relating to Mr. Martias, one of the founders and former shareholders of the Company, and father of the Company's Chief Executive Officer, Ciliandra Fangiono.

Three of the assets identified by the KPK are owned by the Company's Indonesian subsidiaries – PT Ciliandra Perkasa, PT Pancasurya Agrindo, and PT Perdana Intisawit Perkasa. The assets included plantation and milling assets. In response, the Company announced through the SGXNET on 7 and 9 March 2008, that it had consulted with its Indonesian legal counsel, who had advised that there was no legal basis for the actions. The Company announced that it would challenge any attempts to infringe upon its rights in relation to the assets in the courts of Indonesia.

On 14 and 20 March 2008, the Company announced that the KPK had officially withdrawn its intention to auction those assets that they deemed to be belonging to, or related to Mr. Martias, as the latter had paid the penalty imposed by the Indonesia Courts.

While the assets of the Company should no longer be the subject of any auction by the KPK, the Company has had several queries from investors as a result of this and we wish to provide shareholders with all relevant information.

Questions and Clarifications

1) Is Mr. Martias, the individual involved in legal proceedings with the KPK, a shareholder of the Company? Is he still involved in the management of the Company?

Mr. Martias is neither a direct nor indirect shareholder of the Company. His last involvement with the Group was as the President Commissioner of PT Ciliandra Perkasa, our principal Indonesian subsidiary, until April 2003.

2) Was First Resources aware of the court case involving Mr. Martias prior to the initial public offering on 10 December 2007?

Yes. The background of the court case was disclosed on page 26 in the "Risk Factors" section of our IPO prospectus dated 3 December 2007 ("Prospectus").

In the Prospectus, we highlighted that Mr. Martias was convicted of corruption on 3 May 2007 by the Corruption Court at the District Court of Central Jakarta in connection with an investigation by the KPK. The investigation concerned the grant of land use rights to 11 companies for private plantations from areas reserved as forest in East Kalimantan. One of the 11 companies, PT Bumi Sawit Perkasa ("PT Bumi"), has been one of the Company's subsidiaries since 2004, while the other 10 companies in East Kalimantan are unrelated to the Company. PT Bumi was not named as a defendant in the court proceedings and no sanction was imposed on it by the courts. Both Mr. Martias and the KPK appealed the court's judgement to the Corruption High Court at the High Court of Jakarta, and on 6 August 2007, the High Court affirmed the District Court's judgement. PT Bumi was not a party to the lower court case nor was it a party to the appeal proceedings.

Martias and the KPK subsequently appealed to the Corruption Supreme Court at the Supreme Court of Jakarta ("Supreme Court"). On 11 December 2007, the Supreme Court ruled that the financial penalty previously imposed on Martias was insufficient and ordered Martias to pay a penalty of approximately US$38.3 million. None of the Company or its subsidiaries was a party to the legal proceedings, nor did the Supreme Court rule that the Company or its subsidiaries were liable for such penalties imposed on Martias.

3) *Why were First Resources' assets identified for the auction as it has no relations to the court case?*

The KPK announcements on its intention to auction the assets were presumably to secure payment for the penalty of US$38.3 million imposed on Mr. Martias. The Company's Indonesian legal counsel had advised that there was no legal basis for such actions as the Company's assets did not belong to Mr. Martias. The Company sought to clarify the issue with the KPK but as the KPK subsequently retracted its announcement following payment of the penalty by Mr. Martias on 13 March 2008, the Company did not pursue the matter further with the KPK.

4) *Did the KPK serve any official notice to the Company with regards to their intention to auction First Resources' assets? Was First Resources' operations interrupted or discontinued in anyway?*

Neither the Company nor any of its subsidiaries received any official notice from the KPK with regard to the KPK's intention to auction the Company's assets. Throughout the course of events, the Company was in possession of the original Hak Guna Usaha land title deeds, and had full and normal operational accessibility to its assets.

5) *Did First Resources extend any assistance to Mr. Martias in paying his penalty?*

Consistent with our position that the court case did not involve First Resources or any of its subsidiaries, the Company did not extend any financial assistance to Mr. Martias or any party in relation to the payment of this financial penalty.

6) *Is this matter fully resolved? Can the KPK raise subsequent proceedings and claims against the Company?*

Our legal counsel has provided our Board of Directors with a legal opinion that:

(i) First Resources and its subsidiaries have never been named as a party to the court case proceedings, up to the Supreme Court level.

(ii) The penalties in relation to the verdict issued by the Supreme Court on Mr. Martias have all been fully served, and as such, Mr. Martias is not liable for any other penalties in relation to this court case.

In addition, there are no legal or arbitration proceedings in Indonesia or elsewhere that are pending or known to be contemplated that relate to us and to which Mr. Martias is a party.

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 2007.

DIRECTORS

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

Lim Ming Seong	(Chairman and Independent Director; appointed on 1 October 2007)
Ciliandra Fangiono	(Director and Chief Executive Officer; appointed on 18 April 2007)
Wirastuty Fangiono	(Non-executive Director; appointed on 29 June 2007)
Ray Nugraha Yoshuara	(Non-executive Director; appointed on 1 October 2007)
Teng Cheong Kwee	(Independent Director; appointed on 1 October 2007)
Hee Theng Fong	(Independent Director; appointed on 1 October 2007)
Ng Shin Ein	(Independent Director; appointed on 1 October 2007)

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 object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

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 Companies Act, an interest in shares in the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At date of appointment**	**At the end of financial year**	**At date of appointment**	**At the end of financial year**
Ordinary shares of the Company				
Lim Ming Seong	-	100,000	-	-
Ciliandra Fangiono	-	-	1,159,550,130	1,075,800,130
Wirastuty Fangiono	-	-	1,159,550,130	1,075,800,130
Ray Nugraha Yoshuara	-	-	-	-
Teng Cheong Kwee	-	-	-	-
Hee Theng Fong	-	-	-	-
Ng Shin Ein	-	38,000	-	-
Ordinary shares of US$1 each in the ultimate holding company Lizant Investments Ltd				
Ciliandra Fangiono	1	1	-	-
Wirastuty Fangiono	1	1	-	-

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2008.

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 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 Singapore Companies Act, Cap. 50, including the following:

- Assists the Board in the discharge of its responsibilities on financial and accounting matters;
- Reviews the audit plans of the internal and external auditors of the Company and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls;
- Reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board of Directors;
- Reviews the co-operation given by management to the internal and external auditors;
- Reviews 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;
- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate;
- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited (SGX-ST)'s Listing Manual;
- Reviews the integrity of any financial information presented to the shareholders;
- Reviews potential conflicts of interest, if any;
- Reviews all hedging policies and instruments to be implemented, if any;
- Investigating any matter within its terms of reference; and
- Reviews the risk management structure and any oversight of the risk management processes and activities to mitigate and manage risk at acceptable levels determined by the Board of Directors.

AUDIT COMMITTEE (CONT'D)

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

The AC convened no meeting during the year 2007. The first meeting was on 26 February 2008 and had full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, with the first meeting with the external auditors held on 26 February 2008.

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

AUDITORS

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

On behalf of the Board of Directors,

Lim Ming Seong
Chairman and Independent Director

Ciliandra Fangiono
Director and Chief Executive Officer

Singapore
3 April 2008

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, 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 2007 and the results of the business, changes in equity and cash flows of the Group and 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 and Independent Director

Ciliandra Fangiono
Director and Chief Executive Officer

Singapore
3 April 2008

AUDITORS' REPORT

to the Members of First Resources Limited

We have audited the accompanying financial statements of First Resources Limited (the "Company"), and its subsidiaries (collectively, the "Group") set out on pages 32 to 94, which comprise the balance sheets of the Group and Company as at 31 December 2007, the statements of changes in equity of the Group and the Company, the consolidated income statement 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 and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal 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 income statements and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

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 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 auditors' 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 auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 directors, 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,

(a) the financial statements 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 2007 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; and

(b) 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
Public Accountants and
Certified Public Accountants Singapore

Singapore
3 April 2008

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2007

	Note	2007 Rp.'million	2006 Rp.'million
Sales	4	1,691,368	857,133
Cost of sales	5	(766,244)	(487,303)
Gross profit		925,124	369,830
Gains arising from changes in fair value of biological assets	10	156,544	270,235
Other operating income		1,687	106
Selling and distribution costs	6	(39,371)	(13,418)
General and administrative expenses	6	(56,686)	(32,635)
(Losses)/gains on foreign exchange		(27,953)	17,017
Profit from operations		959,345	611,135
Financial expenses	7	(109,535)	(114,834)
Financial income	7	4,786	964
Share of results of associates		36,083	5,470
Profit before taxation		890,679	502,735
Tax expense	8	(263,768)	(151,830)
Profit for the year		626,911	350,905
Attributable to :			
Equity holders of the Company		431,257	243,851
Minority interests		195,654	107,054
		626,911	350,905
Earnings per share (in Rupiah)			
- basic and fully diluted	9	404	4,330

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

BALANCE SHEETS

as at 31 December 2007

	Note	Group		Company	
		2007 Rp.'million	2006 Rp.'million	2007 Rp.'million	2006 Rp.'million
Non-current assets					
Biological assets - plantations	10	3,257,804	2,255,098	-	-
Property, plant and equipment	11	981,365	477,907	967	-
Land use rights	12	78,275	56,513	-	-
Plasma plantation receivables	13	97,065	61,235	-	-
Investment in subsidiaries	14	-	-	1,740,140	429,800
Investment in an associate	15	-	50,262	-	-
Due from related parties	16	-	23,163	-	524
Tax recoverable	17	7,334	6,204	-	-
Deferred tax assets	8	9,211	21,374	-	-
Intangible assets	18	1,910	-	-	-
Other non-current assets		208	186	-	-
Total non-current assets		4,433,172	2,951,942	1,741,107	430,324
Current assets					
Inventories	19	150,936	75,507	-	-
Trade receivables	20	36,945	18,005	-	-
Other receivables	21	44,180	10,721	6,992	-
Prepaid taxes	22	23,427	3,294	-	-
Due from related parties	16	-	-	888	-
Cash and bank balances	23	1,558,077	745,478	673,564	9
Total current assets		1,813,565	853,005	681,444	9
Total assets		6,246,737	3,804,947	2,422,551	430,333
Current liabilities					
Trade payables	24	88,172	62,126	-	-
Other payables and accruals	25	158,323	94,135	5,634	28
Due to immediate holding company	16	3,534	100,000	-	100,000
Due to related parties	16	-	15,605	4,422	7
Loans and borrowings from financial institutions	26	14,545	7,600	98	-
Provision for taxation		177,237	40,127	-	-
Total current liabilities		441,811	319,593	10,154	100,035

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

BALANCE SHEETS

as at 31 December 2007

	Note	Group		Company	
		2007 Rp.'million	2006 Rp.'million	2007 Rp.'million	2006 Rp.'million
Non-current liabilities					
Loans and borrowings from financial institutions	26	9,602	4,645	648	-
Bonds payable	27	490,263	88,382	-	-
Notes payable	28	1,455,946	1,383,455	-	-
Provision for post employment benefits	29	26,801	19,903	-	-
Deferred tax liabilities	8	511,925	392,888	-	-
Derivative financial liability	30	3,747	-	-	-
Total non-current liabilities		2,498,284	1,889,273	648	-
Total liabilities		2,940,095	2,208,866	10,802	100,035
Net assets		3,306,642	1,596,081	2,411,749	330,298
Attributable to equity holders of the parent					
Share capital	31	2,350,605	330,487	2,350,605	330,487
Differences arising from restructuring transactions involving entities under common control	32	314,410	324,959	-	-
Capital reserve	33	(274,056)	-	-	-
Revaluation reserve	34	2,565	-	-	-
Foreign translation reserves	35	65,066	(100)	65,066	(100)
Retained earnings		747,254	315,997	(3,922)	(89)
		3,205,844	971,343	2,411,749	330,298
Minority interests		100,798	624,738	-	-
Total equity		3,306,642	1,596,081	2,411,749	330,298

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

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2007

	Attributable to equity holders of the Parent								
	Share capital	**Differences arising from restructuring transactions involving entities under common control**	**Capital reserve**	**Revaluation reserve**	**Foreign translation reserves**	**Retained earnings**	**Total share capital and reserves**	**Minority interests**	**Total equity**
	Rp.'million (Note 31)	**Rp.'million (Note 32)**	**Rp.'million (Note 33)**	**Rp.'million (Note 34)**	**Rp.'million (Note 35)**	**Rp.'million**	**Rp.'million**	**Rp.'million**	**Rp.'million**
Group									
2007									
At 1 January 2007	330,487	324,959	-	-	(100)	315,997	971,343	624,738	1,596,081
Difference between shares received and shares issued from acquisition of subsidiary under common control	-	(10,549)	-	-	-	-	(10,549)	-	(10,549)
Issuance of ordinary shares	2,072,261	-	-	-	-	-	2,072,261	-	2,072,261
Share issue expense	(52,143)	-	-	-	-	-	(52,143)	-	(52,143)
Premium paid on acquisition of minority interest	-	-	(274,056)	-	-	-	(274,056)	-	(274,056)
Acquisition of minority interest	-	-	-	-	-	-	-	(719,594)	(719,594)
Revaluation reserve	-	-	-	2,565	-	-	2,565	-	2,565
Profit for the year	-	-	-	-	-	431,257	431,257	195,654	626,911
Foreign currency translation adjustments	-	-	-	-	65,166	-	65,166	-	65,166
At 31 December 2007	2,350,605	314,410	(274,056)	2,565	65,066	747,254	3,205,844	100,798	3,306,642

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

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2007

	Share capital	Differences arising from restructuring transactions involving entities under common control	Foreign translation reserves	Retained earnings	Total share capital and reserves	Minority interests	Total equity
	Attributable to equity holders of the Parent						
	Rp.'million (Note 31)	Rp.'million (Note 32)	Rp.'million (Note 35)	Rp.'million	Rp.'million	Rp.'million	Rp.'million
Group							
2006							
At 1 January 2006	309,777	642,259	813	72,146	1,024,995	472,284	1,497,279
Share application monies	-	-	-	-	-	45,400	45,400
Difference between shares received and shares issued from acquisition of subsidiary under common control	-	(317,300)	-	-	(317,300)	-	(317,300)
Issuance of ordinary shares	20,710	-	-	-	20,710	-	20,710
Profit for the year	-	-	-	243,851	243,851	107,054	350,905
Foreign currency translation adjustments	-	-	(913)	-	(913)	-	(913)
At 31 December 2006	330,487	324,959	(100)	315,997	971,343	624,738	1,596,081

	Share capital	Foreign translation reserves	Retained earnings	Total share capital and reserves
	Attributable to equity holders of the Parent			
	Rp.'million (Note 31)	Rp.'million (Note 35)	Rp.'million	Rp.'million
Company				
2007				
At 1 January 2007	330,487	(100)	(89)	330,298
Issuance of ordinary shares	2,072,261	-	-	2,072,261
Share issue expense	(52,143)	-	-	(52,143)
Loss for the year	-	-	(3,833)	(3,833)
Foreign currency translation adjustments	-	65,166	-	65,166
At 31 December 2007	2,350,605	65,066	(3,922)	2,411,749
2006				
At 1 January 2006	309,777	813	(29)	310,561
Issuance of ordinary shares	20,710	-	-	20,710
Loss for the year	-	-	(60)	(60)
Foreign currency translation adjustments	-	(913)	-	(913)
At 31 December 2006	330,487	(100)	(89)	330,298

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2007

	2007 Rp.'million	2006 Rp.'million
Cash flows from operating activities		
Cash receipt from customers (Note A)	1,715,724	847,282
Cash payments to suppliers and employees	(1,010,525)	(424,686)
Effects of exchange rates	65,166	-
Cash generated from operations	770,365	422,596
Receipts from:		
Interest income	21,098	964
Income tax refunds	-	629
Payments for:		
Interest expenses	(165,649)	(107,082)
Income tax	(82,653)	(27,417)
Net cash generated from operating activities	543,161	289,690
Cash flows from investing activities		
Acquisition of additional shares in an existing subsidiary	(129,917)	-
Acquisition of property, plant and equipment (Note B)	(386,664)	(50,320)
Proceeds from sale of property, plant and equipment	142	-
Payment for development of oil palm plantations	(199,674)	(208,913)
Acquisition of land use rights	(12,050)	(1,317)
Payment for development of plasma plantations - net	(35,630)	(1,969)
Refund from cancellation of advance for investment in unquoted equity	-	2,175
Acquisition of intangible assets	(1,910)	-
Dividend received from an associate	250	-
Increase in deferred charges	-	(282)
Acquisition of subsidiaries (Note 14)	(335,868)	-
Net cash used in investing activities	(1,101,321)	(260,626)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2007

	2007 Rp.'million	2006 Rp.'million
Cash flows from financing activities		
Proceeds from issuance of bonds payable	490,097	-
Payment to minority interest shareholders	(731)	-
Share allotment monies received from shareholders for future allotment of shares	-	45,400
Proceeds from issuance of notes payable, net of issuance costs	-	1,382,659
Release/(placement) of restricted fund	710,778	(706,644)
Redemption of bonds payable	(90,315)	(260,910)
Placement of secured time deposit	(150,000)	-
(Payment to)/receipt from related parties, net	(92,442)	16,426
Repayment of bank loans	-	(472,170)
Proceeds from issuance of shares, net of issuance costs	1,076,553	-
Payment of obligations under capital leases	(6,253)	(4,928)
Payment of consumer financing loans	(6,150)	(3,548)
Net cash generated from/(used in) financing activities	1,931,537	(3,715)
Net increase in cash on hand and in banks	1,373,377	25,349
Cash on hand and in banks, beginning balance	34,700	9,351
Cash on hand and in banks, ending balance (Note 23)	1,408,077	34,700

	2007 Rp.'million	2006 Rp.'million
A. The reconciliation of cash receipts from customers is as follows:		
Sales	1,691,368	857,133
Increase in trade receivables	(18,940)	(16,403)
Increase in advance from customers	43,296	6,552
	1,715,724	847,282
B. Purchase of fixed assets (Note 11) consists of:		
Obligation under capital lease	7,739	4,938
Consumer financing loans	16,023	4,716
Capitalisation of deferred charges	-	323
Capitalisation of borrowing cost to assets under construction	55,054	-
Offsetting of amount due to related party	408	-
Purchase of fixed assets using cash	386,664	50,320
	465,888	60,297

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2007

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. First Resources Pte Ltd changed its name to First Resources Limited on 22 November 2007 in connection with its conversion into a public company limited by shares. Its immediate holding company is Eight Capital Inc., incorporated in the Territory of British Virgin Islands and the ultimate holding company is Lizant Investments Ltd, incorporated in the Territory of British Virgin Islands.

Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

A party is considered to be related to the Group if it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice-versa and/or subject to common control or common significant influence.

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 activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are as disclosed in Note 1(b).

(b) Subsidiaries

As of 31 December 2006 and 2007, the details of subsidiaries are as follows:

Subsidiaries	Country of incorporation	Activities	Percentage of Ownership 2007 %	2006 %
Direct Ownership:				
PT Ciliandra Perkasa ("PT CLP") (3)	Indonesia	Oil palm plantation	95.51	95.51
Pinebrook International Inc ("Pinebrook") (5)	British Virgin Islands	Investment holding	100.00	-
Pacific Eagle Management Ltd ("Pacific Eagle") (5)	British Virgin Islands	Investment holding	100.00	-
Global Paragon Investment Ltd ("Global Paragon") (5)	British Virgin Islands	Investment holding	100.00	-
Ivory Asset Management-7 Pte Ltd ("Ivory Asset Management") (4)	Singapore	Investment holding	100.00	-

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Activities	Percentage of Ownership 2007 %	2006 %
Indirect Ownership:				
PT Meridan Sejati Surya Plantation ("PT MSSP") (3)	Indonesia	Oil palm plantation	93.56 (2)	25.00
PT Pancasurya Agrindo ("PT PSA") (3)	Indonesia	Oil palm plantation	95.32 (1)	62.00
Subsidiaries of PT CLP				
PT Surya Intisari Raya ("PT SIR") (3)	Indonesia	Oil palm plantation	99.99	99.99
PT Perdana Intisawit Perkasa ("PT PISP") (3)	Indonesia	Oil palm plantation	99.99	99.99
PT Bumi Sawit Perkasa ("PT BSP") (3)	Indonesia	Oil palm plantation	99.90	99.90
PT Priatama Riau ("PT PTR") (3)	Indonesia	Oil palm plantation	99.75	99.75
Ciliandra Perkasa Finance Company Pte. Ltd. ("CPF") (4)	Singapore	Debt financing transactions facilitator	100.00	100.00
PT Surya Dumai Agrindo ("PT SDA") (3)	Indonesia	Oil palm plantation	99.90	-
Subsidiaries of PT PSA				
PT Pancasurya Binasejahtera ("PT PSBS") (3)	Indonesia	Investment holding	99.99	99.99
PT Muriniwood Indah Industry ("PT MII") (3)	Indonesia	Oil palm plantation	99.99	99.99
Subsidiaries of PT PSBS				
PT Subur Arummakmur ("PT SAM") (3)	Indonesia	Oil palm plantation	99.99	99.99
PT Arindo Trisejahtera ("PT ATS") (3)	Indonesia	Oil palm plantation	99.99	99.99
Subsidiaries of PT ATS				
PT Pancasurya Agrosejahtera ("PT PSAS") (3)	Indonesia	Oil palm plantation	90.00	90.00
PT Pancasurya Agrindo Perkasa ("PT PSAP") (3)	Indonesia	Oil palm plantation	99.99	99.99

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Activities	Percentage of Ownership 2007 %	2006 %
Indirect Ownership: (cont'd)				
Subsidiaries of PT SDA				
PT Andalan Mitrasawit Sejati ("PT AMS") (3)	Indonesia	Dormant	99.90	-
PT Dharma Bhakti Utama ("PT DBU") (3)	Indonesia	Dormant	99.90	-
Subsidiary of Ivory Asset Management Pte Ltd				
PT Aditya Seraya Korita ("PT ASK") (3)	Indonesia	Investment holding	95.00	-

(1) PT PSA is 62.00% held by PT CLP and 38.00% held by PT Aditya Seraya Korita, which is 95.00% held by Ivory Asset Management.
(2) PT MSSP is 32.00% held by PT CLP, 27.00% held by Pinebrook, 26.00% held by Pacific Eagle and 10.00% held by Global Paragon.
(3) Audited by Ernst & Young Indonesia.
(4) Audited by Ernst & Young Singapore.
(5) Statutorily not required to be audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These 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 Indonesian Rupiah (Rp.) and all values are rounded to the nearest million (Rp.' million) except when otherwise indicated.

The accounting policies have been consistently applied by the Group.

2.2 Changes in accounting policies

The Group has applied the following standards that have been issued and effective for financial periods beginning on or after 1 January 2007:

FRS 1 : Presentation of Financial Statements – Capital Disclosures
FRS 107 : Financial Instruments – Disclosures

FRS 107 introduces new disclosures to improve the information in the financial statements about financial instruments. It requires the disclosure of qualitative and quantitative information about an entity's exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, as well as sensitivity analysis for market risks. The amendment to FRS 1 requires an entity to make new disclosures to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

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

2.3 FRS and INT FRS not yet effective

The Group has not applied the following FRS and INT FRS that have been issued but not yet effective:

			Effective date (Annual periods beginning on or after)
FRS 23	:	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 108	:	Operating Segments	1 January 2009
INT FRS 111	:	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	:	Service Concession Arrangements	1 January 2008

The directors are of the opinion that the adoption of the above pronouncements will have no material impact to the financial statements, in the period of initial application except for FRS 108 and FRS 23 as indicated below.

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

FRS 23 has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

2.4 Principles of consolidation

The consolidated financial statements comprise the financial statements of all the entities within the Group at the balance sheet date. 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 for 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.

Acquisitions of subsidiaries are accounted for by applying the purchase method other than entities under common control. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

2.4 Principles of consolidation (cont'd)

Any excess of the cost of the business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the consolidated income statement on the date of acquisition.

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.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The subsidiaries are deemed acquired on the date that the entities came under common control or 1 January 2006, the beginning of the first period presented, whichever is later. Differences between the shares issued on acquisition and the nominal value of the shares acquired are recorded in equity.

2.5 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.6 Foreign currency

Management has determined the currency of the primary economic environment in which the entities of the Group reside and operate, i.e. functional currency, to be Indonesian Rupiah. Sales prices and major costs of providing goods and services including major operating expenses are mainly transacted in Indonesian Rupiah. The functional currency of the Company is the Singapore dollar as it reflects the primary economic in which the entity operates as an investment holding company.

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 balance sheet date. 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 balance sheet date are recognised in the consolidated income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in equity as foreign currency translation reserve in the balance sheets and recognised in the consolidated income statement on disposal of the subsidiary.

The assets and liabilities of foreign operations are translated into Rupiah at the rate of exchange ruling at the balance sheet date and their respective income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

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. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors.

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

2.8 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the Board of Directors. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investment in an associate is accounted for using the equity method. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes in equity. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate.

Goodwill relating to an associate is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is recognised as income as part of the Group's share of the profit or loss of the associate in the period in which the investment is acquired.

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

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

2.9 Biological assets

Biological assets, which include mature and immature oil palm plantations are stated at fair values less estimated point-of-sale costs. Oil palm trees have an average life that ranges from 23 to 25 years, with the first three years as immature and the remaining years as mature. As market determined prices or values are not readily available for plantations in its present condition, the Group uses the present value of expected net future cash flows (excluding any future cash flows for financing the assets, taxation, or re-establishing plantations after harvest) from the asset, discounted at a current market determined pre-tax rate in determining fair values.

Gains or losses arising on initial recognition of plantations at fair value less estimated point-of-sale costs and from the change in fair value less estimated point-of-sale costs of plantations at each reporting date are included in the consolidated income statement in the period in which they arise.

Oil palm plantation is classified as mature plantation if 70 % of total plants per block are ready to be harvested with the average fresh fruit bunch weight of at least 3.5 kg or with the plant age of minimum of 36 months.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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.

Cost includes purchase price and other incidental expenses to acquire or to secure the assets and bring the assets to its current location and condition. Incidental expenses include expenses incurred for the acquisition or renewal of land rights such as legal fees, measuring and mapping fees, notary fees, taxes and other expenses.

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

Buildings and improvements	-	5-20 years
Machinery and installation	-	5-15 years
Farming equipment and motor vehicles	-	5 years
Office equipment	-	5 years

Assets under construction is stated at cost and not depreciated. Accumulated cost is transferred to the related asset when the asset is completed and ready for use and is then depreciated.

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

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

2.11 Land use rights

Hak Guna Usaha or "Right to Cultivate" 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 and accumulated impairment losses. The land use rights are amortised over the period of 35 years.

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

2.12 Plasma plantation receivables

To support the Indonesian Government policy, the Company develops plasma plantations under the schemes of *Perkebunan Inti Rakyat Trasmigrasi* ("Plasma Project Conversion") and *Kredit Koperasi Primer untuk Anggotanya* ("KKPA") for farmers who are members of partnership *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 landholders (conversion of plasma plantations). All cost incurred will be reviewed by the Government and the Group will be compensated for all approved cost and financed by KUD or a bank. Under this scheme, the farmers sell all harvest to the Group at a price determined by the Government which approximates the market price. Part of the cost from these purchases will be retained by the Group and be used to pay KUD or the bank for the loan taken under the landholder's name.

Amount incurred and recoverable from KUD or the bank, for the development of the plantations less amount received as compensation, are presented in the consolidated balance sheet as "plasma plantation receivables".

The difference between the accumulated development costs of plasma plantations and their conversion value is charged to the income statement. The plasma plantation receivables are assessed for impairment in accordance with Note 2.15.

2.13 Intangible assets

(a) Goodwill

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. 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.

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.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

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

2.13 Intangible assets (cont'd)

(b) Other intangible assets

Other 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, other intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are amortised on a straight-line basis 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 for other intangible assets with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the income statement through each line item according to the function.

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.

2.14 Negative goodwill

Negative goodwill arising on acquisition represents the excess of the acquirer's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition. Any negative goodwill arising on acquisition is reassessed and any negative goodwill in excess of the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised immediately in the income statement on the date of acquisition.

2.15 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or 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 groups of assets. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. 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 increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised previously. Reversal of an impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the income statement is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

2.16 Financial assets

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.

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.

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.

The Group has one class of financial assets - loans and receivables.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

A financial asset is derecognised when:

(a) the Group transfers the contractual rights to receive the cash flows of the financial asset; or

(b) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in a 'pass-through' arrangement; or

(c) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

2.17 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

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. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

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

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

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

2.18 Inventories

Inventories other than FFB are stated at the lower of cost or 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.

Allowance for decline in value of inventories is made to reduce the carrying value to net realizable value.

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

2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Financial liabilities

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.

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

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, and through the amortisation process.

2.21 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 each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of 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.

2.22 Derivative financial instruments

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date.

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to the income statement for the year.

2.23 Borrowing costs

Borrowings are recognised in the income statement except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying 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 asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.24 Bonds and notes issuance costs

Bonds and notes issuance costs are deducted from the proceeds of bonds/notes issuance in the consolidated balance sheet as discounts and amortised over the period of the bonds and notes using the effective interest method.

2.25 Share capital and share issue 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 *Employment 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 contribution to the Central Provident Fund scheme in Singapore, a defined contribution scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Defined benefit plans

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

Actuarial gains or losses are recognised in the income statement when the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting year exceed 10.0% of the defined benefit obligation at that date. Such gains or losses in excess of the 10.0% corridor are amortised on a straight-line method over the expected average remaining service years of the covered employees.

Past service cost is recognised as an expense on a straight-line basis over the average period until the benefit becomes vested. To the extent that the benefit is already vested immediately following the introduction of, or changes to, the employee benefit program, the Group recognises past service cost immediately.

The related estimated liability for employee benefits is the aggregate of the present value of the defined benefit obligation at balance sheet date and actuarial gains and losses not recognised, less past service cost not yet recognised.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

2.27 *Leases*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised and presented as part of property, plant and equipment 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 the income statement. 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 the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

2.28 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. 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. Sales are stated net of discounts and taxes. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(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.

2.29 Taxes

(a) Current tax

Current 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 substantially enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date 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 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;
- In respect of temporary differences associated with investments in subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 asset to be recovered. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that future taxable income will allow the deferred tax assets to be utilised.

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

2.29 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt directly with in equity, and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(c) Sales tax

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

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

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

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

2.30 Segmental reporting

A segment is a distinguishable component of the Group that is engaged in providing certain products, or in providing products or services within a particular economic environment, which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment pricing, if any, is determined on an arm's length basis. Segment revenue, expenses and assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. They are determined before intra-group balances and intra-group transactions are eliminated. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

2.31 Contingencies

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. 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.

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

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 has the most significant effect on the amounts recognised in the financial statements:

(a) Income taxes

The Group has exposure to income taxes in mainly 2 jurisdictions, Singapore and Indonesia. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the year in which such decision is made by the taxation authority.

The carrying amount of the Group's tax payables as at 31 December 2007 were Rp. 177,237 million (2006: Rp. 40,127 million).

The carrying value of the Group's tax recoverable as at 31 December 2007 were Rp. 7,334 million (2006: Rp. 6,204 million).

The carrying value of the Group's deferred tax assets and liabilities as at 31 December 2007 were Rp. 9,211 million (2006: Rp. 21,374 million) and Rp. 511,925 million (2006: Rp. 392,888 million) respectively.

(b) 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 balance sheet date, 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 and agricultural products

The Group carries its oil palm plantations and agriculture products at fair value less estimated point-of-sale costs, 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 Group's income statement and equity. The carrying amount of the Group's biological assets as at 31 December 2007 were Rp. 3,257,804 million (2006: Rp. 2,255,098 million). The carrying amount of the Group's fresh fruit bunches ("FFB") as at 31 December 2007 were Rp. 313 million (2006: Rp. 344 million).

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

3.2 *Key sources of estimation uncertainty (cont'd)*

(b) *Useful lives of property, plant and equipment*

The cost of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 20 years. These are common life expectancies applied in the oil palm industry. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment as at 31 December 2007 is Rp. 981,365 million (2006: Rp. 477,907 million).

(c) *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. The carrying value of recognised tax losses at 31 December 2007 was Nil (2006: Rp. 15,401 million).

(d) *Defined benefit plan*

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involved making assumptions about discount rates, resignation rates, future salary increases, mortality rates and disability rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability at the balance sheet date is Rp. 26,801 million (2006: Rp. 19,903 million). Further details are given in Note 29.

(e) *Allowance for inventories*

Allowance for inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical condition, their market selling prices, estimated costs of completion and estimated costs to be incurred for their sales. The allowances are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Group's inventories as at 31 December 2007 is Rp. 150,936 million (2006: Rp. 75,507 million).

(f) *Allowance for doubtful debts*

The Group evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Group uses judgement, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific allowance against amount due from such customers to reduce its receivable to the amount the Group expects to collect. These specific allowances are re-evaluated and adjusted as additional information received affects the amounts of allowance for doubtful debts. The carrying amount of the Group's trade receivables as at 31 December 2007 were Rp. 36,945 million (2006: Rp. 18,005 million).

4. SALES

	Group	
	2007 Rp.'million	**2006 Rp.'million**
Crude Palm Oil ("CPO")	1,504,436	688,225
Fresh Fruit Bunches ("FFB")	21,371	90,033
Palm Kernel ("PK")	165,561	78,875
	1,691,368	857,133

5. COST OF SALES

	Group	
	2007 Rp.'million	**2006 Rp.'million**
Fresh Fruit Bunches		
Depreciation	21,672	18,364
Maintenance cost	202,032	183,673
Plantation general expenses	59,360	49,760
Harvesting costs	67,000	57,593
Post employment benefits	3,401	-
Net changes in FFB inventory	34	(189)
Cost of FFB production	353,499	309,201
Cost of FFB transferred to production of CPO and PK	(348,265)	(268,435)
Cost of sales - FFB	5,234	40,766
Crude Palm Oil and Palm Kernel		
Cost of FFB to be processed into CPO and PK	348,265	268,435
Purchase of FFB	177,913	85,736
Depreciation	27,601	26,524
Processing – milling cost	34,207	30,196
Freight	31,648	15,100
Factory general expenses	15,521	10,678
Post employment benefits	920	-
Purchases of CPO and PK	183,315	5,117
Third party processing cost	6,792	-
Net changes in CPO and PK inventory	(65,172)	4,751
Cost of sales – CPO and PK	761,010	446,537
Total cost of sales	766,244	487,303

For the financial year ended 31 December 2007, post employment benefits are classified as cost of sales, general and administrative expenses and capitalised into biological assets based on the function of the respective employees. For the financial year ended 31 December 2006, such expenses were recorded as general and administrative.

6. SELLING AND DISTRIBUTION COSTS AND GENERAL AND ADMINISTRATIVE EXPENSES

The following items have been included in arriving at selling and distribution costs and general and administrative expenses:-

	Group	
	2007 Rp.'million	**2006 Rp.'million**
Salaries, wages and allowances (excluding Central Provident Fund and post employment benefits)	20,133	11,019
Freight charges	11,054	9,615
Post employment benefits	2,228	5,816
Depreciation for plant, property and equipment	3,660	3,607
Operating lease rentals	4,649	992
Central Provident Fund	200	-
Export tax	29,788	931

7. FINANCIAL EXPENSES AND FINANCIAL INCOME

The following items have been included in financial expenses and financial income:

	Group	
	2007 Rp.'million	**2006 Rp.'million**
Financial expenses		
Interest expense from financial institutions and finance company	(95,089)	(105,434)
Amortisation of bonds issuance costs	(912)	(3,022)
Amortisation of notes issuance costs	(8,651)	(796)
Loss on bond redemption	(1,136)	(5,582)
Loss on fair value changes on cross currency swap (Note 30)	(3,747)	-
Total	(109,535)	(114,834)
Financial income		
Interest income from financial institutions	2,873	964
Interest income from associate	1,913	-
Total	4,786	964

8. INCOME TAX

(a) Major components of tax expense

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

	Group	
	2007 Rp.'million	**2006 Rp.'million**
Current income taxation	182,590	52,021
Deferred tax charge	81,178	99,809
Income tax expense recognised in the income statement	263,768	151,830

(b) Reconciliation between tax expense and accounting profit

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

	2007 Rp.'million	**2006 Rp.'million**
Accounting profit before income tax	890,679	502,735
Tax expense at the domestic rate @ 18% (2006: 20%)	160,322	100,547
Adjustments:		
Difference in tax rates of different jurisdictions	106,881	50,274
Share of results of associate	(5,796)	(1,345)
Income not subject to taxation	(1,100)	(274)
Non-deductible expenses	2,218	1,944
Deferred tax assets not recognised	3,166	1,288
Others	(1,923)	(604)
Income tax expense recognised in the income statement	263,768	151,830

Companies in Indonesia are generally subject to progressive tax rates up to a maximum of 30.0%.

For the financial years ended 31 December 2006 and 2007, the Group has not recognised deferred tax assets amounting to Rp. 1,288 million and Rp. 3,166 million respectively, relating to PT BSP, PT PTR, PT PSAS, PT PSAP, PT PSBS and PT SDA due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of Indonesia.

With effect from Year of Assessment 2008, the corporate tax rate in Singapore has reduced from 20% to 18%.

8. INCOME TAX (CONT'D)

(c) Deferred tax assets and liabilities

Deferred tax assets and liabilities comprise the following:

	Group	
	2007 Rp.'million	**2006 Rp.'million**
Deferred tax assets		
Post employment benefits	8,042	5,973
Fair value loss on cross currency swap	1,169	-
Tax loss carried forward	-	15,401
Gross deferred tax assets	9,211	21,374
Deferred tax liabilities		
Biological assets	(335,126)	(328,080)
Differences in depreciation	(167,606)	(61,960)
Obligations under finance leases	(4,063)	(2,848)
Revaluation of fixed assets arising from acquisition of subsidiary	(5,130)	-
Gross deferred tax liabilities	(511,925)	(392,888)
Net deferred tax liabilities	(502,714)	(371,514)

On September 18, 2006, PT MII received additional tax assessments for the financial year ended December 31, 2004 with regards to Income Tax Article 21, Income Tax Article 23 and Corporate Income tax. These additional assessments, including penalties and interest, amounting to Rp. 6,998 million have not been settled nor provided for as they were made by the Tax Authorities on unsupported transaction estimates. The Directors believe that the taxes pertaining to PT MII's activities have been fully disclosed and settled with the Tax Authorities and has filed objections against these additional assessments to the tax office accordingly.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the years that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding.

There were no dilutive potential ordinary shares as at 31 December 2006 and 2007.

The following table reflects the profit attributable to the shareholders in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2007	**2006**
Profit attributable to shareholders (Rp.'million)	431,257	243,851
Weighted average number of shares	1,066,161,832	56,313,880

The change in the weighted average number of shares used to compute the earnings per share was due to the capital restructuring that occurred before the Company's initial public offering, including a share split, and the new ordinary shares issued pursuant to the initial public offering.

10. BIOLOGICAL ASSETS – PLANTATIONS

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

	Group	
	2007 Rp.'million	**2006 Rp.'million**
At fair value		
At 1 January	2,340,517	1,763,830
Acquisition of subsidiary	580,097	-
Additions	180,646	221,033
	3,101,260	1,984,863
Gains arising from changes in fair value less estimated point-of-sale costs	156,544	270,235
At 31 December	3,257,804	2,255,098

	Group	
	2007 Rp.'million	**2006 Rp.'million**
Represented by:		
Oil palm plantations	3,154,425	2,170,033
Field preparation costs	103,379	85,065
Total	3,257,804	2,255,098

Mature oil palm trees produce FFB, which are used to produce CPO and PK. The fair values of oil palm plantations are determined using the discounted future cash flows of the underlying plantations. The expected future cash flows of the oil palm plantations are determined using the forecasted market price of FFB which is largely dependent on the projected selling prices of CPO and PK in the market.

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) the discount rates used for the financial years ended 31 December 2006 and 2007 are 16.0% and 18.1% per annum, respectively, (such a discount rate represents the asset specific rate for the Group's plantation operations which are applied in the discounted future cash flows calculation); and,

(e) the projected selling price of CPO for the financial years ended 31 December 2006 and 2007 of USD 487 and USD 896 per tonne respectively are estimated by reference to independent professional valuations with the latest update on 20 February 2008.

10. BIOLOGICAL ASSETS – PLANTATIONS (CONT'D)

	Group	
	2007 Million tonnes	2006 Million tonnes
Production of FFB (excluding plasma plantations)	982	869
	Hectares	**Hectares**
Mature oil palm plantation	50,842	44,086
Immature oil palm plantation	25,824	16,384

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

Included in biological assets – plantations for the financial years ended 31 December 2006 and 2007 are Rp. 5,354 million and Rp. 6,840 million in which depreciation has been capitalised.

Borrowing costs capitalised to biological assets - plantations amounted to Rp. 6,768 million and Rp. 38,052 million for the financial years ended 31 December 2006 and 2007 respectively.

Assets pledged as security

Biological assets amounting to Rp323,787 million (2006: nil) were pledged to secure the borrowings of the Group as at 31 December 2007 (Note 27).

11. PROPERTY, PLANT AND EQUIPMENT

	At Cost					At Valuation					
	Leasehold buildings and improve-ments	Machinery and installation	Farming equipment and motor vehicles	Office equipment	Assets under construction	Leasehold buildings and improve-ments	Machinery and installation	Farming equipment and motor vehicles	Office equipment	Assets under construction	Total
	Rp.'million	Rp.'million	Rp.'million	Rp.'million	Rp.'million	Rp.'million	Rp.'million	Rp.'Million	Rp.'million	Rp.'million	Rp.'million
Group											
Cost											
At 1 January 2006	240,207	307,209	90,391	7,568	31,964	-	-	-	-	-	677,339
Additions	4,133	4,372	17,228	969	33,595	-	-	-	-	-	60,297
Reclassifications	8,715	5,137	-	-	(13,852)	-	-	-	-	-	-
Disposals	-	-	(809)	-	-	-	-	-	-	-	(809)
At 31 December 2006 and 1 January 2007	253,055	316,718	106,810	8,537	51,707	-	-	-	-	-	736,827
Additions	3,372	3,234	34,665	2,914	421,703	-	-	-	-	-	465,888
Acquisition of subsidiaries	-	-	-	-	-	52,364	42,185	4,807	(99)	-	99,257
Reclassifications	56,633	67,392	(384)	703	(124,344)	-	-	-	-	-	-
Disposals	(500)	(119)	(860)	(206)	(3,917)	-	-	-	-	-	(5,602)
At 31 December 2007	312,560	387,225	140,231	11,948	345,149	52,364	42,185	4,807	(99)	-	1,296,370

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

	At Cost					At Valuation					
	Leasehold buildings and improve-ments	Machinery and installation	Farming equipment and motor vehicles	Office equipment	Assets under construction	Leasehold buildings and improve-ments	Machinery and installation	Farming equipment and motor vehicles	Office equipment	Assets under construction	Total
	Rp.'million	Rp.'million	Rp.'million	Rp.'million	Rp.'million	Rp.'million	Rp.'million	Rp.'Million	Rp.'million	Rp.'million	Rp.'million
Group											
Accumulated depreciation											
At 1 January 2006	74,274	67,783	61,051	5,104	-	-	-	-	-	-	208,212
Depreciation charge during the year	18,199	21,182	10,777	1,359	-	-	-	-	-	-	51,517
Disposals	-	-	(809)	-	-	-	-	-	-	-	(809)
At 31 December 2006 and 1 January 2007	92,473	88,965	71,019	6,463	-	-	-	-	-	-	258,920
Additions	19,397	21,993	14,598	1,223	-	-	-	-	-	-	57,211
Reclassifications	108	(208)	(268)	368	-	-	-	-	-	-	-
Disposals	(182)	(65)	(710)	(169)	-	-	-	-	-	-	(1,126)
At 31 December 2007	111,796	110,685	84,639	7,885	-	-	-	-	-	-	315,005
Net carrying amount											
As at 31 December 2007	200,764	276,540	55,592	4,063	345,149	52,364	42,185	4,807	(99)	-	981,365
As at 31 December 2006	160,582	227,753	35,791	2,074	51,707	-	-	-	-	-	477,907

	Motor vehicle	Computers	Total
	Rp.'million	Rp.'million	Rp.'million
Company			
Cost			
Additions and at 31 December 2007	1,056	69	1,125
Accumulated depreciation			
Charge for the year and at 31 December 2007	(146)	(12)	(158)
Net book value			
At 31 December 2007	910	57	967

Borrowing costs capitalised to property, plant and equipment amounted to Rp. 55,054 million and Rp. 323 million for the financial years ended 31 December 2006 and 2007 respectively.

Assets pledged as security

Property, plant and equipment amounting to Rp. 433,127 million and Rp. 26,213 million were pledged to secure the borrowings of the Group as at 31 December 2006 and 2007 (Note 27).

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

Depreciation and amortisation

The depreciation and amortisation charge for each of the financial years is as follows:

	Group	
	2007 Rp.'million	**2006 Rp.'million**
Depreciation in property, plant and equipment	57,211	51,517
Amortisation of land use rights (Note 12)	2,562	2,332
Total	59,773	53,849
Depreciation and amortisation included in cost of sales:		
- FFB	21,672	18,364
- CPO and PK	27,601	26,524
Depreciation capitalised in immature oil palm plantation (Note 10)	6,840	5,354
Depreciation included in general and administrative expenses	3,660	3,607
Total	59,773	53,849

12. LAND USE RIGHTS

	Group	
	2007 Rp.'million	**2006 Rp.'million**
At 1 January	56,513	57,245
Addition	12,050	1,600
Acquisition of subsidiary	12,274	-
Amortisation charge during the year	(2,562)	(2,332)
At 31 December	78,275	56,513

12. LAND USE RIGHTS (CONT'D)

As at 31 December 2007, land use rights in respect of the land utilisation rights ("*Hak Guna Usaha*" or "HGU") are as follows:

HGU No.	Total Area	Location (Regency)	Expiry Date of HGU
	Hectares		
PT Ciliandra Perkasa			
HGU No. 55/HGU/BPN/1995	3,787	Kampar	31 December 2030
PT Perdana Intisawit Perkasa			
HGU No. 60/HGU/BPN/1995	2,467	Kampar	31 December 2030
PT Surya Intisari Raya			
HGU No. 40/HGU/BPN/1994	3,609	Pekanbaru	31 December 2024
HGU No. 41/HGU/BPN/1994	1,430	Bengkalis	31 December 2024
PT Pancasurya Agrindo			
HGU No. 42/VIII/1995	10,600	Kampar	31 December 2020
PT Arindo Trisejahtera			
HGU No. 13/HGU/BPN/1993	7,741	Kampar	31 December 2028
PT Subur Arummakmur			
HGU No. 65/HGU/BPN/1998	7,767	Kampar	21 September 2033
PT Muriniwood Indah Industry			
HGU No. 10/HGU/BPN/2000	7,886	Bengkalis	4 July 2035
PT Meridan Sejatisurya Plantation			
HGU No. 18-VIII-1995	4,416	Bengkalis	31 December 2024
HGU No. 19-VIII-1995	553	Bengkalis	31 December 2024
HGU No. 301/HGU/BPN/1996	1,600	Bengkalis	20 December 2031
HGU No. 61/HGU/BPN/1999	4,257	Bengkalis	26 August 2034
PT Pria Tama Riau			
HGU No. 47/HGU/BPN/1996	1,346	Bengkalis	2 December 2026
HGU No. 48/HGU/BPN/1996	3,175	Bengkalis	2 December 2026
Total	60,634		

As at 31 December 2007, the Group's land use rights covering a total land area of 60,634 hectares represents HGU. The legal terms of the existing land rights of the Group expire on various dates between 2020 and 2035.

Land use rights represent the cost of land use rights owned by the Group and are amortised on a straight line basis over their terms of 35 years. The terms can be extended for a period of 25 years subject to agreement with the Government of Indonesia and payments of premium.

Deferred land rights acquisition costs represent 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. They are deferred and amortised using the straight-line method over the period of 35 years.

Certain of the HGU are used to secure the Ciliandra Perkasa Bond II Year 2007 (Note 27 (i)).

13. PLASMA PLANTATION RECEIVABLES

In support of the Indonesian Government policy, the Company develops plasma plantations under the schemes of *Perkebunan Inti Rakyat Trasmigrasi* ("PIR – Trans") and *Kredit Koperasi Primer untuk Anggotanya* ("KKPA") for farmers who are members of partnership *Koperasi Unit Desa* ("KUD").

The development of plasma plantations is financed by investment credits and self financing. When the plasma plantations mature in accordance with the criteria set by the Indonesian Government, the plasma plantations will be handed over the plasma farmers (conversion of plasma plantations).

The development of the plasma plantation are initially financed by the subsidiaries (plasma plantation receivable) and paid by an investment credit from a bank which will be transferred to plasma farmers upon the conversion of plasma plantations and at the amount determined at the time (conversion value).

Starting 6 September 2007, the subsidiaries used their own sources of funds to finance the conversion of 315 hectares of plasma plantations as stipulated in the loan agreement between PT SAM and KKPA smallholders. The loan bears interest at 16% per annum.

After the conversion of plasma plantations, the plasma farmers are obliged to sell their crops to the subsidiaries. The investment credit will be repaid through the amounts withheld by the subsidiaries on such sales.

Information regarding the development of plasma plantations as of 31 December is as follows:

	Group	
	2007	**2006**
Accumulated conversion value of plasma plantations (Rp.'million)	63,266	55,226
Accumulated conversion plasma plantations (Hectares)	4,957	4,642

Details of plasma plantation receivables presented in the consolidated balance sheet as of 31 December, is as follows:

	Plasma plantations development costs	**Investment credits/self financing**	**Net plasma plantation receivables**
	Rp.'million	**Rp.'million**	**Rp.'million**
Group			
2007			
PIR - TRANS			
At 1 January 2007	33,762	-	33,762
Additional development costs	1,138	-	1,138
At 31 December 2007	34,900	-	34,900
KKPA			
At 1 January 2007	27,473	-	27,473
Additional development costs	34,536	-	34,536
Conversion value	(7,967)	7,967	-
Payment of self financing of receivables from plasma plantations	-	(44)	(44)
Difference between accumulated development cost of plasma plantations and conversion value	200	-	200
At 31 December 2007	54,242	7,923	62,165
Total at 31 December 2007	89,142	7,923	97,065

13. PLASMA PLANTATION RECEIVABLES (CONT'D)

	Plasma plantations development costs	Investment credits/self financing	Net plasma plantation receivables
	Rp.'million	Rp.'million	Rp.'million
2006			
PIR - TRANS			
At 1 January 2006	40,308	-	40,308
Additional development costs	1,319	-	1,319
Conversion value	(7,865)	-	(7,865)
At 31 December 2006	33,762	-	33,762
KKPA			
At 1 January 2006	18,960	-	18,960
Additional development costs	8,513	-	8,513
At 31 December 2006	27,473	-	27,473
Total at 31 December 2006	61,235	-	61,235

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2007 Rp.'million	2006 Rp.'million
Unquoted equity shares, at cost	1,740,140	429,800

The full list of subsidiaries is presented in Note 1(b) to the financial statements.

Acquisition of subsidiary

(a) Acquisition of PT MSSP

On 2 August 2007, a subsidiary PT CLP entered into a sale and purchase agreement to acquire an additional 7% interest in PT MSSP from PT Payung Negeri Utama for a cash consideration of Rp. 8,750 million.

Later, the Group acquired an additional 63.0% shareholding in PT MSSP, via an acquisition of Pinebrook International Inc. ("Pinebrook"), Pacific Eagle Management Ltd ("Pacific Eagle") and Global Paragon Investment Ltd ("Global Paragon"), that held the shares of PT MSSP. The purchase was completed concurrently with the offering.

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of PT MSSP (cont'd)

The Company paid for a total consideration amounting to US$40.95 million (equivalent to Rp. 348,219 million) in cash, using part of the proceeds of the Offering.

As a result of the above step-acquisitions, the Group held effectively 93.56% of PT MSSP as at 31 December 2007.

As the step-acquisitions of PT MSSP were completed effective 31 December 2007, it had no material impact to the Group's results for the financial year. If the step-acquisitions had taken place at the beginning of the financial year ended 31 December 2007, the Group's profit for the year would have been Rp. 697,909 million and revenue would have been Rp. 1,894,755 million.

The fair values of the identifiable assets and liabilities of PT MSSP on the date that PT CLP acquired 7% shares were:

	Recognised on date of acquisition	Carrying amount before acquisition
	Rp.'million	Rp.'million
Property, plant and equipment	132,040	97,826
Biological assets	194,572	168,761
Inventories	7,219	7,219
Other assets	2,390	2,390
Cash and cash equivalents	33,476	33,476
	369,697	309,672
Trade and other payables	(9,282)	(9,282)
Borrowings from financial institutions	(141,576)	(141,576)
Employee benefits	(2,069)	(2,069)
Tax on revaluation	(15,588)	-
Deferred tax liability	(6,792)	(1,664)
Income tax payable	(994)	(994)
Amount due to related parties	(60,889)	(60,889)
Other liabilities	(7,514)	(7,514)
	(244,704)	(223,988)
Net identifiable assets	124,993	85,684

Total cost of business combination
The total cost of the business combination is as follows:

	Rp.'million
Consideration paid for the 7% equity interest	8,750

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of PT MSSP (cont'd)

Goodwill is computed as follows:

	Rp.'million
Consideration paid	8,750
Net identifiable assets acquired	(8,750)
Goodwill	-

The fair values of the identifiable assets and liabilities of PT MSSP on the date that Pinebrook, Pacific Eagle and Global Paragon acquired a combined total of 63% shares were:

	Recognised on date of acquisition	Carrying amount before acquisition
	Rp.'million	Rp.'million
Property, plant and equipment	99,257	88,365
Land use rights	12,274	6,064
Biological assets	580,097	580,097
Inventories	17,344	17,344
Due from related parties	29,137	29,137
Other assets	7,475	7,475
Cash and cash equivalents	27,351	27,351
	772,935	755,833
Trade and other payables	(8,030)	(8,030)
Borrowings from financial institutions	(319)	(319)
Employee benefits	(2,551)	(2,551)
Deferred tax liability	(24,366)	(19,235)
Income tax payable	(20,973)	(20,973)
Amount due to related parties	(182,382)	(182,382)
	(238,621)	(233,490)
Net identifiable assets	534,314	522,343

<u>Total cost of business combination</u>
The total cost of the business combination is as follows:

	Rp.'million
Consideration paid for the 63% equity interest	348,219

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of PT MSSP (cont'd)

Goodwill is computed as follows:

	Rp.'million
Consideration paid	348,219
Net identifiable assets acquired	(336,618)
Capital reserve which does not belong to the Group	(11,601)
Goodwill	-

(b) Acquisition of PT Surya Dumai Agrindo, PT Andalan Mitrasawit Sejati and PT Dharma Bhakti Utama

In July 2007, a subsidiary PT CLP acquired 99.99% of PT Surya Dumai Agrindo ("PT SDA"), which in turn owns 99.90% of PT Andalan Mitrasawit Sejati ("PT AMS") and 99.90% in PT Dharma Bhakti Utama ("PT DBU"), for a cash consideration of Rp. 6,250 million.

The acquisition of PT SDA and subsidiaries had no material impact to the Group's results for the financial year.

The amount of discount on acquisition is Rp. 10,549 million and has been reflected in the line "Differences arising from restructuring transactions under common control" in the consolidated statement of changes in equity.

(c) Acquisition of PT PSA

The Company entered into a conditional sale and purchase agreement dated 9 October 2007 with Infinite Capital Fund Limited ("Infinite Capital"), to acquire shares in Ivory Asset Management-7 Pte. Ltd ("Ivory Asset Management"). Ivory Asset Management holds 95.0% of the issued and paid-up share capital of PT Aditya Seraya Korita, which in turn holds 38.0% of the issued and paid-up share capital of PT PSA, a subsidiary of the Group.

The total consideration payable by the Company for this acquisition was US$115 million (equivalent to Rp. 962,120 million), for which US$15 million (equivalent to Rp. 129,917 million) was settled in cash and the remaining US$100 million (equivalent to Rp. 832,203 million) in newly issued shares of the Company. The acquisition was completed concurrently with the offering. The Company alloted and issued 133,909,091 ordinary shares equivalent to US$100 million based on the Offering Price of S$1.10 to Infinite Capital Fund Limited.

As a result of the above acquisition, the Group owns effectively 95.32% of PT PSA at the end of the financial year.

The acquisition of the additional shares in PT PSA is accounted for as an acquisition of minority interest. The difference between the consideration paid and the book value of the interest is reflected in equity as premium paid on acquisition of minority interests. The amount of premium on acquisition is Rp. 274,056 million and has been reflected in the line "Capital reserve" in the consolidated statement of changes in equity.

The effect on acquisition on cash flows is as follows:

	PT MSSP (7%)	PT MSSP (63%)	PT SDA (99.97%)	Total
	Rp.'million	Rp.'million	Rp.'million	Rp.'million
Total cash consideration for equity interest acquired	8,750	348,219	6,250	363,219
Less: Cash and cash equivalents of subsidiary acquired	-	(27,351)	-	(27,351)
Net cash flow on acquisition	8,750	320,868	6,250	335,868

15. INVESTMENT IN AN ASSOCIATE

	Group	
	2007 Rp.'million	2006 Rp.'million
Unquoted equity shares, at cost	-	39,696
Share of post- acquisition reserves	-	10,566
Carrying amount of investment	-	50,262

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest *
PT Meridan Sejati Surya Plantation (1) (2)	Indonesia	Oil palm plantation	25

* *As at 31 December 2006.*
(1) *Shares are held by PT Ciliandra Perkasa, a direct subsidiary of the Company.*
(2) *Audited by Ernst & Young Indonesia.*

The summarised financial information of the associate is as follows:

	2006 Rp.'million
Assets and liabilities:	
Current assets	17,857
Non-current assets	280,882
Total assets	298,739
Current liabilities	59,963
Non-current liabilities	149,879
Total liabilities	209,842
Results:	
Revenue	138,903
Profit for the year	21,878

As discussed in detail in Note 14, the Group purchased additional shares in PT MSSP during the year. Henceforth, PT MSSP is no longer an associate but a subsidiary of the Group as at year end.

16. DUE FROM/(TO) RELATED PARTIES AND DUE TO IMMEDIATE HOLDING COMPANY

Related parties are entities with common direct or indirect shareholders and / or directors. Parties are considered to be related if only one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

These amounts are non-trade related, unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

17. TAX RECOVERABLE

	Group	
	2007 Rp.'million	**2006 Rp.'million**
VAT	610	1,082
Income Tax Article 23	213	21
Income Tax Article 26	43	106
Corporate income tax	6,468	4,995
Total	7,334	6,204

The above represents tax payments made to the tax authorities on Tax Assessment Letter *Surat Keputusan Pajak* ("SKP") and Tax Collection Letter *Surat Tagihan Pajak* ("STP") which are recoverable subject to objections and appeals lodged with the tax authorities.

18. INTANGIBLE ASSETS

The intangible assets relate to the purchase of Oracle software, which is still in the progress of implementation. Amortisation would only commence upon the date of implementation. The Oracle software will be amortised on a straight-line basis over its estimated useful life of 5 years.

19. INVENTORIES

	Group	
	2007 Rp.'million	**2006 Rp.'million**
Crude Palm Oil	76,926	17,510
Palm Kernel	8,666	2,910
Fresh Fruit Bunches	313	344
Cultivation of seedlings	16,489	21,392
Fertilizer and chemicals	20,033	14,224
Spare parts and other consumables	22,057	16,587
Goods-in-transit	6,452	2,540
Inventories carried at lower of cost and net realisable value	150,936	75,507

20. TRADE RECEIVABLES

	Group	
	2007 Rp.'million	**2006 Rp.'million**
Third parties	32,965	17,751
Related parties	3,980	254
	36,945	18,005

Amounts due from related parties are unsecured, non-interest bearing and are repayable upon demand.

Trade receivables are denominated in the following currencies:

	Group	
	2007 Rp.'million	**2006 Rp.'million**
Indonesian Rupiah	3,980	1,995
US dollars	32,965	16,010
	36,945	18,005

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Group has trade receivables amounting to Rp. 32,965 million (2006: Rp. 18,005 million) that are past due but not impaired. These receivables are unsecured and the analysis of their aging is as follows:

	Group	
	2007 Rp.'million	**2006 Rp.'million**
Current (not due)	3,980	-
Overdue:		
1 - 30 days	32,965	17,750
31 - 90 days	-	255
More than 90 days	-	-
	36,945	18,005

There are no trade receivables which are impaired either individually or collectively as at year end.

21. OTHER RECEIVABLES

	Group		Company	
	2007 Rp.'million	2006 Rp.'million	2007 Rp.'million	2006 Rp.'million
Advances	26,412	6,277	5,055	-
Sundry receivables	17,768	4,444	1,937	-
	44,180	10,721	6,992	-

Advances are mainly payments made to suppliers and contracts for purchase of inventories, capital equipment and construction of capital assets. They are trade in nature, unsecured, interest-free and the obligations from suppliers are expected to be fulfilled within the next twelve months.

Other receivables are denominated in the following currencies:

	Group		Company	
	2007 Rp.'million	2006 Rp.'million	2007 Rp.'million	2006 Rp.'million
Indonesian Rupiah	36,601	10,721	-	-
US dollars	687	-	100	-
SGD	6,892	-	6,892	-
	44,180	10,721	6,992	-

22. PREPAID TAXES

	Group	
	2007 Rp.'million	2006 Rp.'million
Income Tax Article 22	27	57
VAT	23,400	3,237
	23,427	3,294

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. 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. The directors are 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.

23. CASH AND BANK BALANCES

	Group		Company	
	2007 Rp.'million	2006 Rp.'million	2007 Rp.'million	2006 Rp.'million
Cash on hand and in banks	239,134	34,700	23,074	9
Restricted funds	-	710,778	-	-
Time deposits, secured	150,000	-	-	-
Time deposits, unsecured	1,168,943	-	650,490	-
	1,558,077	745,478	673,564	9

Restricted funds represent the following:

	Group		Company	
	2007 Rp.'million	2006 Rp.'million	2007 Rp.'million	2006 Rp.'million
Escrow Account	-	631,821	-	-
Pre-funded Interest Reserve Account	-	77,572	-	-
Interest Sinking Fund	-	1,385	-	-
	-	710,778	-	-

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates, which range between 1.13% and 8.25% (2006: Nil) per annum for the financial year ended 31 December 2007.

Amounts in the Escrow Account represents the funds from the net proceeds of the Notes issued by Ciliandra Perkasa Finance Company Pte Ltd, less the amount of such proceeds deposited into the Pre-Funded Interest Reserve Account and the release of the funds held at Deutsche Bank AG, Singapore Branch by DB Trustees (Hongkong) Limited (Note 28). The restricted funds have been released as at 31 December 2007.

Interest Sinking Fund represents the fund placed in PT Bank Niaga Tbk and PT Bank Syari'ah Mandiri under the name of Trustee for interest settlements on the bonds issued by the Company and disclosed in Note 27. The bonds have been fully redeemed as at 31 December 2007.

Time deposits of Rp. 150,000 million which belong to PT CLP were pledged to secure the Ciliandra Perkasa Bond II Year 2007 (Note 27).

23. CASH AND BANK BALANCES (CONT'D)

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2007 Rp.'million	2006 Rp.'million	2007 Rp.'million	2006 Rp.'million
Indonesian Rupiah	453,720	19,835	-	-
US dollars	431,096	725,642	650,793	-
SGD	673,261	1	22,771	9
Total	1,558,077	745,478	673,564	9

For the purposes of the Statements of Cash Flows, cash and cash equivalents represent the following:

	Group	
	2007 Rp.'million	2006 Rp.'million
Cash on hand and in banks	239,134	34,700
Time deposits, unsecured	1,168,943	-
	1,408,077	34,700

As at 31 December 2007, the amount of funds used to finance the new biodiesel production facility in Dumai, Riau province is Rp. 362,160 million (US$40 million).

24. TRADE PAYABLES

	Group	
	2007 Rp.'million	2006 Rp.'million
Third parties	84,192	51,834
Related parties	3,980	10,292
Total	88,172	62,126

Amounts due to third parties

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days credit terms.

Amounts due to related parties

These amounts are unsecured, non-interest bearing and are repayable on demand.

Trade payables are denominated in the following currencies:

	Group	
	2007 Rp.'million	2006 Rp.'million
Indonesian Rupiah	69,784	35,936
US Dollars	18,328	26,167
Others	60	23
Total	88,172	62,126

24. TRADE PAYABLES (CONT'D)

An analysis of the trade payables aging schedule is as follows:

	Group	
	2007 Rp.'million	2006 Rp.'million
Current	-	-
Overdue:		
1 - 30 days	22,663	21,179
31 - 90 days	41,129	19,014
More than 90 days	24,380	21,933
Total	88,172	62,126

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007 Rp.'million	2006 Rp.'million	2007 Rp.'million	2006 Rp.'million
Accrued staff cost	14,125	45,734	462	-
Accrued professional fees	10,632	1,904	5,165	-
Accrued interest	16,393	10,343	-	-
Accrued contractor fee and retention sums	50,322	9,915	-	-
Advances from customers	56,752	13,456	-	-
Other payables and accruals	10,099	12,783	7	28
Total	158,323	94,135	5,634	28

Advances from customers represent advance payments relating to the sale of finished goods, are trade in nature, unsecured, interest-free, and the obligations to the customers are expected to be fulfilled within the next twelve months.

Other payables are denominated in the following currencies:

	Group		Company	
	2007 Rp.'million	2006 Rp.'million	2007 Rp.'million	2006 Rp.'million
Indonesian Rupiah	145,298	93,395	-	-
US Dollars	7,391	740	-	-
SGD	5,634	-	5,634	28
Total	158,323	94,135	5,634	28

26. LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS

	Group		Company	
	2007 Rp.'million	2006 Rp.'million	2007 Rp.'million	2006 Rp.'million
Consumer financing loans	14,509	4,207	746	-
Obligations under finance lease	9,638	8,038	-	-
Total	24,147	12,245	746	-
Current				
Consumer financing loan	9,089	2,773	98	-
Obligations under finance leases	5,456	4,827	-	-
	14,545	7,600	98	-
Non-current				
Consumer financing loan	5,420	1,434	648	-
Obligations under finance leases	4,182	3,211	-	-
	9,602	4,645	648	-
Total	24,147	12,245	746	-

Details of the loans and borrowings are as follows:

Consumer financing loans

The Group entered into consumer financing loan agreements for purchase of heavy machinery and vehicles incidental to the ordinary course of the business. These consumer financing loans expire within the next three to seven years. The discount rates implicit in these consumer financing loans for the financial years ended 31 December 2006 and 2007 range from 6.2% to 11.9% per annum and 6.6% to 27.8% per annum respectively.

Obligation under financing lease

The Group entered into capital lease agreements for purchase of heavy machinery and vehicles incidental to the ordinary course of the business. These capital leases expire within the next three years. The discount rates implicit in these capital leases for the financial years ended 31 December 2006 and 2007 range from 6.4% to 12.8% per annum and 5.0% to 12.8% per annum respectively.

All the consumer financing loans and obligations under finance lease are denominated in Rupiah, except for an amount of Rp. 746 million (2006:nil) denominated in Singapore Dollars.

27. BONDS PAYABLE

	Note	Group 2007 Rp.'million	Group 2006 Rp.'million
Nominal value:			
Ciliandra Perkasa Bond II Year 2007	(i)	500,000	-
Ciliandra Perkasa Bond II Year 2003	(ii)	-	35,000
Syari'ah Mudharabah Ciliandra Perkasa Bond Year 2003	(iii)	-	55,000
Total		500,000	90,000
Less:			
Bond issuance costs		9,903	3,665
Accumulated amortisation		(166)	(2,047)
Total		9,737	1,618
Bonds payable, net		490,263	88,382

(i) Ciliandra Perkasa Bond II Year 2007

On 27 November 2007, PT CLP issued Rp500 billion bonds (*Obligasi II Ciliandra Perkasa Tahun 2007*) which is listed on the *Bursa Efek Indonesia*. The bonds will be due on 27 November 2012 and bears interest at 11.50% per annum repayable on a quarterly basis from 27 February 2008 until 27 November 2012.

The Bonds are collateralised with:

(i) biological assets and fixed assets on the land on which HGU have been issued to PT MSSP (Note 12) amounting to Rp. 350,000 million; and

(ii) time deposits of PT CLP amounting to Rp. 150,000 million.

Based on the Trustee Agreement, PT CLP and PT MSSP are prohibited, unless with the written consent from the Trustee, to conduct mergers and/or acquisitions which will negatively impact PT CLP and its subsidiaries, to collateralise and/or mortgage part or all of their assets, issue bonds or other kinds of loan instrument with the level higher than these bonds, to change the scope of business activities, initiate bankruptcy process and delay in paying the liability, to decrease the Company's authorised/issued/paid capital stock, and to conduct illegal acts as stipulated in article 1.5 of the agreement.

In addition, PT CLP is required to deposit a Bond Sinking Fund of 10% of the Bond Nominal Value payable should the Bond rating fall below idBBB+ as assessed by *PT Pemeringkat Efek Indonesia* (Pefindo). Based on the report from Pefindo, the bonds issued by the Company are classified as A (Single A Minus; stable outlook).

PT CLP is also required to maintain the following financial ratios in the consolidated financial statements:

- Debt to EBITDA ratio of not more than 3.75 : 1.
- EBITDA to loan interest from 2007 to 2012 ratio of 2.5:1 (EBITDA represents the operating income plus depreciation and amortisation).

The proceeds obtained from Ciliandra Perkasa Bond II 2007, after deducting issuance costs, will be used as follows:

1. 30% of the proceeds to settle PT MSSP's liability; and
2. 70% of the proceeds to finance the development of oil palm plantations.

27. BONDS PAYABLE (CONT'D)

(ii) Ciliandra Perkasa Bond II Year 2003

Ciliandra Perkasa Bond II Year 2003 registered on the Surabaya Stock Exchange on 1 October 2003, are denominated in Rupiah with nominal value of Rp. 290,000 million. The Bonds have a maturity period of 5 years and bear interest at 14.75% per annum. It matures on 26 September 2008. The bond interest is payable quarterly with the first interest payment on 26 December 2003 and the last interest payment on 26 September 2008.

Rp. 255,000 million and Rp. 35,000 million have been redeemed in the financial year 31 December 2006 and 2007 respectively.

(iii) Syari'ah Mudharabah Ciliandra Perkasa Bond Year 2003

Syari'ah Mudharabah Ciliandra Perkasa Bond Year 2003 also registered on the Surabaya Stock Exchange on 1 October 2003, are bonds denominated in Rupiah with nominal value of Rp. 60,000 million and have a maturity period of 5 years. PT CLP will distribute the revenues to the Syari'ah bondholders every 3 months subsequent to the bond issuance date. The amount of distributed revenue is calculated based on the bonds portion held by the bondholders and the related revenue to be distributed which refers to the Fresh Fruit Bunches Sales Contract between PT PSA and PT PISP for a period from 2003 to 2008 with contract value of Rp. 12,500 million per quarter or Palm Oil Sales Contract between PT PSA and PT CLP for the 3rd to 5th year with contract value of Rp. 12,500 million per quarter if the palm oil factory constructed in PT PSA is completed and has started its production activities. The percentage ownership of the bond portion of Syariah Bondholders is 17.70% per annum.

Rp. 5,000 million and Rp. 55,000 million have been redeemed in the financial year ended 31 December 2006 and 2007 respectively.

The costs incurred by PT CLP for all the bonds issuance, covering the underwriting fee for the bond issuance, fees for the Stock Exchange, Securities Rating Institution and others are presented as discounts and are amortised over 5 years using the effective interest method.

Loss on bonds payable redemption including deferred bond issuance costs is presented as financial expenses in the income statement (Note 7).

28. NOTES PAYABLE

	Group	
	2007 Rp.'million	**2006 Rp.'million**
Nominal value	1,507,040	1,443,200
Less: Deferred notes issuance costs	60,541	60,541
Accumulated amortisation of deferred notes	(9,447)	(796)
Total	51,094	59,745
Notes payable, net	1,455,946	1,383,455

On 8 December 2006, the Company issued US$160,000,000 10.75% Guaranteed Secured Notes due 2011 (the "Notes"). The Notes are listed on the Singapore Exchange Securities Trading Limited and are guaranteed by PT CLP, a company established with limited liability under the laws of the Republic of Indonesia, and each of its existing and future restricted subsidiaries.

The Notes bear interest at the rate of 10.75% per year. Interest on the Notes are payable semi-annually on 8 June and 8 December each year, beginning on 8 June 2007. The Notes will mature on 8 December 2011. The Notes are guaranteed by PT CLP and the subsidiaries. The Notes and the Guarantees will be effectively subordinated to all of the Guarantors' existing and future secured indebtedness to the extent of assets securing such indebtedness.

The Notes are secured by:

(a) a security interest in a pre-funded interest reserve account;

(b) a security interest in the escrow account;

(c) a security interest in the new biodiesel plant to be constructed by PT CLP;

(d) a security interest in all moveable assets of PT CLP and its restricted subsidiaries, whether located in Republic of Indonesia or Singapore, including cash accounts, but excluding accounts receivable and inventories;

(e) a pledge by the Company of its rights in the intercompany loans made with the net proceeds of the Notes; and

(f) pledges by the shareholders of PT CLP of 100% of the share capital of PT CLP and a pledge by PT CLP and any restricted subsidiary holding the shares of another restricted subsidiary of all such shares held.

The costs incurred related to the Notes issuance are deferred and presented as discounts amortised over 5 years.

29. PROVISION FOR POST EMPLOYMENT BENEFITS

The Group recognised employment benefits for all its permanent employees pursuant to Indonesian Labor Law No. 13/2003. The provision for employment benefits is based on the calculation of independent actuary, PT Sienco Aktuarindo Utama. No fund was provided for such liability for employment benefits. The total number of employees entitled for such benefits amounted to 3,956 and 4,994 as at 31 December 2006 and 2007 respectively.

The assumptions used in determining the employment benefits up to the balance sheet dates are as follows:

	2007	2006
Normal Pension Age	55 Years	55 Years
Salary Increment Rate per annum	8%	8%
Discount Rate per annum	10% to 11% per annum	11% per annum
Mortality Rate	The Commissioners 1958 Standard Ordinary Mortality Table	The Commissioners 1958 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

Provision for employment benefits for the financial years ended 31 December 2006 and 2007 amounting to Rp. 5,816 million and Rp. 6,661 million respectively, is presented in "General and administrative expenses" in the income statement.

Management has reviewed the assumptions used and believes that such assumptions are adequate. Management believes that the liability for employment benefits is adequate to cover the Group's employment benefit liabilities.

	Group	
	2007 Rp.'million	2006 Rp.'million
Estimated liability for employee benefits		
Present value of employee benefits obligation in addition to the defined contribution scheme	30,992	20,314
Unrecognised net actuarial (loss)/gain	(1,092)	716
Unrecognised past service cost	(3,099)	(1,127)
Post employment benefits liability	26,801	19,903

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

	Group	
	2007 Rp.'million	2006 Rp.'million
At 1 January	19,903	15,309
Acquisition of subsidiary	2,551	-
Net employee benefit expense	6,661	5,816
Benefits paid	(2,314)	(1,222)
At 31 December	26,801	19,903

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

The following table summarises the component of net employee benefits expense recognised in the income statement and the amounts recognised in the consolidated balance sheet:

	Group	
	2007 Rp.'million	**2006 Rp.'million**
Net employee benefit expense		
Current service cost	4,388	4,067
Interest cost on benefit obligation	2,107	1,429
Amortisation of past service cost	144	144
Allowance of internal movement of employee	22	176
Net employee benefit expense	6,661	5,816

The breakdown of net employee benefit expense is as follows:

	2007 Rp.'million	**2006 Rp.'million**
Cost of goods sold		
- FFB	3,401	-
- CPO and PK	920	-
General and administrative expense	2,228	5,816
Capitalised to immature oil palm plantation	112	-
	6,661	5,816

30. DERIVATIVE FINANCIAL LIABILITY

On 4 December 2007, PT CLP entered into a Cross Currency Swap Transaction (Non-deliverable) Agreement ("the Agreement") with Citibank N.A., Singapore ("Citibank"). The trade date is 23 November 2007 while the effective date is 27 November 2007 and the termination date is 27 November 2012.

Based on the Agreement, the Company or Citibank is obliged to pay the net amount every 27 November, 27 February, 27 May and 27 August commencing 27 February 2008 whereby the Company's obligation is based on the amount of USD53,418,803 at 7.40% per annum while Citibank's obligation is based on the amount of Rp. 500,000 million at 11.50% per annum. At the termination date, one of the parties is obliged to pay the net principal amount.

The loss from mark to market value of cross currency swap agreement for the financial year ended 31 December 2007 amounted to US$601,015 (or equivalent to Rp. 5,660 million) whilst the interest income amounted to Rp. 1,913million. The net amount of Rp. 3,747 million is presented in the income statement as "loss on fair value changes of cross currency swap" in the income statement (Note 7).

31. SHARE CAPITAL

	No. of shares	Cost Rp.'million
At 1 January 2006	54,485,965	309,777
Issued for settlement of payment for subscription of shares in a subsidiary	3,537,900	20,710
At 31 December 2006 and 1 January 2007	58,023,865	330,487
Issued to offset against debts owing to immediate holding company	18,010,327	106,801
Issued pursuant to loan and novation agreement	769,150	4,561
Issued to immediate holding company	500,000	2,965
Sub-total	77,303,342	444,814
After share split (1)	1,159,550,130	444,814
Issued pursuant to Initial Public Offering	175,000,000	1,125,731
Initial Public Offering expenses	-	(52,143)
Issued for acquisition of minority interest	133,909,091	832,203
At 31 December 2007	1,468,459,221	2,350,605

In accordance with the Companies (Amendment) Act 2005, the concepts of" par value" and "authorised capital" were abolished on 30 January 2006 and the shares of the Company ceased to have a par value.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote per share without restriction.

(1) The share split of one ordinary share to 15 ordinary shares was approved by the shareholders at an Extraordinary General Meeting on 14 November 2007.

32. DIFFERENCE ARISING FROM RESTRUCTURING TRANSACTIONS INVOLVING ENTITIES UNDER COMMON CONTROL

This represents the difference between the cost of investment of subsidiary and net assets of the subsidiary as at the date of acquisition of entities under common control.

33. 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 PT PSA.

34. REVALUATION RESERVE

Revaluation reserve represents the fair value adjustment of property, plant and equipment at the point of acquisition of shares of PT MSSP.

35. FOREIGN TRANSLATION RESERVES

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

36. CLASSES OF FINANCIAL ASSETS AND LIABILITIES

The following are the different classes of financial assets and liabilities as at 31 December:

	Group		Company	
	2007 Rp.'million	2006 Rp.'million	2007 Rp.'million	2006 Rp.'million
Assets				
Loans and receivables				
Due from related parties (non-current)	-	23,163	-	524
Trade receivables	36,945	18,005	-	-
Other receivables	44,180	10,721	6,992	-
Due from related parties (current)	-	-	888	-
Cash and bank balances	1,558,077	745,478	673,564	9
Total	1,639,202	797,367	681,444	533
Liabilities				
At amortised cost				
Trade payables	88,172	62,126	-	-
Other payables and accruals	158,323	94,135	5,634	28
Due to immediate holding company	3,534	100,000	-	100,000
Due from related parties	-	15,605	4,422	7
Loans and borrowings (current)	14,545	7,600	98	-
Loans and borrowings (non-current)	9,602	4,645	648	-
Bonds payable	490,263	88,382	-	-
Notes payable	1,455,946	1,383,455	-	-
Total	2,220,385	1,755,948	10,802	100,035
At fair value through profit or loss				
Derivative financial liability	3,747	-	-	-

37. COMMITMENTS AND CONTINGENCIES

(a) Sales Contracts

During the relevant balance sheet dates, the Group has commitment to sell CPO on the pre-determined terms to its customers as follows:

Balance sheet dates	Contract completion date	Tonnes	Price per tonne
31 December 2006	Between January 2007 and December 2009	30,000	USD445
		30,000	USD450
		30,000	USD455
		15,000	USD530
31 December 2007	Between January 2008 and December 2009	30,000	USD450
		30,000	USD455

37. COMMITMENTS AND CONTINGENCIES (CONT'D)

(b) Collateral for Credit Facilities

PT PISP had obtained credit facilities from PT Bank Negara Indonesia (Persero) Tbk ("the Bank") collateralised over PT PISP's property, plant and equipment, including leased equipment, inventories, accounts receivable, corporate guarantee from PT Perawang Lumber Industri, personal guarantees from former directors and mortgage of all PISP's stocks.

The credit facilities were settled in 2005, but the collateral has not been returned by the Bank as the Bank confirmed that the collateral would be returned when all plasma plantations have been converted. As at 31 December 2007, the plasma plantations were not yet completely converted. On 22 February 2008, the collaterals were released by the Bank (Note 42).

(c) Key contracts of PT MII

PT MII has entered into several agreements for the construction of a palm oil mill. The counterparties to these agreements are PT Eracipta Binakarya for related mechanical fabrication and construction, PT Wijaya Karya for civil construction, PT Super Andalas Steel for the construction of 1 unit Takuma Boiler, PMT Industries (HK) Limited for the purchase of a steam turbine and several other suppliers for various equipments. The combined value of these commitments as at 31 December 2007 is Rp. 72,507 million (made up of individual amounts of Rp. 67,383 million, JPY 15 million and USD 856,460 in their source currencies).

(d) Key contracts of PT CLP

PT CLP has entered into several agreements for the construction of a biodiesel plant. The counterparties to these agreements are PT Mitra Pemuda for civil construction, PT Kawasan Industri Dumai for the purchase and reclaiming of industrial land, De Smet Engineering (SEA) Pte Ltd for the fabrication of the biodiesel battery unit, SMEC (Malaysia) Sdn. Bhd. for consultancy services, Rekanan Jurutera Perunding Sdn. Bhd. for consultancy services and PT Wijaya Karya for piling and civil construction works. The combined value of these commitments as at 31 December 2007 is Rp. 369,669 million (made up of individual amounts of Rp. 164,176 million and USD22 million in their source currencies).

(e) Contracts for implementation of Oracle

PT CLP has also entered into an agreement with PT Mitra Integrasi Informatika for the license and implementation for the Oracle Financial and Purchasing modules. The contract value as at 31 December 2007 amounts to USD 132,000.

(f) Operating lease commitments

As Lessee

The Group has entered into commercial leases to lease land and buildings. These non-cancellable operating leases have remaining lease terms of between 3 months to 10 years and contain provisions for rental adjustments. There are no restrictions placed upon the lessee by entering into these leases. Operating lease payments recognised in the income statement for the financial years ended 2006 and 2007 amounted to Rp. 992 million and Rp. 4,649 million.

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

	2007 Rp.'million	2006 Rp.'million
Within one year	17,926	207
After one year but not more than five years	9,212	-
	27,138	207

38. RELATED PARTY DISCLOSURES

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

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 2006 and 2007 at the terms agreed between the parties, which are conducted at arm's length.

	2007 Rp.'million	2006 Rp.'million
Associate		
- Sales of goods	-	8,109
- Purchase of goods, processing fees, management fees and others	3,980	5,117
- Interest income	1,913	-
- Dividend income	250	-
Director-related company and ex-director		
- Acquisition of shares in subsidiaries[1]	-	317,300
Director-related company		
- Lease of office space	3,020	992

(1) In 2005, a director-related company transferred 112,500,000 shares in PT CLP valued at Rp. 112,500 million to the Company as part of the repayment. In 2006, the same director-related company and an ex-director transferred 317,300,000 shares in PT CLP valued at Rp. 317,300 million, of which Rp. 197,500 million was utilised as the final settlement of an outstanding note receivable.

Compensation of key management personnel of the Group

	2007 Rp.'million	2006 Rp.'million
Salaries, wages, allowances and other benefits	12,973	10,559
Director fees	564	-
Post-employment benefits	958	1,234
	14,495	11,793
Comprise amouts paid to:		
Directors of the Group	14,495	11,793

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise consumer financing loans, obligations under finance leases, cash and short-term time deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

It is and has been the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, market risk (including currency risk and commodity price risk), credit risk and liquidity risk. The directors review and agree policies for managing each of these risks, which are described in more details as follows:

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

(a) Fair value and cash flow interest rate risk

The Group's interest rate risk mainly arises from time deposits, consumer financing loans and obligations under finance leases. Borrowings at variable rates expose the Group to fair value interest rate risk.

All of the Group's and the Company's interest-bearing financial assets and liabilities are at fixed rates except for time deposits, which are placed for varying periods of between 7 days to one month, depending on the immediate cash flow requirements of the Group, and earn interests at the respective short-term deposit rates.

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit net of tax (through the impact on interest income on floating rate financial assets and liabilities).

	Increase/ (decrease) in basis points	Effect on profit net of tax
2007		**Rp.'million**
	+25	258
	-25	(590)
	+50	681
	-50	(1,013)
	+100	1,529
	-100	(1,861)

There were no financial assets and liabilities which are at floating rates in 2006, apart from time deposits as described below.

The effects of the time deposits which are at floating rates arising from the proceeds from the notes payables in Note 28 and the time deposits arising from the proceeds from the bonds payable in Note 27 is not expected to be significant, as these were placed only at the end of the financial years ended 31 December 2006 and 2007 respectively.

The table below sets out the Group's exposure to interest rate risk. Included in the table are the assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Interest bearing			Non-Interest bearing	
	Less than 1 year	Within 1 to 5 years	More than 5 years		Total
	Rp.'million	Rp.'million	Rp.'million	Rp.'million	Rp.'million
Group					
As at 31 December 2007					
Assets					
Trade receivables	-	-	-	36,945	36,945
Other receivables	-	-	-	44,180	44,180
Cash and cash equivalents	1,318,943	-	-	239,134	1,558,077
Liabilities					
Due to holding company	-	-	-	3,534	3,534
Loans and borrowings from financial institutions	14,545	9,602	-	-	24,147
Bonds payable	-	490,263	-	-	490,263
Trade payables	-	-	-	88,172	88,172
Other payables and accruals	-	-	-	158,323	158,323
Notes payable	-	1,455,946	-	-	1,455,946
Derivative financial liability	-	3,747	-	-	3,747

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

(a) Fair value and cash flow interest rate risk (cont'd)

	Interest bearing			Non-Interest bearing	
	Less than 1 year	Within 1 to 5 years	More than 5 years		Total
	Rp.'million	Rp.'million	Rp.'million	Rp.'million	Rp.'million
Group					
As at 31 December 2006					
Assets					
Due from related parties	-	-	-	23,163	23,163
Trade receivables	-	-	-	18,005	18,005
Other receivables	-	-	-	10,721	10,721
Cash and cash equivalents	710,778	-	-	34,700	745,478
Liabilities					
Due to related parties	-	-	-	15,605	15,605
Due to immediate holding company	-	-	-	100,000	100,000
Loans and borrowings from financial institutions	7,600	4,645	-	-	12,245
Bonds payable	-	88,382	-	-	88,382
Trade payables	-	-	-	62,126	62,126
Other payables and accruals	-	-	-	94,135	94,135
Notes payable	-	1,383,455	-	-	1,383,455

	Interest bearing			Non-Interest bearing	
	Less than 1 year	Within 1 to 5 years	More than 5 years		Total
	Rp.'million	Rp.'million	Rp.'million	Rp.'million	Rp.'million
Company					
As at 31 December 2007					
Assets					
Due from related parties	-	-	-	888	888
Other receivables	-	-	-	6,992	6,992
Cash and bank balances	650,490	-	-	23,074	673,564
Liabilities					
Other payables and accruals	-	-	-	5,634	5,634
Due to related parties	-	-	-	4,422	4,422
Loans and borrowings from financial institutions	98	648	-	-	746

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

(a) *Fair value and cash flow interest rate risk (cont'd)*

	Interest bearing			Non-Interest bearing	
	Less than 1 year	Within 1 to 5 years	More than 5 years		Total
	Rp.'million	Rp.'million	Rp.'million	Rp.'million	Rp.'million
Company					
As at 31 December 2006					
Assets					
Due from related parties	-	-	-	524	524
Cash and bank balances	-	-	-	9	9
Liabilities					
Other payables and accruals	-	-	-	28	28
Due to related parties	-	-	-	7	7
Due to immediate holding company	-	-	-	100,000	100,000

(b) *Foreign currency risk*

The Group has transactional currency exposures arising from sales that are denominated in a currency other than the respective functional currencies of Group entities, primarily Singapore Dollars and Indonesian Rupiah. The foreign currencies in which these transactions are denominated are mainly U.S Dollars (USD). Approximately 32% (2006: 13%) of the Group's sales are denominated in foreign currencies. The Group's trade receivable and trade payable balances at the balance sheet date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

The Group's foreign currency exposures are highlighted in Notes 20, 21, 23, 24, 25, 26, 27 and 28.

The Group is also exposed to currency translation risk arising from its net investments in Singapore. The Group does not hedge is translational currency exposures.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollars and Singapore Dollars (against Rupiah), with all other variables held constant, of the Group's profit net of tax and equity.

	Group			
	2007 S$'000		2006 S$'000	
	Profit net of tax	Equity	Profit net of tax	Equity
USD				
- strengthened 5.11% (2006: 8.59%)	(6)	-	(6)	-
- weakened 3.60% (2006: 3.33%)	4	-	2	-
SGD				
- strengthened 0.28% (2006: 1.34%)	-	-	-	-
- weakened 11.70% (2006: 5.72%)	-	(12)	-	(1)

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

(c) Commodity price risk

The Group is exposed to commodity price risk due to certain factors, such as weather, government policy, level of demand and supply in the market and the global economic environment. Such exposure mainly arises from its purchase of CPO where the profit margin on sale of its finished products may be affected if the cost of CPO increases and the Group is unable to pass such cost increases to its customers.

The Group's policy is to minimise the risks arising from the fluctuations in the commodity prices by being partly self-sufficient in CPO as this provides a hedge against such cost fluctuations. To the extent that it is unable to do so, the Group may minimise such risks through forward contracts. As such, it may also be exposed to commodity price risk as changes in fair value of future commodity contracts are recognised directly in the income statement.

Sensitivity analysis for CPO price risk

At the balance sheet date, the following CPO prices were used to determine the impact to the profit before tax arising from changes in fair value of biological assets, with the other factors held constant:

Financial year ended 31 December 2007

Year	Base case	Scenario 1	Scenario 2
	USD	USD	USD
2008	740	900	1,000
2009	720	876	973
2010 - 2014	554	674	749
2015	500	608	676
2016 - 2022	450	547	608

Financial year ended 31 December 2006

Year	Base case	Scenario 1	Scenario 2
	USD	USD	USD
2007	487	647	747
2008	487	643	740
2009 - 2013	487	607	682
2014	487	595	663
2015 - 2021	487	584	645

The impact to the profit before tax is as follows:

Year	Scenario 1		Scenario 2	
	Increase in PBT	Increase from original value	Increase in to PBT	Increase from original value
	Rp.' million	%	Rp.' million	%
2007	1,056,081	35	1,788,323	59
2006	1,392,723	55	2,263,700	90

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. 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. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the balance sheet date, 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.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 20 and 21.

At the balance sheet date, approximately:

- 89% (2006: 48%) of the Group's trade receivables were due from a major customer located in Indonesia; and
- 11% (2006: 1%) of the Group's trade and other receivables were due from related parties while almost all of the Company's receivables were balances with related parties.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20 (Trade receivables).

39. 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 arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

At the balance sheet date, approximately 12% (2006: 16%) of the Group's loans and borrowings (Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements. 94% (2006: 0.03%) of the Company's loans and borrowings will mature in less than one year at the balance sheet date.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	1 year or less	1 to 5 years	Over 5 years	Total
Group				
2007				
Trade and other payables	246,495	-	-	246,495
Other liabilities and derivatives	3,534	3,747	-	7,281
Loans and borrowings	14,545	9,602	-	24,147
Bonds payable	-	490,263	-	490,263
Notes payable	-	1,455,946	-	1,455,946
	264,574	1,959,558	-	2,224,132
2006				
Trade and other payables	156,261	-	-	156,261
Other liabilities and derivatives	115,605	-	-	115,605
Loans and borrowings	7,600	4,645	-	12,245
Bonds payable	-	88,382	-	88,382
Notes payable	-	1,383,455	-	1,383,455
	279,466	1,476,482	-	1,755,948
Company				
2007				
Trade and other payables	5,634	-	-	5,634
Other liabilities and derivatives	4,422	-	-	4,422
Loans and borrowings	98	648	-	746
	10,154	648	-	10,802
2006				
Trade and other payables	28	-	-	28
Other liabilities and derivatives	100,007	-	-	100,007
	100,035	-	-	100,035

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

(f) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and 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.

The Group monitors capital using a gearing ratio, which is net debt divided by Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA"). The Group's policy is to keep the gearing ratio low. With effect from December 2006, in accordance to the terms and conditions of the covenants stated in the Notes payable agreement, the Group has to maintain a gearing ratio of no more than 3.75 times of EBITDA.

	2007 Rp.'million	2006 Rp.'million (restated)
Notes payable (Note 28)	1,455,946	1,383,455
Bonds payable (Note 27)	490,263	88,382
Interest bearing loans and borrowings (Note 26)	24,147	12,245
Less: Cash and short term deposits (Note 23)	(1,558,077)	(745,478)
Net debt	412,279	738,604
EBITDA	855,734	392,245
Gearing ratio	0.48	1.88

40. FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's-length transaction, other than in a forced or liquidation sale situation.

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

The fair value of the cross currency swap highlighted in Note 30 is based on its market price as at the end of the financial year.

Long-term loans to employees are carried at amortised cost using the effective interest method and the discount rates used are the current market incremental lending rate for similar types of lending.

The fair value of bonds payable, notes payable, consumer financing loans and obligations under capital leases are recorded at amortised cost using the effective interest method.

(b) Financial instruments with carrying amounts that approximate their fair values

The fair value of cash and cash equivalents, current trade and other receivables, current trade and other payables and current and short-term bank loans approximate their carrying values due to their short-term nature.

41. SEGMENT INFORMATION

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

The Group operates in Indonesia with sales made to the Indonesian market. Accordingly, an analysis of assets and profits of the Company by geographical distribution has not been included for the purposes of presentation under secondary segment.

42. SUBSEQUENT EVENTS

(a) On 6 March 2008, the Corruption Eradication Commission of Republic of Indonesia ("*Komisi Pemberantasan Korupsi Republik Indonesia*" or "KPK"), announced that KPK has seized certain properties and will auction those properties in relation to the case of Martias (affiliated party) by referral to the decision of Supreme Court ("*Mahkamah Agung*") dated 11 December 2007.

On 13 March 2008, Martias has paid the amount of Rp346,823 million to KPK in referral to the decision of Supreme Court dated 11 December 2007. With the payment made, KPK has removed all seizure or transfer restrictions on the Group's assets.

(b) On 18 January 2008, PT SDA, a subsidiary, entered into a sale and purchase agreement with PT Riau Makmur Sentosa to purchase 6,870 hectares of land located in Riau Province, Bengkalis Regency at a purchase price of Rp18,000 million. The completion of the purchase is subject to the receipt of the HGU certificate from *Kantor Pertanahan Kabupaten Bengkalis*, and subject to inspection of the area to ensure it is conducive for oil palm plantation.

(c) On 22 February 2008, PT Bank Negara Indonesia (Persero) Tbk (Bank) has released all of the subsidiary PT PISP's collaterals (Note 37(b)).

43. COMPARATIVES

The following have been reclassified to better reflect the nature of the balances and to conform to current year's presentation:

Presented in the Notes to the Financial Statements:

	2006 Rp.'million Restated	**2006 Rp.'million Previous**
Notes payable	1,383,455	1,383,455
Bonds payable	88,382	88,382
Interest-bearing loans and borrowings	12,245	12,245
Trade and other payables	-	156,261
Due to related parties and immediate holding company	-	115,605
Less: Cash and short term deposits	(745,478)	(745,478)
Net debt	738,604	1,010,470
EBITDA	392,245	392,245
Gearing ratio	1.88	2.58

Certain other reclassifications have been made in order to conform to current year presentation.

44. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE

The financial statements for the financial year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 3 April 2008.

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2008

SHAREHOLDERS' INFORMATION AS AT 17 MARCH 2008

Class of shares	:	Ordinary share
No. of equity securities	:	1,468,459,221
Voting rights	:	One vote per share

As at 17 March 2008, the Company did not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	3	0.07	464	0.00
1,000 – 10,000	3,080	73.98	16,192,000	1.10
10,001 – 1,000,000	1,056	25.37	49,640,000	3.38
1,000,001 and above	24	0.58	1,402,626,757	95.52
TOTAL	**4,163**	**100.00**	**1,468,459,221**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	%
1.	EIGHT CAPITAL INC	1,075,800,130	73.26
2.	INFINITE CAPITAL FUND LIMITED	133,909,091	9.12
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	53,612,000	3.65
4.	DB NOMINEES (S) PTE LTD	31,740,477	2.16
5.	HSBC (SINGAPORE) NOMINEES PTE LTD	22,240,017	1.51
6.	DBS NOMINEES PTE LTD	19,783,720	1.35
7.	UNITED OVERSEAS BANK NOMINEES PTE LTD	18,375,000	1.25
8.	DBSN SERVICES PTE LTD	12,906,000	0.88
9.	RAFFLES NOMINEES PTE LTD	5,535,000	0.38
10.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	4,650,523	0.32
11.	KIM ENG SECURITIES PTE. LTD.	2,552,000	0.17
12.	OVERSEA CHINESE BANK NOMINEES PTE LTD	2,449,000	0.17
13.	MERRILL LYNCH (SINGAPORE) PTE LTD	2,307,000	0.16
14.	OCBC SECURITIES PRIVATE LTD	2,121,000	0.14
15.	PHILLIP SECURITIES PTE LTD	2,039,799	0.14
16.	DBS VICKERS SECURITIES (S) PTE LTD	1,838,000	0.13
17.	MERYANI	1,650,000	0.11
18.	SUSANNY BERVITA GUNADI	1,550,000	0.11
19.	YENNY JUWITA	1,436,000	0.10
20.	CHERYL DARMADI	1,429,000	0.10
	TOTAL	**1,397,923,757**	**95.21**

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2008

SUBSTANTIAL SHAREHOLDERS AS AT 17 MARCH 2008

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Eight Capital Inc	1,075,800,130	73.26	-	-
Lizant Investment Ltd. (1)	-	-	1,075,800,130	73.26
Ciliandra Fangiono (2)	-	-	1,075,800,130	73.26
Wirastuty Fangiono (2)	-	-	1,075,800,130	73.26
Cik Sigih Fangiono (2)	-	-	1,075,800,130	73.26
Wirasneny Fangiono (2)	-	-	1,075,800,130	73.26
Ciliandrew Fangiono (2)	-	-	1,075,800,130	73.26
Wirashery Fangiono (2)	-	-	1,075,800,130	73.26
Infinite Capital Fund Limited	133,909,091	9.1	-	-
King Fortune International Inc. (3)	-	-	133,909,091	9.1
DB International Trust (Singapore) Limited (4)	-	-	133,909,091	9.1
Ivory Capital Partners Pte Ltd (5)	-	-	133,909,091	9.1

Notes:

1. Lizant Investment Ltd. ("Lizant") is the sole Shareholder of Eight Capital Inc. ("Eight Capital") and is deemed to be interested in the shares held by 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 share 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, a discretionary (the "Trust"). Accordingly, the Shares held indirectly by King Fortune are property that is subject to the Trust of which the settler is Ng Khim Guan. The beneficiaries of the trust are the settlor's spouse, children, grandchildren and remoter issue. Distribution of the income and capital of the Trust are at the Trustee's discretion. The beneficiaries of the Trust currently do not have any interest under the Trust over the Shares. Infinite Capital Fund Limited has appointed Ivory Capital Partners Pte Ltd as investment manager with powers of investment and the right to exercise the voting rights of the Shares. Ivory Capital Partners Pte Ltd is not connected to the settlor or his family.
5. Ivory Capital Partners Pte Ltd is the investment manager of Infinite Capital Fund Limited and is deemed to be interested in the shares held by Infinite Capital Fund Limited.

PUBLIC FLOAT

As at 17 March 2008, 17.5% 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 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.

NOTICE OF ANNUAL GENERAL MEETING

FIRST RESOURCES LIMITED
(Company Registration No. 200415931M)
(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of First Resources Limited ("the Company") will be held at Raffles City Convention Centre, Bras Basah Room, Level 4, 2 Stamford Road, Singapore 178882 on Tuesday, 29 April 2008 at 3.30 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 2007 together with the Auditors' Report thereon. **(Resolution 1)**

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

Ms Wirastuty Fangiono	(Retiring under Article 93)	**(Resolution 2)**
Mr Lim Ming Seong	(Retiring under Article 99)	**(Resolution 3)**
Mr Ray Yoshuara	(Retiring under Article 99)	**(Resolution 4)**
Mr Teng Cheong Kwee	(Retiring under Article 99)	**(Resolution 5)**
Mr Hee Theng Fong	(Retiring under Article 99)	**(Resolution 6)**
Mr Ng Shin Ein	(Retiring under Article 99)	**(Resolution 7)**

Mr Lim Ming Seong will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and will be considered independent.

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

Mr Teng Cheong Kwee will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee and a member of the Remuneration Committee and will be considered independent.

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

Ms Ng Shin Ein will, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Nominating Committee and will be considered independent.

3. To approve the payment of Directors' fees of S$92,500 for the year ended 31 December 2007. **(Resolution 8)**

4. To re-appoint Ernst & Young as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 9)**

5. 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:

6. **Authority to issue shares up to 50 per centum (50%) of the issued shares in the capital of the Company**

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, 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

FIRST RESOURCES LIMITED
(Company Registration No. 200415931M)
(Incorporated in Singapore with limited liability)

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument 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) and Instruments 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 and Instruments to be issued other than on a pro rata basis to existing 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 and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments 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 the Instruments or any convertible securities;
(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
(c) any subsequent 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 (i) 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 or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.
[See Explanatory Note (i)] **(Resolution 10)**

By Order of the Board

Tan San-Ju
Secretary
Singapore, 11 April 2008

Explanatory Notes:

(i) The Ordinary Resolution 10 in item 6 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date 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 existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company 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 the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

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 on Tuesday, 29 April 2008 at 3.30 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 2007		
2	Re-election of Ms Wirastuty Fangiono as a Director		
3	Re-election of Mr Lim Ming Seong as a Director		
4	Re-election of Mr Ray Yoshuara as a Director		
5	Re-election of Mr Teng Cheong Kwee as a Director		
6	Re-election of Mr Hee Theng Fong as a Director		
7	Re-election of Ms Ng Shin Ein as a Director		
8	Approval of Directors' fees amounting to S$92,500		
9	Re-appointment of Ernst & Young as Auditors		
10	Authority to issue new shares		

Dated this ____________ day of ____________ 2008

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*

(Please see notes overleaf before completing this Form)

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, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

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.

First Resources Limited

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